HOSEN GROUP
LTD

MAPPING UP

Increasing Capabilities

Annual Report **2014**

CONTENTS

OUR MAJOR HOUSE BRANDS ARE "HOSEN", "FORTUNE", "HIGHWAY", "ROYAL SELECT", "Q'SERVE", "SINCERO " AND "LA DIVA ".

The annual report has been prepared by the Company and reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte Ltd ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

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

The contact person for the sponsor is:

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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 wholly-owned subsidiaries in Singapore, Malaysia and China, has developed an extensive and robust distribution network that spans Asia, Europe, Middle East, Africa and the Oceanic countries. Today, Hosen's brands of products can be found on the 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 providing 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.

Over the decades, the Company has built an extensive distribution network with an experienced team of people.

Our Retail Team showcases our products in the supermarkets, warehouse clubs, online malls and convenient 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 customers including hotels, restaurants, airlines, clubs, caterers, cafes, ship-chandlers, bakeries and dessert chainstores. With the evolving changes in the businesses of these customer groups, we have, beyond product supplies and prompt services, also 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.

At the end of year 2010, the Company set foot into China through its Shanghai subsidiary, developing distribution networks in various cities and creating brand awareness of our house brands in the China market.

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.

"THE GROUP WILL CONTINUE TO LEVERAGE ON THE STRENGTH OF ITS WELL-RECOGNISED HOUSE BRANDS, DEVELOP NEW PRODUCTS, CONSOLIDATE ITS INTERNAL RESOURCES AND EXPLORE NEW BUSINESS OPPORTUNITIES TO ACHIEVE GROWTH OF THE CORE BUSINESS OF THE GROUP."

Dear Shareholders,

We are pleased to present you with the annual report of the Group for the financial year ended 31 December 2014.

The business environment is still challenging for us in the fast-moving consumer goods ("FMCG") industry, which was affected by the growth of the global economies as well as the general market conditions.

Following the late coming 2015 Chinese New Year, the Group had not recorded the festival sales in December 2014 and hence it, among other factors, affected the Group revenue and the profit for the year. The Group revenue reduced to S$72.6 million from S$77.7 million in the previous financial year.

The business sector of our house brand, which include Hosen, Fortune, Highway, LaDiva, Sincero, Royal Select, Royal Orchid and Ocean Luck, is the major income generator to the Group and it contributed more than 69% of the Group revenue in this financial year. Our operating unit in Malaysia has moved and operated in our own warehousing and office building in Shah Alam, with the aim for business expansion. The subsidiary in China continues to develop in local markets as well as focus on niche markets to promote our house brands.

The Group has in March 2015 entered into a Sale and Purchase Agreement for the acquisition of two properties in Senai, Malaysia and will use it to develop, process, trade and distribute house brand and new chocolate products.

Going Forward

To prepare ourselves to forge ahead in the changing environment, which may include higher operating costs, the restriction on foreign labour and foreign currency fluctuations, the Group will continue to leverage on the strength of its well-recognised house brands, develop new products, consolidate its internal resources and explore new business opportunities to achieve growth of the core business of the Group.

Dividend

The Board has recommended a first and final tax exempt one-tier dividend of 0.1 cent (FY2013: 0.2 cent) per ordinary share in respect of the financial year ended 31 December 2014 for approval by shareholders at the forthcoming Annual General Meeting.

Appreciations

On behalf of the Board, I would like to extend our appreciation to our shareholders, bankers, business partners, suppliers and customers for their continued support. I wish to thank our management and staff for their commitment and dedication.

I also wish to express my gratitude to my fellow Board members for their invaluable advice and guidance on various aspects.

Lim Hai Cheok
Chairman and Chief Executive Officer

04 OPERATIONS REVIEW

"THE GROUP HAS BEEN CONTINUING TO TAKE APPROPRIATE ACTIONS TO REDUCE COST, MANAGE THE FOREIGN EXCHANGE RISK AND TIGHTEN CREDIT CONTROLS TO REDUCE POSSIBLE IMPACT ON ITS PERFORMANCE."

