HOSEN GROUP
LTD

REFINE AND OUTSHINE

ANNUAL REPORT 2021

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This annual report has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Jennifer Tan, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg

CORPORATE PROFILE

Hosen Group was established in the 1970s and has since grown to become one of Asia's leading importers, exporters and distributors of fast-moving consumer goods ("FMCG"), specialising in processed food.

The Company adopted the name Hosen Group Ltd when it went public on the Singapore Stock Exchange in September 2004.

Hosen Group, through its subsidiaries in Singapore, Malaysia and China, has developed over the past 50 years an extensive and robust distribution network that spans across 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 its 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® and Calbuco® brands carry chocolate products with various contents packed in bottle, pouch and tin while Cocoa Grande® brand carries semi-finished and finished industrial chocolate products.

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

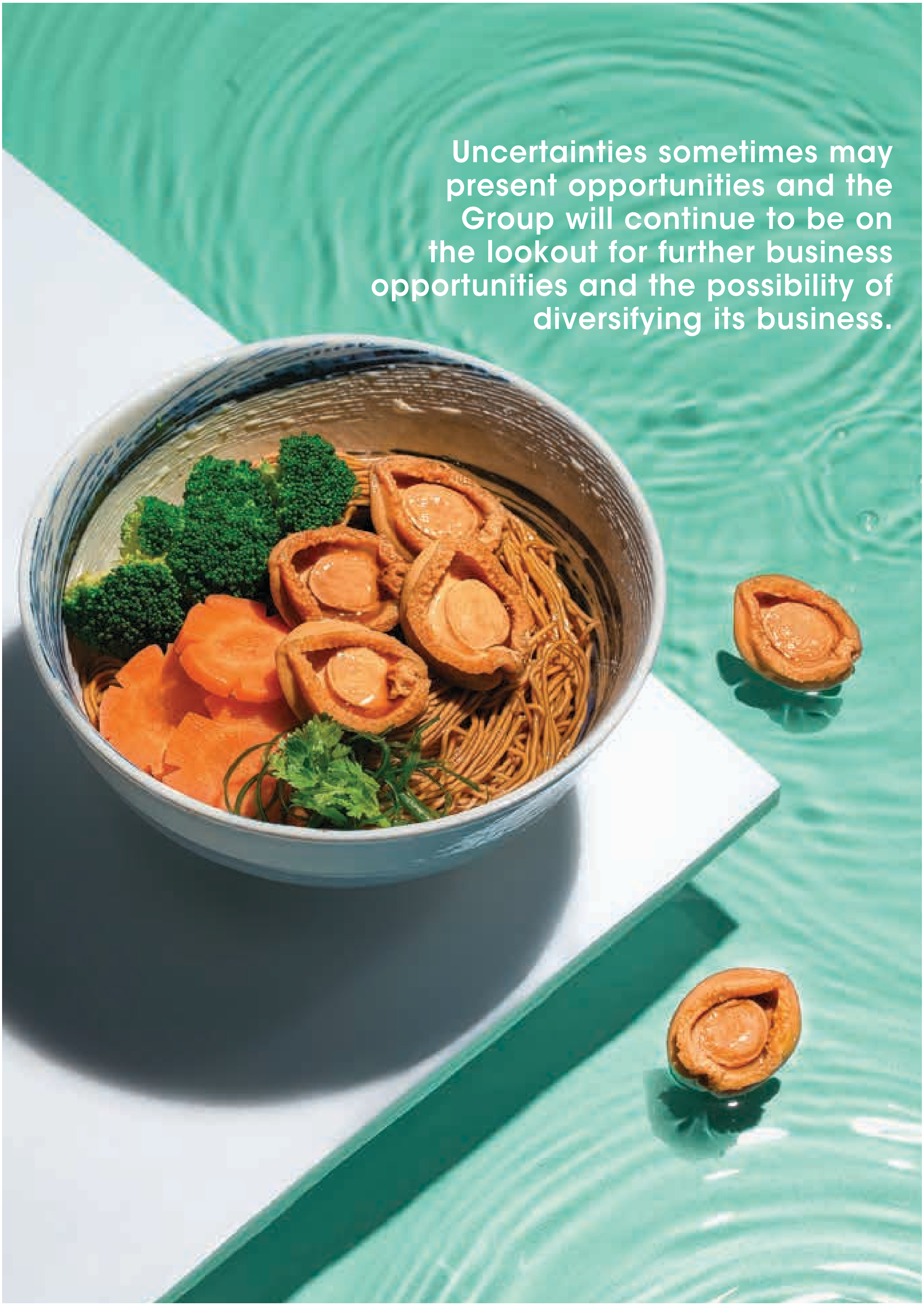
Our Retail Team showcases our products in the supermarkets, warehouse clubs, online malls and convenience stores. Our direct presence at retail stores enable us to launch new products and gather first-hand consumer response within a short period of time. This is a critical domain for us in this FMCG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

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.



Uncertainties sometimes may present opportunities and the Group will continue to be on the lookout for further business opportunities and the possibility of diversifying its business.

MESSAGE FROM CHAIRMAN AND CEO

Our revenue contribution from House Brands products increased to 79.9% in FY2021 compared to 76.7% in FY2020.

DEAR SHAREHOLDERS

On behalf of the Board of Directors of Hosen Group Ltd, we are pleased to present you the Annual Report and the Group's performance for the financial year ended 31 December 2021 ("FY2021").

During FY2020 our sales revenue was higher at S$71.5 million due to panic buying led by consumers' stockpiling of food products like canned foodstuffs during the Circuit-Breaker period in Singapore and the Movement Control Order in Malaysia. In comparison, FY2021's sales revenue was lower at S$68.2 million as panic buying subsided with people generally learning to live with the pandemic. In line with the Group's longer term growth strategy, the Group will continue to focus on further developing and promoting our own House Brands products in both the local and overseas markets. As a percentage of overall sales revenue, our revenue contribution from House Brands products increased to 79.9% in FY2021 compared to 76.7% in FY2020.

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 during the financial year. However, supply chain disruptions caused by delays in shipping schedules and containers shortages has resulted in increases in freight and materials costs. As a result of the above factors, the net profit for the Group in FY2021 was lower at S$2.4 million compared to S$2.9 million in FY2020.

OUTLOOK

As mentioned above, the on-going COVID-19 pandemic has resulted in rising material and logistic costs and this is expected to continue in the foreseeable future. The current war between Russia and Ukraine has resulted in near record oil prices and this is likely to have further impact on shipping and other transportation costs. Raw material costs are also likely to further increase.

The Group will continue to monitor the situation closely as it further develops and will endeavour to manage the rising costs and higher risks by diversifying its supplies sources, more effective pricing policies and managing and improving its costs and operations efficiencies. On the other hand, uncertainties sometimes may present opportunities and the Group will continue to be on the lookout for further business opportunities and the possibility of diversifying its business, including but not limited to, the property business, in view of widening the Group's revenue streams.

DIVIDEND

The Board has recommended a tax-exempt one-tier first and final dividend of 0.20 Singapore cents per ordinary share for FY2021 for approval by shareholders at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board, we would like to express our gratitude to our fellow Board members and professional teams for their counsel and guidance on various matters and to our management and staff for their unremitting dedication. We also wish to thank our business partners, customers and suppliers, bankers and shareholders for their continued support, especially during the pandemic period over the past two years.

WEE PIEW
Non-Executive Independent Chairman

LIM HAI CHEOK
Executive Director and Chief Executive Officer

OPERATIONS REVIEW

BUSINESS REVIEW

The Group has been facing the challenges in FY2021 during the COVID-19 pandemic. The rising raw material costs and logistic costs have been added to the running cost of business of the Group. Delays in shipping schedules also affected the Group's expected import timing and sales strategies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group recorded a lower revenue of S$68.17 million for the financial year ended 31 December 2021 ("**FY2021**") as compared to S$71.52 million for the financial year ended 31 December 2020 ("**FY2020**"). The decrease of S$3.35 million or 4.7% in revenue was mainly due to high demand of our products resulting from consumers' stockpiling of food related products during the early stage of the pandemic period in FY2020.

Gross profit increased by S$1.10 million or 7.5% to S$15.74 million in FY2021 from S$14.64 million in FY2020 mainly due to higher profit margin earned by our major operating subsidiaries in Singapore and Malaysia.

Other income decreased by S$0.56 million to S$0.82 million in FY2021 from S$1.38 million in FY2020. The reduction was due to lesser government grant and support from both Singapore and Malaysia Governments as part of their response to the COVID-19 pandemic on their respective economies in FY2021 compared to FY2020.

Selling and distribution expenses increased by S$0.58 million to S$2.72 million in FY2021 from S$2.14 million in FY2020 due to higher distribution costs following the escalated freight costs and higher promotion expenses incurred in FY2021 as compared to lesser promotion activities and no overseas exhibitions attended in the period of travel restrictions and national lockdown in FY2020.

Administrative expenses increased by S$0.20 million to S$7.98 million in FY2021 from S$7.78 million in FY2020 mainly due to higher staff cost with more headcount.

Other expenses increased by S$0.18 million to S$2.23 million in FY2021 from S$2.05 million in FY2020 was mainly due to higher written-down of slow-moving stocks and increase in depreciation and amortisation in FY2021.

Finance costs decreased by S$0.16 million to S$0.33 million in FY2021 from S$0.49 million in FY2020 due to lesser borrowings to finance the purchases of goods.

As a result, the Group recorded a net profit attributable to owners of the parent of S$2.41 million in FY2021 as compared to a net profit of S$2.92 million in FY2020.

The Board has recommended a tax-exempt one-tier first and final dividend of 0.20 Singapore cents per ordinary share for FY2021.

The Group will continue to manage the rising costs and higher risks by diversifying its supplies sources, more effective pricing policies and managing and improving its costs and operations efficiencies.

OPERATIONS REVIEW

FINANCIAL POSITION AND CASH FLOWS

The Group's net assets were S$32.64 million as at 31 December 2021, compared to S$31.07 million as at 31 December 2020. The net increase of S$1.57 million was mainly a result of the profit earned in FY2021 offset against dividend paid.

Property, plant and equipment as at 31 December 2021 and as at 31 December 2020 were respectively recorded at S$19.24 million and S$19.92 million. The decrease of S$0.68 million was mainly represented by the current period depreciation charged, which is partially offset by the addition of property, plant and equipment.

Inventories increased by S$0.67 million to S$15.92 million as at 31 December 2021 from S$15.25 million as at 31 December 2020 mainly due to higher inventory level maintained by the Group at the end of FY2021 to meet the sales during Chinese New Year in early 2022 ("**CNY2022**").

Trade and other receivables increased by S$2.15 million to S$13.42 million as at 31 December 2021 from S$11.27 million as at 31 December 2020 due to more sales had been made before the year end as the CNY2022 falls in early FY2022 and increased in advance payment to suppliers in FY2021.

Other current assets, representing the right to the recovered goods for sales returns by customers, increased to S$0.85 million as at 31 December 2021 from S$0.55 million as at 31 December 2020 mainly due to the higher expected return of goods in connection with CNY2022 at the end of FY2021.

Trade and other payables increased by S$2.17 million to S$9.38 million as at 31 December 2021 from S$7.21 million as at 31 December 2020 mainly due to increase in trade payables as at 31 December 2021 due to more purchases being made towards the end of FY2021.

Refund liabilities represents the liabilities for return of goods and sales rebates. It increased to S$1.56 million as at 31 December 2021 from S$1.04 million as at 31 December 2020 which was in line with the increase in other current assets.

Bank borrowings in non-current liabilities decreased by S$0.10 million to S$0.97 million as at 31 December 2021 from S$1.07 million as at 31 December 2020 mainly due to repayment of property in Malaysia.

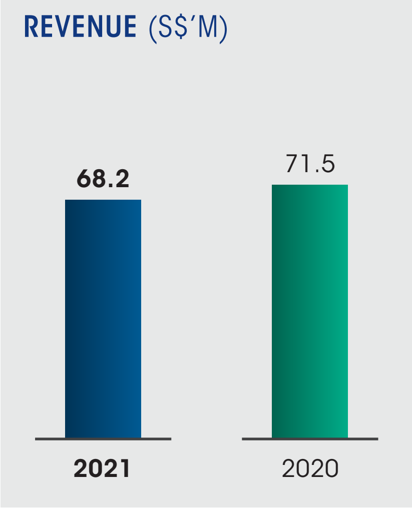
Cash and cash equivalents stood at S$7.85 million as at 31 December 2021. Out of the cash and cash equivalents, S$3.34 million was generated from operating activities, S$0.36 million used in investing activities and S$1.26 million used in financing activities.

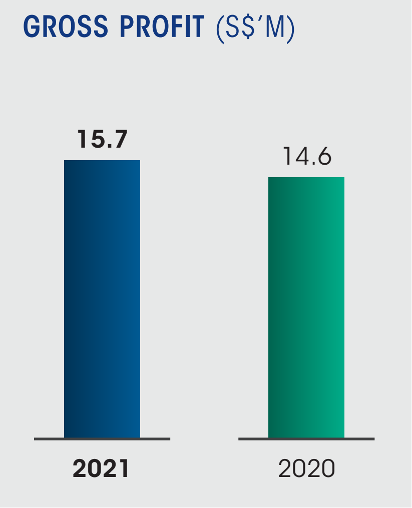
The net cash generated from operating activities mainly comprised the operating cash flows before working capital changes of S$4.99 million and increase in trade and other payables by S$1.98 million, offset by the increase in inventories by S$1.03 million, the increase in trade and other receivables by S$2.02 million.

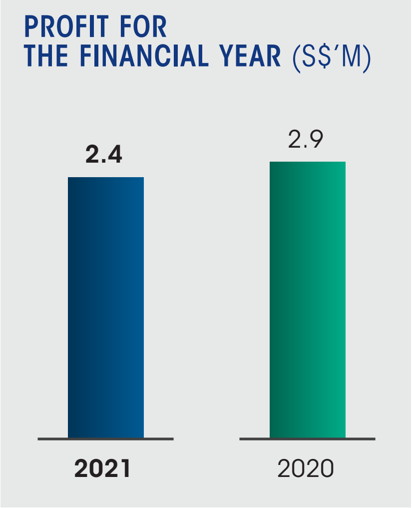
The net cash used in investing activities was mainly attributable to the acquisition of property, plant and equipment of S$0.32 million and purchase of intangible asset of S$0.04 million.

The net cash used in financing activities was mainly due to dividend paid of S$0.65 million, interest paid of S$0.33 million and repayment of lease liabilities of S$0.19 million in FY2021.

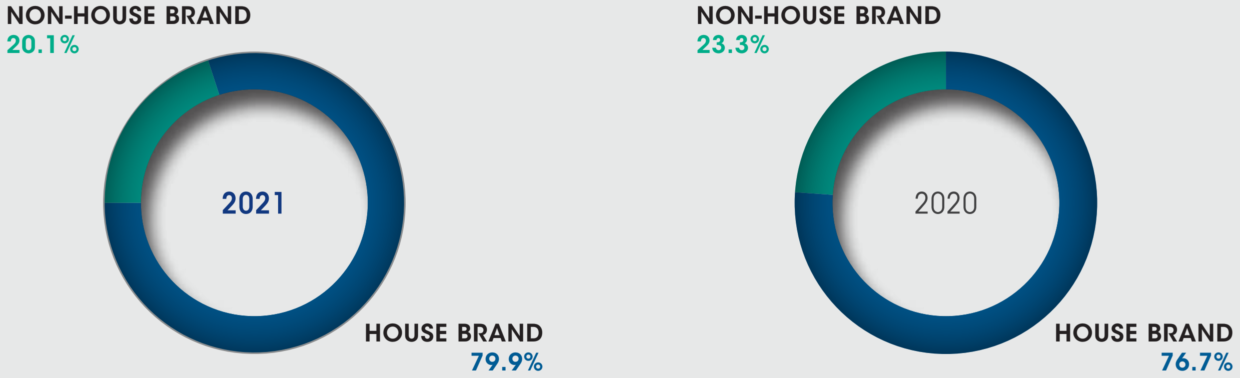
FINANCIAL HIGHLIGHTS



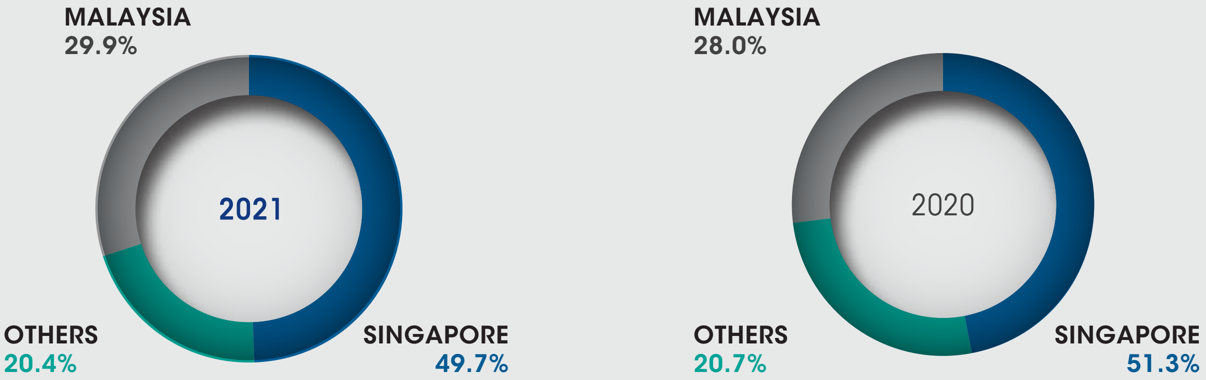




REVENUE BY OPERATING SEGMENT



REVENUE BY GEOGRAPHICAL SEGMENT



BOARD OF DIRECTORS

MR WEE PIEW

Non-Executive Independent Chairman

Mr Wee Piew was appointed Non-Executive Independent Director of the Company on 5 July 2004 and was re-designated as Non-Executive Independent Chairman on 3 April 2017. He is also Chairman of the Audit and Remuneration Committees, and a member of the Nominating Committee.

