

**HOSEN GROUP LTD**  
(Incorporated in Singapore)  
(Co. Reg. No. 200403029E)

## **SUSTAINABILITY REPORT**

### **About this Report**

Hosen Group Ltd (hereafter referred to as the “Company” and collectively with its subsidiaries, “Hosen Group” or the “Group”) presents its first annual Sustainability Report (the “Report”) in respect of the financial year ended 31 December 2017 (the “Reporting Period”). This Report provides information about Hosen Group’s key sustainability themes, its management approach as well as its performance across the Group’s operations. The Group has chosen the Global Reporting Initiative (“GRI”) as its sustainability reporting framework in the preparation of this report. This Report is guided by the GRI and incorporates the primary components of the report content as set out by the Singapore Exchange’s (“SGX”) “Comply or Explain” requirements on sustainability reporting under Listing Rule 711B.

As this is the first year that the Company is issuing this Sustainability Report, we have taken the phased approach as described in Practice Note 7F: Sustainability Report Guide as specified in the Catalist Rules of the SGX-ST. Accordingly, the process of target setting is deferred till a time when adequate data is available to set reasonable targets. We endeavour to progressively develop our sustainability reporting both in quality and depth in the years to come.

### **Message from the Board of Directors on Sustainability**

Being one of Asia’s leading trader and distributor of fast-moving consumer goods (“FMCG”), in particular, processed food and chocolate products, Hosen Group are vigilant to remain viable in a long run. Hosen Group understands that regular financial reports and stream of return on investment may not satisfy the increasing needs of investors, the latter may eager to know how the investee runs its business in a responsible and sustainable manner.

The Board of Directors of Hosen Group (the “Board”) is of the opinion that it is important for Hosen Group to be responsible for the long-term success of the business and hence, in formulating the strategy and direction of the business, the Board will consider the sustainability issues, that can be classified as environmental, social and governance factors (“ESG factors”), in view of the materiality of the components of each factors and in association with the risks and opportunities. The Board had overseen the management and monitoring of the material ESG factors as well.

Hosen Group views the Group’s sustainability of its business to be linked to, and is associated to its various stakeholders, which, amongst others, includes customers, suppliers, employees, bankers, investors, government and communities. With the support received from the different stakeholders,

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Hosen Group was able to continue its operations in the FMCG industry for more than 40 years (including the operations in other names) before its initial public offering in September 2004.

The Group's inaugural sustainability report summarises the expectation from various stakeholders, general business environment the Group is operating and what the Group has been done in order to have the Group been sustainable over the years.

The information disclosed in this Sustainability Report, read together with the information in other sections of the Annual Report 2017, will provide the reader with a holistic view of the operations of our Company. We will strive to maintain the standards of the various ESG factors reported and improve them, whenever practicable, in accordance with the business activities of the Group, in the future.

On behalf of the Board

Lim Hai Cheok  
Chief Executive Officer

31 December 2018

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## Engagement of Key Stakeholders

Hosen Group believes that a good and long-term established relationship with stakeholders are crucial to the Group's success and sustainability. The Group has identified, among others, the following key stakeholders, their areas of concern and worked in the direction to meet their expectations.

Stakeholders	Areas of Concern	Meeting their Concerns	Our strategies on engagement
Customers	Premium quality products Competitive pricing Timely delivery	Provide consistent level of quality of products Review our prices to stay competitive without compromising the quality Maintain good and professional delivery team	Business contacts Visit customers' places of operation Preferred selling price offered to customers with good payment records Face-to-face meetings and/or via various communication channels
Suppliers	Fair trading terms Timely payment Reasonable demand on quality of materials and products Advice/Updates on health regulations and hygiene requirements by relevant laws	Commit to the terms of the supply agreement Make timely payments according to agreed credit terms	Business contacts Visit suppliers' factories and production plants Assess suppliers' hygiene and health policies Face-to-face meetings and/or via various communication channels
Employees	Competitive salary and benefits Career development and chance of promotion Job satisfaction Work-life balance	Review and compare the prevailing salaries in the market Health and wellness benefits Spirit of teamwork	Arrange festival events and activities Employee benefit in the form of discounted prices for staff purchases

