

**Issuer:** Sin Ghee Huat Corporation Ltd.  
**Security:** Sin Ghee Huat Corporation Ltd.

**Meeting details:**

**Date:** 19 Oct 2016  
**Time:** 11:00 AM  
**Venue:** 32 Penhas Road, #01-01, Singapore 208191

**Company Description**

Sin Ghee Huat Corporation Ltd. engages in the sale and distribution of stainless steel products primarily in Singapore, ASEAN, China, Australia, New Zealand, India, South America, and the Middle East. The company provides welded and seamless pipes; butt welded, seamless, and forged fittings; RF flanges; and equal angle, round, hexagonal, U channel, flat, and square bars. It also offers cold roll and perforated sheets; checkered and hot roll plates; seamless and seamless hollow tubes; ornamental tubes, such as round, square, and rectangular tubes; and duplex stainless steel products. The company serves oil and gas, petrochemicals, marine, construction, food processing, and other industries. Sin Ghee Huat Corporation Ltd. was founded in 1939 and is headquartered in Singapore.

**Source:** [http://sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?page=1&code=B7K&lang=en-us](http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?page=1&code=B7K&lang=en-us)

1. Despite a very challenging trading environment, the group has performed rather credibly and remained profitable. The group appears to be prudently managed- the balance sheet is strong and backed by cash and cash equivalents of \$26.0 million (page 9 of the annual report - Financial Highlights). Cash flow from operations in the financial year was strong (+\$12.5 million) and the group has manageable liabilities. Receivable turnover has dropped to 75 days in FY2016 as well.

However, since FY2008, the group has not been able to substantially improve the return on assets. For the past 8 years since FY2008, return on assets averaged 3.8%.

|                      | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Return on assets (%) | 21.0%  | 13.4%  | 1.6%   | 4.2%   | 5.9%   | 6.0%   | 4.6%   | 4.0%   | 3.8%   | 0.0%   |

Source: Sin Ghee Huat Annual Reports

**Shareholders would like to ask the board/management for more clarity on the prospects of the group’s core business as a major stockist and “one-stop” distributor of stainless steel products. Could the current business model of being a stockist be outdated or be disrupted? What are the pro-active efforts that management has taken/will be taking to capture more value for shareholders during weak markets?**

2. The group’s sales volume and revenue have decreased as many customers in the oil and gas and related industries reduce or suspend their activities. In terms of working capital(page 8), the group’s inventory has been reduced by 13% to \$38.8 million but inventory turnover days still hit a high of 358 days in FY2016. Looking at the past 10 years, the inventory turnover days ranged from 225 to 260 days, except during the Financial Crisis (FY 2009 & FY 2010) and the past two years where the figure exceeded 300 days.

From FY2014 to FY2016, the group has written down more inventories to net realisable value each year - \$36,000 (FY2014), \$243,000 (FY2015) and \$663,000 (FY2016).

**Has the group been agile enough to finetune the business model based on market conditions?** For instance, distribution costs decreased by 2% and administrative expenses were flat even though the group’s revenue dropped 13%. **Also, what is the policy on the level of inventory (months of stock carried)? Has this been reviewed by the board/management as a key risk metric?** On the other hand, this could be an opportunity for the group as well as since prices of stainless steel products have fallen by about two-thirds from the peak, according to figures published by MEPS. **Can the board help shareholders understand the concrete steps the group is taking to “emerge even stronger” when the storm subsides (page 6 – Letter to Shareholders)?**

3. Can management also talk about the prospects and key drivers of the subsidiaries and joint venture? Specifically:

- SG Specialty Metals: **How different are the specialty steel products from the core business and what is the progress on the value-added processing services by the subsidiary?**
- SG Metals (Suzhou) Ltd: As the Suzhou subsidiary enters its seventh year, **what would be the minimum required performance to warrant its continued operations?**
- First Break SG Metals (“FBSGM”): Despite being established in February 2015, the early signs are promising and FBSGM reported a profit for the year ended 30 June 2016. **What has contributed to the early success of this Joint Venture and what is the potential of the New Zealand market?**