Business Review

The Group remains operating in the challenging business environment. External factors like inflationary cost pressure and foreign currency fluctuations, continue to go along in the competitive FMCG industry. The Group has been continuing to take appropriate actions to reduce cost, manage the foreign exchange risk and tighten credit controls to reduce possible impact on its performance.

The Group registered a lower revenue of S$72.6 million for the financial year ended 31 December 2014 ("FY2014") compared to S$77.7 million for the financial year ended 31 December 2013 ("FY2013"). The drop of S$5.1 million or 6.6% in Group Revenue mainly due to the Group had not recorded its Chinese New Year ("CNY") sales in December 2014, as the 2015 CNY arrived after mid-February 2015 while part of 2014 CNY sales was recorded in December 2013, on top of the keen competition in FMCG industry.

Gross profit decreased by S$1.0 million to S$12.4 million in FY2014 from S$13.4 million in FY2013. The lower gross profit was a result of lower revenue and marginal reduction in the profit margin.

Profit from continuing operations was S$0.7 million in FY2014 as compared to S$0.9 million in FY2013, representing a decrease of S$0.2 million, mainly due to lower revenue and gross profit, which was partially offset by lower selling and distribution expenses.

"AS AT
31 DECEMBER 2014,
THE GROUP'S NET
ASSETS REMAINED
AT THE LEVEL OF
APPROXIMATELY
S$28.5 MILLION."

Financial Position and Cash Flows

As at 31 December 2014, the Group's net assets remained at the level of approximately S$28.5 million.

Property, plant and equipment as at 31 December 2014 was recorded at S$10.9 million, increased from S$8.5 million as at 31 December 2013. The increase of S$2.4 million was mainly due to the purchase of a property in Malaysia after offsetting the disposal of property, plant and equipment and depreciation charged for the year.

Inventories increased by S$1.6 million to S$19.2 million as at 31 December 2014 mainly due to the higher stock holding level for the CNY sales in early FY2015.

Trade and other receivables decreased by S$1.2 million to S$16.0 million from S$17.2 million mainly due to the higher festive sales towards the end of FY2013.

Trade and other payables increased by S$1.8 million to S$8.5 million mainly due to more purchases to cater for 2015 CNY sales.

Bank borrowings in non-current liabilities increased to S$2.4 million as at 31 December 2014 mainly due to the additional bank borrowings during FY2014 to finance a property in Malaysia.

Cash and cash equivalents of the Group decreased by S$0.6 million to S$6.7 million as at 31 December 2014 mainly due to S$3.1 million was generated from operating activities, which was offset by S$3.0 million used in investing activities and S$0.7 million used in financing activities.

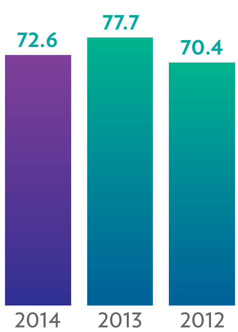
The net cash generated from operating activities of S$3.1 million was a result of the increase in both trade payables and inventories and the reduction of trade receivables.

The net cash used in investing activities was mainly due to the purchase of property, plant and equipment of S$3.8 million which was partially offset by sale proceeds of S$0.9 million from the disposal of the same.

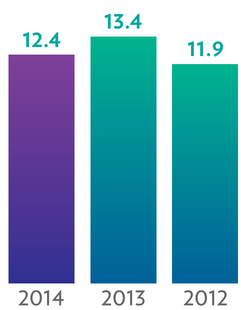
The net cash used in financing activities was mainly due to the dividends paid.

