

**Issuer:** Lee Metal Group Ltd  
**Security:** Lee Metal Group Ltd

**Meeting details:**

Date: 21 April 2017

Time: 10:00H

Venue: No. 7, Tuas Avenue 16, Singapore 638934

**Company Description**

Lee Metal Group Ltd engages in steel merchandising, fabrication, and metal recycling activities in Singapore and Malaysia. It operates through two segments, Steel Merchandising, and Fabrication and Manufacturing. The company trades in steel and metal materials and/or products, as well as steel recycling materials; manufactures reinforcing mesh and other manufactured mesh; and processes fabricated reinforcing bars. Its products include steel reinforcement bars; cut and bend bars; prefabricated cages; engineered mesh products; standard fabrics; and mesh lapping and slab mesh detailing products, as well as beam stirrup, beam capping, column link, and column C-link cages. The company is also involved in property development, construction, and management activities. Lee Metal Group Ltd was founded in 1982 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=593](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=593))

**Q1.** Given the winding down of the Steel Merchandising business, the group's business model will be Singapore-centric, with core focus on the Fabrication and Manufacturing segment (page 5 of the annual report – Letter to shareholders).

- a) Revenue from the Fabrication and Manufacturing segment dropped from \$396 million to \$315 million. **What is the tonnage delivered in 2016?**
- b) **Does the group have an estimate of its share of the welded mesh market in Singapore?**

In the Letter to Shareholders, it was said that the group “reduced its manpower headcount” but the Corporate Profile (page 1) still shows the headcount as "over 550 employees", unchanged from last year.

- c) **What is the group's current manpower headcount?**
- d) **What is the progress made in automating some of the group's manufacturing processes? Can management share some of the innovative practices and automation that has enhanced the group's productivity?**
- e) **How does management measure productivity?**

**Q2.** In the Independent Auditor's Report (pages 20 to 25), the group has listed (i) Impairment of trade receivables and (ii) Provision for onerous contracts as key audit matters. In Note 20 (page 71 - Trade and other receivables), the group had recognised an allowance for impairment of \$1.14 million. The group has always been prudent and had not provided any impairment for several years.

- a) **Can management help shareholders understand the situation(s) that led to the allowance and what is the current financial situation of the debtor(s)?**

In Note 25 (page 75 - Provision of onerous contracts), the provision for onerous contracts in 2016 was \$6.79 million.

- b) **Shareholders would like to understand what led to the provision of \$6.79 million.** This is unusually large relative to the group's revenue and the lower volume of business carried out in 2016.
- c) **Why was there a mismatch in contracted price and/or volume between the Group's committed supply contracts and sales contracts?**
- d) **Are the group's hedging and/or risk management policies robust enough and have the policies been observed?**

**Q3.** In Note 18 (page 68 – Asset held for sale under development), it is disclosed that the group had incurred development costs of \$2.22 million (inclusive of capitalised interest costs) on the leasehold land that was acquired in 2015 at a cost of \$12.2 million. The total amount recognised as asset held for sale under development is \$14.4 million as at 31 December 2016.

In the company's "Third Quarter and Nine Months Financial Statements And Dividend Announcement" dated 9 November 2015, it was disclosed in note 5 that "asset held for sale increased by \$12.7m due to acquisition of a freehold bungalow in prime district for redevelopment to a new luxury bungalow". Since then, there has been no meaningful update.

- a) Can shareholders get more visibility into the current status of the freehold bungalow?**
- b) Has the redevelopment work been completed?**
- c) How is the group going to market the freehold luxury bungalow in this economic condition?**
- d) Separately, the group had previously participated in large-scale property development with other partners, such as Austville Residences, and the group had bid for other projects as well.**
- e) Can management let shareholders know if the group is still actively evaluating other development projects on an on-going basis?**