



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Khong Guan Limited

Stock code: K03

Meeting details:

Date: 30 December 2021

Time: 11.00 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. Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

- (i) **Raw material prices:** What are the tools and instruments available to the group to better manage the volatility in the price of raw material and the high freight rates? In addition, what is the ability of the group to pass on higher costs?
- (ii) **Supply chain:** Can management elaborate further on the disruption(s) to the group's supply chain? Similarly, how can the group better manage such supply chain disruptions?
- (iii) **Tong Guan Food Products Sdn. Bhd. ("TGF"):** Does management have an estimate of TGF's market share in Sabah? What are the key growth drivers of the local economy, i.e. Sabah? In addition, what is the pace of the recovery from the pandemic and are there any major opportunities in the next 3-5 years?
- (iv) **Rental income:** The group recognised rental income of \$415,767 in FY2021, an increase from \$169,692 in FY2020. On page 52, the company has stated that 5 storeys out of the 6 storeys available for rent have been leased out to tenants. Two storeys are being used by the company and one storey is still vacant. **What is the difficulty in leasing out the remaining floor?** It would appear that the space has been vacant since the building was completed approximately 3 years ago.

Q2. On 22 March 2021, the company announced that it had entered into a shareholders' agreement which would result in the company subscribing for 30% of the share capital of SGProtein Pte Ltd for cash consideration of \$1.5 million.

The principal activity of SGProtein will be the production and sale of plant-based meat alternatives.

The announcement can be found here:

<https://links.sgx.com/FileOpen/KGL%20-%20SG%20Protein%2022032021.ashx?App=Announcement&FileID=652792>

The chairman, in his statement, has also updated that SGProtein is progressing as planned and the installation of the plant and machinery at Commonwealth Capital building is ongoing. It is expected that commercial production will commence in 2022, which will enable the group to participate in the plant-based food segment.

- (i) **Can management help shareholders understand if SGProtein is synergistic with the group's existing operations?**

- (ii) **What are the products that will be introduced to the market at the launch?**
- (iii) **In addition, what is the experience of the board/management in valuing start-ups, especially those that are pre-revenue? What was the pre-money valuation of SGProtein? How was that determined?**
- (iv) **What is the due diligence conducted by the group on the plant-based food segment, e.g. the addressable market, consumer preferences, pricing and margin etc.?**
- (v) **What is the level of influence and control over SGProtein?**
- (vi) **Can management disclose the identity of the founder(s) and help shareholders understand the track record of the management team of SGProtein?**
- (vii) **Please also identify the risks of the new business and the group's risk management strategy.**

Q3. As noted in the corporate governance report, the group's internal audit function has been outsourced to SMS Risk Management Sdn Bhd, an experienced and qualified professional risk management company in Malaysia. This outfit is helmed by a qualified member of the Malaysia Institute of Certified Public Accountants.

- (i) **Can the audit committee ("AC") confirm that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience?**
- (ii) **Does the internal audit function comply with the standards set by nationally or internationally recognised professional bodies, such as the Institute of Internal Auditors?**
- (iii) **Can the AC confirm if the internal audit plan covered all the major (local and overseas) entities, including Tong Guan Food Products Sdn. Bhd. ("TGF"), Swee Hin Chan Company Sdn. Berhad ("SHC") and United Malayan Flour (1996) Sdn Bhd ("UMF") (which is an associate)?**
- (iv) **What was the scope of the internal audit plan?**
- (v) **What were the key findings by the internal auditor?**

^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](http://www.sias.org.sg)

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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>)