



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: HG Metal Manufacturing Limited

Security: HG Metal Manufacturing Limited

Meeting details:

Date: 26 April 2019

Time: 10.30 a.m.

Venue: Orchid Room, 13 Jalan Terusan, Singapore 619293

Company Description

HG Metal Manufacturing Limited is an investment holding company engaged in the business of trading of steel products. The Company has two operating segments: trading segment, which is engaged in the supplying of steel products and includes the holding of investments in subsidiaries in the business of steel distribution and provision of industrial steel services, and manufacturing segment, which produces construction steel products and provides related engineering services. Its business units include HG Distribution, which provides services, including wholesale activities, retailing, trading, sourcing and distribution of steel products; HG Construction Steel, which offers packages that cater to production for various forms of construction steel requirements, and HG Industrial Steel & Services, which offers a range of value-added services and solutions that cater to industries, such as marine, transportation and electronics.

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

1. The group sold its 22.42% stake in BRC Asia Limited and carried out a capital reduction to write off the company's accumulated losses to the amount of \$68.2 million, together with a cash distribution of \$13.4 million to shareholders from the proceeds of the disposal.

(i) Would management help shareholders understand how the disposal of BRC Asia might have affected the group's operations, capability, scale and market positioning?

(ii) What is the group's market share in Singapore?

2. The group has a four-pronged growth strategy to strengthen its foothold in the market, as follows (page 3):

- Diversifying our business model to include higher value-added services and direct sales to end-users
- Widening our geographical reach in South East Asia
- Strengthening customer relationships by directly engaging end-users of steel who require large and customised orders for specific projects
- Enhancing our processing capabilities by offering more downstream customisation services

(i) How much success does the group have at acquiring end-users?

In September 2018, the group invested in a 51.04% stake in First Fortune International Co. Ltd ("FFI"). FFI is scheduled to officially open its 50,000MT steel rebar cut & bend fabrication facility in Myanmar on 19 February 2019.

(ii) Can management help shareholders understand the value proposition of FFI in the Myanmar market?

(iii) Does it have a first-mover advantage?

(iv) Is FFI able to recruit the technical staff it requires for the facility?

(v) Does management have visibility of FFI's market share?

In addition, would the company be looking at entering other markets and setting up new rebar cut and bend fabrication facilities?

3. In the Corporate Governance, under Principle 9: Disclosure of remuneration, the company disclosed the remuneration of directors as follows:

The remuneration of the Directors from the Company for FY2018 is as follows:

Directors	Base Salary (%)	Bonus (%)	Director Fees (%)	Allowances and Others (%)	TOTAL (%)
Teo Yi-Dar (Zhang Yida) ¹	–	–	100	–	100
Foo Sey Liang	74.82	25.18	–	–	100
Ng Weng Sui Harry	–	–	100	–	100
Kesavan Nair	–	–	100	–	100

Note:

1 Mr Teo Yi-Dar (Zhang Yida) was re-designated as Independent Non-Executive Chairman with effect from 1 January 2019.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of Executive Director be kept confidential due to its sensitive nature and the potential negative impact such disclosure will have on the Group given the highly competitive environment it is operating in.

(Source: Company annual report)

The remuneration of Mr Foo Sey Liang, as executive director, was not disclosed “*due to its sensitive nature and the potential negative impact such disclosure will have on the group given the highly competitive environment it is operating in*” (page 49).

Mr Foo has deemed interest of 22.29% and is the largest shareholder on record.

In Note 29 (pages 144 to 145 – Compensation of key management personnel), the company disclosed the total remuneration of directors and other members of key management.

Would the board/remuneration committee reconsider the current practice on the disclosure of remuneration of the executive director? Although the company has not disclosed the remuneration in the Corporate Governance report, it could be found in Note 29 of the financial statement. Making the proper disclosure would help all shareholders understand the remuneration practices for the executive directors.