

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

**UNAUDITED HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2019**

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 2019.

Consolidated Statement of Comprehensive Income	Group		%
	S\$'000	S\$'000	
	Half Year ended 30/6/2019	Half year ended 30/6/2018	Change
Revenue	33,548	35,154	(4.6)
Cost of sales	(27,155)	(27,906)	(2.7)
Gross profit	6,393	7,248	(11.8)
Other income	123	437	(71.9)
Selling and distribution expenses	(1,605)	(2,242)	(28.4)
Administrative expenses	(3,216)	(3,115)	3.2
Other expenses	(1,050)	(1,223)	(14.1)
Loss allowance made for third party trade receivables	(49)	(58)	(15.5)
Finance costs	(231)	(186)	24.2
Profit before income tax	365	861	(57.6)
Income tax expense	(210)	(279)	(24.7)
Profit for the financial period	155	582	(73.4)
Loss attributable to non-controlling interests	80	-	NM
Profit attributable to owners of the parent	235	582	(59.6)
Profit / (Loss) attributable to:			
Owners of the parent	235	582	(59.6)
Non-controlling interests	(80)	-	NM
	155	582	(73.4)

NM – Not meaningful

Consolidated Statement of Comprehensive Income	Group		
	S\$'000	S\$'000	%
	Half Year ended 30/6/2019	Half Year ended 30/6/2018	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	15	(12)	NM
Other comprehensive income for the financial period, net of tax	15	(12)	NM
Total comprehensive income for the financial year attributable to owners of the parent	170	570	(70.2)
Total comprehensive income attributable to:			
Owners of the parent	250	570	(56.1)
Non-controlling interests	(80)	-	NM
	170	570	(70.2)

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

	Group		
	S\$'000	S\$'000	%
	Half Year ended 30/6/2019	Half Year ended 30/6/2018	Change
Depreciation of property, plant and equipment	514	460	11.7
Amortisation of intangible asset	10	10	-
Loss on disposal of property, plant and equipment	9	-	NM
Allowance for doubtful third party trade receivables	49	58	(15.5)
Bad debts written off - Trade	21	6	NM
Foreign exchange loss / (gain) (net)	70	(376)	NM
Gain on disposal of property, plant and equipment	(1)	-	NM
Write down of inventories	142	373	(61.9)
Interest income	(17)	(2)	NM
Interest expense	232	186	24.7

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 30/6/2019	As at 31/12/2018	As at 30/6/2019	As at 31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	18,149	12,835	-	-
Investments in subsidiaries	-	-	9,841	9,836
Intangible asset	58	67	-	-
Other receivables	-	504	4,595	4,234
	18,207	13,406	14,436	14,070
Current assets				
Inventories	15,605	15,170	-	-
Trade and other receivables	12,239	15,585	12,100	12,414
Other current assets	279	1,051	-	-
Financial assets at fair value through or loss	3	3	-	-
Fixed deposits	31	31	-	-
Cash and bank balances	5,047	5,449	3	51
	33,204	37,289	12,103	12,465
Less:				
Current liabilities				
Trade and other payables	9,250	9,063	87	165
Refund liabilities	649	1,726	-	-
Lease liabilities	69	-	-	-
Current income tax payable	204	354	24	11
Finance lease payables	95	106	-	-
Bank borrowings	6,903	6,928	-	-
	17,170	18,177	111	176
Net current assets	16,034	19,112	11,992	12,289
Less:				
Non-Current liabilities				
Lease liabilities	1,678	-	-	-
Finance lease payables	179	202	-	-
Bank borrowings	2,652	2,808	-	-
Deferred tax liabilities	127	127	-	-
	4,636	3,137	-	-
Net assets	29,605	29,381	26,428	26,359
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	(283)	(298)	-	-
Fair value reserve	(49)	(49)	-	-
Retained earnings	5,201	4,966	1,651	1,582
Equity attributable to owners of the parent	29,646	29,396	26,428	26,359
Non-controlling interests	(41)	(15)	-	-
Total equity	29,605	29,381	26,428	26,359

