

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

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014**

*This announcement 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 relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The Group's Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2014. These figures have not been audited.

	Group		%
	S\$'000	S\$'000	
Consolidated Statement of Comprehensive Income	Half year ended 30/6/2014	Half year ended 30/6/2013	Increase/ (Decrease)
<b>Continuing operations</b>			
Revenue	33,679	35,227	(4.4)
Cost of sales	(27,641)	(28,888)	(4.3)
<b>Gross profit</b>	<b>6,038</b>	<b>6,339</b>	<b>(4.7)</b>
Other income	438	206	112.6
Selling and distribution expenses	(1,928)	(1,912)	0.8
Administrative expenses	(2,895)	(2,729)	6.1
Other expenses	(962)	(985)	(2.3)
Finance costs	(206)	(185)	11.4
<b>Profit before income tax</b>	<b>485</b>	<b>734</b>	<b>(33.9)</b>
Income tax expense	(68)	(126)	(46.0)
<b>Profit for the financial period from continuing operations</b>	<b>417</b>	<b>608</b>	<b>(31.4)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	-	866	N.M.
<b>Profit for the financial period</b>	<b>417</b>	<b>1,474</b>	<b>(71.2)</b>

<b>Other comprehensive income for the financial period, net of tax</b>			
Exchange differences on translating foreign operations	85	(4)	N.M.
	<b>502</b>	<b>1,470</b>	<b>(65.9)</b>
<b>Total comprehensive income for the financial period</b>			
<b>Profit attributable to owners of the parent</b>			
Continuing operations	417	608	(31.4)
Discontinued operations	-	866	N.M.
Total	417	1,474	(71.7)
<b>Total comprehensive income for the financial period attributable to owners of the parent</b>			
Continuing operations	502	604	(16.9)
Discontinued operations	-	866	N.M.
Total	502	1,470	(65.9)

N.M. denotes not meaningful

#### 1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Operating profit is arrived at after charging/(crediting) the following:

	Group	
	S\$'000	
	Half year ended 30/6/2014	Half year ended 30/6/2013
Depreciation of property, plant and equipment	389	407
Amortisation of intangible asset	24	13
Allowance for doubtful third party trade receivables	55	36
Gain on disposal of a subsidiary	-	(1,214)
Gain on disposal of property, plant and equipment	(254)	(45)
Allowance/(Reversal) for inventory obsolescence	59	(57)
Foreign exchange (gain)/loss, net	(11)	62

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	As at 30/06/2014	As at 31/12/2013	As at 30/06/2014	As at 31/12/2013
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	11,168	8,543	-	-
Investments in subsidiaries	-	-	9,468	9,468
Other receivables	-	-	10,052	10,052
Intangible asset	195	19	-	-
	11,363	8,562	19,520	19,520
<b>Current assets</b>				
Inventories	16,313	17,582	-	-
Financial assets at fair value through profit or loss	7	8	-	-
Derivative financial instrument	-	23	-	-
Trade and other receivables	14,943	17,235	5,633	6,421
Fixed deposits	52	52	-	-
Cash and bank balances	7,517	7,263	84	65
	38,832	42,163	5,717	6,486
<b>Less:</b>				
<b>Current liabilities</b>				
Trade and other payables	5,468	6,683	124	198
Bank borrowings	13,295	14,767	-	-
Finance lease payables	65	94	-	-
Current income tax payable	198	105	6	1
	19,026	21,649	130	199
<b>Net current assets</b>	19,806	20,514	5,587	6,287
<b>Less:</b>				
<b>Non-current liabilities</b>				
Finance lease payables	-	50	-	-
Bank borrowings	2,555	260	-	-
Deferred tax liabilities	232	232	-	-
<b>Total non-current liabilities</b>	2,787	542	-	-
	28,382	28,534	25,107	25,807
<b>Equity</b>				
Share capital	28,431	28,431	28,431	28,431
Treasury shares	(3,557)	(3,557)	(3,557)	(3,557)
Foreign currency translation account	(129)	(214)	-	-
Accumulated profits	3,637	3,874	233	933
Equity attributable to owners of the parent	28,382	28,534	25,107	25,807

**1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.**

	<b>As at 30 Jun 2014</b>		<b>As at 31 Dec 2013</b>	
	<b>S\$'000</b>		<b>S\$'000</b>	
	Secured	Unsecured	Secured	Unsecured
Repayable in one year or less or on demand	303	13,057	203	14,658
Repayable after one year	2,555	-	310	-
<b>Total</b>	<b>2,858</b>	<b>13,057</b>	<b>513</b>	<b>14,658</b>

**Details of any collateral**

1. The unsecured bank loans and overdrafts of the Group amounting to S\$3.2 million (As at 31 December 2013: S\$3.5 million) and trust receipts amounting to S\$9.9 million (As at 31 December 2013: S\$11.1 million) are subject to negative pledges over the existing and future assets of the Group.
2. A property loan amounting to S\$2.8 million (As at 31 December 2013: S\$339,000) is secured by legal mortgage over a subsidiary's property.
3. Finance lease payables are secured by the underlying assets acquired.
4. All the above facilities are covered by guarantees from Hosen Group Ltd. (the "Company").

