



**Securities Investors Association (Singapore)**  
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111  
Tel: (65) 6227 2683 Email: [admin@sias.org.sg](mailto:admin@sias.org.sg)  
[www.sias.org.sg](http://www.sias.org.sg)  
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**Issuer:** HG Metal Manufacturing Limited

**Stock code:** BTG

**Meeting details:**

Date: 26 Apr 2024

Time: 10.00 a.m.

Venue: 28 Jalan Buroh, Singapore 619484

**Q1.** On 25 March 2024, the company announced a proposed placement of up to 50.13 million new shares to Green Estee Pte. Ltd (“Estee”) in two tranches, with a placement price of \$0.266 per share. The net proceeds are earmarked for capital expenditure for business growth, general working capital and business expansion.

More importantly, the placement price of \$0.266 per share is substantially below the net tangible asset of \$0.715 per share. The placement price is a hefty 63% discount.

The proposed placement follows a recently concluded placement of 25.1 million shares at \$0.278 per placement share in September 2023 when the NAV per share of \$0.79 as at 30 June 2023, a discount of approximately 65%.

#### 5.4 NTA per Share

Assuming that the Proposed Placement had been completed on 31 December 2023, the pro forma financial effects on the Group’s NTA per Share would be as follows:

	Before First Tranche Completion	After First Tranche Completion	After Second Tranche Completion
NTA attributable to shareholders <sup>(1)</sup> (S\$’000)	107,501	111,612	120,656
Number of Shares (excluding treasury shares and subsidiary holdings)	150,356,441	166,486,441	200,486,441
NTA per Share (Singapore cents)	71.50	67.04	60.18

(Source: company announcement dated 25 March 2024)

- (i) **Can the independent directors (IDs) clarify their role and contribution during the negotiation process for the placements?**
- (ii) **What role did Ms Xiao Xia, the executive director and chief executive officer of the company, play in the negotiation, considering her previous employment with companies related to Estee in 2023?**
- (iii) **Is the group currently facing financial distress, necessitating substantial placements at a significant discount to the NTA/NAV?**

- (iv) **Did the IDs quantify and deliberate on the extent of value erosion resulting from placing out new shares at a 63-65% discount to NAV/NTA? Considering the substantial dilution caused by the placement, did the IDs consider whether potential earnings from growth initiatives might still result in a net-negative outcome for shareholders?** The table above clearly illustrates that existing shareholders will suffer from the placement as value is transferred out from existing shareholders to Esteel via the heavily discounted offering.
- (v) **Did the board also consider how the share price of the company will be depressed by its actions to repeatedly place out shares at substantial discounts to the NAV? How does the board's decisions align with the long-term interests of shareholders, particularly minority shareholders?**
- (vi) **Has the board considered other sources of funding, such as a renounceable rights issue that is more equitable for existing shareholders?**

Esteel currently holds 8.01 million shares of a 5.33% stake in the company. Should the placement be completed, Esteel will hold approximately 29% of the enlarged shares, just 1% shy of the 30% trigger level of a mandatory offer.

- (vii) **Are there concerns that the proposed subscriber, Esteel, also has majority control over BRC Asia Limited which is the group's main supplier? What additional safeguards, if any, are being considered to protect the company and its shareholders from potential conflicts of interest?**
- (viii) **How will the strategies of the group change in view of the proposed placement to Esteel?**

**Q2.** For the financial year ended 31 December 2023, apart from a significant change in company ownership, the group successfully wound down its operations in Myanmar, refreshed its management, and reduced its bank borrowings.

- (i) When does management expect to complete the disposal of First Fortune International Company Limited?**
- (ii) With the management stating its intention to channel more resources to Singapore, does it signify that any plans for expansion into other regions have been put on hold, and that the group will maintain a focus on Singapore in the foreseeable future?**
- (iii) What are some of the key operational and financial targets from the workflow improvement initiatives? How does the board envision its role in this regard, particularly considering the lack of experience among the independent directors in steel manufacturing/industry?**
- (iv) What was the utilisation rate of the manufacturing facility in Jalan Buroh?**
- (v) Could the board provide insights into how sustainability considerations are being (meaningfully) integrated into the group's strategy and business model?**

**Q3.** At the annual general meeting scheduled to be held on 26 April 2024, the company is seeking shareholders' approval to re-elect all four directors, including Mr Ong Hwee Li, Ms Ong Lizhen, Daisy and Ms Ng Chuey Peng as independent directors. The biographies of the directors can be found on pages 12 and 13 of the annual report. Details of directors seeking re-election can be found on pages 96 to 101.

Mr Ong is the chief executive officer of SAC Capital Private Limited and advises private and listed companies on a wide range of transactions including listings, take-overs, M&A, capital raising, as well as corporate strategy and investments. Ms Ong Lizhen, Daisy and Ms Ng Chuey Peng both hold accountancy degrees.

The announcement of appointment of Mr Ong Hwee Li is shown below.

**CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF INDEPENDENT NON-EXECUTIVE CHAIRMAN**

Date Of Appointment  
22/06/2023

Name Of Person  
Ong Hwee Li

Age  
50

Country Of Principal Residence  
Singapore

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)

Upon the recommendation of the Nominating Committee and the Board, which had reviewed the qualification and experience of Mr Ong Hwee Li ("Mr Ong"), the Board of Directors approved his appointment as the Independent Non-Executive Chairman, Chairman of Nominating Committee and member of Remuneration Committee and Audit and Risk Committee of the Company.

The Board considered Mr Ong to be independent for the purpose of Rule 704(8) of the Listing Manual.

Whether appointment is executive, and if so, the area of responsibility  
Non-Executive

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)  
Independent Non-Executive Chairman  
Chairman of Nominating Committee  
Member of Remuneration Committee  
Member of Audit and Risk Committee

Professional qualifications  
Bachelor of Business (Banking & Finance), Monash University  
Chartered Valuer and Appraiser

(Source: <https://links.sgx.com/1.0.0/corporate-announcements/DGBAXKA7VDDGC3WZ/6b3c345f65ec3d5e9bd316967ef67b47b9de2adb625fc60fb9a55538ece0926a>)

- (i) **Would the board elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the appointments of Mr Ong Hwee Li, Ms Ong Lizhen, Daisy and Ms Ng Chuey Peng, as required in the SGX template?**
- (ii) **What were the selection criteria used to shortlist and appoint the chairman of the board and the board committees?**
- (iii) **To help shareholders make informed decisions on the re-election resolutions, could each of the three independent directors provide their perspectives on the dilutive placements and outline their respective strategies for contributing to the long-term success of the group?**

Principle 2 of the 2018 Code of corporate governance requires the board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the company.

- (iv) **Has the nominating committee reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**
- (v) **With the three independent directors having accounting and banking/finance background, is the board considering adding directors with strong operational/technical track records with hands-on experience?**

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

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