Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: HG Metal Manufacturing Limited

Stock code: BTG

Meeting details:
Date: 26 April 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The group made a strategic expansion in Myanmar in 2018 and subsequently opened Myanmar's first advanced steel rebar cut & bend and fabrication facility in Yangon with its joint venture partners. The 50,000 ton capacity facility in the East Dagon Industrial Zone of Yangon was fully operational in February 2019. The group has invested approximately $13.8 million in fixed assets (page 145 – Segment information).

Subsequent to 31 December 2020, Myanmar's military disposed the democratically elected government on 1 February 2021 and the Tatmadaw announced a one-year state of emergency during which the military would be handling the political matters of Myanmar.

(i) **How is the group supporting its stakeholders (especially its staff and partners) in Myanmar?**

(ii) **What is the current staff strength in Myanmar?**

(iii) **Can management help shareholders understand the level of communication it maintains with the operating subsidiary, First Fortune International Co. Ltd?**

(iv) **What is the current status of its operations?**

Q2. The group has more than 40 years of experience in the industry and is one of the largest steel warehouse and processing facilities in Singapore and Myanmar. It holds more than 3,000 varieties of steel products for a wide range of industries and applications. It has a strong reputation as one of the largest steel distributors and processors around the region. The group also offers customised solutions to more than 1,500 customers in Singapore and in the region.

The five-year financial summary is shown on page 10 of the annual report. An extract of the financial performance and shareholders' return is reproduced below:

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FOR THE YEAR (S$'m)	FY2020	FY2019	FY2018	FY2017	FY2016
Revenue	91.69	137.12	173.92	162.62	108.53
Gross profit	11.14	13.32	9.87	9.73	6.04
Profit/(loss) Before Tax	1.38	0.80	(3.91)	(11.95)	0.90
Net profit/(loss) After Tax	1.34	0.76	(3.94)	(11.96)	0.91
Profit/(loss) attributable to owners of the Company (PATOC)	1.03	0.76	(3.95)	(11.93)	0.90
Operating Cash Flow	13.88	(4.34)	(13.79)	(13.59)	(8.58)
Cash Flow from Investing	(12.89)	(3.54)	(4.37)	27.90	(5.83)
Free Cash Flow	0.99	(7.88)	(18.16)	14.31	(14.41)
SHAREHOLDER'S RETURN					
ROE (%) (PATOC/Average shareholders' Fund)	1.04%	0.76%	(3.85%)	(10.21%)	0.69%
ROA (%) (Net Profit/total assets)	0.91%	0.44%	(2.72%)	(9.74%)	0.60%
Gross Dividend (cents)	0.50	nil	nil	nil	0.50
Share Price at end of year (S$)	0.184	0.215	0.265	0.395	0.310

(Source: adapted from company annual report)

(i) **Has the board reviewed the long-term performance of the group?**

(ii) In particular, the return on assets has ranged from 0.44% to 0.91% in the three profitable years out of the past five years. **Has the board estimated the cost of capital for the group and compare it to the returns achieved?**

(iii) **Can the management elaborate further on how it intends to capture value with the current business model? Compared to its competitors, what is the group's value proposition?**

(iv) **Can the board (re)state the group's strategic growth plans now that its plans for Myanmar may have to be put on hold for the time-being?**

Q3. As noted in the message to shareholders, the V-shape recovery in China meant that demand for steel rose sharply against the backdrop of limited steel supply when the steel mills in China were shut early in the pandemic.

With the stop-work in Singapore due to the circuit breaker, the group maintained its inventory which was later managed down when demand returned, at a higher price. At the end of the year, the group's inventory was reduced to $28.1 million as compared to $43.1 million as at 31 December 2019. This was mainly a result of the move to mitigate business risk brought about by the COVID-19 pandemic through reducing the group's inventory holding and freezing stock replenishment for slow-moving products (page 7).

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The "carrying amount of inventories" is also a key audit matter highlighted by the independent auditor in the Report on the audit of the financial statements (pages 83 & 84).

(i) **Does the group have sufficient visibility of customers' demand?**

(ii) **What improvement has management made to its sourcing network? Has management been able to shorten the lead time for its inventory?**

(iii) **Can management confirm that it is still able to meet customers' demand with the reduced inventory?**

[1^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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[1^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)