(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated Statement of Cash Flows	Group	
	Half year ended 30/6/2014	Half year ended 30/6/2013
	S\$'000	S\$'000
Operating activities:		
Profit before income tax from continuing operations	485	734
Profit before income tax from discontinued operations	-	866
	485	1,600
Adjustments for :		
Depreciation of property, plant and equipment	389	407
Amortisation of intangible asset	24	13
Interest income	(2)	-
Interest expense	206	188
Gain on disposal of property, plant and equipment	(254)	(45)
Fair value loss on financial assets at fair value through profit or loss	1	-
Foreign exchange loss/(gain) on forward currency contracts	23	(10)
Allowance/(reversal) for inventory obsolescence	59	(57)
Allowance for doubtful third party trade receivables	55	36
Allowance for doubtful trade receivables written back	(54)	-
Gain on disposal of a subsidiary**	-	(1,214)
Net effect of foreign exchange rate changes on consolidation	89	(10)
Operating cash flows before working capital changes	1,021	908
Trade and other receivables	2,291	3,645
Inventories	1,211	2,610
Trade and other payables	(1,215)	(3,133)
Cash generated from operations	3,308	4,030
Interest received	2	-
Income tax refund/(paid)	24	(171)
Net cash from operating activities	3,334	3,859
Investing activities:		
Proceeds from disposal of a subsidiary**	-	1,074
Proceeds from disposal of property, plant and equipment	910	79
Purchases of property, plant and equipment	(3,674)	(81)
Purchases of intangible asset	(200)	(24)
Net cash (used in)/generated from investing activities	(2,964)	1,048
Financing activities:		
Proceeds from bank borrowings	25,251	16,721
Repayment of bank borrowings	(24,468)	(17,146)
Repayment of finance lease payables	(79)	(68)
Interest paid	(206)	(188)
Dividends paid	(654)	(327)
Net cash used in financing activities	(156)	(1,008)
Net change in cash and cash equivalents	214	3,899
Cash and cash equivalents at beginning of financial period	7,284	3,301
Cash and cash equivalents at end of financial period	7,498	7,200

**Cash and cash equivalents at end of financial period consists of:**

	<b>S\$'000</b>	<b>S\$'000</b>
Cash and bank balances (excluding pledged deposits)	7,538	7,200
Bank overdraft	(40)	-
Cash and cash equivalents	<b>7,498</b>	<b>7,200</b>

**Note \*\***

The fair value of the identifiable assets and liabilities other than cash and cash equivalents of the subsidiary as at the date of disposal were:-

	<b>30/6/13</b>
	<b>S\$'000</b>
Non current assets	73
Current assets	436
Current liabilities	(649)
Net identifiable assets and liabilities	<b>(140)</b>
Gain on disposal	1,214
	<b>1,074</b>
Sales consideration received in cash	1,000
Net borrowing classified as cash and cash equivalent disposed	74
Net cash inflow from disposal of subsidiary	<b>1,074</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated Statement of Changes in Equity**

Group	Equity attributable to owners of the parent				
	Share capital	Treasury shares	Foreign currency translation account	Accumulated profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1 Jan 2014</b>	<b>28,431</b>	<b>(3,557)</b>	<b>(214)</b>	<b>3,874</b>	<b>28,534</b>
Profit for the financial period	-	-	-	417	417
Exchange differences on translating foreign operations	-	-	85	-	85
<b>Total comprehensive income for the financial period</b>	-	-	85	417	502
Distributions to owners of the parent:					
Dividends	-	-	-	(654)	(654)
<b>Total transactions with owners of the parent</b>	-	-	-	(654)	(654)
<b>Balance at 30 Jun 2014</b>	<b>28,431</b>	<b>(3,557)</b>	<b>(129)</b>	<b>3,637</b>	<b>28,382</b>
<b>Balance at 1 Jan 2013</b>	<b>28,431</b>	<b>(3,557)</b>	<b>(85)</b>	<b>2,393</b>	<b>27,182</b>
Profit for the financial period	-	-	-	1,474	1,474
Exchange differences on translating foreign operations	-	-	(4)	-	(4)
<b>Total comprehensive income for the financial period</b>	-	-	(4)	1,474	1,470
Distributions to owners of the parent:					
Dividends	-	-	-	(327)	(327)
<b>Total transactions with owners of the parent</b>	-	-	-	(327)	(327)
<b>Balance at 30 Jun 2013</b>	<b>28,431</b>	<b>(3,557)</b>	<b>(89)</b>	<b>3,540</b>	<b>28,325</b>

