

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

**UNAUDITED HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015**

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

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

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

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

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

Group Income Statement and Statement of Comprehensive Income for the financial period ended 30 June 2015. These figures have not been audited.

Consolidated Statement of Comprehensive Income	Group		%
	S\$'000	S\$'000	
	Half Year ended 30/6/2015	Half Year ended 30/6/2014	Change
Revenue	37,778	33,679	12.2
Cost of sales	(31,596)	(27,641)	14.3
Gross profit	6,182	6,038	2.4
Other income	75	438	(82.9)
Selling and distribution expenses	(2,023)	(1,928)	4.9
Administrative expenses	(2,817)	(2,895)	(2.7)
Other expenses	(1,103)	(962)	14.7
Finance costs	(170)	(206)	(17.5)
Profit before income tax	144	485	(70.3)
Income tax expense	(127)	(68)	86.8
Profit for the financial period	17	417	(95.9)

Consolidated Statement of Comprehensive Income	Group		%
	S\$'000	S\$'000	
	Half Year ended 30/6/2015	Half Year ended 30/6/2014	Change
Other comprehensive income for the financial period, net of tax			
Exchange differences on translating foreign operations	(123)	85	N.M
Total comprehensive income for the financial period attributable to owners of the parent	(106)	502	N.M
Profit attributable to owners of the parent	17	417	(95.9)
Total comprehensive income attributable to owners of the parent	(106)	502	N.M

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

	Group		%
	S\$'000	S\$'000	
	Half Year ended 30/6/2015	Half Year ended 30/6/2014	Change
Depreciation of property, plant and equipment	318	389	(18.3)
Amortisation of intangible asset	41	24	70.8
Allowance for doubtful third party trade receivables	-	55	NM
Allowance for doubtful third party trade receivables written back	(19)	(54)	(64.8)
Foreign exchange loss/(gain), (net)	359	(11)	NM
Gain on disposal of property, plant and equipment	(8)	(254)	(96.9)
Allowance for inventory obsolescence written back	(62)	-	NM
Allowance for inventory obsolescence	-	59	NM
Interest income	(2)	(2)	0.0
Interest expenses	170	206	(17.5)

NM – Not meaningful

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

Statements of Financial Position

	Group		Company	
	As at 30/6/2015	As at 31/12/2014	As at 30/6/2015	As at 31/12/2014
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	12,595	10,922	-	-
Investments in subsidiaries	-	-	9,836	9,468
Intangible asset	149	190	-	-
Other receivables	-	-	15,000	15,000
	12,744	11,112	24,836	24,468
Current assets				
Inventories	14,173	19,239	-	-
Trade and other receivables	13,281	15,990	414	1,096
Financial assets at fair value through profit and loss	7	7	-	-
Fixed deposits	50	52	-	-
Cash and bank balances	5,526	6,675	25	108
	33,037	41,963	439	1,204
Less:				
Current liabilities				
Trade and other payables	6,182	8,479	102	180
Current income tax payable	121	102	5	20
Finance lease payables	88	47	-	-
Bank borrowings	8,550	13,022	-	-
	14,941	21,650	107	200
Net current assets	18,096	20,313	332	1,004
Less:				
Non-Current liabilities				
Finance lease payables	-	48	-	-
Bank borrowings	2,348	2,452	-	-
Deferred tax liabilities	427	427	-	-
Total non-current liabilities	2,775	2,927	-	-
Net assets	28,065	28,498	25,168	25,472
Capital and reserves				
Share capital	28,431	28,431	28,431	28,431
Treasury shares	(3,557)	(3,557)	(3,557)	(3,557)
Foreign currency translation account	(410)	(287)	-	-
Accumulated profits	3,601	3,911	294	598
Equity attributable to owners of the parent	28,065	28,498	25,168	25,472

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

	As at 30 Jun 2015		As at 31 Dec 2014	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Repayable in one year or less or on demand	295	8,343	253	12,816
Repayable after one year	2,348	-	2,500	-
Total	2,643	8,343	2,753	12,816

Details of any collateral

1. The unsecured bank loans and overdrafts of the Group amounting to S\$2.50 million (31 December 2014: S\$2.12 million) and trust receipts amounting to S\$5.84 million (31 December 2014: S\$10.70 million).
2. A property loan amounting to S\$2.56 million (31 December 2014: S\$2.66 million) is secured by legal mortgage over a subsidiary's property.
3. Finance lease payables are secured by the underlying assets acquired.
4. All the above facilities are covered by guarantees from the Company.

