

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

UNAUDITED HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020

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

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

Unaudited Group Income Statement and Statement of Comprehensive Income for the financial period ended 30 June 2020.

Consolidated Statement of Comprehensive Income	Group		%
	S\$'000	S\$'000	
	Half Year ended 30/6/2020	Half year ended 30/6/2019	Change
Revenue	40,531	33,548	20.8
Cost of sales	(32,852)	(27,155)	21.0
Gross profit	7,679	6,393	20.1
Other income	844	123	586.2
Selling and distribution expenses	(1,486)	(1,605)	(7.4)
Administrative expenses	(3,780)	(3,216)	17.5
Other expenses	(1,262)	(1,050)	20.2
Loss allowance made on third party trade and other receivables	(94)	(49)	91.8
Finance costs	(293)	(231)	26.8
Profit before income tax	1,608	365	340.5
Income tax expense	(457)	(210)	117.6
Profit for the financial period	1,151	155	642.6
Attributable to:			
Owners of the parent	1,160	235	393.6
Non-controlling interests	(9)	(80)	(88.8)
	1,151	155	642.6

NM – Not meaningful

Consolidated Statement of Comprehensive Income	Group		
	S\$'000	S\$'000	%
	Half Year ended 30/6/2020	Half Year ended 30/6/2019	Change
Other comprehensive income for the financial period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on transaction of foreign operations, net of tax	(61)	15	NM
Total comprehensive income for the financial period	1,090	170	541.2
Total comprehensive income attributable to:			
Owners of the parent	1,107	250	342.8
Non-controlling interests	(17)	(80)	(78.8)
	1,090	170	541.2

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

	Group		
	S\$'000	S\$'000	%
	Half Year ended 30/6/2020	Half Year ended 30/6/2019	Change
Loss allowance made on third party trade and other receivables	94	49	91.8
Bad debts written off - Trade	-	21	NM
Write-down of inventories	422	142	197.2
Amortisation of intangible asset	10	10	-
Depreciation of property, plant and equipment	591	511	15.7
(Gain)/Loss on disposal of property, plant and equipment	(16)	8	NM
Impairment of property, plant and equipment	13	-	NM
Interest expense	293	232	26.3
Interest income	(11)	(17)	(35.3)
Foreign exchange (gain)/loss - net	(263)	70	NM

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 30/6/2020	As at 31/12/2019	As at 30/6/2020	As at 31/12/2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	20,022	20,494	-	-
Intangible asset	38	47	-	-
Investments in subsidiaries	-	-	9,841	9,841
Financial assets, at fair value through other comprehensive income	-	-	-	-
Other receivables	-	25	571	-
	20,060	20,566	10,412	9,841
Current assets				
Inventories	14,386	17,512	-	-
Trade and other receivables	12,088	13,187	9,637	10,130
Other current assets	201	992	-	-
Financial assets, at fair value through profit or loss	2	3	-	-
Fixed deposits	32	32	-	-
Cash and bank balances	8,208	5,260	76	88
	34,917	36,986	9,713	10,218
Less:				
Current liabilities				
Trade and other payables	6,968	8,121	110	173
Refund liabilities	651	1,712	-	-
Current income tax payable	363	47	40	29
Lease liabilities	176	172	-	-
Bank borrowings	12,753	14,342	-	-
	20,911	24,394	150	202
Net current assets	14,006	12,592	9,563	10,016
Less:				
Non-current liabilities				
Lease liabilities	2,006	2,068	-	-
Bank borrowings	2,390	2,510	-	-
Deferred tax liabilities	257	257	-	-
	4,653	4,835	-	-
Net assets	29,413	28,323	19,975	19,857
Equity				
Share capital	28,431	28,431	28,431	28,431
Treasury shares	(3,654)	(3,654)	(3,654)	(3,654)
Foreign currency translation account	(263)	(210)	-	-
Fair value reserve	(49)	(49)	-	-
Retained earnings	5,190	4,030	(4,802)	(4,920)
Equity attributable to owners of the parent	29,655	28,548	19,975	19,857
Non-controlling interests	(242)	(225)	-	-
Total equity	29,413	28,323	19,975	19,857

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

	As at 30 Jun 2020		As at 31 Dec 2019	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Repayable in one year or less or on demand	410	12,460 ⁽¹⁾	404	14,048 ⁽¹⁾
Repayable after one year	2,596	-	2,759	-
Total	3,006	12,460	3,163	14,048

⁽¹⁾ The unsecured borrowings comprise unsecured bank loans of the Group amounting to S\$3.65 million (31 December 2019: S\$3.65 million) and bills payable amounting to S\$8.81 million (31 December 2019: S\$10.40 million).