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

	As at 30 Jun 2019		As at 31 Dec 2018	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Repayable in one year or less or on demand	388	6,610 ⁽¹⁾	400	6,634 ⁽¹⁾
Repayable after one year	2,831	-	3,010	-
Total	3,219	6,610	3,410	6,634

⁽¹⁾ The unsecured borrowings comprise unsecured bank loans of the Group amounting to S\$1.00 million (31 December 2018: S\$0.50 million) and bills payable amounting to S\$5.61 million (31 December 2018: S\$6.13 million).

Details of any collateral

Term loan amounting to S\$2.95 million (31 December 2018: S\$3.10 million) is secured by legal mortgage over subsidiaries' properties. Finance lease payables amounting to S\$0.27 million (31 December 2018: S\$0.31 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 30/6/2019 S\$'000	Period ended 30/6/2018 S\$'000
Operating activities:		
Profit before income tax	365	861
Adjustments for:		
Loss allowance made for third party receivables	49	58
Bad debts written off - Trade	21	6
Write down of inventories	142	373
Amortisation of intangible asset	9	10
Depreciation of property, plant and equipment	511	460
Fair value loss arising from financial assets at fair value	-	2
Gain on disposal of property, plant and equipment	(1)	-
Interest expense	232	186
Interest income	(18)	(2)
Unrealised exchange loss / (gain)	118	(373)
Operating cash flows before working capital changes	1,428	1,581
Inventories	(616)	3,346
Trade and other receivables	3,576	1,740
Trade and other payables	436	(871)
Other current assets	772	397
Refund liabilities	(1,077)	(498)
Lease liabilities	1,747	-
Cash generated from operations	6,266	5,695
Income tax paid	(361)	(140)
Interest received	18	2
Net cash generated from operating activities	5,923	5,557

Consolidated Statement of Cash Flows (Continued)	Group	
	Period ended 30/6/2019 S\$'000	Period ended 30/6/2018 S\$'000
Investing activities		
Proceeds from disposal of property, plant and Equipment	33	-
Purchase of property, plant and equipment	(5,908)	(78)
Net cash used in investing activities	(5,875)	(78)
Financing activities		
Dividends paid	-	(325)
Fixed deposit	-	(1)
Interest paid	(232)	(186)
Repayment of finance lease payables	(45)	(48)
Repayment of bank borrowings	(138)	(3,282)
Net cash used in financing activities	(415)	(3,842)
Net change in cash and cash equivalents	(367)	1,637
Cash and cash equivalents at beginning of financial period	5,449	4,614
Net effect of exchange rate changes on cash and cash equivalents	(35)	41
Cash and cash equivalents at end of financial period	5,047	6,292

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 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
Balance at 1 Jan 2018	28,431	(3,654)	(392)	-	4,458	28,843	-	28,843
Profit for the financial period	-	-	-	-	582	582	-	582
Exchange differences on translating foreign operations	-	-	(12)	-	-	(12)	-	(12)
Total comprehensive income for the financial period	-	-	(12)	-	582	570	-	570
Transactions with owners:								
Dividends	-	-	-	-	(325)	(325)	-	(325)
Total transactions with owners of the parent	-	-	-	-	(325)	(325)	-	(325)
Balance at 30 Jun 2018	28,431	(3,654)	(404)	-	4,715	29,088	-	29,088

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 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
Transactions with owners:				
Dividends	-	-	-	-
Total transactions with owners of the company	-	-	-	-
Balance at 30 Jun 2019	28,431	(3,654)	1,651	26,428
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 2018	28,431	(3,654)	1,291	26,068
Profit for the financial period	-	-	75	75
Total comprehensive income for the financial period	-	-	75	75
Transactions with owners:				
Dividends	-	-	(325)	(325)
Total transactions with owners of the company	-	-	(325)	(325)
Balance at 30 Jun 2018	28,431	(3,654)	1,041	25,818

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 (\$'000)
Balance as at 30 June 2019 and 30 June 2018	324,900,846 shares	28,431

Outstanding Convertibles

There were no outstanding convertibles as at 30 June 2019 and 30 June 2018.