Mr Wee has extensive experience in senior management as he was the CEO and Executive Director of three public listed companies in Singapore – PSL Holdings Ltd, HG Metal Manufacturing Ltd and Kian Ho Bearings Ltd. Mr Wee was also a director in other public listed companies. Prior to his corporate experience, he was in corporate banking for more than 10 years with DBS Bank, ABN AMRO Bank and Vereinsbank. Mr Wee holds a Bachelor of Accountancy (Honours) from the National University of Singapore. He was a Fellow of the Institute of Singapore Chartered Accountants from 2004 to 2017.

MR LIM HAI CHEOK

Executive Director and Chief Executive Officer

Mr Lim Hai Cheok is the co-founder of the Group and Chief Executive Officer of the Company. Mr Lim was appointed Executive Director of the Company on 15 March 2004. He is also a member of the Nominating Committee. He has served as Managing Director of Hock Seng Food Pte Ltd ("HSF") since its incorporation as a private limited company in 1982. Mr Lim is in charge of formulating the strategic direction and growth of the Group. Prior to starting his own business, Mr Lim was involved in his family provision store business. He has more than 40 years' experience in the FMCG market in Singapore, and was instrumental in the growth of the Group. Mr Lim is the spouse of Chong Poh Soon, father of Lim Hock Chye Daniel and brother of Lim Kim Eng.

MS LIM KIM ENG

Executive Director

Ms Lim Kim Eng Susan joined the Group in 1982 and was appointed as an Executive Director of HSF in 1994. She was appointed Executive Director of the Company on 5 July 2004. Ms Lim is in charge of the Group's re-export business, parallel imported products, procurement and sales of third-parties' FMCG products, shipping, insurance and liaising with bankers. Over the years, Ms Lim has been instrumental in developing the Group's network of overseas customers and suppliers. Ms Lim is the sister of Lim Hai Cheok, sister-in-law of Chong Poh Soon and aunt of Lim Hock Chye Daniel.

MR LIM HOCK CHYE DANIEL

Executive Director

Mr Lim Hock Chye Daniel joined the Group in 1997 and was appointed Executive Director on 15 March 2004. Mr Lim is responsible for the brand building, procurement, and international sales of the Group's portfolio of brands. He is also in charge of formulating the strategic direction and growth of the chocolate business. Mr Lim graduated from Hawaii Pacific University in 1994 with a Bachelor of Science in Business Administration. Mr Lim is the son of Lim Hai Cheok and Chong Poh Soon and nephew of Lim Kim Eng.

MR LIM HENG SENG

Non-Executive Independent Director

Mr Lim Heng Seng was appointed Non-Executive Independent Director of the Company on 5 July 2004. Mr Lim is also Chairman of Nominating Committee and a member of the Audit and Remuneration Committees.

He is currently the Advisor of Kloss & Associates, a local business consulting firm. Between 2005 and 2007, he was the Chief Human Resources Officer (CHRO) for Titan Petrochemicals Group, a listed company in Hong Kong. Prior to that, he was the Senior Human Resource Executive with various US Multi-National Corporations ("MNC") including Seagram Asia Pacific and GE Plastics Singapore. From 1997 and 2000, he served as Vice President Human Resource – Asia Pacific for Seagram, following which Mr Lim was appointed General Manager for Seagram's China till 2003. Before 1997, he served as a Human Resources Manager for GE Plastics' operation in South East Asia.

Mr Lim holds a Master of Business Administration degree from the University of Dubuque and a Bachelor of Social Science degree from the National University of Singapore.

MR LEONG KA YEW

Non-Executive Independent Director

Mr Leong Ka Yew was appointed Non-Executive Independent Director of the Company on 28 December 2020. Mr Leong is also a member of the Audit and Remuneration Committees.

He is currently a consultant to Aptus Law Corporation. He was a director of Aptus Law Corporation from 2006 to 2020. His areas of practice include corporate law.

Mr Leong holds a Bachelor of Laws (Honours) degree from National University of Singapore.

KEY
MANAGEMENT

MADAM CHONG POH SOON

Senior Director

Madam Chong Poh Soon is the co-founder of the Group, and was appointed Executive Director of the Company on 5 July 2004. She resigned from the Board of Directors on 28 December 2020 and was redesignated as Senior Director as her working title in order to pave the way for board refreshment. She has served as a Director of HSF since its incorporation in 1982. She is responsible for the Group's procurement and logistics. Madam Chong has more than 40 years' experience in the trading of canned products industry. Madam Chong is the spouse of Lim Hai Cheok, mother of Lim Hock Chye Daniel and sister-in-law of Lim Kim Eng.

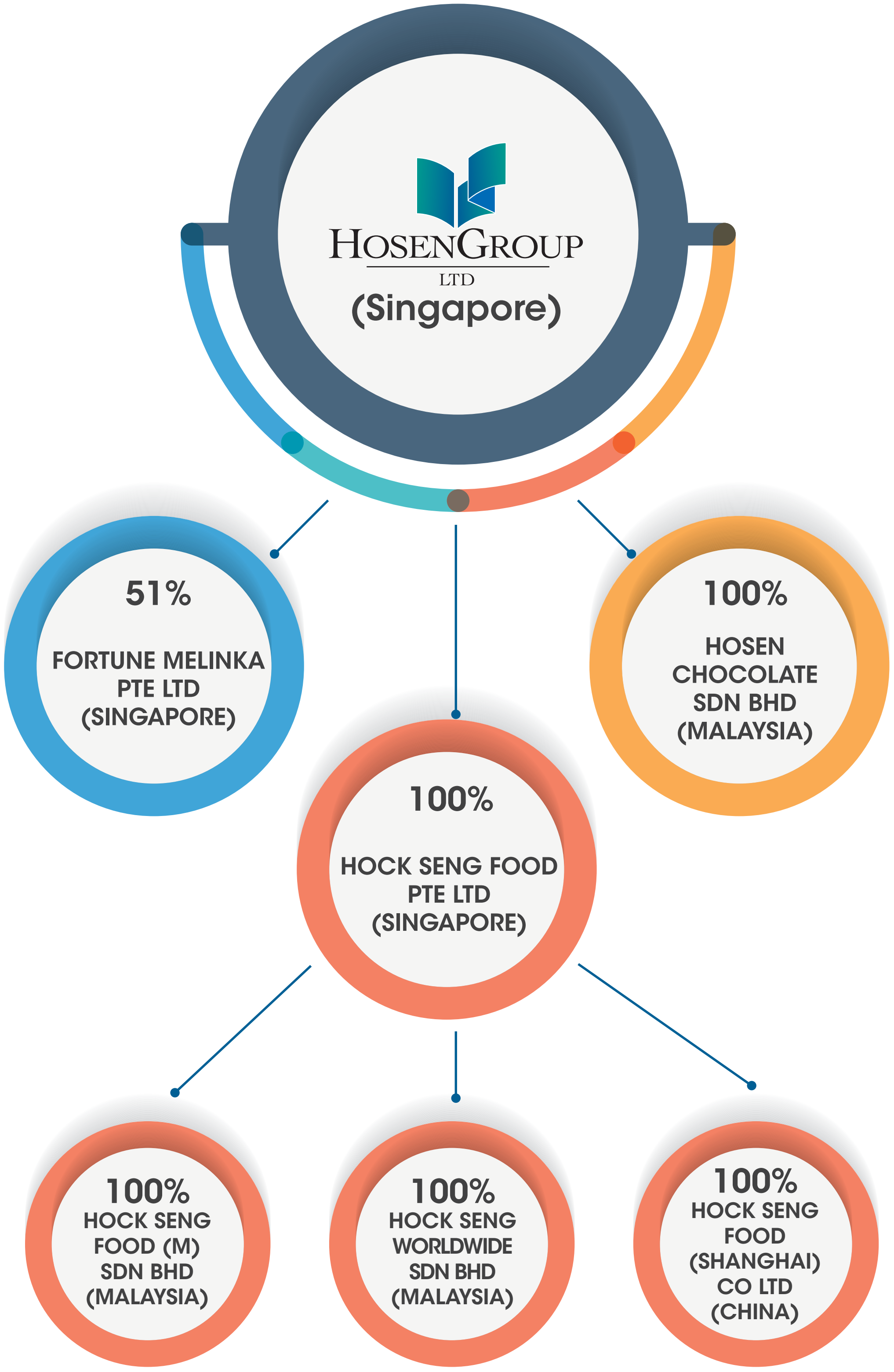
MR HO SIN YAM PATRICK

Chief Financial Officer

Mr Patrick Ho joined the Group as Chief Financial Officer on 17 March 2014. He is responsible for the corporate finance, financial management, treasury, corporate governance, compliance and reporting, risk management, accounting and tax matters of the Group. Mr Ho has extensive experience in strategic management, corporate finance, acquisitions and disposals, dual listing, initial public offering, group restructuring, financial management, risk management and investor relations. He worked as Financial Controller of a number of listed companies and private companies in Singapore and Hong Kong. He also worked in reputable audit firms both in Singapore and Hong Kong and previously held directorships in several private companies.

Mr Ho obtained a degree of Master of Business Administration from University of Hull and a degree of Bachelor of Arts (Honours) in Accountancy from City Polytechnic of Hong Kong. He is a member of the Institute of Singapore Chartered Accountants, a fellow member of Association of Chartered Certified Accountants and a full member of Singapore Institute of Directors.

GROUP STRUCTURE



Cash and cash equivalents stood at S$7.85 million as at 31 December 2021.

CORPORATE
GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2018 AND CATALIST RULES

The Board of Directors (the "**Board**") of Hosen Group Ltd. (the "**Company**") together with its subsidiaries (the "**Group**") are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater accountability, transparency, sustainability and achieving long-term sustainable business performance and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2021 ("**FY2021**"), with specific reference made to the principles of the Code of Corporate Governance 2018 (the "**Code**").

Provision	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Save as otherwise disclosed, the Company has complied with the principles and guidelines as set out in the Code, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	The Company did not adopt any alternative corporate governance practices in FY2021 other than those explained in this report.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3">The Board’s Conduct of Affairs</td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>
<p>The Board has six (6) members as at the end of FY2021 and comprises the following:</p>
<table>
<tr><th colspan="2"><i>Table 1.2 – Composition of the Board</i></th></tr>
<tr><th>Name of Director</th><th>Designation</th></tr>
<tr><td>Wee Piew</td><td>Non-Executive Independent Chairman</td></tr>
<tr><td>Lim Hai Cheok</td><td>Executive Director and Chief Executive Officer (the “CEO”)</td></tr>
<tr><td>Lim Kim Eng</td><td>Executive Director</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>Executive Director</td></tr>
<tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td></tr>
<tr><td>Leong Ka Yew</td><td>Non-Executive Independent Director</td></tr>
</table>
<p>The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. In addition to its statutory duties, the Board’s principal functions are:</p>

supervising the management of the business and affairs of the Group;
reviewing the financial performance of the Group;
approving corporate and strategic directions;
setting up the broad policies and financial objectives of the Group;
overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
approving the appointments to the Board, various Board committees and key management personnel;
reviewing merger, acquisition and disposal transactions;
approving annual budgets and major funding proposals;

</td></tr>
</table>

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>

assuming responsibility for corporate governance; and
reviewing and holding the Management accountable for its performance.

<p>All Directors are required to avoid situations where their own personal or business interests may conflict or appear to conflict with the interests of the Company. Where a Director has a conflict of interest, or it appears that he/she might have a conflict of interest in relation to any matter, he/she must immediately declare his/her interest at a meeting of the Directors or send a written notice to the Company containing details of his/her interest in the matter and the actual or potential conflict, and recuse himself/herself from participating in any discussion or decision on the matter.</p>
</td></tr>
<tr><td>1.4
4.2
6.2
10.2</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>
<p>The Board has delegated certain responsibilities to the Audit Committee (the “AC”), the Remuneration Committee (the “RC”) and the Nominating Committee (the “NC”) (collectively, the “Board Committees”). The compositions of the Board Committees in FY2021 are as follows:</p>
<table>
<tr><th colspan="4"><i>Table 1.4 – Composition of the Board Committees</i></th></tr>
<tr><th colspan="4">In FY2021</th></tr>
<tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Wee Piew</td><td>Lim Heng Seng</td><td>Wee Piew</td></tr>
<tr><td>Member</td><td>Lim Heng Seng</td><td>Wee Piew</td><td>Lim Heng Seng</td></tr>
<tr><td>Member</td><td>Leong Ka Yew</td><td>Lim Hai Cheok</td><td>Leong Ka Yew</td></tr>
</table>
<p>No Director or member of the RC is allowed to participate in the deliberation, and has to abstain from voting on any resolution, relating to his/her own remuneration or that of employees related to him/her.</p>
<p>The AC meets with the external auditors (“EA”) and internal auditors (“IA”) without the presence of Management at least once a year to, amongst others, ascertain if there are any material weaknesses or control deficiencies in the Group’s financial reporting and operational systems. AC also met without the presence of the Management at least once a year and on ad-hoc basis.</p>
<p>As at the end of FY2021, the relevant provisions of the Code for the AC and RC to comprise all non-executive directors have been complied with.</p>
</td></tr>
</table>

CORPORATE
GOVERNANCE REPORT

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.5
1.6</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a half yearly basis, and as and when circumstances require. In FY2021, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.
<table>
<tr><th colspan="5"><i>Table 1.5 – Board and Board Committee Meetings in FY2021</i></th></tr>
<tr><td></td><td>Board</td><td>AC</td><td>NC</td><td>RC</td></tr>
<tr><td>Number of Meetings Held</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
<tr><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr>
<tr><td>Wee Piew</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
<tr><td>Lim Hai Cheok</td><td>3</td><td>3*</td><td>1</td><td>1*</td></tr>
<tr><td>Lim Kim Eng</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Heng Seng</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Leong Ka Yew</td><td>3</td><td>3</td><td>1*</td><td>1</td></tr>
</table>
<i>* By invitation</i>

The Company's Constitution (the "Constitution") allow for meetings to be held through telephone or video communication.

The Management provides directors with complete, adequate and timely information prior to meetings to enable them to make informed decisions. If there is any proposed corporate action, the Management will convene meeting(s) and furnish meeting materials prior to the meetings.</td></tr>
<tr><td>1.3</td><td>What are the types of material transactions which require approval from the Board?</td><td>Matters that require the Board's approval include, amongst others, the following:

corporate strategy and business plans;
material acquisitions and disposals;
share issuance, dividend release or changes in capital;
material interested person transactions;
budgets, financial results announcements, sustainability report, annual report and audited financial statements;
announcement publication; and
convening of general meetings.
</td></tr>
</table>

CORPORATE
GOVERNANCE REPORT

Provision	Code and/or Guide Description	Company's Compliance or Explanation
1.2	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director will be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. All newly appointed Directors who do not have prior experience as a Director of a public listed company in Singapore will be provided with relevant training in the roles and responsibilities of a director of a listed issuer as prescribed by the Singapore Exchange and in areas such as legal and accounting where necessary.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	New and existing Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. Briefings, updates and trainings for the Directors in FY2021 include: • the EA had briefed the AC on changes or amendments to accounting standards; • the Company Secretary had provided from time-to-time, updates on changes in the relevant laws, regulations and listing rules; and • the Company Secretary had recommended from time-to-time, seminars/workshops with regards to the updates of relevant regulations and listing rules organised by external professionals.
Board Composition and Guidance		
2.2 2.3	Does the Company comply with the guideline on the proportion of Independent Directors and Non-Executive Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	The Chairman is independent and the Board consists of three (3) Non-Executive Independent Directors and three (3) Executive Directors. Notwithstanding that the Company does not comply with Provision 2.3 of the Code, the Board is of the view that the Chairman, who is a Non-Executive Independent Directors and having a second or casting vote, constitute 4 votes from Non-Executive Independent Directors as compared to 3 votes from Executive Directors and therefore the Non-Executive Independent Directors will dominate the decisions of the Board. Resolutions at any board meeting shall be determined by a majority of votes. Should there be an equality of votes, the Chairman of the board meeting shall have a second or casting vote.