Details of any collateral

Term loan amounting to S\$2.68 million (31 December 2019: S\$2.80 million) is secured by legal mortgage over subsidiaries' properties. Finance lease payables amounting to S\$0.32 million (31 December 2019: S\$0.36 million) are secured by the underlying assets acquired.

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

Consolidated Statement of Cash Flows	Group	
	Period ended 30/6/2020 S\$'000	Period ended 30/6/2019 S\$'000
Operating activities:		
Profit before income tax	1,608	365
Adjustments for:		
Loss allowance made on third party trade and other receivables	94	49
Bad debts written off - trade	-	21
Write-down of inventories	422	142
Amortisation of intangible asset	10	10
Depreciation of property, plant and equipment	591	511
(Gain)/Loss on disposal of property, plant and equipment	(16)	8
Impairment of property, plant and equipment	13	-
Interest expense	293	232
Interest income	(11)	(17)
Unrealised exchange (gain)/loss	(129)	118
Operating cash flows before working capital changes	2,875	1,439
Working capital changes:		
Inventories	2,666	(616)
Trade and other receivables	1,193	3,576
Trade and other payables	(1,403)	425
Other current assets	791	772
Refund liabilities	(1,061)	(1,077)
Cash generated from operations	5,061	4,519
Income tax paid	(140)	(361)
Interest received	11	18
Net cash from operating activities	4,932	4,176

Consolidated Statement of Cash Flows (Continued)	Group	
	Period ended 30/6/2020 S\$'000	Period ended 30/6/2019 S\$'000
Investing activities		
Proceeds from disposal of property, plant and equipment	35	33
Purchase of property, plant and equipment	(32)	(5,908)
Net cash from/(used in) investing activities	3	(5,875)
Financing activities		
Interest paid	(293)	(232)
(Repayment of)/Proceeds from lease liabilities	(57)	1,702
Repayment of bank borrowings	(1,624)	(138)
Net cash (used in)/from financing activities	(1,974)	1,332
Net change in cash and cash equivalents	2,961	(367)
Cash and cash equivalents at beginning of financial period	5,260	5,449
Net effect of exchange rate changes on cash and cash equivalents	(13)	(35)
Cash and cash equivalents at end of financial period	8,208	5,047

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	Fair value reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2020	28,431	(3,654)	(210)	(49)	4,030	28,548	(225)	28,323
Profit for the financial period	-	-	-	-	1,160	1,160	(9)	1,151
Exchange differences on translating foreign operations	-	-	(53)	-	-	(53)	(8)	(61)
Total comprehensive income for the financial period	-	-	(53)	-	1,160	1,107	(17)	1,090
Balance at 30 Jun 2020	28,431	(3,654)	(263)	(49)	5,190	29,655	(242)	29,413
Balance at 1 Jan 2019	28,431	(3,654)	(298)	(49)	4,966	29,396	(15)	29,381
Profit for the financial period	-	-	-	-	235	235	(80)	155
Exchange differences on translating foreign operations	-	-	15	-	-	15	-	15
Investment in Subsidiaries by non-controlling interests	-	-	-	-	-	-	54	54
Total comprehensive income for the financial period	-	-	15	-	235	250	(26)	224
Balance at 30 Jun 2019	28,431	(3,654)	(283)	(49)	5,201	29,646	(41)	29,605