### Statement of Changes in Equity

Company	Share capital	Treasury shares	Accumulated (losses)/profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1 Jan 2014</b>	<b>28,431</b>	<b>(3,557)</b>	<b>933</b>	<b>25,807</b>
Profit for the financial period	-	-	(46)	(46)
<b>Total comprehensive income for the financial period</b>				
Distributions to owners of the parent:				
Dividends	-	-	(654)	(654)
<b>Balance at 30 Jun 2014</b>	<b>28,431</b>	<b>(3,557)</b>	<b>233</b>	<b>25,107</b>
<b>Balance at 1 Jan 2013</b>	<b>28,431</b>	<b>(3,557)</b>	<b>465</b>	<b>25,339</b>
Profit for the financial period	-	-	205	205
<b>Total comprehensive income for the financial period</b>			205	205
Distributions to owners of the parent:				
Dividends	-	-	(327)	(327)
<b>Balance at 30 Jun 2013</b>	<b>28,431</b>	<b>(3,557)</b>	<b>343</b>	<b>25,217</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	As at 30 June 2014	As at 31 December 2013
No. of Ordinary shares	357,178,846	357,178,846
Share Capital (S\$'000)	28,431	28,431

As at 30 June 2014, the Company held 29,868,000 treasury shares (As at 30 June 2013: 29,868,000). The total number of issued shares (excluding treasury shares) of the Company was 327,310,846 as at 30 June 2014 and as at 30 June 2013.

The Company did not have any outstanding options and convertibles as at 30 June 2014 and as at 30 June 2013.



**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares:-

	As at 30 June 2014	As at 31 December 2013
Total number of issued shares	357,178,846	357,178,846
Less: Treasury shares	(29,868,000)	(29,868,000)
Total number of issued shares excluding treasury shares	327,310,846	327,310,846

**1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company held 29,868,000 treasury shares as at 30 June 2014. There were no sales, transfers, disposal, cancellation and/or use of treasury shares in the financial period ended 30 June 2014.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted all the Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for the current financial year. The adoption of new/revised FRS and INT FRS does not have any material impact on the financial statements of the Group for the current reporting period or prior years reporting periods.

Save for the abovementioned, the Group has adopted the same accounting policies and methods of computation which are consistent with those used in the most recent audited financial statements for the financial year ended 31 December 2013.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Save as disclosed in Note 4 above, there was no other change in the accounting policies and methods of computation for the half year ended 30 June 2014.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share of the Group for the period based on the net profit after income tax:-	Group	
	Half year ended 30/06/2014	Half year ended 30/06/2013
From continuing operations		
(a) Based on the weighted average number of shares	0.13 cents	0.19 cents
(b) On a fully diluted basis	0.13 cents	0.19 cents
From discontinued operations		
(a) Based on the weighted average number of shares	-	0.26 cents
(b) On a fully diluted basis	-	0.26 cents

Basic earnings per share is computed based on 327,310,846 (excluding treasury shares) as at 30 June 2014 and 30 June 2013.

The basic and dilutive earnings per share are the same as there was no potentially dilutive security for the half year ended 30 June 2014 ("1H2014") and 30 June 2013 ("1H2013").

**7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	As at 30/06/2014	As at 31/12/2013	As at 30/06/2014	As at 31/12/2013
Net asset value per ordinary share (cents) based on total number of issued shares excluding treasury shares at the end of financial period/year	8.67	8.72	7.67	7.88

Note: The net asset value per ordinary share was calculated based on the total number of issued shares excluding treasury shares of 327,310,846 at 30 June 2014 and 31 December 2013.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **Consolidated Statement of Comprehensive Income**

#### ***Revenue***

Revenue decreased by 4.4% or S\$1.55 million to S\$33.68 million in 1H2014 from S\$35.23 million in 1H2013 due to lower Chinese New Year ("CNY") sales and part of the CNY sales was recorded in December 2013 as well as slow pick-up in sales after CNY.

#### ***Gross profit***

Gross profit decreased by 4.7% or S\$0.30 million to S\$6.04 million in 1H2014 from S\$6.34 million in 1H2013. The lower gross profit is a result of lower revenue and marginal reduction in the profit margin.