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
2.1 4.4	Has the independence of the Independent Directors been reviewed in the last financial year?	The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code and Catalist Rule 406(3)(d). The Independent Directors have also confirmed their independence in accordance with the Code and Catalist Rule 406(3)(d).
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.
2.1	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	In accordance to Catalist Rule 406(3)(d)(iii) that has taken effect on 1 January 2022, both Mr Wee Piew and Mr Lim Heng Seng have sought for shareholders' approval in the last annual general meeting for their continued appointment as independent directors of the Company in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the CEO of the issuer, and associates of such directors and CEO (the "**Two-Tier Voting Process**"). Such resolutions approved by a Two-Tier Voting Process may remain in force from the conclusion of the annual general meeting following the passing of the resolutions until the conclusion of the third annual general meeting from such approvals or the retirement or resignation of the director, whichever is the earlier. Notwithstanding that Mr Lim Heng Seng and Mr Wee Piew had served as independent directors of the Company beyond nine years since the date of their first appointment on 5 July 2004, the Board is of the view that Mr Lim Heng Seng and Mr Wee Piew are independent as: • neither they and nor their immediate family members have any relationship or business dealings with the Group and the Company's substantial shareholders in the current or immediate past financial year; • neither they and nor their immediate family members have been employed by the Company or any of its related corporations for the current or any of the past three financial years;

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>• they have, over the years, actively participated in the proceedings and decision-making process of Board meetings. The Board considers both Mr Lim Heng Seng and Mr Wee Piew to have made impartial advice and insights and have exercised independent judgement in doing so without dominating the Board discussions in these proceedings and/or meetings;
• they have constructively challenged and helped develop proposals on strategy and reviewed the performance of Management in achieving agreed goals; and
• they have provided overall guidance to Management and in protecting the Company's assets and shareholders' best interests.
The Board recognises that Mr Lim Heng Seng and Mr Wee Piew have developed substantial insight of the Group's business and operations and will continue to value add to the Board.</td></tr>
<tr><td>2.4</td><td>(a) What is the Board's policy with regard to diversity in identifying Director nominees?</td><td>The Board's policy in identifying Director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender and age so as to avoid groupthink and foster constructive debate.</td></tr>
<tr><td></td><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:
<table>
<tr><th colspan="3">Table 2.4 – Balance and Diversity of the Board as at the end of FY2021</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td colspan="3">Core Competencies</td></tr>
<tr><td>– Accounting or finance</td><td>1</td><td>16.7%</td></tr>
<tr><td>– Human Resource management</td><td>1</td><td>16.7%</td></tr>
<tr><td>– Legal</td><td>1</td><td>16.6%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>3</td><td>50.0%</td></tr>
<tr><td colspan="3">Gender</td></tr>
<tr><td>– Male</td><td>5</td><td>83.3%</td></tr>
<tr><td>– Female</td><td>1</td><td>16.7%</td></tr>
</table></td></tr>
</table>

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.
2.5	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Independent Directors have met at least once a year and on ad hoc basis in the absence of key management personnel in FY2021. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.
Chairman and Chief Executive Officer		
3.1 3.2 3.3	Are the duties between Chairman and CEO segregated?	The Chairman of the Board (the "**Chairman**") is a Non-Executive Independent Director and the CEO is an Executive Director. The Chairman and CEO are separate persons and are not immediate family members. The duties of Chairman and CEO are segregated. In brief, the Chairman would lead the Board to ensure its effectiveness on all aspects of its role and ensure that the Directors receive complete, adequate and timely information and ensure effective communication with shareholders while the CEO would carry out the day-to-day overall management and execute the decisions made by the Board. The Chairman of the Company is a Non-Executive Independent Director who is available to shareholders where they have concerns and for which contact through the normal channels of communications with the Management are inappropriate or inadequate.

Provision	Code and/or Guide Description	Company's Compliance or Explanation
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: • makes recommendations to the Board on all Board appointments, re-appointments and replacement of Directors (including alternate directors, if any), the Chairman, CEO and key management personnel, having regard to each individual contribution and performance; • reviews the structure, size and composition of the Board and to make recommendations to the Board with regards to any adjustment that are deemed necessary; • reviews the training and professional development programmes for the Board and its Directors; • determines the criteria for identifying candidates and to assess nominations for new appointments; • determines the independence of each Director annually in accordance with Code's definition of independence; • reviews Board's succession plans for Directors, CEO and key management personnel; • determines and proposes the objective performance criteria for the Board's approval and to review the Board's performance in terms of the performance criteria, assess the effectiveness of the Board as a whole; and • decides whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when the Director has multiple Board representations.

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td rowspan="4">1.5
4.5</td><td>(a) What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number?</td><td>The Board has prescribed a maximum number of board representations that can be held by each Director is 6 in order to ensure that sufficient time and attention are given to the affairs of each company.</td></tr>
<tr><td>(b) If a maximum has not been determined, what are the reasons?</td><td>Not Applicable.</td></tr>
<tr><td>(c) What are the specific considerations in deciding on the capacity of Directors?</td><td>The considerations in assessing the capacity of Directors include the following:
• expected and/or competing time commitments of Directors;
• contributions by the Directors;
• geographical location of Directors;
• size and composition of the Board; and
• nature and scope of the Group’s operations and size.</td></tr>
<tr><td>(d) Have the Directors adequately discharged their duties?</td><td>The key information of the Directors, including their listed company directorships and principal commitments, are set out on page 9 in this annual report. The NC has reviewed the time spent and attention given by each of the Directors to the Company’s affairs and is satisfied that all Directors have discharged their duties adequately for FY2021.</td></tr>
<tr><td>4.5</td><td>Are there alternate Directors?</td><td>The Company does not have any alternate Directors.</td></tr>
<tr><td>4.3</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.</td><td>
<table>
<tr><th colspan="3">Table 4.3(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience, and knowledge to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of Director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
</td></tr>
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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th colspan="3"><i>Table 4.3(b) – Process for Re-electing Incumbent Directors</i></th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the Director in accordance with the performance criteria set by the Board; and
• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of Director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.</td></tr>
</table>
<p>Pursuant to Rule 720(4) of the Catalist Rules and Regulation 106 of the Company's Constitution, all Directors shall submit themselves for re-election at least once every three years.</p>
<table>
<tr><th colspan="3"><i>Table 4.3(c) – Re-election of Directors retiring at the forthcoming AGM</i></th></tr>
<tr><th>Name</th><th>Designation</th><th>Pursuant to</th></tr>
<tr><td>Wee Piew</td><td>Non-Executive Independent Director</td><td>Regulation 106</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>Executive Director</td><td>Regulation 106</td></tr>
</table>
<p>The information as required under Rule 720(5) of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules") for the Directors to be re-elected at the forthcoming AGM are set out in the Appendix to the Annual Report.</p>
<p>Directors standing for re-election at the AGM are evaluated by the other Directors on their past contributions in terms of knowledge of the industry as well as the business and operations of the company, development of strategy, the results of which are evaluated by the NC before the NC recommends the Directors' re-election for Board approval, and such Directors are subsequently recommended by the Board to shareholders for re-election.</p>
</td></tr>
</table>

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">Board Performance</td></tr>
<tr><td>5.1
5.2</td><td>What are the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:

<table>
<tr><th colspan="3"><i>Table 5 – Performance Criteria to Evaluate Effectiveness of Board</i></th></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Access to information
2. Board processes
3. Strategic planning
4. Board accountability
5. Risk management
6. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Size and composition</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
</td></tr>
<tr><td></td><td>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</td><td>The review of the performance of the Board and the Board Committees is conducted by the NC annually.

For FY2021, the review process was as follows:

1. (a) All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and performance evaluation forms of individual Directors standing for re-election at the forthcoming AGM based on criteria disclosed in Table 5;

(b) All Board Committee members individually completed a board committee evaluation questionnaire on the effectiveness of the Board Committee;

2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; and

3. The NC discussed the report and concluded the performance results during the NC meeting.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.

No external facilitator was engaged in the evaluation process.</td></tr>
</table>

Provision	Code and/or Guide Description	Company's Compliance or Explanation
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives in FY2021.
1.7	What is the role of the Company Secretary?	Directors also have separate and independent access to Management, the Company Secretary, and external advisers (where necessary) at the Company's expense. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: • ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the Catalist Rules, are complied with; • assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • assists the Chairman to ensure good information flows within the Board and its committees and key management personnel; • facilitating orientation and assisting with professional development as required; • training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • attends and prepares minutes for Board and Board Committee meetings; • scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations; • as secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; • reviews key proposals before they are presented to the Board for consideration; and • assists the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings.

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
6.1 6.3 7.3	What is the role of the RC?	The RC is guided by key terms of reference as follows: • reviews and recommends to the Board a framework of remuneration for each Executive Director and key management personnel that are competitive and appropriate to attract, retain and motivate Directors and key management personnel of the required quality to successfully manage the Company for the long-term; • reviews and determines the specific remuneration packages and terms of employment for each Director and key management personnel; • considers all aspects of remuneration, including termination terms to ensure they are fair; and • reviews and recommends fees for Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM.
6.4	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2021.
Level and Mix of Remuneration		
7.1 7.2	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and is benchmarked against relevant and comparative compensation in the market. Such performance-related remuneration ensures alignment with the interests of shareholders and other stakeholders and promotes the long-term success of the Company. The remuneration of Non-Executive Independent Directors are considered appropriate to the level of contribution, taking into account factors such as effort, time spent, responsibilities and number of meetings attended.

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Disclosure on Remuneration</u></td></tr>
<tr><td>8.1
8.3</td><td>(a) Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors and CEO for FY2021 is as follows:
<table>
<tr><td colspan="6"><i>Table 8.1(a) – Directors' Remuneration</i></td></tr>
<tr><th>Name</th><th>Directors Fees (%)</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Total (%)</th></tr>
<tr><td colspan="6">S$500,000 to S$749,999</td></tr>
<tr><td>Lim Hai Cheok</td><td>–</td><td>41</td><td>55</td><td>4</td><td>100</td></tr>
<tr><td>Lim Kim Eng</td><td>–</td><td>47</td><td>50</td><td>3</td><td>100</td></tr>
<tr><td colspan="6">S$250,000 to S$499,999</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>–</td><td>45</td><td>52</td><td>3</td><td>100</td></tr>
<tr><td colspan="6">Below S$250,000</td></tr>
<tr><td>Lim Heng Seng</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Wee Piew</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Leong Ka Yew</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
</table>
<i>(All the above remuneration excludes employer's CPF contribution portion.)</i></td></tr>
</table>

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(b) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Company's top 5 key management personnel (who are not Directors or the CEO) for FY2021 is as follows:
<table>
<tr><th colspan="5"><i>Table 8.1 (b) – Remuneration of Key Management Personnel</i></th></tr>
<tr><th>Key management personnel</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Total (%)</th></tr>
<tr><td colspan="5">S$250,000 to S$499,999</td></tr>
<tr><td>Executive A</td><td>40</td><td>60</td><td>–</td><td>100</td></tr>
<tr><td colspan="5">Below S$250,000</td></tr>
<tr><td>Executive B</td><td>24</td><td>74</td><td>2</td><td>100</td></tr>
<tr><td>Executive C</td><td>84</td><td>16</td><td>–</td><td>100</td></tr>
<tr><td>Executive D</td><td>24</td><td>74</td><td>2</td><td>100</td></tr>
<tr><td>Executive E</td><td>76</td><td>13</td><td>11</td><td>100</td></tr>
</table>
<i>(All the above remuneration excludes employer's CPF/EPF contribution portion.)</i>
After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. The names of key management personnel are not disclosed to avoid from any possible poaching.
There were no termination, retirement and post-termination benefits given to Directors and key management personnel for the financial year in review.</td></tr>
<tr><td></td><td>(c) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid/payable to the top 5 key management personnel for FY2021 was approximately S$1,157,000.</td></tr>
</table>

Provision	Code and/or Guide Description	Company's Compliance or Explanation
8.2	Is there any employee who is a substantial shareholder of the Company, or an immediate family member of a Director, the CEO, or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	Madam Chong Poh Soon, Senior Director, is a substantial shareholder of the Company. She is also the spouse of Mr Lim Hai Cheok, the Executive Director, CEO and a substantial shareholder of the Company, the mother of Mr Lim Hock Chye Daniel, the Executive Director of the Company and the sister in-law of Ms Lim Kim Eng, the Executive Director and substantial shareholder of the Company. Her remuneration exceeds S$100,000 in FY2021 and was within the bands of S$300,000 to S$400,000. Save for Madam Chong Poh Soon, there is no other employee of the Group who is a substantial shareholder of the Company, or an immediate family of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S$100,000 in FY2021.
8.3	Please provide details of the employee share scheme(s).	Information on the Company's Hosen Employee Share Option Scheme is set out in the Directors' Statement of this Annual Report. The Hosen Employee Share Option Scheme is administrated by the RC. There was no share option granted to any employee in FY2021.
7.1	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2021. Their remuneration is made up of fixed and variable compensations. The fixed compensation is in the form of base salary, bonus, allowance and others. The variable compensation is determined based on the Group's or Company's performance and the individual performance. Another element of the variable component is the grant of share options to staff under the Hosen Employee Share Option Scheme of the Company.

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:
<table>
<tr><th colspan="3"><i>Table 7.1(b) – Performance Conditions for Entitlement to Incentives</i></th></tr>
<tr><th>Performance Conditions</th><th>Short-term Incentives (such as performance bonus)</th><th>Long-term Incentives (such as the Hosen Employee Share Option Scheme)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. Commitment
3. Teamwork
4. Macro-economic factors</td><td>1. Current market and industry practices
2. Rank
3. Years of Service</td></tr>
<tr><td>Quantitative</td><td>–</td><td>1. Performance of the Group</td></tr>
</table></td></tr>
<tr><td></td><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2021.</td></tr>
<tr><td colspan="3">ACCOUNTABILITY AND AUDIT</td></tr>
<tr><td colspan="3"><u>Risk Management and Internal Controls</u></td></tr>
<tr><td>9.1
9.2</td><td>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</td><td>While there is no specific Board Risk Committee being set-up, the Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls to safeguard the interests of the Company and its shareholders. The Board determines the nature and extent of the risks which the Company is willing to take to achieve its strategic objectives and value creation.

In order to manage the Group's risks adequately and effectively, the Board had reviewed the risks overview and identified counter measures to manage the risks at an acceptable level as well as reviewing the adequacy and effectiveness of the internal controls and risk management systems put in place to mitigate the risks.</td></tr>
</table>

Provision	Code and/or Guide Description	Company's Compliance or Explanation
		The Group's material risks can be broadly classified as follows: **Business/Operational Risks** This relates to operations and includes updates in the food industry, security threats, quality of products, employee attribution, increased competition. Owners of such risks such as the business unit heads would monitor such risks. We obtain certifications to achieve standardisation of processes and best practices. The Company has obtained from Singapore Food Agency, in short, commonly known as "SFA" for the import and export of our fish and meat products, various health certificates, and other food certificates to ensure the supply of safe food to all our customers. 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. We conduct regular reviews of policies and authority limits to ensure that they remain relevant in meeting changing business requirements. **Compliance Risks** Compliance with local laws and regulations in the countries where the Group is operating are monitored by the executive directors, the business unit heads and/or finance department led by the Chief Financial Officer ("**CFO**"). **Financial Risks** These risks are set out in the notes to the financial statements. Generally, the Group is conservative in its financial dealings and does not engage in speculative instruments that would expose the Group to unnecessary financial risks.

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
		The Board, with the concurrence of the AC, is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2021. The bases for the Board's view are as follows: 1. Assurance received from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the issuer's operations and finances; 2. Assurance received from other key management and department heads of subsidiaries who are responsible, regarding the adequacy and effectiveness of the issuer's risk management and internal control systems; 3. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 4. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; and 5. Discussions were held between the AC and the EA/IA in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2021. The Board has additionally relied on the IA's report issued to the Company in FY2021 to assure that the Company's risk management and internal controls are adequate and effective.