Statement of Changes in Equity

Company	Equity attributable to owners of the company			
	Share capital	Treasury shares	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2020	28,431	(3,654)	(4,920)	19,857
Profit for the financial period	-	-	118	118
Total comprehensive income for the financial period	-	-	118	118
Balance at 30 Jun 2020	28,431	(3,654)	(4,802)	19,975
Company	Equity attributable to owners of the company			
	Share capital	Treasury shares	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2019	28,431	(3,654)	1,582	26,359
Profit for the financial period	-	-	69	69
Total comprehensive income for the financial period	-	-	69	69
Balance at 30 Jun 2019	28,431	(3,654)	1,651	26,428

1(d)(ii) Details of any changes in the company's share capital arising from right 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

Ordinary Share Capital

There were no changes in the Company's share capital since the end of the previous period reported on, as shown below:

	Number of ordinary shares (excluding treasury shares)	Issued and paid-up share capital (S\$'000)
Balance as at 30 June 2020 and 31 December 2019	324,900,846 shares	28,431

Outstanding Convertibles

There were no outstanding convertibles as at 30 June 2020 and 30 June 2019.

Treasury Shares

There were 32,278,000 treasury shares as at 30 June 2020 and 30 June 2019, which represented 9.9% of the Company's total number of ordinary shares (excluding treasury shares) as at 30 June 2020 and 30 June 2019.

Subsidiary Holdings

There were no subsidiary holdings as at 30 June 2020 and 30 June 2019.

1(d)(ii) 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 2020	As at 31 December 2019
Total number of issued shares	357,178,846	357,178,846
Less: Number of treasury shares	(32,278,000)	(32,278,000)
Total number of issued shares excluding treasury shares	324,900,846	324,900,846

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

There was no sale, transfer, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no subsidiary holdings during and as at the end of the current financial period reported on.

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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable, as the Company's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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 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 2019.

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.

There was no 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:	Group	
	Half year ended 30/6/2020	Half year ended 30/6/2019
(Singapore cents)		
(a) Based on the weighted average number of shares	0.36	0.07
(b) On a fully diluted basis	0.36	0.07

Basic earnings per share are computed based on the weighted average number of issued shares excluding treasury shares of 324,900,846 for the half year ended 30 June 2020 and 30 June 2019.

The basic and dilutive earnings per share are the same as there were no potentially dilutive securities for the half year ended 30 June 2020 and 30 June 2019.

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 30/6/2020	As at 31/12/2019	As at 30/6/2020	As at 31/12/2019
(Singapore cents)				
Net asset value per ordinary share based on total number of issued shares excluding treasury shares at the end of the period:	9.13	8.79	6.15	6.11

The net asset value per share is calculated based on the total number of issued shares excluding treasury shares of 324,900,846 as at 30 June 2020 and 31 December 2019.

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 20.8% or S\$6.98 million to S\$40.53 million in the half year ended 30 June 2020 ("1H2020") from S\$33.55 million in the half year ended 30 June 2019 ("1H2019") mainly due to higher demand of our products resulted from consumers' stockpiling of food during the period of Circuit-Breaker in Singapore and the Movement Control Order in Malaysia.

Gross Profit

Gross profit increased by S\$1.29 million to S\$7.68 million in 1H2020 from S\$6.39 million in 1H2019 following the increase in sales for 1H2020.

Other Income

Other income increased by S\$0.72 million to S\$0.84 million in 1H2020 from S\$0.12 million in 1H2019 mainly due to net gain in foreign exchange and the receipt of government grants in 1H2020.

Selling and Distribution Expenses

Selling and distribution expenses decreased by S\$0.12 million to S\$1.49 million in 1H2020 from S\$1.61 million in 1H2019 due to lesser promotion expenses incurred during the pandemic period.

Administrative Expenses

Administrative expenses increased by S\$0.56 million to S\$3.78 million in 1H2020 from S\$3.22 million in 1H2019 mainly due to higher provision of potential employees' bonus in line with higher profit in 1H2020.

Other Expenses

Other expenses increased by S\$0.21 million to S\$1.26 million in 1H2020 from S\$1.05 million in 1H2019 mainly due to higher write-down of slow moving stocks in 1H2020 and additional depreciation on the new six-storey building in Singapore, which was partially off-set by the absence of net loss in foreign exchange recorded in 1H2019.

