Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Union Steel Holdings Limited

Stock code: BLA

Meeting details:
Date: 27 October 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.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. As stated in the corporate profile, the group is a multi-business investment holding company, with three primary businesses - metals, scaffolding and engineering. With its origins in metal recycling industries, the group diversified to scaffolding in 2012 and further expanded to mechanical engineering in 2015 and land transport engineering services and marine deck equipment in 2016.

Revenue increased by 29.5% from $59.7 million a year ago to $77.3m in FY2021. Revenue from Metals and Engineering were $50.0 million and $23.7 million respectively and segment profits (page 98 – Segment information) were $7.8 million and $4.8 million respectively.

(i) **Can management provide more clarity on the trends and its outlook of steel prices? What was the average selling price (ASP) achieved in FY2021 (and compared to FY2020)? How much of the improvement in the financial performance was due to the increase in ASP and how much of it was due to higher volume of goods sold?**

(ii) **What is management's strategy to maximise the value of its steel inventories? Does management carry out any hedging or use forward contracts?**

(iii) **How manpower-intensive is the steel recycling business? Has the group been affected by the manpower crunch? Has management automated its processes to cut down on the reliance on manpower?**

(iv) **What is management's estimate of the group's market share in metal recycling in Singapore? Were there opportunities, and did management explore opportunities, to consolidate its position in Singapore via mergers?**

(v) **Can management clarify on the group's business model in the Marine Deck equipment business? Other than being a stockist, does the group provide other value-added services? Who are the main customers and what are the main products in the Marine Deck segment?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q2. On 31 August 2021, the company announced the proposed acquisition of the entire issued and paid-up share capital of BTH Holdings Pte. Ltd.. The target caters to the offshore oil and petroleum industries – its core activities include the installation of industrial machinery and equipment, manufacture of pressure vessels, heat exchangers and plant and metal fabrication.

(i) **Can the board/management help shareholders understand if there are any synergies with the group's existing businesses?**

(ii) **Can the board provide shareholders with greater clarity on its diversification strategy? Has the board determined a capital allocation target between the Metals business and the Engineering business (see also Qn 1(iv))?**

(iii) **What is the group's deal sourcing process? Specifically, how was BTH introduced to the group?**

(iv) **What guidance has the board given to management as the group carries out M&A? How does the group ensure that it does not overpay for its acquisitions and that any deals are structured such that the risk and reward be shared reasonably and fairly with the vendors?** For instance, when Hock Ann Metal Scaffolding Pte Ltd was acquired in FY2012, the amount of goodwill recognised was $11.603 million. Since then, the company has recognised several impairments to the scaffolding services CGU (Hock Ann Metal Scaffolding) and the goodwill has been written down to $4.6 million as at FY2021. Similarly, for the marine deck equipment CGU, a goodwill of $1.55 million was recognised and has since been written down. Since FY2014, the group's impairment losses on goodwill have exceeded $10 million.

Q3. At the annual general meeting scheduled to be held on 27 October 2021, Mr. Siau Kai Bing would be retiring pursuant to Regulation 91 of the company's constitution. The profile of Mr. Siau Kai Bing can be found on page 10 of the annual report.

Mr. Siau Kai Bing was appointed as an independent director and the lead independent director on 28 June 2005 and 23 September 2014 respectively. Additional information on directors seeking their re-election can be found on pages 45 to 48 of the annual report.

The nominating committee has conducted a rigorous review of the suitability of Mr. Siau Kai Bing being the independent director who has served on the board beyond 9 years and has determined that Mr. Siau Kai Bing remains independent.

(i) **How was the rigorous review of Mr. Siau Kai Bing's independence carried out? What was the scope of the rigorous review?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

(ii) **As the lead independent director, would Mr. Siau Kai Bing be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

^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

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ 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)