

Issuer: Hosen Group Ltd.

Security: Hosen Group Ltd.

Meeting details:

Date: 30 April 2018

Time: 12.00 p.m.

Venue: 267 Pandan Loop, Singapore 128439

Company Description

Hosen Group Ltd., an investment holding company, develops, trades in, and distributes canned seafood, canned fruits and Vegetables, and canned meat products in Singapore, Malaysia, and internationally. It operates through two segments, House Brands and Non-House Brands. The company offers a range of fruits, vegetables, condiments, and beverages in can, bottle, and pouch packaging under the Hosen brand name; canned seafood, such as braised abalone and various types of shellfish under the Fortune brand name; canned meat and breakfast spreads under the Highway brand; western products under the LaDiva brand; and chocolate products with various contents packed in bottle, pouch, and tin under the Sincero brand. It is also involved in the importation, distribution, wholesaling, and retailing of canned food and household consumable goods; and wholesale of frozen livestock and seafood products. The company also exports its products. Hosen Group Ltd. was incorporated in 2004 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5EV)

1. In the Message from Chairman and CEO, it was disclosed that the group will “focus on its marketing efforts to improve the awareness of [the] house brand chocolate products in the markets” (page 3 of the annual report).

- (i) Can management help shareholders understand if manufacturing and selling of house brand chocolate products has a risk profile that is substantially different from the group’s core business of canned foods?**
- (ii) How synergistic is the chocolate business with the original core business?**
- (iii) Do the two segments share the same customer network, distribution network and/or marketing channels?**
- (iv) What is the group’s strategy to position the house brand in the crowded FMCG confectionery space?**

2. In the operations review, it was stated that the decrease in revenue for the group was mainly due to lower sales generated from the markets of Singapore and Malaysia. Revenue from Singapore slipped 8% to \$30.0 million while revenue from Malaysia slipped 15% to \$14.6 million.

- (i) Has management analysed the specific reason(s) for the drop in revenue in the two key markets?**
- (ii) Which categories, brands or products have performed well and which have under-performed?**
- (iii) How does the company tap into online/social marketing to promote the group’s brands?**
- (iv) How does the group innovate and come up with new products to meet the changing needs of its customers?**
- (v) Gross profit margin for the year was marginally higher. What targets does management have for the group’s gross/net profit margins?**

3. The board comprises 6 members, of which two directors are deemed independent. As at 31 December 2017, all two independent directors (IDs) have served on the board for more than nine years.

Mr Wee Piew was appointed non-executive independent director of the Company on 5 July 2004 and was re-designated as non-executive independent Chairman on 3 April 2017.

Mr Lim Heng Seng was appointed non-executive independent director of the Company on 5 July 2004.

The nominating committee (NC) comprises Mr Lim Heng Seng (as chairman), Mr Wee Piew and Mr Lim Hai Cheok.

- (i) Can the NC update shareholders on how effective it has been in discharging its duties as both IDs who are subject to the particularly rigorous review of his independence sit in the 3-member NC?**
- (ii) Can the NC confirm that particularly rigorous review of the independence of the long tenured independent director was carried out, as recommended in Guideline 2.4 of the 2012 Code of Corporate Governance?**
- (iii) How was the particularly rigorous review carried out?**
- (iv) Was any director involved in the particularly rigorous review of his own independence?**

Notwithstanding that the board is of the view that Mr Lim and Mr Wee are independent, Guideline 2.4 calls for the board to “also take into account the need for progressive refreshing of the Board”.

- (v) What are the board’s near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**
- (vi) What is the search and nomination process for directors, especially independent directors?**