FINANCIAL HIGHLIGHTS

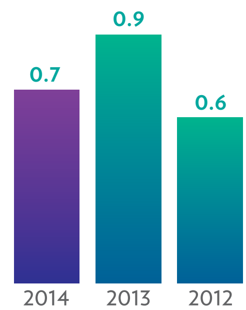
Revenue ($'M)



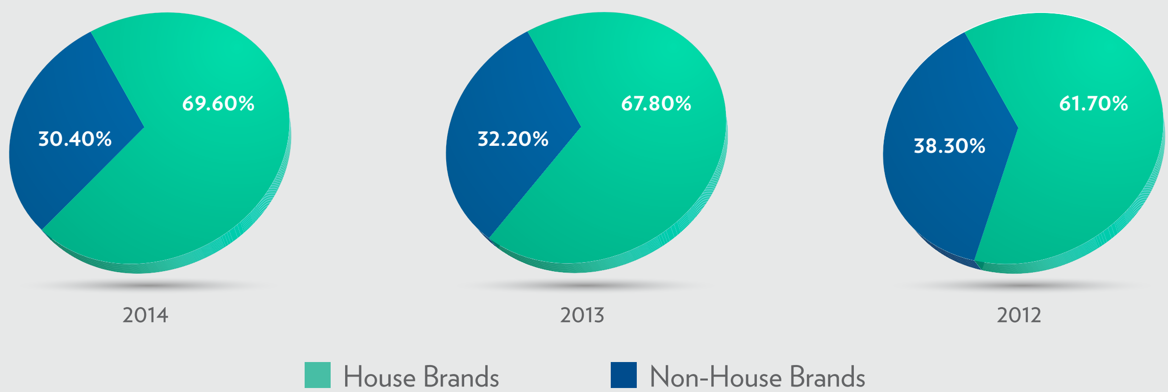
Gross Profit ($'M)



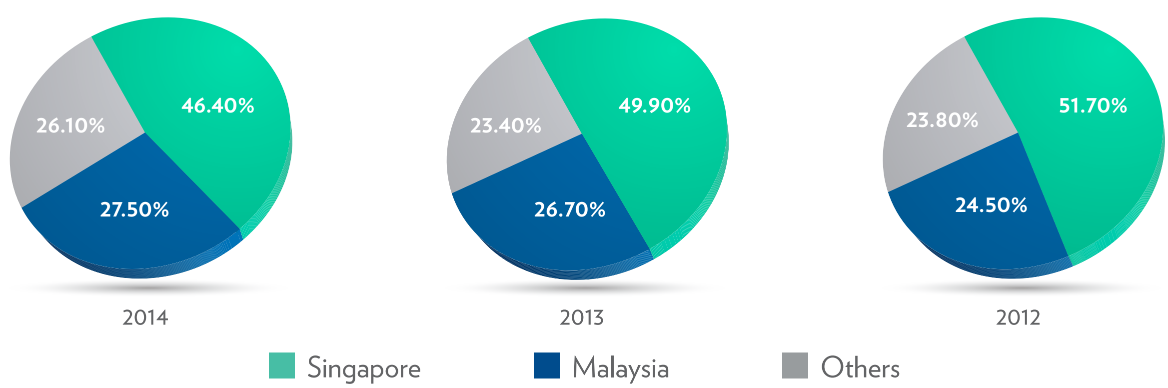
Profit for the financial year (continuing operations) ($'M)



Revenue by Operating Segment



Revenue by Geographical Segment



Mr Lim Hai Cheok
Chairman and
Chief Executive Officer

Mr Lim Hai Cheok is the co-founder of the Group, and Chairman 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.

Madam Chong Poh Soon
Executive 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 has served as an Executive 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.

Ms Lim Kim Eng Susan
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. Over the years, Ms Lim has been instrumental in developing the Group's network of overseas customers and suppliers.

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 Group's house brands and direct distribution businesses.

Mr Lim graduated from Hawaii Pacific University in 1994 with a Bachelor of Science in Business Administration.

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 a member of the Audit and Remuneration Committees.

