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GST Reg No: M90367530Y

**Issuer:** AMOS Group Limited

**Stock code:** RF7

**Meeting details:**

Date: 29 July 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.

**Q1.** In his statement to shareholders, the chairman highlighted several operational and financial achievements by the group in FY2021 despite the challenging environment. With a new management team in place, the group executed on its digitalisation strategy with the implementation of an advanced enterprise resource planning (ERP) software and systems. The group also introduced its own brand, ALCONA, which launched new products including workwear.

Revenue for the financial year decreased by 15.6%, which management has attributed to the COVID-19 pandemic. Operating profit (EBITDA) improved by \$6.4 million in FY2021 due to cost control measures.

The group's FY2021 consolidated profit/loss was left out of the chairman's statement and from the CEO's summary and can only be found in the "Financial operating review" (page 7). For FY2021, the group reported a loss before income tax of \$(20.30) million, 79.5% higher than the \$(11.3) million in FY2020. Loss for the year after tax was \$(20.7) million, up from \$(11.2) million in FY2020 (page 56 – Consolidated statement of profit or loss and other comprehensive income).

Since the change in the company's name to AMOS, accumulated losses have increased from \$(10.2) million in FY2018 (restated) to \$(44.7) million in FY2019 to \$(76.4) million in FY2021.

- (i) **What was the impact on the group's operations during April to July 2020 when the global economy came to a standstill as national lock-downs were enforced to stop the spread of the virus? Was the group considered an "essential service provider" during the period?**
- (ii) The inventory impairment adjustments from FY2019 to FY2021 were \$(6.8) million, \$(1.7) million and \$(1.2) million respectively. This was after a massive inventory impairment of \$(35.5) million in FY2018 (restated). **What are the reasons for the continued and large inventory impairment? What is the average age of the group's inventory and of those impaired inventories? Will management be able to finetune its inventory stocking policy to minimise the impairments?**
- (iii) The group reported gross profit of \$18.9 million in FY2021 but incurred distribution costs of \$(8.7) million, administrative costs of \$(22.5) million and other operating expenses of \$(8.2) million. **Has the board reviewed the group's competitiveness? Please also provide a breakdown of the major cost components.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year ended 31 March 2021

		2021 \$	2020 \$
<b>Revenue</b>	21	108,520,452	128,621,755
<b>Cost of sales</b>		(89,598,827)	(107,904,692)
<b>Gross profit</b>		18,921,625	20,717,063
Distribution costs		(8,679,742)	(11,605,285)
Administrative expenses		(22,497,712)	(27,525,674)
Other operating income	22	1,805,957	14,736,760
Other operating expenses	22	(8,171,703)	(5,442,036)
Finance costs	23	(1,633,008)	(2,165,752)
<b>Loss before tax</b>		(20,254,583)	(11,284,924)

(Source: company annual report)

- (iv) **How can management improve its cost structure and to restore the group to profitability?**
- (v) **In addition, what are some of the key findings of the internal auditors given that specific misappropriations of assets were identified and reported?**

**Q2.** In 23 March 2021, the company proposed to undertake a renounceable non-underwritten rights issue of up to 974,015,343 new ordinary shares at an issue price of \$0.0135 for each rights share, on the basis of three rights shares for every eight existing ordinary shares in the capital of the company held by entitled shareholders.

The company successfully raised \$13.0 million and has disclosed the allocation, use and balance of the net proceeds on page 40 of the annual report (reproduced below):

<b>Use of net proceeds</b>	<b>Allocation of net proceeds</b>	<b>Allocation of net proceeds as a percentage</b>	<b>Net proceeds utilized from 14 May 2021 to 28 June 2021</b>	<b>Balance of Net Proceeds as at 28 June 2021</b>
	S\$'000	%	S\$'000	S\$'000
Development and expansion of the Alcona Product Line	3,100	24	186.0	2,914.0
Technology initiatives	2,600	20	273.4	2,326.6
Business Expansion <sup>(1)</sup>	1,400	11	345.3	1,054.7
Working capital requirements of the Group <sup>(2)</sup>	5,900	45	2,472.6	3,427.4
<b>Net Proceeds</b>	<b>13,000</b>	<b>100</b>	<b>3,277.3</b>	<b>9,722.7</b>

(Source: company annual report)

- (i) **What are some of the technology initiatives that the group has evaluated and/or invested in? What are the investment criteria?**

In addition, the company has stated that its business expansion would include the renewables sector.

- (ii) **What are the opportunities for the group in the renewables sector?**
- (iii) **Does the group have the experience and track record in the renewables sector?**

**Q3.** On 12 March 2021, the company announced the resignations of Mr Peter Pil Jae Ko and Mr Paul Jay De Mand as independent directors of the company due to “other work commitments”. The directors were first appointed on 13 March 2018 and 1 July 2019 respectively.

Together with the cessation of Mr Danny Lien Chong Tuan, Mr Tan Song Boon and Mr Keith Ian Mullin (upon his appointment as CEO), the board currently comprises three directors, two of whom are independent non-executive directors, with one executive director.

- (i) **Can the board help shareholders understand the progress made in identifying and appointing one or more suitable independent directors to the board?**
- (ii) **What was the search and nomination process to identify the candidates?**
- (iii) **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?**

In addition, the NC has recommended to the board that Mr Lim Shook Kong (retiring pursuant to Regulation 110 of the company’s constitution) be nominated for re-election at the forthcoming AGM.

- (iv) **Did Mr Lim Shook Kong, as a member of the NC, recuse himself from the deliberations? If so, was the “NC” that made the recommendation essentially just Mr David Wood Hudson, the other member of the NC?**

^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>)