Provision	Code and/or Guide Description	Company's Compliance or Explanation
Audit Committee		
10.1 10.2 10.3 10.4	What is the role of the AC?	None of the AC members were previous partners or Directors of the Company's external and internal audit firms within the last two years and none of the AC members hold any financial interest in the external and internal audit firms engaged. Two of the AC members including the AC Chairman possess the relevant accounting/financial management expertise or experience. The AC is guided by the following key terms of reference: • reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the company's financial performance; • reviews the adequacy and effectiveness of the company's internal controls and risk management systems at least annually; • reviews the assurance from the CEO and the CFO on the financial records and financial statements; • makes recommendations to the Board on both the proposals to the shareholders on the appointment and removal of EA and IA and the remuneration and terms of engagement of the EA and IA; • reviews the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; • reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on; • reviews the audit plans of the EA, the audit reports and management letters issued by the EA and the co-operation given by the Company's Management to the EA; • reviews the nature and extent of non-audit services provided by the EA; • reviews cost effectiveness and the independence and objectivity of the EA; • reviews the adequacy, effectiveness, independence, scope and the results of the external and internal audit functions;

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
		• makes recommendations to the Board on the appointment, re-appointment and removal of EA and IA, and to review the remuneration and terms of engagement of the EA and IA; • reviews the financial reports so as to ensure the integrity of the financial statements of the Company and focus, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit and compliance with financial reporting standards; • reviews announcements of the Company's half-year and full-year results before submission to the Board for approval for release to the SGX-ST; • undertakes such other functions, duties, reviews and projects as may be requested by the Board or as may be required by statutes or the Catalist Rules; • reviews effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management policies and reviews the findings of the IA; and • meets with the EA and IA separately without the presence of the Management at least once a year; and • reviews interested person transactions in accordance with the requirements as defined in the Catalist Rules.
10.5	Has the AC met with the auditor in the absence of key management personnel?	Yes, the AC has met with the EA and IA in the absence of key management personnel in FY2021.

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>10.1</td><td>Has the AC reviewed the independence of the EA?</td><td>The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA.</td></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td>
<table>
<tr><th colspan="3"><i>Table 10.1(a) – Fees Paid/Payable to the EA for FY2021</i></th></tr>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>85,000</td><td>80</td></tr>
<tr><td>Non-audit fees
– tax compliance</td><td>21,000</td><td>20</td></tr>
<tr><td>Total</td><td>106,000</td><td>100</td></tr>
</table>
</td></tr>
<tr><td></td><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC’s view on the independence of the EA.</td><td>The AC has reviewed and is of the opinion that the non-audit services rendered during FY2021 were not substantial and the nature and extent of such services would not prejudice the independence of the EA, and thus recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td>10.1</td><td>Does the Company have a whistle-blowing policy?</td><td>The Company’s staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the Chairman of AC via ac.hockseng@gmail.com. To facilitate participation by external parties, the policy is also available on the Company’s website at http://www.hosengroup. com/contact.php. There are no reported incidents pertaining to whistle-blowing for FY2021.

The Company has an independent Investigation Committee, comprising of Chairman and members of the AC, to investigate whistleblowing reports made by whistle-blowers in good faith. The Investigation Committee views whistle-blowing seriously and would not allow the whistle-blower(s) to be victimized and keeps the identity of whistle blower confidential.

A whistle-blower acting in good faith and who has not himself engaged in serious misconduct or illegal conduct shall be protected from any forms of harassment, retaliation, adverse employment or career advancement consequence or discrimination, including but not limited to demotion, dismissal or reduction of compensation or privileges of employment.

The Group has zero tolerance on fraudulent and corrupt practices that may disrupt the business operations and impede the growth of the business due to the loss of trust in our Company that we have built over the years. The Company has established an anti-corruption policy and this has been disseminated to our employees and business partners. The policy is posted on the Company’s website.</td></tr>
</table>

CORPORATE
GOVERNANCE REPORT

Provision	Code and/or Guide Description	Company's Compliance or Explanation
1.2	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	In FY2021, the AC was updated by the EA with respect to revisions to the accounting standards.
10.4	Please provide details of the Company's internal audit function, if any.	In FY2021, the Company's internal audit function is outsourced to HLS Risk Advisory Services Pte. Ltd., being the Company's IA, which is independent of the external audit function and from the Group. The IA reports directly to the AC Chairman and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. For FY2021, the AC has reviewed the scope of the internal audit function, IA's reports, proposed follow-up actions implemented by the Management and has noted that the necessary co-operation required from the Management had been provided to enable the IA to perform its function effectively. In addition to the above, the AC had also reviewed the experience of the IA, including the assigned engagement personnel's experience and is satisfied that the IA is independent, effective and adequately qualified (given, *inter alia*, its adherence to standards set by nationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively with unfettered access to all the Company's documents, records, properties and personal, including the AC.
SHAREHOLDER RIGHTS AND ENGAGEMENT		
Shareholder Rights And Conduct of General Meetings		
12.2	Does the Company have an investor relations policy?	The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. Investors may nevertheless contact the Company through the contact portal at http://www.hosengroup.com/contact.php.
12.1 12.3	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders through the contact portal at http://www.hosengroup.com/contact.php. The Company also solicits feedback from and addresses the concerns of shareholders through its general meetings held.

Provision	Code and/or Guide Description	Company's Compliance or Explanation
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Executive Directors are managing investor relations via the Company's corporate website on an ongoing basis.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments and events through its corporate website at www.hosengroup.com.
11.6	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, the management will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
11.1 11.2 11.3 11.4 11.5	How are the general meetings of shareholders conducted?	The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders. The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. All directors attend general meetings of shareholders, and the EA are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. At the Company's last AGM held on 29 April 2021, all the directors and EA have attended the AGM. Shareholders are allowed to appoint proxies or the Chairman of the Meeting to attend and vote in the general meetings on their behalf. Shareholders may decide how their votes are to be cast by indicating their votes in the proxy form in case their proxies are unable to attend on the date of general meetings. The Company has adopted poll voting for its general meetings of shareholders. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meetings. The Company allows absent shareholders to appoint proxies to vote on their behalf at general meetings.

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
		Pursuant to the current arrangements in place in view of the COVID-19 pandemic situation, all minutes of general meetings will be made available on SGXNet within one month after the general meetings. While the Company notes of the requirement for the Company to publish minutes of all general meetings of the Company on the corporate website of the Company as soon as practicable pursuant to Provision 11.5 of the Code, the Company is of the view that it is sufficient for such information to be only made available on the SGXNet, taking into consideration that it is the main mode of communication of material information to shareholders of the Company.
MANAGING STAKEHOLDERS RELATIONS		
Engagement with Stakeholders		
13.1 13.2 13.3	Does the Company manage its relationships with stakeholders?	The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. The Company publishes through the SGXNet its annual sustainability report, which discloses its strategy and key areas of focus in relation to the management of stakeholder relationships, within five months after the financial year closes. The Company maintains a current corporate website at www.hosengroup.com to communicate and engage with stakeholders.

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
711A	Sustainability Report	The Company is in the midst of preparing the Sustainability Report for FY2021 and will issue the Sustainability Report by 31 May 2022.
712, 715 or 716	Appointment of Auditor	The Company confirms its compliance to Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2021 or if not then subsisting, entered into since the end of the previous financial year.

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GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
1204(10)	Confirmation of adequacy and effectiveness of internal controls	The Board and the AC are of the opinion that the internal controls are adequate and effective to address the financial, operational and compliance risks based on the following: • internal controls and the risk management system established by the Company; • work performed by the IA; • assurance from the CEO and CFO; and • regular reviews done by the key management personnel.
1204(17)	Interested Persons Transaction ("**IPT**")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported in a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The Company maintains an IPT register to record and monitor transactions with such interested persons and an IPT summary report is reviewed by the AC and the Board at least twice a year. There were no IPTs with value more than S$100,000 transacted during FY2021.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and key officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and key officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the following day after the announcement of the relevant results. The guidelines on the conduct of share buybacks released by the SGX-ST also provides that the Company will not effect any purchases of shares on the SGX-ST during the period of one month immediately preceding the announcement of the Company's half year results and full year results.
1204(21)	Non-sponsor fees	No non-sponsor fee was paid/payable to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2021.

DIRECTORS' STATEMENT

The Directors of Hosen Group Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Wee Piew	(Non-Executive Independent Chairman)
Lim Hai Cheok	(Executive Director and Chief Executive Officer)
Lim Kim Eng	(Executive Director)
Lim Hock Chye Daniel	(Executive Director)
Lim Heng Seng	(Non-Executive Independent Director)
Leong Ka Yew	(Non-Executive Independent Director)

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act 1967 (the "Act"), except as follows:

Name of Directors in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Company:				
Hosen Group Ltd.				
(No. of ordinary shares)				
Lim Hai Cheok	65,000,000	65,000,000	64,843,750	64,843,750
Lim Kim Eng	17,812,500	17,812,500	–	–
Lim Hock Chye Daniel	6,613,000	6,613,000	–	–

By virtue of Section 7 of the Act, Mr. Lim Hai Cheok is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2022 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2021.

5. Share options

The Company has implemented a share option scheme known as the "Hosen Employee Share Option Scheme 2014" ("ESOS"). The ESOS was approved and adopted by the Shareholders at an Extraordinary General Meeting of the Company held on 29 April 2014. The ESOS is administered by the Remuneration Committee. No share options have been granted under the ESOS.

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

DIRECTORS' STATEMENT

6. Audit Committee

The Audit Committee of the Company is chaired by Mr. Wee Piew, a non-executive independent Chairman and includes Mr. Lim Heng Seng and Mr. Leong Ka Yew, who are both independent Directors. The Audit Committee has met three times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the half-year and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's internal and external auditor;

(f) the re-appointment of the external auditor of the Company; and

(g) the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of SGX-ST as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudiced to the interests of the members of the Company.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Lim Hai Cheok
Director

Lim Hock Chye Daniel
Director

Singapore
29 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hosen Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 49 to 111, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

1 Revenue recognition

The Group is primarily engaged in the importation, exportation and distribution of fast moving consumer goods. Majority of the Group's revenue consist of straight-forward product sales where revenue is recognised at a point in time when the Group transfers to the buyer the control of goods and it is probable that the agreed consideration will be received.

As part of the customary business practices, the Group accepts returns of goods from customers that give rise to variable consideration which reduces revenue. Management uses the expected value method which analyses the historical purchasing patterns and product returns of customers, including seasonal trends, to develop its estimation. The trend is dependent on market and economic factors which may affect customers' behaviour. As at 31 December 2021, the Group recognised refund liabilities for return of goods and the assets recognised from rights to the recovered goods amounting to $1,152,000 and $849,000 respectively, as disclosed in Notes 14 and 22.

We have determined revenue recognition as a key audit matter due to the volume of revenue transactions and the significant estimates involved in the assessment of sales returns.

Related Disclosures

Refer to Notes 2.11, 3.2(i), 14 and 22 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- We evaluated the appropriateness of the Group's revenue recognition accounting policies;
- We performed internal controls testing on the key controls identified in the revenue cycle;
- We performed cut-off procedures for a sample of revenue transactions, before and after the financial year, by examining relevant supporting documents such as acknowledged delivery orders/shipping documents and invoices to evaluate whether control has been passed so as to check whether the related goods or services are recognised in the appropriate financial year;
- We assessed the reasonableness of management's estimates and key assumptions used in the computation of sales returns by discussing with management to understand the basis of sales returns rate applied, performed retrospective review of historical data by comparing the sales returns over total revenue and performed re-computation of the sales returns rate; and
- We assessed the adequacy of the related disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Goh Chern Ni.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
Non-current assets					
Property, plant and equipment	4	**19,236**	19,922	**–**	–
Intangible asset	5	**196**	212	**–**	–
Investments in subsidiaries	6	**–**	–	**9,841**	9,841
Financial assets, at fair value through other comprehensive income	7	**–**	–	**–**	–
		19,432	20,134	**9,841**	9,841
Current assets					
Inventories	8	**15,923**	15,249	**–**	–
Trade and other receivables	9	**13,424**	11,272	**11,153**	11,013
Other current assets	22	**849**	553	**–**	–
Financial assets, at fair value through profit or loss	10	**8**	4	**–**	–
Fixed deposits	11	**34**	33	**–**	–
Cash and bank balances	12	**7,850**	6,049	**64**	62
		38,088	33,160	**11,217**	11,075
Less:					
Current liabilities					
Trade and other payables	13	**9,376**	7,211	**214**	182
Refund liabilities	14	**1,561**	1,035	**–**	–
Current income tax payable		**457**	417	**17**	22
Lease liabilities	15	**138**	195	**–**	–
Bank borrowings	16	**9,939**	9,915	**–**	–
		21,471	18,773	**231**	204
Net current assets		**16,617**	14,387	**10,986**	10,871
Less:					
Non-current liabilities					
Lease liabilities	15	**2,187**	2,129	**–**	–
Bank borrowings	16	**970**	1,069	**–**	–
Deferred tax liabilities	17	**257**	257	**–**	–
		3,414	3,455	**–**	–
Net assets		**32,635**	31,066	**20,827**	20,712
Equity					
Share capital	18	**24,777**	24,777	**24,777**	24,777
Foreign currency translation account	20	**(533)**	(364)	**–**	–
Fair value reserve	21	**(49)**	(49)	**–**	–
Retained earnings		**8,712**	6,950	**(3,950)**	(4,065)
Equity attributable to owners of the parent		**32,907**	31,314	**20,827**	20,712
Non-controlling interests		**(272)**	(248)	**–**	–
Total equity		**32,635**	31,066	**20,827**	20,712

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 $'000	2020 $'000
Revenue	22	**68,166**	71,523
Cost of sales		**(52,422)**	(56,888)
Gross profit		**15,744**	14,635
Other income	23	**817**	1,378
Selling and distribution expenses		**(2,718)**	(2,144)
Administrative expenses		**(7,976)**	(7,779)
Other expenses		**(2,230)**	(2,053)
Loss allowance (made)/reversed on third party trade and other receivables		**(51)**	16
Finance costs	24	**(332)**	(489)
Profit before income tax	25	**3,254**	3,564
Income tax expense	26	**(860)**	(672)
Profit for the financial year		**2,394**	2,892
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(175)**	(149)
Other comprehensive income for the financial year, net of tax		**(175)**	(149)
Total comprehensive income for the financial year, attributable to owners of the parent		**2,219**	2,743
Profit attributable to:			
Owners of the parent		**2,412**	2,920
Non-controlling interests		**(18)**	(28)
		2,394	2,892
Total comprehensive income attributable to:			
Owners of the parent		**2,243**	2,766
Non-controlling interests		**(24)**	(23)
		2,219	2,743

	Note	2021	2020
Earnings per share			
– Basic and diluted (in cents)	27	**0.74**	0.90

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share capital $'000	Foreign currency translation account $'000	Fair value reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2021		24,777	(364)	(49)	6,950	31,314	(248)	31,066
Profit for the financial year		-	-	-	2,412	2,412	(18)	2,394
Exchange differences on translating foreign operations	20	-	(169)	-	-	(169)	(6)	(175)
Total comprehensive income for the financial year		-	(169)	-	2,412	2,243	(24)	2,219
Transactions with owners:								
Dividends	28	-	-	-	(650)	(650)	-	(650)
Balance at 31 December 2021		24,777	(533)	(49)	8,712	32,907	(272)	32,635

	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation account $'000	Fair value reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2020		28,431	(3,654)	(210)	(49)	4,030	28,548	(225)	28,323
Profit for the financial year		-	-	-	-	2,920	2,920	(28)	2,892
Exchange differences on translating foreign operations	20	-	-	(154)	-	-	(154)	5	(149)
Total comprehensive income for the financial year		-	-	(154)	-	2,920	2,766	(23)	2,743
Cancellation of treasury shares, representing total transactions with owners of the parent	19	(3,654)	3,654	-	-	-	-	-	-
Balance at 31 December 2020		24,777	-	(364)	(49)	6,950	31,314	(248)	31,066

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 $'000	2020 $'000
Operating activities			
Profit before income tax		**3,254**	3,564
Adjustments for:			
Loss allowance made/(reversed) on third party trade and other receivables		**51**	(16)
Write-down of inventories		**375**	327
Amortisation of intangible asset		**60**	33
Depreciation of property, plant and equipment		**1,290**	1,226
Fair value gain arising from financial assets, at fair value through profit or loss		**(4)**	(1)
Gain on disposal of property, plant and equipment		**(3)**	(34)
Interest expense		**332**	489
Interest income		**(15)**	(19)
Unrealised exchange gain		**(350)**	(198)
Operating cash flows before working capital changes		**4,990**	5,371
Working capital changes:			
Inventories		**(1,034)**	1,957
Trade and other receivables		**(2,015)**	1,962
Trade and other payables		**1,976**	(1,055)
Other current assets		**(296)**	439
Refund liabilities		**526**	(677)
Cash generated from operations		**4,147**	7,997
Income tax paid		**(820)**	(302)
Interest received		**15**	19
Net cash from operating activities		**3,342**	7,714
Investing activities			
Proceeds from disposal of property, plant and equipment		**3**	34
Purchase of property, plant and equipment	4	**(322)**	(263)
Purchase of intangible asset	5	**(44)**	(149)
Net cash used in investing activities		**(363)**	(378)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 $'000	2020 $'000
Financing activities			
Dividend paid		**(650)**	–
Fixed deposits		**(1)**	(1)
Interest paid		**(332)**	(489)
Repayment of lease liabilities	A	**(193)**	(194)
Proceeds from bank borrowings	A	**27,550**	30,044
Repayment of bank borrowings	A	**(27,630)**	(35,930)
Net cash used in financing activities		**(1,256)**	(6,570)
Net change in cash and cash equivalents		**1,723**	766
Cash and cash equivalents at beginning of financial year		**6,049**	5,260
Net effect of exchange rate changes on cash and cash equivalents		**78**	23
Cash and cash equivalents at end of financial year	12	**7,850**	6,049

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	1.1.2021 $'000	Cash flows $'000	Variable lease payment $'000	Foreign exchange differences $'000	31.12.2021 $'000
Lease liabilities (Note 15)	**2,324**	**(193)**	**194**	**-**	**2,325**
Bank borrowings (Note 16)	**10,984**	**(80)**	**-**	**5**	**10,909**

			Non-cash changes			
	1.1.2020 $'000	Cash flows $'000	Additions of property, plant and equipment under lease liabilities $'000	Variable lease payment $'000	Foreign exchange differences $'000	31.12.2020 $'000
Lease liabilities (Note 15)	2,240	(194)	95	183	–	2,324
Bank borrowings (Note 16)	16,852	(5,886)	–	–	18	10,984

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL CORPORATE INFORMATION

Hosen Group Ltd. (the "Company") (Registration Number: 200403029E) is a public company limited by shares incorporated and domiciled in Singapore with its principal place of business and registered office at 267 Pandan Loop, Singapore 128439. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

The ultimate controlling parties of the Company and its subsidiaries (the "Group") are Mr. Lim Hai Cheok and Mdm. Chong Poh Soon.

