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**Issuer:** Hosen Group Ltd.

**Security:** Hosen Group Ltd.

**Meeting details:**

Date: 29 April 2019

Time: 12.00 p.m.

Venue: 267 Pandan Loop, Singapore 128439

**Company Description**

Hosen Group Ltd. is a Singapore-based investment holding company. The Company is an importer, exporter and distributor of fast moving consumer goods (FMCG), specializing in processed food. It operates through two segments: house brands and non-house brands. Its house brands segment is engaged in the development, trading and distribution of canned seafood, canned fruits and vegetables, and canned meat products. Its house brands include Hosen, Fortune, Highway, LaDiva, Sincero, Royal Select, Royal Orchid and Ocean Luck. Its non-house brands segment is engaged in the importation, distribution, wholesaling and retailing of canned food and household consumable goods. The Company, through its subsidiaries in Singapore, Malaysia and China, has developed a distribution network that spans Asia, Europe, Middle East, Africa and the Oceanic countries. Its subsidiaries include Hock Seng Food Pte Ltd, Arenas Seafood Pte Ltd, Hock Seng Worldwide Sdn Bhd and Hock Seng Food (Shanghai) Co., Ltd.

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

**Q1.** Would the board/management provide shareholders with better clarity on the following operational matters?

- (i) **Healthier Choice:** Globally, there is a growing trend towards healthy living, especially natural and healthier food. In Singapore, the Health Promotion board also has a “Healthier Choice” certification. **How is the group addressing the issue of health conscious consumers? How is the group adjusting to the greying demographics of its key markets?** A search of the word “health” in the annual report yielded no hits.
- (ii) **Malaysia:** In the message from the chairman and CEO, it was stated that the main contributor to the growth came from Malaysia as the general consumption in Malaysia improved, as well as the establishment of more outlets by its retail customers and the appreciation of the Malaysia Ringgit in FY2018. **How sustainable is the higher revenue from Malaysia?** As seen from the charts below, revenue from Malaysia accounted for 31% in FY2018, up from 21.8%.



(Source: Company annual report)

- (iii) **Singapore:** On the other hand, revenue from Singapore fell from \$29.3 million to \$25.5 million in FY2018, a drop of 13%. **What is the reason for such a sharp drop in revenue given that the Singapore operation is well-established?**

**SEGMENT INFORMATION (CONTINUED)**

**Geographical Information (Continued)**

**Revenue from external customers and location of non-current assets (Continued)**

	Total	
	2018 \$'000	2017 \$'000
<b>Total revenue from external customers</b>		
Singapore	<b>25,534</b>	<b>29,272</b>
Malaysia	<b>21,184</b>	14,551
Others*	<b>21,593</b>	22,892
	<b>68,311</b>	66,715

(Source: Company annual report)

**Q2.** In the year, the group demolished its one-storey warehouse in Singapore and recognised a one-time write off of the carrying amount of \$0.8 million upon its demolition.

The new building will be a six-storey block to support the group's expansion. The group has recognised a capital commitment of \$6.1 million as at 31 December 2018.

The group has also stated that it will look into new potential investments and/or other opportunities to grow its business.

- (i) What is the total amount to be invested in the new six-storey office-warehouse building?**
- (ii) What is the level of automation/technology planned for this new building?**
- (iii) Did the demolition of the old warehouse affect the group's Singapore's operations in FY2018?**
- (iv) The company has also stated that it will be looking into new potential investments and/or other opportunities to grow the business. Can the board elaborate further on its growth plans? What kind of acquisitions, if any, would be synergistic to the group? Would the board be looking to diversify away from the food business?**
- (v) In addition, the chocolate business which was set up in 2015, under the Sincero brand, was loss making in the year. What are the plans for this new business? How much headway has the new chocolate business made? What are the milestones achieved?**

**Q3.** The audit committee comprises Mr. Wee Piew, Mr. Lim Heng Seng and Mr. Lim Hai Cheok. Mr. Lim Hai Cheok, an executive director and chief executive officer, was appointed to the audit committee on 29 March 2018.

The board and the audit committee recognise that the appointment of an executive director to the audit committee is not recommended by the Code of Corporate Governance, and have stated the following:

*The NC had recommended and the Board was of the view that Mr Lim Hai Cheok, with his more than 40 years' experience in FMCG industry, would be able to provide input and enhance the efficient communications on the market information and practices in the industry of various countries to the other members of the AC and prevailing remuneration trend to the other members of the RC.*

However, in the Corporate Governance Report, the company has stated that only one out of the 6 directors have an "Accounting or finance" core competency.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

<b>Table 2.6 – Balance and Diversity of the Board in FY2018</b>		
	<b>Number of Directors</b>	<b>Proportion of Board</b>
<b>Core Competencies</b>		
– Accounting or finance	1	16.7%
– Human Resource management	1	16.7%
– Relevant industry knowledge or experience	4	66.6%
<b>Gender</b>		
– Male	4	66.7%
– Female	2	33.3%

(Source: Company annual report)

Guideline 12.2 of the Code recommends that the board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities and that at least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience.

- (i) Can the board confirm that the audit committee chairman is deemed appropriately qualified chair the AC?**
- (ii) Can the board also confirm that there are at least two members with recent and relevant accounting or related financial management expertise or experience in the AC?**
- (iii) Given that there appears to be a lack of appropriately qualified directors in the AC, plus the appointment of an executive director to the AC, would the nominating committee be carrying out a thorough review to ensure the board has an appropriate balance and diversity of skills, experience, gender and knowledge of the company, together with core competencies such as accounting or finance, business or management experience?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Hosen%20Group%20Ltd&cid=6666,4582>

The company's response could be found here: -----