Treasury Shares

There were 32,278,000 treasury shares as at 30 June 2019 and 30 June 2018, which represented 9.9% of the Company's total number of ordinary shares (excluding treasury shares) as at 30 June 2019 and 30 June 2018.

Subsidiary Holdings

There were no subsidiary holdings as at 30 June 2019 and 30 June 2018.

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 2019	As at 31 December 2018
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.

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

Except as disclosed in Note 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 2018.

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.

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases on 1 January 2019, using the modified retrospective approach. It requires a lessee to recognize a right-of-use asset representing its right of use over the underlying asset and a lease liability representing its obligation to make lease payments. The Group has not restated comparatives for the previous corresponding period as permitted under SFRS(I) 16.

Leases are recognized as right-of-use assets and the obligation to make lease payments are recorded as lease liabilities which were measured as the present value of the remaining lease payments on 1 January 2019.

Each lease payment is allocated between the lease liability and finance cost. The latter is charged to profit or loss. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-in-basis.

The effect of the adoption of SFRS(I) 16 on the Group's financial statements has been explained in Note 8.

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/(loss) after income tax:	Group	
	Half year ended 30/6/2019 (Singapore Cents)	Half year ended 30/6/2018 (Singapore Cents)
(a) Based on the weighted average number of shares	0.07	0.18
(b) On a fully diluted basis	0.07	0.18

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 2019 and 30 June 2018.

The basic and dilutive earnings per share are the same as there were no potentially dilutive securities for the half year ended 30 June 2019 and 30 June 2018.

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 30/6/2019	As at 31/12/2018	As at 30/6/2019	As at 31/12/2018
Net asset value per ordinary share (Singapore cents) based on total number of issued shares excluding treasury shares at the end of the period:	9.12	9.05	8.13	8.11

Note: 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 2019 and 31 December 2018.

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

Consolidated Statement of Comprehensive Income

Revenue

Revenue decreased by 4.6% or S\$1.60 million to S\$33.55 million in the half year ended 30 June 2019 (“1H2019”) from S\$35.15 million in the half year ended 30 June 2018 (“1H2018”) mainly due to lower sales generated from both retail market in Singapore and trading activities.

Gross Profit

Gross profit dropped by S\$0.86 million to S\$6.39 million in 1H2019 from S\$7.25 million in 1H2018 as a result of the lower sales generated in 1H2019, higher import costs and keen market competition.

Other Income

Other income decreased by S\$0.32 million to S\$0.12 million in 1H2019 from S\$0.44 million in 1H2018 mainly due to the absence of foreign exchange gain of S\$0.37 million recorded in 1H2018 and partially offset by more government grant received in 1H2019.

Selling and Distribution Expenses

Selling and distribution expenses decreased by S\$0.63 million to S\$1.61 million in 1H2019 from S\$2.24 million in 1H2018 due to less advertisement and promotion expenses and lower distribution cost following the decrease in sales.

Administrative Expenses

Administrative expenses increased by S\$0.10 million to S\$3.22 million in 1H2019 from S\$3.12 million in 1H2018 mainly due to increase in staff cost.

Other Expenses

Other expenses decreased by S\$0.17 million to S\$1.05 million in 1H2019 from S\$1.22 million in 1H2018 due to decrease in provision for slow moving stock which was partially offset by foreign exchange loss incurred and the higher repair and maintenance costs in 1H2019.