Finance Costs

Finance costs increased by S\$0.06 million to S\$0.29 million in 1H2020 from S\$0.23 million in 1H2019 due to higher borrowings to finance the increased purchases of goods in 1H2020.

Profit for the Financial Period

As a result of the abovementioned, the Group recorded a net profit attributable to owners of the parent of S\$1.16 million for 1H2020 as compared to net profit of S\$0.24 million for 1H2019.

Statement of Financial Position

The Group's net assets were S\$29.41 million as at 30 June 2020, compared to S\$28.32 million as at 31 December 2019. The net increase of S\$1.09 million was a result of the profit earned in 1H2020, changes in non-controlling interests and the effect of exchange differences on translating foreign operations.

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

1. Property, plant and equipment as at 30 June 2020 and as at 31 December 2019 were respectively recorded at S\$20.02 million and S\$20.49 million. The decrease of S\$0.47 million was mainly represented by the current period depreciation.
2. Inventories decreased by S\$3.12 million to S\$14.39 million as at 30 June 2020 from S\$17.51 million as at 31 December 2019 mainly due to higher inventory level maintained by the Group at the end of FY2019 to meet the sales during Chinese New Year in FY2020 ("CNY2020").
3. Trade and other receivables decreased by S\$1.10 million to S\$12.09 million as at 30 June 2020 from S\$13.19 million as at 31 December 2019 which resulted from prompt collection of debts.

4. Other current assets, representing the right to the recovered goods for sales returns by customers, reduced to S\$0.20 million as at 30 June 2020 from S\$1.00 million as at 31 December 2019 mainly due to the return of goods in connection with CNY2020 sales performed in 1H2020.
5. Trade and other payables decreased by S\$1.15 million to S\$6.97 million as at 30 June 2020 from S\$8.12 million as at 31 December 2019 which was in line with lower inventory kept by the Group after CNY2020 and also due to our prompt payments to suppliers.
6. Refund liabilities, represents the liabilities for return of goods and sales rebates. It dropped to S\$0.65 million as at 30 June 2020 from S\$1.71 million as at 31 December 2019 which was in line with the reduction in other current assets.
7. Lease liabilities in current liabilities and non-current liabilities reduced by S\$0.06 million to S\$2.18 million as at 30 June 2020 from S\$2.24 million as at 31 December 2019 due to repayment of lease obligations.
8. Bank borrowings in current liabilities decreased by S\$1.59 million to S\$12.75 million as at 30 June 2020 from S\$14.34 million as at 31 December 2019 as a result of repayment of trade facilities.
9. Bank borrowings in non-current liabilities decreased by S\$0.12 million to S\$2.39 million as at 30 June 2020 from S\$2.51 million as at 31 December 2018 mainly due to the repayment of term loans for the properties in Malaysia.

Consolidated Statement of Cash Flows

The net change in cash and cash equivalents was S\$8.21 million as at 30 June 2020. During 1H2020, S\$4.93 million was generated from operating activities, which was mainly reduced by S\$1.97 million used in financing activities.

The net cash generated from operating activities of S\$4.93 million was largely due to the profit earned for 1H2020 and the decrease in both inventories and trade and other receivables which was partially offset by the reduction of trade and other payables.

The net cash used in financing activities was mainly used for the repayment of bank borrowings and interest expenses.

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

Not applicable.

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.**

It is uncertain how long the Covid-19 pandemic will last, many parts of the world are severely impacted by the pandemic. This has created uncertainties in global economic outlook.

Consumers' purchasing power may be affected in the next 12 months across industries. Our supply chain may also be affected by the cross-border government control.

Therefore, at this moment, we are uncertain whether our performance in the first half of FY2020 will continue in the second half of FY2020.

As an update, the Group has obtained the temporary occupation permit of the new six-storey building in Singapore.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the half year ended 30 June 2020 as the Company has a record of accumulated losses.

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: Rules 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 2020 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

15. Disclosure of acquisition (including incorporations) and sale of shares under Rule 706A.

The Company did not carry out any acquisition or sale of shares for the current financial period.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

BY ORDER OF THE BOARD

Lim Hai Cheok
Chief Executive Officer

05 August 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

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

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).