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2021 were authorised for issue in accordance with a Directors' resolution dated 29 March 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000"), unless otherwise stated.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

New standards, amendments and interpretations effective from 1 January 2021

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies.

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same financial year as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests

Non-controlling interests represents the equity in subsidiaries which is not attributable directly or indirectly to the equity owners of the parent. They are shown separately in the consolidated financial statements. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Non-controlling interests (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Freehold building	33
Leasehold land and buildings	30 to 60
Office premise	2
Plant and machinery	5 to 10
Motor vehicles	3 to 5
Office equipment and furnishings	3 to 10
Computers	3 to 5

Freehold land has indefinite useful life and is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

The estimated useful life, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Intangible asset

Computer software

Acquired computer software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on the straight-line method so as to amortise the costs of the computer software to profit or loss over their estimated useful lives of five years.

2.6 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (Continued)

As lessee (Continued)

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- fixed payments (including in substance fixed payments), less any lease incentives receivables;
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets in "Property, plant and equipment" and lease liabilities separately from other liabilities in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (Continued)

As lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term, the right-of-use assets are depreciated over the useful life of the underlying asset. The right-of-use assets are depreciated over the useful life as follows:

	Years
Leasehold land and building	30 to 31
Office premise	2
Motor vehicles	3 to 5
Office equipment	3 to 5

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use assets may be impaired. The accounting policy on impairment is as described in Note 2.7 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

2.7 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Financial instruments

The Group and the Company recognise a financial asset or a financial liability in its statements of financial position when, and only when, the Group and the Company become party to the contractual provisions of the instrument.

Financial assets

The Group and the Company classify its financial assets into one of the categories below, depending on the Group's and the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group and the Company shall reclassify its affected financial assets when and only when the Group and the Company change its business model for managing these financial assets. The Group's and the Company's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for non-trade receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those where the credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Receivables are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that receivables have occurred (i.e. significant financial difficulty of debtor, possible bankruptcy or liquidation of debtor, default of payments, etc.).

The Group's and the Company's financial assets measured at amortised cost comprise trade and other receivables (excluding advance payments to suppliers, goods and services tax and prepayments), fixed deposits and cash and bank balances in the statements of financial position.

Financial assets, at fair value through other comprehensive income ("FVOCI")

The Group has investment in an unlisted entity which is not accounted for as subsidiary, associate or jointly controlled entity. The Group has made an irrevocable election to classify the investment at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve ("Fair value reserve"). Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Financial assets, at fair value through other comprehensive income ("FVOCI") (Continued)

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investment carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value reserve.

Financial assets, at fair value through profit or loss ("FVTPL")

For equity instruments that are either held for trading or irrevocable election to measure the fair value changes through other comprehensive income has not been made, the fair value changes is recognised in profit or loss in the period in which it arises and presented in "other income" or "other expenses".

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as other financial liabilities as the Group and the Company do not have financial liabilities at fair value through profit or loss.

Other financial liabilities

Trade and other payables

Trade and other payables (excluding goods and services tax and advance receipts from customers) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Bank borrowings

Bank borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, direct materials, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated costs to be incurred in marketing, selling and distribution. Obsolete, slow-moving and defective inventories are written down to its net realisable value.

2.10 Cash and bank balances

Cash and bank balances in the consolidated statements of financial position comprise cash on hand and bank deposits that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents excludes fixed deposits (Note 11).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Sale of goods

The Group's sales of goods comprise mainly sales of fast moving consumer goods to customers. Revenue from the sales of these products is recognised at a point in time when the products are delivered to customers. For overseas sales, performance obligations are satisfied when the controls of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within a credit term of 14 to 90 days. In certain circumstances, the Group receives advance payments from customers and the consideration received as at the end of each financial year would be utilised within 12 months. The advance receipts from customers is included in "Trade and other payables".

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, sales rebates and rights to return. For certain customers, contractual rebates are given based on sales transactions for the financial year. For sales with a right to return, a refund liability and a corresponding right to the recovered goods (included in "Other current assets") are recognised for products expected to be returned. Accumulated experience is used to estimate and provide for the rights of return, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. At the end of each financial year, the Group reviews and updates the transaction price when necessary. The right to the recovered goods is measured by reference to the former carrying amount of the product.

The Group accounts for consideration payable to customers as a reduction of the transaction price if the payment is not for distinct goods or services received from the customer. If the payment is for distinct goods or services received from the customer, the Group accounts for any excess of the consideration payable to the customer over the fair value of the distinct goods or services as a reduction of the transaction price. If the Group cannot reasonably estimate the fair value of the goods or services received from the customer, it accounts for all of the consideration payable to customers as a reduction of the transaction price.

The Group recognises the reduction of revenue arising from consideration payable to customers at the later of: (a) when it recognises revenue for the transfer of the related goods and services to the customer; and (b) when it promises to pay the consideration.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Revenue recognition (Continued)

Service income

Service income mainly comprises freight, insurance and handling services which are distinct from sales of goods. The Group is acting as an agent for customers, hence revenue after deducting the related expenses is recognised when services are rendered.

Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income

Interest income is accrued on a time-apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.12 Retirement benefit costs

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payment are made.

2.13 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within six months from the end of the financial year as a result of services rendered by employees up to the end of the financial year.

2.14 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxes (Continued)

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared for payment. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.17 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslating of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group’s foreign exchange reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign currency transactions and translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation account.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.18 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the consolidated statement of the financial position of the Group.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.21 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants related to asset are deducted against the carrying amount of the asset.

Government grants related to expenses are accounted for in the year where the related costs it intends to compensate is incurred and recognised in the profit or loss. Such government grants are presented under "Other income".

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgements made in applying the entity's accounting policies

Management is of opinion that there is no significant judgement made in applying the accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Revenue recognition – Estimating sales returns

The Group accepts return of goods from customers arising from customary business practices that give rise to variable consideration. In estimating the variable consideration, the Group uses the expected value method to predict the sales returns so that revenue is recognised up to the extent that it is highly probable that a significant reversal will not occur. Management relies on historical purchasing patterns and product returns of customers, including seasonal trends, to develop its estimation.

Estimates of expected sales returns are sensitive to changes in circumstances, including market and economic factors that could change consumers' behaviour. The Group's experience regarding returns may not be representative of customers' actual returns in the future. As at 31 December 2021, the refund liabilities recognised by the Group for return of goods was $1,152,000 (2020: $774,000) (Note 14) and the assets recognised from rights to the recovered goods was $849,000 (2020: $553,000) (Note 22).

(ii) Estimating expected credit loss allowance

Trade receivables owing from third parties

The management estimates expected credit loss allowance using a forward-looking expected credit loss ("ECL") model. When measuring ECL, the Group performs a review of the historical trends, default payment and information, profile its customers to determine a reasonable probability of default and adjusted with forward looking information by considering the available market data on the industry growth rate in relation to the customers' profiling, which are the key estimates in measuring ECL. The net carrying amount of the Group's trade receivables owing from third parties as at 31 December 2021 was $11,109,000 (2020: $9,271,000) (Note 9).

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FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Freehold building $'000	Leasehold land $'000	Leasehold buildings $'000	Office premise $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment and furnishings $'000	Computers $'000	Total $'000
Group										
Cost										
Balance at 1 January 2021	**800**	**958**	**3,154**	**16,278**	**76**	**2,580**	**2,665**	**1,515**	**206**	**28,232**
Additions	–	–	–	5	–	86	67	220	33	411
Variable lease payments	–	–	194	–	–	–	–	–	–	194
Disposals	–	–	–	–	–	–	(8)	–	–	(8)
Write off	–	–	–	–	–	(56)	–	(18)	(27)	(101)
Currency translation adjustment	–	(1)	–	(1)	3	(1)	1	4	–	5
Balance at 31 December 2021	**800**	**957**	**3,348**	**16,282**	**79**	**2,609**	**2,725**	**1,721**	**212**	**28,733**
Accumulated depreciation and impairment										
Balance at 1 January 2021	**-**	**178**	**719**	**2,426**	**20**	**1,846**	**1,608**	**1,350**	**163**	**8,310**
Depreciation charge	–	31	86	473	40	126	436	76	22	1,290
Disposals	–	–	–	–	–	–	(8)	–	–	(8)
Write off	–	–	–	–	–	(56)	–	(18)	(27)	(101)
Currency translation adjustment	–	1	–	2	–	–	–	4	(1)	6
Balance at 31 December 2021	**-**	**210**	**805**	**2,901**	**60**	**1,916**	**2,036**	**1,412**	**157**	**9,497**
Carrying amount										
At 31 December 2021	**800**	**747**	**2,543**	**13,381**	**19**	**693**	**689**	**309**	**55**	**19,236**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land $'000	Freehold building $'000	Leasehold land $'000	Leasehold buildings $'000	Construction-in-progress $'000	Office premise $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment and furnishings $'000	Computers $'000	Total $'000
Group											
Cost											
Balance at 1 January 2020	800	957	2,971	9,037	7,124	56	2,573	2,622	1,489	188	27,817
Additions	–	–	–	117	–	74	8	228	24	24	475
Variable lease payments	–	–	183	–	–	–	–	–	–	–	183
Disposals	–	–	–	–	–	–	–	(185)	–	–	(185)
Write off	–	–	–	–	–	(58)	–	–	–	(3)	(61)
Reclassification	–	–	–	7,124	(7,124)	–	–	–	–	–	–
Currency translation adjustment	–	1	–	–	–	4	(1)	–	2	(3)	3
Balance at 31 December 2020	800	958	3,154	16,278	–	76	2,580	2,665	1,515	206	28,232
Accumulated depreciation and impairment											
Balance at 1 January 2020	–	145	638	1,995	–	33	1,716	1,354	1,293	149	7,323
Depreciation charge	–	32	81	432	–	35	133	438	56	19	1,226
Disposals	–	–	–	–	–	–	–	(185)	–	–	(185)
Write off	–	–	–	–	–	(58)	–	–	–	(3)	(61)
Currency translation adjustment	–	1	–	(1)	–	10	(3)	1	1	(2)	7
Balance at 31 December 2020	–	178	719	2,426	–	20	1,846	1,608	1,350	163	8,310
Carrying amount											
At 31 December 2020	800	780	2,435	13,852	–	56	734	1,057	165	43	19,922

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's freehold land and building with carrying amount of $1,547,000 as at 31 December 2021 (2020: freehold land, freehold building and leasehold building with carrying amount of $4,352,000) was pledged as a security for the bank loans granted to the Group (Note 16).

Right-of-use assets under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed below:

Right-of-use assets classified within property, plant and equipment

Group	Leasehold land $'000	Leasehold building $'000	Office premise $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Cost						
Balance at 1 January 2021	3,154	13,000	76	1,067	31	17,328
Variable lease payments	194	-	-	-	-	194
Derecognition of right-of-use assets	-	-	-	(370)	-	(370)
Currency translation adjustment	-	-	3	3	-	6
Balance at 31 December 2021	3,348	13,000	79	700	31	17,158
Accumulated depreciation						
Balance at 1 January 2021	719	1,920	20	625	14	3,298
Depreciation charge	86	391	40	201	7	725
Derecognition of right-of-use assets	-	-	-	(370)	-	(370)
Currency translation adjustment	-	-	-	1	-	1
Balance at 31 December 2021	805	2,311	60	457	21	3,654
Carrying amount						
At 31 December 2021	2,543	10,689	19	243	10	13,504

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets classified within property, plant and equipment (Continued)

Group	Leasehold land $'000	Leasehold building $'000	Office premise $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Cost						
Balance at 1 January 2020	2,971	5,759	56	1,068	31	9,885
Additions	–	117	74	43	–	234
Variable lease payments	183	–	–	–	–	183
Write off	–	–	(58)	–	–	(58)
Reclassification	–	7,124	–	–	–	7,124
Derecognition of right-of-use assets	–	–	–	(43)	–	(43)
Currency translation adjustment	–	–	4	(1)	–	3
Balance at 31 December 2020	3,154	13,000	76	1,067	31	17,328
Accumulated depreciation						
Balance at 1 January 2020	638	1,570	33	432	7	2,680
Depreciation charge	81	350	35	221	7	694
Write off	–	–	(58)	–	–	(58)
Derecognition of right-of-use assets	–	–	–	(28)	–	(28)
Currency translation adjustment	–	–	10	–	–	10
Balance at 31 December 2020	719	1,920	20	625	14	3,298
Carrying amount						
At 31 December 2020	2,435	11,080	56	442	17	14,030

The derecognition of right-of-use assets relates to settlement of lease liabilities during the financial year.

During the financial year, lease liabilities of motor vehicles with cost and carrying amount of $370,000 and $Nil (2020: $43,000 and $15,000) respectively were fully settled.

As at 31 December 2021, motor vehicles and office equipment with a carrying amount of $248,000 (2020: $450,000) were secured over the lease liabilities of $154,000 (2020: $267,000). These assets will be seized and returned to lessor in the event of default by the Group.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated statement of cash flows

During the financial year, the Group's additions to property, plant and equipment were financed as follows:

	Group	
	2021 **$'000**	**2020** **$'000**
Additions to property, plant and equipment	**411**	475
Acquired under lease agreements (Note 15)	**-**	(95)
Other payables	**(89)**	(117)
Cash payments to acquire property, plant and equipment	**322**	263

Details of the properties held by the Group as at 31 December are as follows:

Location	**Description**	**Tenure**
267 Pandan Loop Singapore 128439	Office and warehouse premises with a land area of 5,223 sq metres	60 years from 1 October 1989
No. 8 Jalan Utarid U5/12 Seksyen U5, Shah Alam, Selangor Darul Ehsan, Malaysia	Single-storey warehouse attached with 2 storey office, measuring approximately 27,918 sq feet	50 years from 23 April 2014
No. 19 & 20 Jalan Murni 3, Taman Perindustrian Murni Senai, 81400 Senai, Johor, Malaysia	One and a half storey semi-detached factory, measuring approximately 24,692 sq feet	Freehold

5. INTANGIBLE ASSET

Computer software

	Group	
	2021 **$'000**	**2020** **$'000**
Cost		
Balance at beginning of financial year	**647**	449
Additions	**44**	198
Write off	**(84)**	–
Balance at end of financial year	**607**	647
Accumulated amortisation		
Balance at beginning of financial year	**435**	402
Amortisation charge	**60**	33
Write off	**(84)**	–
Balance at end of financial year	**411**	435
Carrying amount		
Balance at end of financial year	**196**	212

The remaining useful life of the computer software is 1 to 5 years (2020: 1 to 5 years).