He is currently the Director of PIO Group Pte Ltd, a local professional human resource 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 Wee Piew
Non-Executive
Independent Director

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

Mr Wee is currently a Non-Executive Independent Director of China Print Power Group Limited and Miyoshi Precision Limited. He was formerly the CEO of HG Metal Manufacturing Ltd, a company listed on the SGX's main board. He also has experiences with 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.

Mr Ngiam Zee Moey
Non-Executive
Independent Director

Mr Ngiam Zee Moey was appointed Non-Executive Director of the Company on 17 July 2007. He was re-designated as Non-Executive Independent Director of the Company with effect from 19 February 2014. He has been a Joint Company Secretary of a public listed company, AEI Corporation Ltd since 2004. From 1987 to March 2005, Mr Ngiam was a Group Financial Controller with Lauw & Sons Group of Companies. From 1983 to 1987, he held various finance and accounting managerial positions in Primary Industries Enterprise Pte Ltd, a Singapore government linked company. From 1980 to 1983, Mr Ngiam was a Tax Officer under the Corporate Branch of Singapore Inland Revenue Department.

Mr Ngiam is currently the Lead Independent Director of Zhongxin Fruit and Juice Limited and a Non-Executive Independent Director of Courage Marine Group Ltd. He has ceased as a Non-Executive Independent Director of Darco Water Technologies Limited since May 2014 and Sunmart Holdings Ltd since July 2011. Mr Ngiam is a Fellow of Association of Chartered Certified Accountants of the United Kingdom and Institute of Singapore Chartered Accountants. He graduated from Nanyang University, Singapore, with a Bachelor of Commerce in Accountancy in 1980. He has also obtained a Graduate Diploma in Marketing from the Marketing Institute of Singapore in 1993.

KEY MANAGEMENT

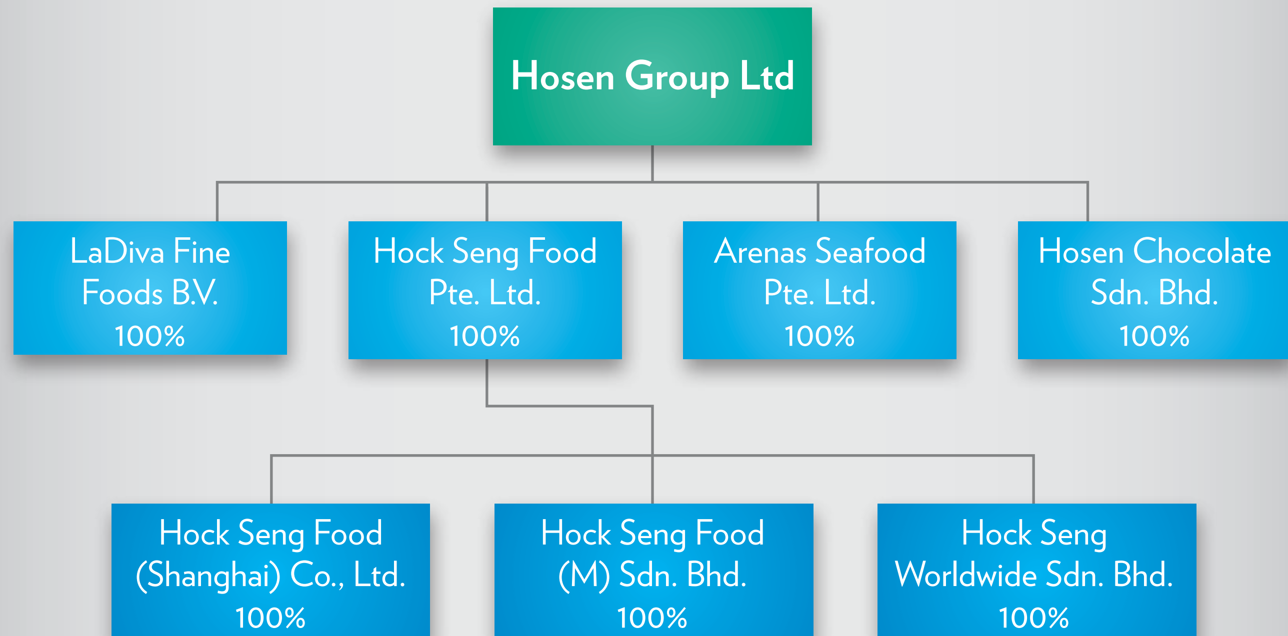
Mr Ho Sin Yam Patrick
Chief Financial Officer