#### ***Other Income***

Other income increased by S\$0.23 million to S\$0.44 million in 1H2014 from S\$0.21 million in 1H2013 mainly due to gain on disposal of a property by one of the Company's subsidiary.

#### ***Administrative Expenses***

Administrative expenses increased by S\$0.17 million to S\$2.90 million in 1H2014 from S\$2.73 million in 1H2013 mainly due to increase in staff costs and professional fees.

#### ***Finance Costs***

Finance costs increased by S\$0.02 million due to higher borrowings in 1H2014 as compared to 1H2013.

#### ***Income Tax Expense***

Income tax expense decreased by S\$0.06 million or 46.0% mainly due to provision of lower taxable income arising from reduced profit and tax relief from tax incentive scheme.

### **Profit for the financial period – Continuing Operations**

Profit for the financial period from continued operations was S\$0.42 million in 1H2014 as compared to S\$0.61 million in 1H2013, representing a decrease of S\$0.19 million or 31.4%, mainly due to lower gross profit and higher operating expenses.

### **Profit from discontinued operations, net of tax**

The Group had in 1H2013 disposed a subsidiary, Health Domain Pte. Ltd., for a consideration of S\$1 million, which was completed in March 2013.

### **Statements of Financial Position**

As at 30 June 2014, the Group's total equity was S\$28.38 million as compared to S\$28.53 million as at 31 December 2013. The change was mainly due to higher dividend payments of S\$0.65 million paid in 1H2014 as compared to S\$0.33 million in 1H2013 and a lower profit attributable to the current financial period under review.

The other significant changes to the Statement of Financial Position were as follows:-

- 1) Inventories decreased by S\$1.27 million to S\$16.31 million as at 30 June 2014 from S\$17.58 million as at 31 December 2013. This was mainly due to higher inventory holding as at 31 December 2013 to cater for the CNY sales in January 2014.
- 2) Trade and other receivables decreased by approximately S\$2.30 million to S\$14.94 million as at 30 June 2014 from S\$17.24 million as at 31 December 2013 mainly due to collection of debts after the 2013 year end festive sales.
- 3) Property, plant and equipment increased by S\$2.63 million to S\$11.17 million mainly due to the purchase of property for warehousing and office operations of the Company's Malaysian subsidiary.
- 4) Trade and other payables decreased by approximately S\$1.21 million to S\$5.47 million as at 30 June 2014 from S\$6.68 million as at 31 December 2013 mainly due to lower purchase of inventories.
- 5) Bank borrowings (current portion) decreased by approximately S\$1.47 million to S\$13.30 million as at 30 June 2014 from S\$14.77 million as at 31 December 2013 mainly due to lower purchase of inventories and repayment of borrowings.
- 6) Bank borrowings (non-current portion) increased by S\$2.30 million to S\$2.56 million from S\$0.26 million at 31 December 2013 due to loan taken to partially finance the purchase of property for warehousing and office operations of the Company's Malaysian subsidiary.

### **Consolidated Statement of Cash Flows**

Cash and cash equivalents (cash and bank balances and fixed deposit, net of bank overdraft) increased by S\$0.30 million to S\$7.50 million as at 30 June 2014. Out of the cash and cash equivalents, S\$3.33 million was generated from operating activities, S\$0.16 million was used in financing activities while S\$2.96 million was used in investing activities.

The net cash generated from operating activities was mainly due to the reduction of trade receivables and inventory offset by the reduction in trade payables.

The net cash used in investing activities was mainly due to the purchase of property, plant and equipment of S\$3.67 million which was partially offset by sale proceeds of S\$0.91 million from the disposal of the same.

The net cash used in financing activities was mainly due to the repayments of bank borrowings and dividends paid. This was partially offset by additional borrowings of S\$2.76 million for the purchase of property in Malaysia.

- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

N.A.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group operates in a highly competitive FMCG industry which faces on-going challenges such as currency fluctuations, inflation, rising purchase and operating costs and the restriction on foreign labour.

The Group will continue to consolidate its internal resources, leverage on the strength of its house brands that are well received in the marketplace, expand its distribution network and explore new business opportunities that can complement, strengthen as well as grow its existing core business.

- 11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared.

**13. If the Group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have a general mandate for IPT from shareholders.

There was no IPT with value of more than S\$100,000 entered into during the financial period.

**14. Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited**

On behalf of the Board of Directors, we hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of Hosen Group Ltd which may render the unaudited financial statements for the half year ended 30 June 2014 to be false or misleading in any material aspect.

For and on behalf of the Board of Hosen Group Ltd.

Lim Hai Cheek  
Chief Executive Officer

Chong Poh Soon  
Executive Director

BY ORDER OF THE BOARD

Lim Hai Cheek  
Chief Executive Officer  
11 August 2014