Consolidated statement of cash flows

During the financial year, the Group's additions to intangible asset were financed as follows:

	Group	
	2021 **$'000**	**2020** **$'000**
Additions to intangible asset	**44**	198
Other payables	**–**	(49)
Cash payments to acquire intangible asset	**44**	149

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 **$'000**	**2020** **$'000**
Unquoted equity shares, at cost	**9,841**	9,841

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6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	**Principal activities**	**Proportion of ownership interest held by the Group**		**Proportion of ownership interest held by non-controlling interests**	
		2021	**2020**	**2021**	**2020**
		%	**%**	**%**	**%**
Held by the Company					
Hock Seng Food Pte Ltd⁽¹⁾ (Singapore)	Import, distribution, wholesale of fast moving consumer goods	**100**	100	**–**	–
Hosen Chocolate Sdn Bhd⁽²⁾ (Malaysia)	Develop, process, trade and distribute house brand and new chocolate products	**100**	100	**–**	–
Fortune Melinka Pte. Ltd.⁽¹⁾ (Singapore)	Trading of frozen, dried, canned and seafood related products	**51**	51	**49**	49
Held by Hock Seng Food Pte Ltd					
Hock Seng Food (M) Sdn Bhd⁽²⁾ (Malaysia)	Import, distribution, wholesale of fast moving consumer goods	**100**	100	**–**	–
Hock Seng Worldwide Sdn Bhd⁽²⁾ (Malaysia)	Investment holding company	**100**	100	**–**	–
Hock Seng Food (Shanghai) Co., Ltd⁽³⁾ (People's Republic of China)	Marketing office cum general wholesale of fast moving consumer goods and frozen seafood	**100**	100	**–**	–
Held by Hosen Chocolate Sdn Bhd					
Hosen Chocolate Marketing Sdn Bhd⁽⁴⁾ (Malaysia)	Trading and retailing of foods products and other fast moving consumer goods	**100**	100	**–**	–

Notes:

(1) Audited by BDO LLP, Singapore.

(2) Audited by overseas member firm of the BDO Network in Malaysia.

(3) Audited by Shanghai Willfly Certified Public Accountants Co., Ltd, People's Republic of China.

(4) Dormant, struck off after year-end.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restrictions

Cash and bank balances of $252,000 (2020: $260,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

7. FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group has designated its unlisted equity investment in Singapore of $49,000 to be measured at FVOCI. The Group intends to hold this investment for long-term and strategic investment purposes.

The fair value of unlisted equity investment was derived using adjusted net assets of the unlisted equity investment as at 31 December 2021, which approximated the carrying amount of $Nil (2020: $Nil).

8. INVENTORIES

	Group	
	2021 **$'000**	**2020** **$'000**
Raw materials	**545**	320
Work-in-progress	**135**	107
Finished goods and goods for resale	**13,870**	13,227
Goods-in-transit	**1,373**	1,595
	15,923	15,249

The cost of inventories recognised as an expense in profit or loss and included in "Cost of sales" line item amounted to $52,164,000 (2020: $56,631,000).

During the financial year, the Group carried out a review of the net realisable value of its inventories which led to the write-down of inventories by $375,000 (2020: $327,000) recognised in "Other expenses" in profit or loss.

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9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
– Third parties	**11,432**	11,052	**–**	–
– A related party	**24**	–	**–**	–
Loss allowance	**(347)**	(1,781)	**–**	–
	11,109	9,271	**–**	–
Other receivables				
– Third parties	**50**	659	**–**	–
– Loans to subsidiaries	**–**	–	**19,537**	18,613
– A related party	**396**	387	**–**	–
Loss allowance				
– Third parties	**(50)**	(423)	**–**	–
– Loans to subsidiaries	**–**	–	**(8,391)**	(7,608)
– A related party	**(396)**	(387)	**–**	–
	11,109	9,507	**11,146**	11,005
Advance payments to suppliers	**1,219**	1,005	**–**	–
Deposits	**70**	64	**–**	–
Prepayments	**285**	299	**7**	8
Rebates claimable from a supplier	**741**	397	**–**	–
Total trade and other receivables	**13,424**	11,272	**11,153**	11,013
Less:				
– Advance payments to suppliers	**(1,219)**	(1,005)	**–**	–
– Goods and services tax	**(41)**	(51)	**–**	–
– Prepayments	**(285)**	(299)	**(7)**	(8)
	11,879	9,917	**11,146**	11,005
Add:				
– Fixed deposits (Note 11)	**34**	33	**–**	–
– Cash and bank balances (Note 12)	**7,850**	6,049	**64**	62
Financial assets at amortised cost	**19,763**	15,999	**11,210**	11,067

The trade amounts due from third parties are unsecured, interest-free and repayable within the normal credit terms of 14 to 90 days (2020: 14 to 90 days), in cash.

The trade amounts due from a related party is unsecured, interest-free and repayable within the normal credit terms of 30 days (2020: Nil), in cash.

The non-trade amount due from a related party is unsecured, interest-free and repayable on demand.

The loans to subsidiaries are unsecured, repayable on demand and bear interests from 2% to 4% (2020: 2% to 4%) per annum.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

The management estimates ECL allowance using a forward-looking ECL model. When measuring ECL, the Group performs a review of the historical trends, default payment information and profile its customers to determine a reasonable probability of default. At the end of each financial year, the ECL rates are adjusted with forward looking information by considering the available market data on the industry growth rate in relation to the customers' profiling. There is no change in the estimation techniques made in assessing loss allowance during the financial year. The lifetime ECL allowance made for the Group's trade receivables, excluding credit impaired balances, at each reporting date were as follows:

	Current $'000	**1 to 3 months past due $'000**	**3 to 6 months past due $'000**	**6 to 12 months past due $'000**	**More than 12 months past due $'000**	**Total $'000**
31 December 2021						
Weighted average loss rate	***0.00%***	***6.28%***	***6.45%***	***11.73%***	***0.00%***	
Trade receivables						
– Third parties	**8,044**	**2,840**	**56**	**369**	**3**	**11,312**
– Related party	**3**	**9**	**6**	**6**	**-**	**24**
	8,047	**2,849**	**62**	**375**	**3**	**11,336**
Loss allowance						
– Non-credit impaired	**-**	**179**	**4**	**44**	**-**	**227**
31 December 2020						
Weighted average loss rate	*0.00%*	*3.91%*	*1.45%*	*37.73%*	*0.00%*	
Trade receivables						
– Third parties	6,090	3,097	69	220	–	9,476
Loss allowance						
– Non-credit impaired	–	121	1	83	–	205

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in loss allowance for third party trade receivables:

	Group			
	Non-credit impaired		Credit impaired	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Balance at beginning of financial year	**205**	212	**1,576**	1,552
Loss allowance made/(reversed) during the financial year	**21**	(6)	**22**	96
Amount written off as uncollectible	**–**	–	**(1,480)**	–
Reversal of allowance from debts recovery	**–**	–	**–**	(70)
Currency translation difference	**1**	(1)	**2**	(2)
Balance at end of financial year	**227**	205	**120**	1,576

Movements in loss allowance for third party other receivables:

	Group	
	2021 $'000	2020 $'000
Balance at beginning of financial year	**423**	455
Loss allowance made during the financial year	**8**	–
Amount written off as uncollectible	**(384)**	–
Reversal of allowance from debts recovery	**–**	(34)
Currency translation difference	**3**	2
Balance at end of financial year	**50**	423

Movements in loss allowance for related party other receivables:

	Group	
	2021 $'000	2020 $'000
Balance at beginning of financial year	**387**	399
Currency translation difference	**9**	(12)
Balance at end of financial year	**396**	387

Movement in loss allowance for loans to subsidiaries:

	Company	
	2021 $'000	2020 $'000
Balance at beginning of financial year	**7,608**	6,685
Loss allowance made during the financial year	**783**	923
Balance at end of financial year	**8,391**	7,608

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

Loss allowance on non-trade amounts due from subsidiaries arose mainly from a subsidiary with a balance of $7,820,000 (2020: $7,091,000) and is suffering from continuing losses from its operations where it is not probable that the balance due from this subsidiary will be recoverable in the foreseeable future. In addition, an allowance of $571,000 (2020: $517,000) has been made in respect of another subsidiary which had significant increase in credit risk based on lifetime ECL model. Consequently, the amounts due from subsidiaries are assessed as credit impaired.

The currency profiles of trade and other receivables (excluding advance payments to suppliers, prepayments and goods and services tax) are as follows:

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Singapore dollar	**6,272**	4,315	**11,146**	10,892
United States dollar	**1,590**	1,964	**–**	113
Ringgit Malaysia	**3,923**	3,419	**–**	–
Euro	**–**	4	**–**	–
Chinese renminbi	**94**	215	**–**	–
	11,879	9,917	**11,146**	11,005

10. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2021 $'000	2020 $'000
Quoted equity securities, at fair value	**8**	4

The above comprises investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The quoted equity securities are denominated in Singapore dollar.

11. FIXED DEPOSITS

Group

Fixed deposits earn interests at 1.85% (2020: 2.10%) per annum and have tenure of approximately 365 days (2020: 365 days). At each reporting date, fixed deposit amounting to $34,000 (2020: $33,000) was pledged to a bank as security for unpaid stamp duty on credit facility granted to a subsidiary. The fixed deposits are denominated in Ringgit Malaysia.

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12. CASH AND BANK BALANCES

The currency profiles of cash and bank balances are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**1,729**	1,775	**53**	55
United States dollar	**1,300**	1,585	**11**	7
Ringgit Malaysia	**4,442**	2,426	**–**	–
Euro	**127**	3	**–**	–
Chinese renminbi	**252**	260	**–**	–
	7,850	6,049	**64**	62

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– Third parties	**5,724**	3,542	**–**	–
– A related party	**7**	–	**–**	–
– Advance receipts from customers	**524**	379	**–**	–
Other payables				
– Directors' fees	**120**	81	**120**	81
– Third parties	**359**	246	**22**	27
– Accrued expenses	**2,642**	2,963	**72**	74
Total trade and other payables	**9,376**	7,211	**214**	182
Less:				
– Goods and services tax	**(538)**	(406)	**–**	–
– Advance receipts from customers	**(524)**	(379)	**–**	–
	8,314	6,426	**214**	182
Add:				
– Lease liabilities (Note 15)	**2,325**	2,324	**–**	–
– Bank borrowings (Note 16)	**10,909**	10,984	**–**	–
Total financial liabilities carried at amortised cost	**21,548**	19,734	**214**	182

The average credit period on purchases on goods is 30 to 90 days (2020: 30 to 90 days).

The trade amount due to a related party is unsecured, interest-free and normally settled on 30 (2020: Nil) days credit term.

13. TRADE AND OTHER PAYABLES (CONTINUED)

The currency profiles of trade and other payables (excluding goods and services tax and advance receipts from customers) are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**2,527**	2,623	**214**	182
United States dollar	**4,281**	2,467	**–**	–
Ringgit Malaysia	**1,410**	1,235	**–**	–
Euro	**86**	29	**–**	–
Chinese renminbi	**10**	72	**–**	–
	8,314	6,426	**214**	182

14. REFUND LIABILITIES

The Group recognises refund liabilities for return of goods and sales rebates. Sales returns represent management's best estimate of the present value of the future outflow of economic benefits arising from the Group accepting return of goods from customers arising from customary business practices. The estimates have been made on the basis of historical purchasing patterns and product returns of customers, including seasonal trends. Sales rebates are contractual sales rebates provided to certain customers based on sales transactions for the financial year. As at 31 December 2021, the refund liabilities recognised for return of goods and sales rebates were $1,152,000 (2020: $774,000) and $409,000 (2020: $261,000) respectively.

15. LEASE LIABILITIES

Group	Leasehold land $'000	Office premise $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Balance at 1 January 2021	**1,991**	**58**	**257**	**18**	**2,324**
Interest expense (Note 24)	**80**	**2**	**10**	**1**	**93**
Variable lease payments	**194**	**–**	**–**	**–**	**194**
Lease payments					
– Principal portion	**(39)**	**(37)**	**(110)**	**(7)**	**(193)**
– Interest portion	**(80)**	**(2)**	**(10)**	**(1)**	**(93)**
Balance at 31 December 2021	**2,146**	**21**	**147**	**11**	**2,325**
Balance at 1 January 2020	1,842	24	349	25	2,240
Additions	–	74	21	–	95
Interest expense (Note 24)	75	1	17	1	94
Variable lease payments	183	–	–	–	183
Lease payments					
– Principal portion	(34)	(40)	(113)	(7)	(194)
– Interest portion	(75)	(1)	(17)	(1)	(94)
Balance at 31 December 2020	1,991	58	257	18	2,324

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15. LEASE LIABILITIES (CONTINUED)

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2021 $'000	2020 $'000
Contractual undiscounted cash flows		
– Not later than a year	**228**	288
– After 1 year but within 5 years	**598**	649
– More than five years	**2,915**	2,770
	3,741	3,707
Less: Future interest expense	**(1,416)**	(1,383)
Present value of lease liabilities	**2,325**	2,324
Presented in consolidated statement of financial position		
– Non-current	**2,187**	2,129
– Current	**138**	195
	2,325	2,324

The Group leases a land in Singapore. It is customary for lease contract to provide payment to increase each year by inflation, to be reset periodically to market rental rates.

The Group also leases office premise, motor vehicles and office equipment with only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payment that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% at the reporting date to lease payments that are variable.

	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity $'000
31 December 2021				
Leasehold land leases with:				
– payments linked to index	**1**	**–**	**92**	**+107**
Leases of office premise, motor vehicles and office equipment	**10**	**8**	**–**	**–**
	11	**8**	**92**	**+107**
31 December 2020				
Leasehold land leases with:				
– payments linked to index	1	–	86	+100
Leases of office premise, motor vehicles and office equipment	11	14	–	–
	12	14	86	+100

15. **LEASE LIABILITIES** (CONTINUED)

The Group's lease liabilities of $154,000 (2020: $267,000) are secured by the leased assets (Note 4), which will revert to the lessors in the event of default by the Group.

The currency profiles of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2021 **$'000**	**2020** **$'000**
Singapore dollar	**2,263**	2,208
Ringgit Malaysia	**43**	66
Chinese renminbi	**19**	50
	2,325	2,324

16. BANK BORROWINGS

	Group	
	2021 **$'000**	**2020** **$'000**
Current		
Secured:		
Bank loans	**95**	91
Unsecured:		
Short-term bank loans	**1,500**	3,650
Bills payable	**8,344**	6,174
	9,939	9,915
Non-current		
Secured:		
Bank loans	**970**	1,069
Total bank borrowings	**10,909**	10,984

Bank loans are secured against the property, plant and equipment as disclosed in Note 4 to the financial statements.

Bank borrowings bear interest primarily at floating rates. The weighted average effective borrowing rate per annum were as follows:

	Group	
	2021 **%**	**2020** **%**
Short-term bank loans	**1.11**	1.04
Long-term bank loans	**3.50**	3.50
Bills payable	**2.60**	2.47

16. BANK BORROWINGS (CONTINUED)

Bills payable are repayable within 3 to 118 days (2020: 5 to 130 days).

The Group's short-term bank loans are repayable within 1 month (2020: 1 month) and are due by January 2022 (2020: January 2021).

The Group has two principal bank loans:

a. A loan of $1,625,000 was drawn down in April 2014 and the repayments had commenced in May 2014. This loan was fully repaid in financial year 2020.

b. A loan of $1,066,000 (2020: $1,161,000) was drawn down in September 2015. Repayments had commenced in October 2015 and will continue until September 2030.

The Group's bank borrowings are supported by corporate guarantees given by the Company and a subsidiary.

The currency profiles of bank borrowings are as follows:

	Group	
	2021 **$'000**	**2020** **$'000**
Singapore dollar	**4,859**	5,477
Ringgit Malaysia	**6,050**	5,507
	10,909	10,984

The carrying amount of non-current bank borrowings approximate their fair value as at each reporting date as the interest rates are re-priced frequently.

17. DEFERRED TAX LIABILITIES

	Group	
	2021 **$'000**	**2020** **$'000**
Balance at beginning and end of financial year	**257**	257

Deferred tax liabilities are due to temporary differences arising mainly from accelerated tax depreciation.

18. SHARE CAPITAL

	Group and Company			
	2021	**2020**	**2021**	**2020**
	Number of ordinary shares		**$'000**	**$'000**
Issued and fully-paid:				
Balance at beginning of financial year	**324,900,846**	357,178,846	**24,777**	28,431
Reduction during the year	**–**	(32,278,000)	**–**	(3,654)
Balance at end of financial year	**324,900,846**	324,900,846	**24,777**	24,777

In previous financial year, the reduction of issued and paid-up share capital was arising from the cancellation of treasury shares as referred to Note 19 to the financial statements.