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	<p>Working environment and condition</p> <p>Occupational health and safety</p> <p>Fair employment policies</p>	<p>Harmonious and cooperative working environment</p> <p>Open door policy</p> <p>Practice fair employment policy</p> <p>Cleanliness, tidiness and safety of workplace</p>	<p>Encourage face-to-face communications with management team</p> <p>Provide on-the-job training</p> <p>Arrange staff to attend workshops and seminars for upskill opportunities</p>
Bankers	<p>Timely repayment of loans and borrowings</p> <p>Utilisation of facilities</p> <p>Stable stream of earnings</p> <p>Healthy cash flow</p>	<p>Establish and maintain high standard of risk management and corporate governance</p> <p>Retain competent and experienced directors, officers and management team</p> <p>Disclose financial results on a regularly basis</p> <p>Maintain strong financial positions and healthy cash flow</p> <p>Timely repay loans and instalments as scheduled</p>	<p>Maintain good banking relationship with bankers</p> <p>Update the latest development and financial needs</p> <p>Inform new products being traded</p>
Investors and shareholders	<p>Strong financial positions and healthy cash flow</p> <p>Sound corporate governance</p> <p>Succession planning</p> <p>Constant and stable growth of business</p> <p>Reasonable rate of return on investment</p> <p>Timely disclosures</p>	<p>Establish and maintain high standard of risk management and corporate governance</p> <p>Review and re-assess existing investments</p> <p>Evaluate and appraise potential investment opportunities</p> <p>Retain competent and experienced directors,</p>	<p>Hold general meetings with shareholders to receive comments and address their concerns</p> <p>Make timely announcements pursuant to the SGX rules</p> <p>Distribute annual reports with management discussion and analysis</p>

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		<p>officers and management team</p> <p>Disclose financial results on regularly basis</p> <p>Disseminate material information and keep updates in due course</p>	<p>Comply with code of corporate governance</p>
Government and regulatory authorities	<p>Regulatory, legal and industrial requirements</p> <p>Succession planning</p> <p>Prevention of fraud and irregularities</p> <p>Timely tax payments</p> <p>Responsive to changes in relevant government policies</p> <p>Highly alert on and avoidance of money-laundering</p>	<p>Comply with both local and foreign laws, regulations, policies and procedures, where applicable</p> <p>Maintain sound risk management</p>	<p>Consult the relevant authorities</p> <p>Consult professional firms and seek advice</p> <p>Engage for internal audit and external audit</p>
Community	<p>Fair employment policies towards the aged citizens</p> <p>Good corporate citizenship</p> <p>Contributions to green-house exercises</p>	<p>Fair employment opportunity towards aged citizens</p> <p>Provision of jobs to the community</p>	<p>Donations of cash and food products</p> <p>Sponsorship to and participation in activities of voluntary organisations</p> <p>Usage of energy-saving equipment and low-electricity consumption devices</p>

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## **The salient ESG factors identified by Hosen Group**

### **Environmental factors**

Hosen Group is committed to operate in a green environment, to minimize the impact to issues such as global warming and to reduce the emission of harmful gas pollutants and particulate matter.

#### **(1) Energy Consumption**

Our Singapore office had made the switch from the use of fluorescent tubes to Light Emitting Diode tubes and bulbs (in short, LED tubes and bulbs) for years. Despite of the initial change-over costs, the Group had been benefited with lower electricity consumption, which in turn led to less natural resources were consumed by power-generating provider as lower demand of electricity production.

The Group promotes to switch off lights and air-conditioners in working areas and conference rooms if they are not occupied or in use; and to set the temperature of the air-conditioners to a comfortable level during working hours in order to save energy consumption and hence save the earth.

Hosen Group has in recent two years replaced a number of old-typed lorries and vans to Euro5-type vans to recently to Euro6-type lorry in order to reduce the emission of gas pollutants and particulate matter which are harmful to both the environment and human being.

The Group has also used Enterprise Resource System to plan the delivery schedules in order to reduce the hours of the delivery fleet running on the roads and the emission of pollutants.

#### **(2) Use of water**

Water is another important natural resource in the world, the Group conducts regular checks on water taps to ensure that there is no leakage of water and encourage staff to use water less and wisely.

### **Social factors**

#### **(1) Corporate Citizenship**

Hosen Group has been active in its contribution towards the society. Over the years, the Group has sponsored and donated to various charitable organisations and universities.

When selected charitable organisations hold events, we have offered to sponsor their events. To support charity fair and events, we donated our products and/or money to The

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Food Bank Singapore, Lions Club of Singapore, Tzu Chi Singapore and Che Hian Khor Moral Uplifting Society (Singapore).

## **(2) Equal Opportunity Employment**

The Group offers fair job opportunities to aged staff as we value senior citizens who can value-add to the Group with their marketing and/or management expertise and experience in the industry. In the Singapore office, we have more than 26% of our employees who are 55 years old and above and more than 17% of our employees who are aged between 50 years old and 54 years old. When the Group recruits staff, we consider the candidates' educational level, work experience, attitude and merit, regardless of race, religion and gender for comprehensiveness. We implement equal opportunity employment policies and therefore we have staff from the Philippines, India, Myanmar, Malaysia bumiputra and China as our staff.

## **(3) Employee Welfare**

From time to time, the Group organised activities to foster ties amongst the employees. Such activities include Chinese New Year reunion dinner, company overseas trip, Christmas party with food catering, gifts exchange and lucky draw. Employees are given fair remuneration scheme, discounted price for staff purchases and opportunities for career advancement and career enrichment.

## **(4) Workplace Safety**

Hosen Group also create a safety working conditions to employees. Forklift operators are sent for training and certified by accredited Forklift Training Provider. The courses include, among others, Forklift Safety Course and Operate Forklift Course.