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

Consolidated Statement of Cash Flows	Group	
	Year ended 30/6/2015 S\$'000	Year ended 30/6/2014 S\$'000
Operating activities:		
Profit before income tax	144	485
Adjustments for :		
Allowance for doubtful third party trade receivables	-	55
Allowance for doubtful trade receivables written back	(19)	(54)
Allowance for inventory obsolescence	-	59
Allowance for inventory obsolescence written back	(62)	-
Depreciation of property, plant and equipment	318	389
Amortisation of intangible asset	41	24
Interest income	(2)	(2)
Interest expenses	170	206
Gain on disposal of property, plant and equipment	(8)	(254)
Fair value loss on derivative financial instrument	-	23
Fair value loss on financial assets at fair value through profit or loss	-	1
Operating cash flows before working capital changes	582	932
Inventories	5,128	1,211
Trade and other receivables	2,728	2,291
Trade and other payables	(2,297)	(1,215)
Cash generated from operations	6,141	3,219
Interest received	2	2
Income tax (paid)/refund	(108)	24
Net cash generated from operating activities	6,035	3,245

Consolidated Statement of Cash Flows (Continued)	Group	
	Year ended 30/6/2015 S\$'000	Year ended 30/6/2014 S\$'000
Investing activities		
Proceeds from disposal of property, plant and equipment	8	910
Purchase of property, plant and equipment	(2,287)	(3,674)
Purchase of intangible asset	-	(200)
Net cash used in investing activities	(2,279)	(2,964)
Financing activities		
Repayment of finance lease payables	(7)	(79)
Dividends paid	(327)	(654)
Decrease in pledged deposits	2	-
Interest paid	(170)	(206)
Proceeds from bank borrowings	15,793	25,251
Repayment of bank borrowings	(20,369)	(24,468)
Net cash used in financing activities	(5,078)	(156)
Net effect of exchange rate changes on consolidation	173	89
Net change in cash and cash equivalents	(1,149)	214
Cash and cash equivalents at beginning of financial period	6,695	7,284
Cash and cash equivalents at end of financial period	5,546	7,498

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

Consolidated Statement of Changes in Equity

Group	Equity attributable to owners of the parent				
	Share capital	Treasury shares	Foreign currency translation account	Accumulated profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2015	28,431	(3,557)	(287)	3,911	28,498
Profit for the financial period	-	-	-	17	17
Exchange differences on translating foreign operations	-	-	(123)	-	(123)
Total comprehensive income for the financial period	-	-	(123)	17	(106)
Contributions by and distributions to owners of the parent:					
Dividends	-	-	-	(327)	(327)
Total transactions with owners of the parent	-	-	-	(327)	(327)
Balance at 30 Jun 2015	28,431	(3,557)	(410)	3,601	28,065
Balance at 1 Jan 2014	28,431	(3,557)	(214)	3,874	28,534
Profit for the financial period	-	-	-	417	417
Exchange differences on translating foreign operations	-	-	85	-	85
Total comprehensive income for the financial period	-	-	85	417	502
Contributions by and distributions to owners of the parent:					
Dividends	-	-	-	(654)	(654)
Total transactions with owners of the parent	-	-	-	(654)	(654)
Balance at 30 Jun 2014	28,431	(3,557)	(129)	3,637	28,382

