

Issuer: Hupsteel Limited

Security: Hupsteel Limited

Meeting details:

Date: 26 October 2017

Time: 2.30 p.m

Venue: 116 Neythal Road Singapore 628603

Company Description

HUPSteel Limited, an investment holding company, trades in industrial steel products for the oil and gas, chemical and petrochemical, energy, infrastructure, marine, and other industries in Singapore, Malaysia, other Southeast Asian countries, and internationally. It provides pipes, butt weld fittings, flanges, and forged fittings; and structural steel products, such as mild steel plates, high tensile steel plates, mild steel ship plates, boiler plates, mild steel chequered plates, mild steel and high universal beams, sheet piles, bulb flats, channel bars, equal and unequal angle bars, inverted angle bars, flat bars, square bars, round bars, cold formed hollow sections, lipped channels, circular hot finished sections, and square and rectangular hot finished sections. The company also provides building materials, including adhesives, acrylic waterproofing systems, sealants, primers, backer rods, application tools, chair gate padlocks, win steel slotted angles, and dove cutting abrasives. In addition, it offers pallet, double deep, drive-in, and cantilever racking systems; and medium duty and two/three tiers shelving systems. Further, the company provides racking and logistics services, as well as engages in the property investment holding activities. HUPSteel Limited was founded in 1945 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BMH)

Q1. In the Chairman’s message (page 6 of the annual report), it was highlighted that over the last two years, the group has successfully effected a smooth transition of leadership to get the group ready for the next phase of growth.

The Chairman has called for the management team, staff and shareholders to give their support to the new Chief Executive Officer to bring the group through the current challenging business conditions.

- a) **As the new leadership team has had a long transition period leading up to the actual handover, shareholders would like to ask the new leadership team for an update on the strategies and initiatives to crystallise value for all shareholders.**
- b) **Would there be a strategic review to evaluate the performance and potential of the major business segments/assets, namely Steel product trading, Hardware trading, Property investment and the portfolio of Available-for-sale financial assets?**
- c) **One of the values of the group is to be enterprising, whereby the group strives to be the proactive and innovative market leaders “by taking the initiative to be different and not being afraid to break the status quo”. How does the board/management intend to encourage and instill this level of dynamism in the group?**

Q2. The returns from property investment are dismal. Based on the disclosure in Note 32 (page 87 – Segment information), the segment results from the Property investment segment in 2017 and 2016 are \$14,000 and \$(835,000) respectively. This was based on the total fair value of investment properties of \$79.6 million in 2016 and \$80.5 million (before reclassification) in 2017.

- a) **What is the profile of the tenant(s) that management would like to get for the group’s new industrial building at 6 Kim Chuan Drive?**
- b) **What are the minimum rental rates and lease terms sought by management?**

As announced on 29 June 2017, the group has disposed of one of its investment properties at 359 Jalan Besar for \$5.23 million and the transaction was completed on 23 August 2017. In the Chairman’s Message, it was stated that “more action will be taken on its remaining properties in anticipation of a recovery in market conditions”.

- c) **Can management provide better clarity into the plans for the remaining investment assets? Which of its remaining four investment properties have been earmarked for sale?**
- d) **Specifically, are there plans to redevelop or sell the 7-storey industrial building at 38 Genting Lane?**

Q3. As shown in Note 17 (page 61 – Available-for-sale financial assets), the group has \$20.8 million of available-for-sale financial assets as at 30 June 2017. This accounts for 12.6% of the group’s total equity of \$165.2 million.

In the last two financial years, the group has recognised an impairment loss of \$194,000 in 2017 (2016: \$468,000) against equity securities whose trade prices either had been significantly below cost, or had been below cost for a prolonged period. The equity securities portfolio was \$7.6 million as at 30 June 2017 and \$4.4 million as at 30 June 2016.

- a) **Can the board and/or the audit committee explain how this sizable portfolio of financial assets is managed?**
- b) **What is the level of oversight by the board and by management? Is there an investment committee to oversee the running of the portfolio on a regular basis?**
- c) **What is the risk management framework to ensure that the risk profile of the portfolio is not overly concentrated in a single (geographical, sector) risk factor?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=HUPSteel%20Ltd>

The company's response could be found here: -----