Mr Patrick Ho joined the Group as Chief Financial Officer on 17 March 2014. He is responsible for the corporate finance, financial management, finance and accounting matters of the Group. Mr Ho has extensive experience in corporate management, corporate finance, financial management, mergers and acquisitions, 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. Holding a degree of Master of Business Administration and a degree of Bachelor of Arts (Honours) in Accountancy, Mr Ho 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.

Mr Tan Wee Koon
General Manager, Shanghai Operation

Mr Tan first joined the Group as Group Finance Manager in September 2008. He was responsible for the corporate finance, financial management and accounting matters of the Group. In August 2011, he was re-designated as General Manager of Hock Seng Food (Shanghai) Co., Ltd. ("HSS"). Currently Mr Tan is responsible for the strategic planning, business development and day-to-day operation and management of HSS. Prior to joining the Group, he worked in the commercial and public accounting field for more than 16 years. Mr Tan graduated from Leicester Business School, De Monfort University in the United Kingdom in 1996 with a Master of Science in Accounting degree.

GROUP STRUCTURE



The Board of Directors (the "**Board**") of Hosen Group Ltd (the "**Company**" and 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 transparency, accountability 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 2014 ("**FY2014**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	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?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2014.

<table>
<tr><th>Guideline</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"><u>The Board's Conduct of Affairs</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>The Board has seven (7) members and comprises the following:

<table>
<tr><th colspan="2">Table 1.1 – Composition of the Board</th></tr>
<tr><th>Name of Director</th><th>Designation</th></tr>
<tr><td>Lim Hai Cheok</td><td>Chairman and Chief Executive Officer</td></tr>
<tr><td>Chong Poh Soon</td><td>Executive Director</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>Wee Piew</td><td>Non-Executive Independent Director</td></tr>
<tr><td>Ngiam Zee Moey</td><td>Non-Executive Independent Director</td></tr>
</table>

The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principle functions are:

• 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;
• assuming responsibility for corporate governance; and
• reviewing the performance of Management.</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	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 are as follows:

Table 1.3 – Composition of the Board Committees

	AC	NC	RC
Chairman	Wee Piew	Lim Heng Seng	Wee Piew
Member	Lim Heng Seng	Lim Hai Cheok	Lim Heng Seng
Member	Ngiam Zee Moey	Wee Piew	Ngiam Zee Moey

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.4	Have the Board and Board Committees met in the last financial year?	The Board meets on a half yearly basis, and as and when circumstances require. In FY2014, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.

Table 1.4 – Board and Board Committee Meetings in FY2014

	Board	AC	NC	RC
Number of Meetings Held	3	3	1	1
Name of Director	**Number of Meetings Attended**			
Lim Hai Cheok	3	3*	1	1*
Chong Poh Soon	3	3*	1*	1*
Lim Kim Eng	3	3*	1*	1*
Lim Hock Chye Daniel	3	3*	1*	1*
Lim Heng Seng	3	3	1*	1
Wee Piew	3	3	1	1
Yeo Boon Siah[1]	1	1	1	1
Ngiam Zee Moey[2]	3	2+1*	1*	1*

* By invitation

(1) Mr Yeo Boon Siah retired by rotation from the Board on 29 April 2014.

(2) Mr Ngiam Zee Moey was appointed as Audit Committee's member on 8 May 2014.

