**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:** HGH Holdings Ltd.

**Stock code:** 5GZ

**Meeting details:**
Date: 28 April 2022
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**. As noted in the chairman's statement, the group benefitted from an improved operating environment in all business segments although, going forward, it expects a slow recovery in its business activities as the outlook remains uncertain against the backdrop of labour shortage and sub-optimal operational efficiency.

**GROUP'S FINANCIAL PERFORMANCE**

| | FY2021 S$'000 | FY2020 S$'000 | Change % |
|---|---|---|---|
| **Revenue** | | | |
| Leasing and service income | 8,032 | 7,651 | 5 |
| Manufacturing of precast concrete products | 2,521 | 1,857 | 36 |
| Supply and manufacturing of ready-mix concrete products | 6,546 | 1,933 | >100 |
| Provision of underground cable installation and road reinstatements | 2,972 | 255 | >100 |
| **Total Revenue** | **20,071** | **11,696** | **72** |
| Cost of sales | (15,516) | (8,044) | 93 |
| **Gross profit** | **4,555** | **3,652** | **25** |
| Other income | 997 | 1,578 | (37) |
| Distribution costs | (844) | (242) | >100 |
| Administrative expenses | (5,146) | (5,648) | (9) |
| Other expenses | (1,953) | (3,442) | (43) |
| Loss on derecognition of financial assets | - | (131) | (100) |
| Provision of impairment loss on financial assets, net | (457) | (394) | 16 |
| Finance costs | (174) | (182) | (4) |
| **Loss before tax** | **(3,022)** | **(4,809)** | **(37)** |
| Income tax credit | 730 | 556 | 31 |
| **Total loss for the year** | **(2,292)** | **(4,253)** | **(46)** |

(Source: company annual report)

(i) **For the benefit of new and long-standing shareholders, can management help shareholders understand the competitive advantage of the group in the supply of ready-mix concrete? What are the profiles of the customers that drove the increase in revenue in the ready-mix concrete segment? How sustainable is the increase?**

(ii) **Similarly, what is the competitive advantage of PHH in the provision of underground cable installation and road reinstatement? Is the group able to pass on cost increases to the end-customers?** Based on Note 29 (Segment information), the segment recognised $2.97 million in (external) revenue and made a loss of $(3.25) million. The company has already impaired the goodwill for PHH amounting in $2.51 million in the previous year. **What are management's (operational and financial) priorities for 2022 to turn around the segment?**

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**Q2.** The group recognised higher net impairment loss on financial assets of $0.46 million mainly due to the impairment of receivables in EMS. The provision matrix on outstanding trade receivables is shown in Note 30(iii)(a) and reproduced below:

**30. FINANCIAL INSTRUMENTS (Continued)**

**(iii) Credit risk (Continued)**

**Expected Credit Losses (Continued)**

(a) Trade receivables (Continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2021 are set out in the provision matrix as follows:

| | | Past due | | | |
|---|---|---|---|---|---|
| **Group** | **Within 30 days** | **30 to 90 days** | **90 to 180 days** | **More than 180 days** | **Total** |
| | **S$** | **S$** | **S$** | **S$** | **S$** |
| **2021** | | | | | |
| **Leasing and service income segment** [1] | | | | | |
| Expected loss rate | 3.6% | 12.0% | 50.5% | 100.0% | |
| Trade receivables | 271,212 | 98,247 | 286,237 | 457,119 | 1,112,815 |
| Loss allowance | (9,674) | (11,758) | (144,506) | (457,119) | (623,057) |
| | 261,538 | 86,489 | 141,731 | – | 489,758 |
| **Supply and Manufacturing concrete products segments** [2] | | | | | |
| Expected loss rate | 3.2% | 15.0% | 66.7% | 100.0% | |
| Trade receivables | 1,289,301 | 742,984 | 103,176 | 88,656 | 2,224,117 |
| Loss allowance | (40,854) | (111,381) | (68,786) | (88,656) | (309,677) |
| | 1,248,447 | 631,603 | 34,390 | – | 1,914,440 |
| **Provision of underground cable installation and road reinstatement segment** [3] | | | | | |
| Expected loss rate | 0.2% | 0.3% | 11.3% | 96.3% | |
| Trade receivables | 64,285 | 939,250 | 33,054 | 50,640 | 1,087,229 |
| Loss allowance | (146) | (2,876) | (3,750) | (48,780) | (55,552) |
| | 64,139 | 936,374 | 29,304 | 1,860 | 1,031,677 |

(Source: company annual report; emphasis added)

(i) **Can management help shareholders understand the profiles of the customers with long outstanding debt in the leasing and service income segment?**

(ii) **What are management's efforts to collect the long outstanding trade receivables? Does the group hold any deposits/prepayment in the leasing and service income segment?**

In addition, the group disclosed that a single customer has outstanding trade receivables past due amounting to $980,000 in the underground cable installation/road reinstatement segment. This customer accounts for over 90% of the trade receivables in the segment.

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(iii) **Can the board/management elaborate further on the group's risk management framework and credit policy (including concentration risks)? How does management work with its customers to ensure that the group collects its receivables in a timely manner to reduce the group's credit risk?**

(iv) **Given the stress in the market, has management tightened its credit policy?**

**Q3.** The board comprises 5 directors, 3 of whom are deemed independent. The profiles of the directors can be found on pages 8 and 9 of the annual report.

Collectively, the independent directors have professional experience in finance and legal.

(i) **Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

(ii) **Can the NC help shareholders understand if the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in construction, warehousing and logistics, manufacturing, civil engineering, to engage in effective and constructive debate with the executive directors?**

In addition, on 12 April 2022, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2021 following the finalisation of audit. The announcement on the unaudited financial results for the financial year ended 31 December 2021 was first released via SGXNet on 1 March 2022. The announcement of material variance came approximately 6 weeks after the company first announced the unaudited financial statements. The changes included:

- reclassification of rental deposits from the group's other payables (current) to other liabilities (non-current) in EMS
- reclassification of tax refund
- reclassification of interest expenses from repayment of lease liabilities

(iii) **Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International)?**

(iv) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**

(v) **What role did the AC play in the preparation of the financial statements? Was it adequate?**

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(vi) **Has the audit committee evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

^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. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

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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^ 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)