Statement of Changes in Equity

Company	Share capital	Treasury shares	Foreign currency translation account	Accumulated profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2015	28,431	(3,557)	-	598	25,472
Profit for the financial period	-	-	-	23	23
Exchange differences on translating foreign operations	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	23	23
Contributions by and distributions to owners of the parent:					
Dividends	-	-	-	(327)	(327)
Total transactions with owners of the parent	-	-	-	(327)	(327)
Balance at 30 Jun 2015	28,431	(3,557)	-	294	25,168
Balance at 1 Jan 2014	28,431	(3,557)	-	933	25,807
Loss for the financial period	-	-	-	(46)	(46)
Exchange differences on translating foreign operations	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	(46)	(46)
Contributions by and distributions to owners of the parent:					
Dividends	-	-	-	(654)	(654)
Total transactions with owners of the parent	-	-	-	(654)	(654)
Balance at 30 Jun 2014	28,431	(3,557)	-	233	25,107

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

	As at 30 June 2015	As at 31 December 2014
No of Ordinary shares	357,178,846	357,178,846
No of Treasury shares	29,868,000	29,868,000
Total number of issued shares excluding treasury shares	327,310,846	327,310,846
Share Capital (S\$'000)	28,431	28,431

The Company did not have any outstanding options or convertibles as at 30 June 2015 and 30 June 2014.

There are no changes in the Company's share capital since the end of the previous period reported on.

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

The total number of issued shares excluding treasury shares :

	As at 30 June 2015	As at 31 December 2014
Total number of issued shares	357,178,846	357,178,846
Less: Treasury shares	(29,868,000)	(29,868,000)
Total number of issued shares excluding treasury shares	327,310,846	327,310,846

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

The Company held 29,868,000 treasury shares as at the financial period ended 30 June 2015. There were no sales, transfers, disposal, cancellation and/or use of treasury shares for the half year ended 30 June 2015.

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

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

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

Not applicable.

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

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

Save for the abovementioned, the Group has adopted the same accounting policies and methods of computation which are consistent with those used in the most recent audited financial statements for the financial year ended 31 December 2014.

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

Save as disclosed in Note 4 above, there was no other change in the accounting policies and methods of computation for the current financial period reported on.

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

Earnings per ordinary share of the Group for the period on the net profit after income tax: (Singapore cents)	Group	
	Half year ended 30/6/2015	Half year ended 30/6/2014
(a) Based on the weighted average number of shares	0.01	0.13
(b) On a fully diluted basis	0.01	0.13

Basic earnings per share are computed based on 327,310,846 (excluding treasury shares) at 30 June 2015 and 30 June 2014.

The basic and dilutive earnings per share are the same as there was no potentially dilutive security for the half year ended 30 June 2015 and 30 June 2014.

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

	Group		Company	
	As at 30/6/2015	As at 31/12/2014	As at 30/6/2015	As at 31/12/2014
Net asset value per ordinary share (Singapore cents) based on total number of issued shares excluding treasury shares at the end of:	8.57	8.71	7.69	7.78

Note: The net asset value per share is calculated based on the total number of issued shares excluding treasury shares of 327,310,846 as at 30 June 2015 and 31 December 2014.

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

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 12.2% or S\$4.10 million to S\$37.78 million in the half year ended 30 June 2015 ("1H2015") from S\$33.68 million in the half year ended 30 June 2014 ("1H2014") mainly due to the Group recorded its 2015 Chinese New Year ("CNY") sales in 1H2015 as the 2015 CNY arrived after mid-February 2015 while part of 2014 Chinese New Year sales was recorded in December 2013.

Gross Profit

Gross profit increased by 2.4% or S\$0.14 million to S\$6.18 million in 1H2015 from S\$6.04 million in 1H2014 due to the higher revenue recorded, partially offset by lower gross profit margin resulted from keen competition in FMCG industry.

Other Income

Other income decreased by S\$0.36 million to S\$0.08 million in 1H2015 from S\$0.44 million in 1H2014 mainly due to gain on disposal of a property by one of the Company's subsidiary in 1H2014.

Selling and Distribution Expenses

Selling and distribution expenses increased by S\$0.10 million to S\$2.02 million in 1H2015 from S\$1.93 million in 1H2014 due to increase in promotion activities, advertisement expenses and logistics costs in 1H2015.