Finance Costs

Finance costs increased by S\$0.04 million to S\$0.23 million in 1H2019 from S\$0.19 million in 1H2018 mainly due to additional interest expenses after the adoption of new SFRS(I) 16 Leases in 1H2019.

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\$0.24 million for 1H2019 as compared to net profit of S\$0.58 million for 1H2018.

Statement of Financial Position

The Group's net assets were S\$29.61 million as at 30 June 2019, compared to S\$29.38 million as at 31 December 2018. The net increase of S\$0.23 million was a result of the profit earned in 1H2019, 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 2019 and as at 31 December 2018 were respectively recorded at S\$18.15 million and S\$12.84 million. The difference of S\$5.31 million was mainly due to (i) an increase in construction-in-progress of S\$3.89 million, of which S\$0.50 million recorded in other receivables as at 31 December 2018 was reclassified into

construction-in-progress; (ii) recognition of carrying value of right-of-use assets of S\$1.73 million as at 30 June 2019 following the adoption of SFRS(I) 16 Leases and (iii) the acquisition of additional plant and equipment, net off with the depreciation charges for 1H2019.

- 2) Inventories increased by S\$0.44 million to S\$15.61 million as at 30 June 2019 from S\$15.17 million as at 31 December 2018 due to the higher inventory level maintained by the Group in view of the rising import costs and the inventory kept by a recently established subsidiary in China.
- 3) Trade and other receivables decreased by S\$3.35 million to S\$12.24 million as at 30 June 2019 from S\$15.59 million as at 31 December 2018 which resulted from the lower revenue generated in 1H2019.
- 4) Other current assets, representing the right to the recovered goods for sales returns by customers, reduced to S\$0.28 million as at 30 June 2019 from S\$1.05 million as at 31 December 2018 mainly due to the return of goods in connection with CNY sales.
- 5) Trade and other payables increased by S\$0.19 million to S\$9.25 million as at 30 June 2019 from S\$9.06 million as at 31 December 2018 which was in line with higher inventory kept in a recently established subsidiary in China.
- 6) Refund liabilities, represents the liabilities for return of goods and sales rebates. It dropped to S\$0.65 million as at 30 June 2019 from S\$1.73 million as at 31 December 2018 which was in line with the reduction in other current assets.
- 7) Bank borrowings in non-current liabilities decreased by S\$0.16 million to S\$2.65 million as at 30 June 2019 from S\$2.81 million as at 31 December 2018 mainly due to the repayment of term loans for the properties in Malaysia.
- 8) Lease liabilities in current liabilities and in non-current liabilities represents the recognition of obligation to make lease payments in according to the SFRS (I) 16 adopted in 1H2019.

Consolidated Statement of Cash Flows

The net change in cash and cash equivalents was S\$5.05 million as at 30 June 2019. During 1H2019, S\$5.92 million was generated from operating activities, which was offset by S\$5.88 million used in investing activities and S\$0.42 million used in financing activities.

The net cash generated from operating activities was largely due to the decrease in trade and other receivables.

The net cash used in investing activities was mainly due to the payments to the contractor of the new building in Singapore.

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

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.

The prolonged global trade tension has seen the impact on the economy and the change of consumers' spending patterns. Coupled with the rising operating costs, including the staff costs and transportation costs, the industry that the Group is operating will be affected.

The concrete structure of the Group's new building in Singapore as part of our business expansion plans has almost been completed. The internal structure and renovation will be completed by the first half of financial year ending 31 December 2020. The Group will continue to identify potential investments and other business opportunities to expand the Group's operations.

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 2019 as the Group intends to conserve funds for the construction of the new building, future expansion and potential investments when opportunities arise.

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 Catalist) of the Singapore Exchange Securities Trading Limited.

On behalf of the Board of Directors, we hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of Hosen Group Ltd which may render the unaudited financial statements for the half year ended 30 June 2019 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. 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
07 August 2019

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 this announcement.

The contact person for the Sponsor is Ms Ling Yuet Shan, Manager, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).