The ordinary shares have no par value, carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company.

19. TREASURY SHARES

	Group and Company			
	2021	**2020**	**2021**	**2020**
	Number of ordinary shares		**$'000**	**$'000**
Balance at beginning of financial year	**–**	32,278,000	**–**	3,654
Cancellation during the year	**–**	(32,278,000)	**–**	(3,654)
Balance at end of financial year	**–**	–	**–**	–

On 18 December 2020, the Board of Directors of the Company had approved on the cancellation of the treasury shares and the transaction was completed in previous financial year.

20. FOREIGN CURRENCY TRANSLATION ACCOUNT

The foreign currency translation account represents exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

	Group	
	2021	**2020**
	$'000	**$'000**
Balance at beginning of financial year	**(364)**	(210)
Exchange differences arising on translation of foreign operations	**(169)**	(154)
Balance at end of financial year	**(533)**	(364)

21. FAIR VALUE RESERVE

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets measured at FVOCI until they are derecognised. Upon derecognition, the cumulative fair value changes will be transferred to retained earnings.

22. REVENUE

Disaggregation of revenue

The Group's revenue are recognised at a point in time and disaggregated into the following, which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data; and

- enable users to understand the relationship with revenue segment information provided in Note 31 to the financial statements.

Segments	**House brands**		**Non-house brands**		**Total**	
	2021 **$'000**	**2020** **$'000**	**2021** **$'000**	**2020** **$'000**	**2021** **$'000**	**2020** **$'000**
Type of good or service						
Goods	**54,302**	54,732	**13,611**	16,606	**67,913**	71,338
Services	**183**	127	**70**	58	**253**	185
	54,485	54,859	**13,681**	16,664	**68,166**	71,523

Assets recognised from rights to the recovered goods

The Group has recognised an asset in relation to the right to the recovered goods for sales returns from customers amounting to $849,000 (2020: $553,000). This is presented within "Other current assets" in the Group's statement of financial position.

23. OTHER INCOME

	Group	
	2021	**2020**
	$'000	**$'000**
Fair value gain arising from financial assets, at fair value through profit or loss	**4**	1
Gain on disposal of property, plant and equipment	**3**	34
Gain on foreign exchange, net	**428**	327
Government grant	**266**	944
Interest income	**15**	19
Others	**101**	53
	817	1,378

Government grant comprised mainly Job Support Scheme announced by the Singapore Government to provide wage support to employers to help them retain their local employees during the period of economic uncertainty.

24. FINANCE COSTS

	Group	
	2021	**2020**
	$'000	**$'000**
Interest expenses on:		
– Bills payable	**184**	265
– Bank loans	**55**	130
– Lease liabilities (Note 15)	**93**	94
	332	489

25. PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the consolidated statement of comprehensive income, the above includes the following charges:

	Group	
	2021	**2020**
	$'000	**$'000**
Cost of sales		
Depreciation of property, plant and equipment	**76**	85
Selling and distribution expenses		
Advertisements	**306**	75
Delivery outwards	**675**	518
Promotions	**705**	437
Transports and travelling	**251**	232
Staff costs		
– other short-term benefits	**493**	554
Administrative expenses		
Audit fees		
– auditors of the Company	**85**	87
– other auditors	**20**	22
Non-audit fees		
– auditors of the Company	**21**	18
– other auditors	**1**	1
Directors' fees+	**122**	84
Directors' remuneration		
– Directors of the Company	**1,540**	2,006
– Directors of a subsidiary	**483**	524
Staff costs		
– salaries, bonuses and other short-term benefits++	**4,176**	3,938
– employer's contributions to defined contribution plan++	**534**	495
Other expenses		
Amortisation of intangible asset	**60**	33
Depreciation of property, plant and equipment	**1,214**	1,141
Repair & maintenance expenses	**237**	210
Write-down of inventories	**375**	327

\+ Included in the Directors' fees are fees declared by a subsidiary to the Directors in their capacity as Directors of the subsidiary of approximately $2,000 (2020: $3,000).

++ The staff costs include other key management personnel remuneration as disclosed in Note 30 to the financial statements.

26. INCOME TAX EXPENSE

	Group	
	2021	**2020**
	$'000	**$'000**
Current income tax		
– current year	**807**	712
– under/(over) provision in prior financial years	**53**	(40)
Total income tax expense	**860**	672

The income tax expense varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% (2020: 17%) to profit before income tax as a result of the following differences:

	Group	
	2021	**2020**
	$'000	**$'000**
Profit before income tax	**3,254**	3,564
Income tax calculated at Singapore statutory tax rate of 17% (2020: 17%)	**553**	606
Effect of different income tax rate of subsidiaries operating in another jurisdiction	**59**	37
Tax effect of:		
– expenses not deductible for income tax purposes	**191**	216
– income not subject to income tax	**(30)**	(241)
– income tax exemption	**(36)**	(34)
Deferred tax benefits not recognised	**131**	171
Utilisation of deferred tax benefits not recognised	**(5)**	(36)
Under/(Over) provision in prior financial years		
– current income tax	**53**	(40)
Corporate income tax rebate	**(8)**	(32)
Other items	**(48)**	25
	860	672

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26. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

	Group	
	2021 $'000	2020 $'000
Balance at beginning of financial year	**873**	769
Amount not recognised in profit or loss	**131**	171
Utilisation of deferred tax assets not recognised previously	**(5)**	(36)
Unutilised tax losses expired	**(24)**	(31)
Balance at end of financial year	**975**	873

Deferred tax benefits have not been recognised in respect of the following items:

	Group	
	2021 $'000	2020 $'000
Unutilised tax losses	**3,748**	3,844
Property, plant and equipment	**1,862**	1,176
Other temporary differences	**126**	117

The above deferred tax benefits have not been recognised due to uncertainty of profits to which such assets may be utilised. Accordingly, these deferred tax benefits have not been recognised in the financial statements in accordance with the Group's accounting policy and do not expire under the current tax legislation except for:

	Group	
	2021 $'000	2020 $'000
Unutilised tax losses to be expired in financial year ended		
31 December 2021	**–**	144
31 December 2022	**87**	87
31 December 2023	**179**	179
31 December 2024	**222**	222
31 December 2025	**262**	262
31 December 2026	**80**	–

27. EARNINGS PER SHARE

The calculation of the earnings per share is based on:

	Group	
	2021	**2020**
Profit after income tax attributable to owners of the parent ($'000)	**2,411**	2,920
Weighted average number of ordinary shares in issue during the financial year applicable to basic and diluted earnings per share	**324,900,846**	324,900,846
Basic and diluted earnings per share (in cents)	**0.74**	0.90

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners for the financial years ended 31 December 2021 and 2020 divided by the weighted average of ordinary shares in the relevant periods.

The dilutive earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive potential ordinary shares for the relevant periods.

28. DIVIDENDS

	2021 **$'000**	**2020** **$'000**
First and final tax exempt one-tier dividend of 0.20 cents per ordinary share in respect of financial year ended 31 December 2020	**650**	–

In respect of the current financial year, the Directors propose that a first and final tax- exempt one-tier dividend of 0.20 cents per ordinary share to be paid to shareholders on 27 May 2022. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 13 May 2022. The total dividend to be paid is approximately $650,000.

29. CONTINGENT LIABILITIES AND COMMITMENTS

29.1 Corporate guarantees

As at 31 December 2021, the Company had given guarantees amounting to $6,771,000 (2020: $7,654,000) to certain banks in respect of banking facilities utilised by the subsidiaries. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facilities and the risk of default is considered to be minimal by considering their credit risk profiles and the presence of underlying assets as disclosed in Note 4 to the financial statements to secure the loans.

The financial guarantees have not been recognised in the financial statements of the Company as the risk of default is remote and subject to immaterial loss allowance.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

29.2 Capital commitment

At each reporting date, commitments in respect of capital expenditure were as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Capital expenditure contracted but not provided for property, plant and equipment	**-**	19

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	2021	**2020**
	$'000	**$'000**
With related parties		
Sales to related parties	**42**	78
Purchases from related parties	**38**	44

	Company	
	2021	**2020**
	$'000	**$'000**
With subsidiaries		
Loans to subsidiaries	**2,167**	685
Repayment of loan from a subsidiary	**1,663**	959
Interest income from subsidiaries	**397**	492
Dividend income from subsidiaries	**1,500**	1,600

Related parties refer to entities not within the Hosen Group, owned by family members of the executive director of the Company.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel remuneration

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group's key management personnel are the Directors and the Heads of Key Functions of the Group. The key management personnel remuneration are as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Salaries, bonuses and other short-term benefits	**2,664**	2,846
Employer's contributions to defined contribution plan	**64**	120
Directors' fees to Directors of the Company	**120**	81
Directors' fees to Directors of a subsidiary	**2**	3
	2,850	3,050
Analysed into:		
– Directors of the Company	**1,660**	2,087
– Directors of subsidiaries	**485**	527
– Other key management personnel	**705**	436
	2,850	3,050

31. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

The Group is primarily engaged in two reportable segments, namely, house brands and non-house brands.

Principal activities of each business segment are as follows:

House brands	– Development, trading and distribution of canned seafood, canned fruits and vegetables and canned meat products, and chocolate products.
Non-house brands	– Importation, distribution, wholesaling and retailing of canned food and household consumable goods.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

31. SEGMENT INFORMATION (CONTINUED)

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for inter-segment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These inter-segment transactions are eliminated on consolidation.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, liabilities and expenses which are not directly attributable to a particular reportable segment above as they are not separately reported to the chief operating decision maker.

	House brands $'000	Non-house brands $'000	Total $'000
2021			
External revenue	54,485	13,681	68,166
Inter-segment revenue	5,207	293	5,500
Total revenue	59,692	13,974	73,666
Interest income	15	–	15
Interest expense	(293)	(39)	(332)
Depreciation of property, plant and equipment	(895)	(218)	(1,113)
Amortisation of intangible asset	(43)	(17)	(60)
Loss allowance reversed on third party trade and other receivables	(36)	(15)	(51)
Write-down of inventories	(405)	30	(375)
Gain on disposal of property, plant and equipment	3	–	3
Segment profit	3,071	1,021	4,092
Assets			
Segment assets	40,113	9,318	49,431
Capital expenditure	362	93	455
Liabilities			
Segment liabilities	19,487	4,365	23,852

31. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Total $'000
2021	
Revenue	
Total revenue for reportable segments	**73,666**
Elimination of inter-segment revenue	**(5,500)**
Consolidated revenue	**68,166**
Profit or loss	
Total segment profit	**4,092**
Unallocated corporate expenses	**(506)**
Other expenses	**(332)**
Consolidated profit before income tax	**3,254**
Assets	
Segment assets	**49,431**
Other unallocated assets	**8,089**
Consolidated total assets	**57,520**
Liabilities	
Segment liabilities	**23,852**
Other unallocated liabilities	**1,033**
Consolidated total liabilities	**24,885**

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. SEGMENT INFORMATION (CONTINUED)

	House brands $'000	Non-house brands $'000	Total $'000
2020			
External revenue	54,859	16,664	71,523
Inter-segment revenue	4,607	50	4,657
Total revenue	59,466	16,714	76,180
Interest income	18	1	19
Interest expense	(423)	(66)	(489)
Depreciation of property, plant and equipment	(835)	(202)	(1,037)
Amortisation of intangible asset	(23)	(10)	(33)
Loss allowance reversed on third party trade and other receivables	17	(1)	16
Write-down of inventories	(280)	(47)	(327)
Gain on disposal of property, plant and equipment	29	5	34
Segment profit	4,645	(103)	4,542
Assets			
Segment assets	37,417	9,417	46,834
Capital expenditure	499	174	673
Liabilities			
Segment liabilities	16,035	5,137	21,172

31. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Total **$'000**
2020	
Revenue	
Total revenue for reportable segments	76,180
Elimination of inter-segment revenue	(4,657)
Consolidated revenue	71,523
Profit or loss	
Total segment profit	4,542
Unallocated corporate expenses	(489)
Other expenses	(489)
Consolidated profit before income tax	3,564
Assets	
Segment assets	46,834
Other unallocated assets	6,460
Consolidated total assets	53,294
Liabilities	
Segment liabilities	21,172
Other unallocated liabilities	1,056
Consolidated total liabilities	22,228

Segment assets

All assets are allocated to the reportable segments except for certain assets included in "Other unallocated assets", which are not reported to the chief operating decision maker as they mainly comprised cash and bank balances and fixed deposits that are not directly attributable to the segments.

Segment liabilities

All liabilities are allocated to the reportable segments except for certain assets included in "Other unallocated liabilities", which are not reported to the chief operating decision maker as they mainly comprised current income tax payable and deferred tax liabilities that are not directly attributable to the segments.

31. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers and location of non-current assets

Revenue is based on the country in which the customer is located. Non-current assets comprise primarily property, plant and equipment and intangible asset. Non-current assets are shown by the geographical area in which the assets are located.

	Group	
	2021	**2020**
	$'000	**$'000**
Total revenue from external customers		
Singapore	**33,855**	36,680
Malaysia	**20,370**	20,005
Others*	**13,941**	14,838
	68,166	71,523
Non-current assets		
Singapore	**14,351**	14,832
Malaysia	**5,062**	5,253
Others*	**19**	49
	19,432	20,134

* "Others" include countries in Africa, Europe and Asia other than Malaysia and Singapore of which none of these countries contributes individually more than 10 percent of the Group's revenue.

Major customer

The Group's customers comprise mainly wholesale distributors and retailers. Revenue from one customer of the Group contributed approximately $7,318,000 (2020: $7,079,000) to the Group's total revenue.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rates risks and equity price risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. If necessary, market risk exposures are measured using sensitivity analysis indicated below.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.1 Credit risks

Credit risks refer to the risks that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The Group has significant credit exposure arising from the trade amount due from 1 (2020: 1) major customer representing 18% (2020: 12%) of total third parties trade receivable. The Company does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for amount due from subsidiaries amounting to $11,146,000 (2020: $11,005,000) representing 99% (2020: 99%) of the total trade and other receivables at the end of each reporting date.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

The Group's and the Company's major classes of financial assets are trade and other receivables (excluding advance payments to suppliers, goods and services tax and prepayments), fixed deposits and cash and bank balances.

For amounts due from subsidiaries (Note 9), Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitors and assesses at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their financial performance and any default in external debt. For those where the credit risk has not increased significantly since initial recognition, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

For other receivables, the Board of Directors monitors and assesses at each reporting date for any indicator of significant increase in credit risk on these other receivables. As at 31 December 2021, lifetime expected credit losses are recognised for those which are determined to be credit impaired as disclosed in Note 9 to the financial statements.

Further disclosure regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 9 to the financial statements.

Cash and bank balances are placed with financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by investing only in liquid securities and only with counterparties that have good credit ratings. The cash and bank balances are held with banks and financial institution counterparties which are rated within A3 to Aa1 (2020: A3 to Aa1), based on Moody's rating. Management does not expect these counterparties to fail to meet their obligations.

As the Group does not hold any collateral, the carrying amount of financial assets represents the maximum exposure to credit risk.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks

Foreign currency risks

Foreign currency risk arises from transactions and balances that are denominated in currencies other than the functional currency of the entities within the Group. The currencies giving rise to this risk are primarily Singapore dollar ("SGD"), United States dollar ("USD"), Ringgit Malaysia ("RM"), Euro ("EUR") and Chinese renminbi ("RMB"). These risks are managed by foreign currency forward contracts in respect of actual or forecast currency exposures, and are monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The Group's foreign currency risks exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	RM $'000	EUR $'000	RMB $'000	Total $'000
Group						
31 December 2021						
Total financial assets	**23,075**	**3,676**	**9,079**	**127**	**346**	**36,303**
Total financial liabilities	**(32,920)**	**(8,502)**	**(7,841)**	**(86)**	**(777)**	**(50,126)**
	(9,845)	**(4,826)**	**1,238**	**41**	**(431)**	**(13,823)**
(Less)/Add:						
Net financial liabilities denominated in the respective entities' functional currencies	**(2,106)**	**561**	**(557)**	**–**	**431**	**(1,671)**
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**(11,951)**	**(4,265)**	**681**	**41**	**–**	**(15,494)**
31 December 2020						
Total financial assets	20,825	4,037	6,320	7	480	31,669
Total financial liabilities	(32,506)	(6,291)	(6,832)	(33)	(839)	(46,501)
	(11,681)	(2,254)	(512)	(26)	(359)	(14,832)
(Less)/Add:						
Net financial liabilities denominated in the respective entities' functional currencies	497	624	830	–	289	2,240
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(11,184)	(1,630)	318	(26)	(70)	(12,592)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Foreign currency risks (Continued)

At the end of each reporting date, the Company does not have significant amounts of monetary assets and liabilities denominated in currencies other than its functional currency. Accordingly, the Company is not exposed to significant foreign currency risk.