## **(5) Career Development and Training**

The Group also sends its employees to advance course in Excel or other relevant seminars to increase the efficiency and effectiveness of their daily responsibilities. In order to provide a healthy and harmony working environment, Hosen Group adopts open-door policy so that employees can feel free to approach their seniors or management staff.

Our chocolate manufacturing workers are sent for food handling training course so that they are equipped with the necessary knowledge on proper food handling procedures in the process of food manufacturing.

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## **Governance factor**

Hosen Group is a responsible entity and we comply with the laws and regulations of the countries that we are operating in, as well as the customs and health policies of those countries where our customers are located.

### **(1) Laws, Regulations and Anti-Money Laundering**

The Group complies with and puts in every effort in complying with the relevant laws and regulations that include the Companies Act, Employment Act, Employment of Foreign Manpower Act, SGX listing rules, Singapore Code on Take-overs and Mergers, ACRA regulations, Financial Reporting Standards and Singapore Standard on the Code of Practice for Pollution Control, amongst others.

We are vigilant in the prevention of money-laundering and in the prevention of providing assistance to other parties in the conduct of money-laundering and/or other wrongful acts.

### **(2) Quality Control of Products**

Hosen Group, being one of Asia's leading FMCG trader and distributor, specialises in processed food, will meet the customers' quality requirements on our products on one hand and focus on the food safety and hygiene on the other hand. We require our suppliers and our own factory to implement tight controls on food safety and hygiene by installing metal detectors and implementing on-line quality control check on every manufacturing process. We have obtained from Agri-Food & Veterinary Authority of Singapore (in short, commonly known as "AVA") the import and export permits for our fish and meat products, various health certificates, free sale certificates and other food certificates in order to ensure the supply of safe foods to customers both local and worldwide.

Our own chocolate factory strictly follows the principles and standards in Hazard Analysis and Critical Control Point (in short, commonly known as "HACCP"), an internationally recognised system to reduce the risk of safety hazards in food and it also obtained HALAL certification, with which our chocolate products can be sold to Muslim consumers.

### **(3) Internal Policies**

Hosen Group implements a tight credit control policy. Customers' ordering trends and payment records are reviewed regularly to minimise credit risk. Delay in payments are identified and followed-up with the customers promptly. The Group may decline the acceptance of purchase orders from customer if there had been records of payment after the credit terms granted. Preferred selling price may be offered to customers who have good payment records over the years.



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### About Hosen Group and its products

Hosen Group, through its subsidiaries in Singapore, Malaysia and China, has developed over the past 40 years an extensive and robust distribution network that spans Asia, Europe, Middle East, Africa and the Oceanic countries. Today, Hosen's house brands of products can be found in various continents of the world.

Besides our strength in developing distribution network, the Company has also honed its skills in brand management and product development.

Our Brands are renowned for providing premium quality products at affordable prices. HOSEN® brand, our key house brand, has won many accolades and bagged numerous awards over the years, including the Most Promising Brand Award and Superbrands Awards. The Company has also been awarded Singapore 1000 Company (Public Listed) for consecutive years.

Our Hosen® brand carries a wide range of fruits, vegetables, condiments and beverages in various packaging such as can, bottle and pouch. The Fortune® brand carries an exquisite range of high quality canned seafood such as braised abalone and various types of shellfish. The Group also owns the Highway® Brand that carries canned meat and breakfast spreads. In 2013, LaDiva® brand was launched to cater to a growing demand for western product lines. The Sincero® brand carries chocolate products with various contents packed in bottle, pouch and tin.

Over the decades, the Company has built an extensive distribution network managed by an experienced team.

Our Retail Team showcases our products in the supermarkets, warehouse clubs, online malls and convenience stores. Our direct presence at retail stores enable us to launch new products and gather first-hand consumer response within a short period of time. This is a critical domain for us in this FMCG industry to create and innovate new products.

Our Food Service Divisions in Singapore, Malaysia and China service hotels, restaurants, airlines, clubs, caterers, cafes, ship-chandlers, bakeries and dessert chain stores. With the evolving changes in the businesses of these customer groups, we have, beyond product supplies and prompt services, engaged customers in the area of product development and other value added services.

Our Export Division has, over the years, developed a good client base in our overseas network, spanning more than 40 countries, and gained a reputation of delivering high quality products and excellent services. The Company has leveraged on this strength and has also taken on the role of a service provider for procurement and logistic requirements for our established customers.

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In 2015, the Company established a Malaysia subsidiary in Senai, being the first manufacturing arm of the Group, to develop, process, trade and distribute house brand and new chocolate products for both retail and industrial uses.

The Group will continue to provide an efficient, innovative and cost-effective distribution network in the domestic and international markets to supply and distribute our house brands and other FMCG products thereby enhancing the value of the Group and its stakeholders.

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*This report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this report.*

*This report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in the report.*

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