Other Expenses

Other expenses increased by S\$0.14 million to S\$1.10 million in 1H2015 from S\$0.96 million in 1H2014 mainly due to foreign exchange loss on the depreciation of Malaysia Ringgit.

Finance Costs

The Finance costs decreased by S\$0.04 million due to lower borrowings in 1H2015 as compared to 1H2014.

Profit for the Financial Period

Profit for the financial period was S\$0.02 million in 1H2015 as compared to S\$0.42 million in 1H2014, representing a decrease of S\$0.40 million. The lower profit for the financial period was mainly due to foreign exchange loss and the absence of one-off gain on disposal of a property by a subsidiary as recorded in 1H2014.

Statement of Financial Position

As at 30 June 2015, the Group's net assets were S\$28.07 million compared to S\$28.50 million as at 31 December 2014. The decrease of S\$0.43 million was mainly due to dividend payment of S\$0.33 million and effect of exchange differences on translating foreign operations.

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

- 1) Property, plant and equipment as at 30 June 2015 was recorded at S\$12.60 million, increased from S\$10.92 million as at 31 December 2014. The increase of S\$1.68 million was mainly due to the purchase of a property by a subsidiary, in Senai, Malaysia in 1H2015, after offsetting depreciation expenses charged for the period.
- 2) Inventories decreased by S\$5.07 million to S\$14.17 million as at 30 June 2015 from S\$19.24 million as at 31 December 2014 due to the higher stock holding level for the 2015 CNY sales as at 31 December 2014.
- 3) Trade and other receivables decreased by S\$2.71 million to S\$13.28 million as at 30 June 2015 from S\$15.99 million as at 31 December 2014 due to the prompt collection of debts.
- 4) Trade and other payables decreased by S\$2.30 million to S\$6.18 million as at 30 June 2015 from S\$8.48 million as at 31 December 2014, which commensurate with the lower level of inventories.
- 5) Bank borrowings in current liabilities decreased by S\$4.47 million to S\$8.55 million as at 30 June 2015 from S\$13.02 million as at 31 December 2014 due to repayment of short-term bank borrowings.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased by S\$1.15 million to S\$5.55 million as at 30 June 2015. S\$6.04 million was generated from operating activities, which was offset by S\$2.28 million used in investing activities and S\$5.08 million used in financing activities.

The net cash generated from operating activities was largely due to the decrease in both inventories and trade receivables and the reduction of trade payables.

The net cash used in investing activities was mainly due to the purchase of property, plant and equipment for the recently incorporated subsidiary in Malaysia, Hosen Chocolate Sdn Bhd.

The net cash used in financing activities of S\$5.08 million was mainly represented by the net repayment of bank borrowings and dividends paid.

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

The financial results are in line with the Group's discussion presented under Note 10 of the Company's full year unaudited financial results announcement released on 25 February 2015.

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

The FMCG industry in which the Group operates continues to be competitive. The slower economic growth in Asian markets, volatility in foreign exchange, rising operating costs and purchase costs pose challenges to the Group's business. The Group will remain vigilant by putting appropriate measures to mitigate the impact on the Group's business.

The Group will continue to leverage on the strength of its reputable house brands, experienced sales and management team to develop new products and focus on new business opportunities to achieve growth of the core business of the Group. Once our subsidiary in Malaysia, Hosen Chocolate Sdn Bhd starts operation later this year, the Group will develop, process, trade and distribute house brand and new chocolate products for both industrial customers and individual consumers.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared.

13. Interested Persons Transactions

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

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

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

On behalf of the Board of Directors, we hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of Hosen Group Ltd which may render the unaudited financial statements for the half year ended 30 June 2015 to be false or misleading in any material aspects.

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

Lim Hai Cheok
Chief Executive Officer

Chong Poh Soon
Executive Director

BY ORDER OF THE BOARD

Lim Hai Cheok
Chief Executive Officer
12 August 2015