Foreign currency sensitivity analysis

The Group is mainly exposed to SGD and USD.

The following table details the Group's sensitivity to a 4% (2020: 5%) change in SGD and USD. The sensitivity analysis assumes an instantaneous 4% (2020: 5%) change in the foreign currency exchange rates from the end of the reporting date, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD and USD are included in the analysis.

	(Decrease)/Increase Profit or loss	
	2021	**2020**
	$'000	**$'000**
Group		
Singapore dollar		
Strengthened against RM, RMB and USD	**(478)**	(559)
Weakened against RM, RMB and USD	**478**	559
United States dollar		
Strengthened against the respective entities' functional currency	**(171)**	(82)
Weakened against the respective entities' functional currency	**171**	82

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to floating rates bank borrowings as shown in Note 16 to the financial statements.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expense of the Group. It is the Group's policy to obtain quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting date and the stipulated change taking place at the beginning of each financial year and held constant throughout the financial year in the case of instruments that have floating rates. A 50 basis points (2020: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Interest rate risk (Continued)

If interest rate had been 50 basis points (2020: 50 basis points) higher or lower and all other variables were held constant, the Group's profit for the financial year ended 31 December 2021 would decrease/increase by approximately $55,000 (2020: $55,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Equity price risk

The Group is exposed to equity risk arising from equity investments classified as financial assets, at fair value through profit or loss. Further details of these equity investments can be found in Note 10 to the financial statements.

The Group's exposure to equity price fluctuations is insignificant. Hence, no sensitivity analysis is disclosed.

32.3 Liquidity risks

Liquidity risks refer to the risks in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following tables detail the Group's and the Company's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company are expected to pay. The tables include both interest and principal cash flows.

Contractual maturity analysis

	Effective interest rate %	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000	Total $'000
Group					
31 December 2021					
Financial liabilities					
Non-interest bearing					
Trade and other payables$^{(1)}$	**-**	**8,314**	**-**	**-**	**8,314**
Interest bearing					
Lease liabilities	**4.00 – 6.71**	**228**	**598**	**2,915**	**3,741**
Bank borrowings	**1.11 – 3.50**	**10,010**	**526**	**598**	**11,134**
		18,552	**1,124**	**3,513**	**23,189**

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Effective interest rate %	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000	Total $'000
31 December 2020					
Financial liabilities					
Non-interest bearing					
Trade and other payables[1]	–	6,426	–	–	6,426
Interest bearing					
Lease liabilities	4.33 – 6.71	288	649	2,770	3,707
Bank borrowings	1.04 – 3.50	10,000	523	735	11,258
		16,714	1,172	3,505	21,391

	Within 1 year $'000
Company	
31 December 2021	
Financial liabilities	
Trade and other payables	**214**
Financial guarantee contracts	**6,771**
31 December 2020	
Financial liabilities	
Trade and other payables	182
Financial guarantee contracts	7,654

(1) Excludes goods and services tax and advance receipts from customers.

The disclosed amounts for the financial guarantee contracts represent the banking facilities utilised by subsidiaries which could be called upon in the event of default.

The Group's operations are financed mainly through equity, retained earnings, leases and bank borrowings. Adequate lines of credit are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the lease liabilities and bank borrowings are disclosed in Notes 15 and 16 to the financial statements respectively.

33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments whose carrying amount approximates fair value

The carrying amounts of the Group's and the Company's financial assets and financial liabilities approximate their respective fair value due to the relative short term maturity of these financial instruments. The fair values of non-current liabilities in relation to bank borrowings and lease liabilities are disclosed in the respective notes to the financial statements.

Financial instruments carried at fair value

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets, at fair value through profit or loss are included in Level 1 of the fair value hierarchy as the instruments are traded in the active markets and their fair values are based on quoted market prices at each reporting date.

The Group's financial assets, at FVOCI are included in Level 3 of the fair value hierarchy as the fair value measurement includes unobservable inputs that are not developed by the Group.

There have been no changes in the valuation techniques of the various classes of financial instruments during the financial year.

There were no transfers between levels during the financial year.

34. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, foreign currency translation account and retained earnings. The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from the previous financial year.

The Group and the Company are in compliance with external imposed capital requirements for the financial years ended 31 December 2021 and 2020.

ANALYSIS
OF SHAREHOLDINGS
AS AT 22 MARCH 2022

NO OF SHARES ISSUED (excluding treasury shares and subsidiary holdings)	:	324,900,846
NUMBER/PERCENTAGE OF TREASURY SHARES	:	NIL
NUMBER OF SUBSIDIARY HOLDINGS	:	NIL
CLASS OF SHARES	:	ORDINARY SHARE
VOTING RIGHTS	:	1 VOTE PER SHARE

SIZE OF SHAREHOLDINGS	**NO. OF SHAREHOLDERS**	**%**	**NO. OF SHARES**	**%**
1 – 99	27	2.45	756	0.00
100 – 1,000	162	14.70	68,774	0.02
1,001 – 10,000	230	20.87	1,376,856	0.42
10,001 – 1,000,000	652	59.17	69,231,997	21.31
1,000,001 & ABOVE	31	2.81	254,222,463	78.25
TOTAL	1,102	100.00	324,900,846	100.00

	TOP TWENTY SHAREHOLDERS AS AT 22 MARCH 2022	**NO. OF SHARES**	**%**
1.	LIM HAI CHEOK	65,000,000	20.00
2.	CHONG POH SOON	64,843,750	19.96
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	26,780,800	8.24
4.	LIM KIM ENG	17,812,500	5.48
5.	MAYBANK SECURITIES PTE. LTD.	15,093,100	4.65
6.	LIM HOCK CHYE DANIEL	6,613,000	2.04
7.	LIM MEI YAN JANE	4,293,000	1.32
8.	JAMES ALVIN LOW YIEW HOCK	4,180,000	1.29
9.	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,080,700	1.26
10.	WANG LILING	3,664,452	1.13
11.	YE MEIYING	3,610,000	1.11
12.	KONG AI LIAN MABELINE (KANG AILIAN MABELINE)	3,190,500	0.98
13.	GOH CHIN KEOW	3,014,000	0.93
14.	NOMURA SINGAPORE LIMITED	3,000,000	0.92
15.	DBS NOMINEES PTE LTD	2,765,500	0.85
16.	CHIA GEK HOONG ANGELINE	2,516,000	0.77
17.	PHILLIP SECURITIES PTE LTD	2,483,095	0.76
18.	IFAST FINANCIAL PTE LTD	2,142,700	0.66
19.	STEVEN CHONG KING PECK	2,025,500	0.62
20.	POH LEH DIN	2,005,000	0.62
		239,113,597	**73.59**

ANALYSIS
OF SHAREHOLDINGS
AS AT 22 MARCH 2022

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
LIM HAI CHEOK	65,000,000	20.00	64,843,750	19.96
CHONG POH SOON	64,843,750	19.96	65,000,000	20.00
LIM KIM ENG	17,812,500	5.48	–	–

Mr Lim Hai Cheok and Mdm Chong Poh Soon are spouses. Both Mr Lim and Mdm Chong are deemed interested in the shares held by their spouse.

Percentage of Shareholding in the Hands of the Public

As at 22 March 2022, approximately 49.40% of the Company's shares (excluding treasury shares and subsidiary holdings) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

HOSEN GROUP LTD.

(Incorporated in Singapore)
(Co. Reg. No: 200403029E)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HOSEN GROUP LTD.** (the "Company") will be held by way of electronic means on Friday, 29 April 2022, at 12.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and audited financial statements of the Company for the year ended 31 December 2021 ("FY2021") together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 0.2 Singapore cents per ordinary share for FY2021. **(Resolution 2)**

3. To re-elect the following Directors retiring by rotation pursuant to Regulation 106 of the Company's Constitution:

   Mr Wee Piew **(Resolution 3)**
   Mr Lim Hock Chye Daniel **(Resolution 4)**

   Mr Wee Piew, upon re-election as Director of the Company, will remain as Independent Non-Executive Chairman, Chairman of the Audit Committee and Remuneration Committees and member of the Nominating Committee respectively. Information on Mr Wee Piew can be found on page 9 of the Annual Report and page 22 of the Appendix. He will be considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Wee Piew does not have any relationships including immediate family relationships between himself and the Directors, the Company and its substantial shareholders.

   Mr Lim Hock Chye Daniel, upon re-election as Director of the Company, will remain as Executive Director of the Company. Information on Mr Lim Hock Chye Daniel can be found on page 9 of the Annual Report and page 22 of the Appendix.

4. To approve the payment of Directors' fees of S$120,000 for the year ended 31 December 2021 (2020: S$81,400). **(Resolution 5)**

5. To re-appoint BDO LLP as the Company's Auditor and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

7. **Share Issue Mandate**

That pursuant to Section 161 of the Companies Act 1967 (the "Companies Act") and Rule 806 of the Catalist Rules, authority be given to the Directors of the Company ("Directors") to allot and issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit (notwithstanding that this authority may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this authority was in force, provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below) at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by SGX-ST for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, the Articles of Association of the Company; and

(d) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to issue shares under the Hosen Employee Share Option Scheme 2014**

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to grant options in accordance with the provisions of the Hosen Employee Share Option Scheme 2014 ("Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that:

(i) the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time;

(ii) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

9. **Adoption of Share Buy-Back Mandate**

That:

(a) for the purposes of the Companies Act, the exercise by the Directors of all the powers to purchase or otherwise acquire ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Limit (defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (defined below), whether by way of:

    (i) on-market purchases ("Market Purchase(s)") effected on the SGX-ST through the SGX-ST trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

    (ii) off-market purchases ("Off-Market Purchase(s)") effected pursuant to an equal access scheme(s) as may be determined or formulated by the Directors from time to time as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution relating to the Share Buy-Back Mandate and expiring on:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by shareholders of the Company ("Shareholders") in a general meeting; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share BuyBack Mandate are carried out to the full extent mandated,

whichever is the earliest (the "**Relevant Period**");

(c) in this resolution relating to the Share Buy-Back Mandate:

"**Average Closing Market Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the day on which an on-market Share Buy-Back was made by the Company or, as the case may be, the date of the making of the offer pursuant to an off-market Share Buy-Back on an equal access scheme, and deemed to be adjusted for any corporate action that occurs during the relevant five (5)-day period and the day on which the purchases are made; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the off-market Share Buy-Back;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

"**Maximum Limit**" means that number of Shares representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the resolution passed by Shareholders for the Share Buy-Back Mandate, unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered after such capital reduction (excluding any treasury shares and subsidiary holdings as may be held by the Company from time to time);

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**" in relation to a Share to be purchased, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding: (i) in the case of a Market Purchase, 105% of the Average Closing Price; and (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price;

(d) any Share that is purchased or otherwise acquired by the Company pursuant to the Share BuyBack Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act; and

(e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution relating to the Share Buy-Back Mandate.
[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Lai Foon Kuen
Company Secretary

Singapore, 7 April 2022

Explanatory Notes:

(i) Ordinary Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and convertible securities in the Company up to a number not exceeding, in total, one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per cent. (50%) may be issued other than on a pro-rata basis to shareholders.

(ii) Ordinary Resolution 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

(iii) Ordinary Resolution 9, if passed, will empower the Directors during the Relevant Period, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the resolution passed by Shareholders for the Share Buy-Back Mandate on the terms of the Share Buy-Back Mandate as set out in the Appendix.

The Company may use internal sources of funds or external borrowings to finance the Company's purchase or acquisition of the Shares pursuant to the Share Buy-Back Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this notice of AGM as these will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares. The Company will only exercise the Share Buy-Back Mandate in the best interests of the Company and the Group without causing adverse financial impact to the Company and the Group.

Illustrative financial effects of the Share Buy-Back Mandate based on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2021 and certain assumptions, are set out in paragraph 2.6 of the Appendix.

Notes:

1. In view of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the Annual General Meeting ("the Meeting or AGM") of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the SGX website.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the Meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying document entitled "Instructions to Shareholders for AGM 2022".

3. A member will not be able to attend the Meeting. The live webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the instrument appointing the Chairman of the Meeting as proxy ("Proxy Form"), failing which the appointment will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. Investors whose shares are held with relevant intermediaries under Section 181(1C) of the Companies Act 1967, such as CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators.

6. The Proxy Form must be submitted through any one of the following means: (a) by depositing a physical copy at the registered office of the Company at 267 Pandan Loop, Singapore 128439; or (b) by sending a scanned PDF copy by email to hosenagmegm2022@hosengroup.com in each case, not less than 72 hours before the time fixed for holding the Meeting, and failing which, the Proxy Form will not be treated as valid. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

7. The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the Meeting or other person(s) as proxy(ies) which was delivered by a member to the Company before 12.00 p.m. on 26 April 2022 as a valid instrument appointing the Chairman of the Meeting as the member's proxy to attend, speak and vote at the Meeting if: (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and (b) the member has not withdrawn the appointment.

8. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

HOSEN GROUP LTD.

(Incorporated in Singapore)
(Co. Reg. No: 200403029E)

IMPORTANT:

1. The Annual General Meeting ("AGM") will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM by way of electronic means (including arrangements by which the meeting can be electronically accessed via live audio visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying document entitled "Instructions to Shareholders for AGM in 2022".
3. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out on the back of this proxy form.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name and NRIC/Passport No/Registration No)

of ____ (Address)
being a member/members of **HOSEN GROUP LTD** (the "Company") hereby appoint the **Chairman of the Meeting** as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company to be held by electronic means on Friday 29 April 2022 at 12 p.m. and at any adjournment thereof.

If you wish to exercise all your votes, please indicate your vote "For" or "Against" or "Abstain" with a "√" within the boxes provided. Alternatively, if you wish to exercise some and not all of your votes "For" and Against" the resolution and/or to abstain from voting in respect of the resolutions, please indicate the number of votes "For", the number of votes "Against" and/or the number "Abstain" in the boxes provided for the resolutions.

		Number of Votes		
No.	**Resolutions relating to:**	**For**	**Against**	**Abstain**
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2021			
2	Payment of proposed first and final tax exempt (one-tier) dividend of 0.2 Singapore cents per ordinary share for the financial year ended 31 December 2021			
3	Re-election of Mr Wee Piew as a Director			
4	Re-election of Mr Lim Hock Chye Daniel as a Director			
5	Approval of Directors' fees			
6	Re-appointment of BDO LLP as Auditors			
7	Share Issue Mandate			
8	Authority to issue shares under the Hosen Employee Share Option Scheme 2014			
9	Adoption of a Share Buy-Back Mandate			

Dated this ________ day of ______________ 2022

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of Shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares in the capital of the Company held by you.

2. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the Annual General Meeting ("Meeting or AGM") in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid. The proxy form may be accessed on the SGX website.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. This instrument appointing the Chairman of the Meeting as proxy must:

   (a) if sent personally or by post, be lodged at the registered office of the Company at 267 Pandan Loop, Singapore 128439; or

   (b) if submitted by email, scanned PDF copy be received by the Company at hosenagmegm2022@hosengroup.com.

   in either case, by 12.00 p.m., 26 April 2022 (being not less than 72 hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.**

5. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act 1967, who is either:

   (a) a banking corporation licensed under the Banking Act 1970 or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act 1953, in respect of shares purchased on behalf of CPF investors.

   Investors whose shares are held with relevant intermediaries including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators.

6. The instrument appointing the Chairman of the Meeting must be under the hand of the appointor or of his attorney duly authorised in writing or where it is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall if required by law, be duly stamped must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of Chairman of the Meeting as proxy appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member of the Company (such as his name) may be recorded by the Company for such purpose.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

WEE PIEW	Non-Executive Independent Chairman
LIM HAI CHEOK	Executive Director and Chief Executive Officer
LIM KIM ENG	Executive Director
LIM HOCK CHYE DANIEL	Executive Director
LIM HENG SENG	Non-Executive Independent Director
LEONG KA YEW	Non-Executive Independent Director

SECRETARY:

LAI FOON KUEN

SHARE REGISTRAR:

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896
Tel: (65) 6593 4848

Auditor:

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner-in-Charge:

GOH CHERN NI
(Appointed since the financial year ended 31 December 2018)

REGISTERED OFFICE:

267 Pandan Loop
Singapore 128439
Tel: (65) 6595 9222
Fax: (65) 6779 0186
Website: www.hosengroup.com

SPONSORS:

PrimePartners Corporate Finance Pte Ltd
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

REGISTERED PROFESSIONAL:

JENNIFER TAN

PRINCIPAL BANKERS:

CIMB Bank Berhad
DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Ltd
The Hongkong and Shanghai Banking Corporation Ltd
United Overseas Bank Ltd

HOSEN GROUP
LTD

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