



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: Hosen Group Ltd.

Stock code: 5EV

Meeting details:

Date: 29 April 2022

Time: 12.00 p.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. The group is one of Asia's leading importers, exporters and distributors of fast-moving consumer goods ("FMCG"), specialising in processed food. It now has an extensive and robust distribution network that spans across Asia, Europe, Middle East, Africa and the Oceanic countries and the group's house brands of products can be found in various continents of the world.

Following a panic-buying induced spike in FY2020, revenue in FY2021 moderated to \$68.2 million (from \$71.5 million) as consumer behaviour normalised. Net profit for the group in FY2021 was lower at \$2.4 million compared to \$2.9 million in FY2020.

As noted in the message from the chairman and CEO, to take advantage of the gradual opening of international borders as well as the further relaxation of pandemic restrictions, the group has increased its spendings on advertisement and promotion campaigns.

- (i) **In view of the rising material, logistics and manpower costs, how much pricing power does the group have for its house brands products?**
- (ii) **How much automation has the group introduced to its manufacturing processes?**
- (iii) **Given the group's FMCG focus, especially canned products, can the company clarify on the benefits for the group from the additional advertisement and promotional campaign as international borders are re-open?**
- (iv) **Similarly, would the relaxation of pandemic restrictions be viewed as a negative for the group? How does the group "take advantage" of the re-opening of economies?**

Q2. The company is also proposing to diversity into property investment, property development and management of property-related assets (including property management services such as facilities management, serviced apartments, student accommodation, dormitories, landscape management and car park management) in Singapore, Malaysia and China.

As stated in the circular, the company listed as many as 29 risk factors, which include:

- The Group does not have a proven track record and business history in the operation of the Property Business
- The Group may face difficulties in implementing and integrating the Property Business and may be required to devote significant time and resources to the Property Business
- The Group's performance in the Property Business will be subject to exposure to macro-economic risks
- The Group is subject to the cyclical nature of the property market in the Territories

- The Group may not be able to identify, acquire, develop and/or sell profitable property development projects
- The Group is exposed to risks associated with property valuations and decline in property values in relation to its future investment properties

The main rationale for the proposed diversification is to reduce reliance on the existing food business and to create more revenue streams.

- (i) **Can management help shareholders understand if it sees limited opportunities in the existing business of FMCG?**
- (ii) **With no apparent synergy with the current core business of FMCG (specialising in packaged/canned food), would the group/management be venturing away from its core competence?**
- (iii) **Did the group evaluate potential diversification into adjacent industries, such plant-based food start-ups, beverages?**

The group has total bank borrowings of \$10.9 million as at 31 December 2021 and cash and cash equivalents amounted to \$7.9 million. Total equity attributable to owners of the parent amount to just \$32.9 million.

- (iv) **How will the group be able to fund any meaningful projects in real estate given that it is capital-intensive?**

Q3. At the annual general meeting scheduled to be held on 29 April 2021, Mr Wee Piew will retire by rotation pursuant to regulation 106 of the company's constitution and will be seeking his re-election (Resolution 3).

The profiles of the directors can be found on pages 9 of the annual report. Additional information as required under Rule 720(5) of the SGX-ST Listing Manual Section B: Rules of Catalist on directors to be re-elected at the forthcoming AGM are set out in the Appendix to the Annual Report (pages 22 to 27).

Mr Wee Piew was appointed an independent director of the Company on 5 July 2004 and was re-designated as independent chairman after 13 years on the board in April 2017. Mr Wee Piew is the chairman of the audit and remuneration committees, and a member of the nominating committee.

- (i) **Mr Wee Piew has been on the board for approximately 18 years. As the independent chairman, would Mr Wee Piew 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 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning¹.

- (ii) **Can the NC provide shareholders with greater clarity on the near-term plans to facilitate the progressive renewal of the board in view of the guidance from SGX RegCo?**
- (iii) **Will the continued appointment of the long-tenured independent directors delay the progressive renewal of the board?**

At the AGM on 29 April 2021, Mr Wee Piew's continued appointment as an independent non-executive director was approved by shareholders by way of two-tier voting process. As stated in the notice of meeting dated 7 April 2021, if approved, resolutions 8 and 9 on the continued appointment of Mr Wee Piew as an independent director shall remain in force until the earlier of: (a) the retirement or resignation of the director; or (b) the conclusion of the third AGM following the passing of this resolution.

- (iv) **Given that Mr Wee Piew is slated to retire by rotation at the annual general meeting on 29 April 2022, should he be re-elected, will Mr Wee Piew be deemed non-independent as the approval for his continued appointment as independent director would have lapse upon his retirement?**

[^]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 extended 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.

¹ <https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to>

[^] 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>)



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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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