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

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	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; • announcement publication; • budgets, financial results announcements, annual report and audited financial statements; • convening of general meetings; and • material interested person transactions.
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director would 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 whom do not have prior experience as a director of a public listed company in Singapore will be provided with relevant training in areas such as legal and accounting.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Briefings, updates and trainings for the Directors include: • the external auditors ("**EA**") had briefed the AC on changes or amendments to accounting standards; and • the Company Secretary had provided from time to time updates on changes in the relevant laws, regulations and listing rules.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Notwithstanding that the Chairman of the Board (the "**Chairman**") and the chief executive officer (the "**CEO**") is the same person, the Board is of the view that the balance of power, accountability and capacity of the Board for independent decision making of the Group would not be compromised. All Board committees are chaired by Non-Executive Independent Directors and sufficient safeguards are in placed to ensure decision making process of the Board is independent and based on collective decision of the Directors. The Board is of the view that the appointment of a lead independent director is deemed not necessary and would, however, review from time to time, the need to appoint a lead independent director as recommended by the Code.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.3 4.3	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. The Independent Directors have also confirmed their independence in accordance with the Code.
	(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. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	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.
2.4	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.	Notwithstanding that Mr Lim Heng Seng and Mr Wee Piew had served beyond nine years since the date of their first appointment on 5 July 2004, the Board is of the view that Mr Lim and Mr Wee are independent as: • Over the years, both Mr Wee and Mr Lim have actively participated in the proceedings and decision making processed of Board meetings. • They have constructively challenged and help develop proposals on strategy and review the performance of Management in meeting agreed goals. • Mr Wee and Mr Lim have provided overall guidance to Management and in protecting the Company's assets and shareholders' best interests. • Mr Wee and Mr Lim provide continuity and stability to the Board of the Company and the Group.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?

(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.

(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</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.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>2</td><td>28.6%</td></tr>
<tr><td>– Human resource management</td><td>1</td><td>14.3%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>4</td><td>57.1%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>– Male</td><td>5</td><td>71.4%</td></tr>
<tr><td>– Female</td><td>2</td><td>28.6%</td></tr>
</table>
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.</td></tr>
<tr><td>2.8</td><td>Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?</td><td>The Non-Executive Directors have met in the absence of key management personnel in FY2014.</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	Mr Lim Hai Cheok assumes the roles of the Chairman and CEO. The Company believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. The Board is of the opinion that there would be no need to separate the two roles after taking into consideration the following: • Size and capabilities of the Board; and • Size and operations of the Group.
3.4	Have the Independent Directors met in the absence of key management personnel?	The Independent Directors have met in the absence of key management personnel in FY2014.
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 and re-appointments having regard to each individual Director's 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; • 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; • review Board's succession plans for Directors, in particular the Chairman and CEO; • 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 • decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.4	(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?	The Board has set the maximum number of listed company board representations as six (6). Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not Applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	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.
	(d) Have the Directors adequately discharged their duties?	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 FY2014.
4.5	Are there alternate Directors?	The Company does not have any alternate directors.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.6</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 4.6(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>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-electing Incumbent Directors</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>
<table>
<tr><th colspan="3">Table 4.6(c) – Re-election of Directors retiring at the forthcoming AGM</th></tr>
<tr><th>Name</th><th>Designation</th><th>Pursuant to Article</th></tr>
<tr><td>Lim Hai Cheok</td><td>Chairman and Chief Executive Officer</td><td>104</td></tr>
<tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td><td>104</td></tr>
</table>
Mr Lim Heng Seng is considered independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.
</td></tr>
</table>

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out in the section entitled "Board of Directors" in this annual report.

<table>
<tr><th colspan="3">Table 4.7 – Last re-election dates of Directors</th></tr>
<tr><th>Name</th><th>Designation</th><th>Last Re-election date</th></tr>
<tr><td>Lim Hai Cheok</td><td>Chairman and Chief Executive Officer</td><td>25 April 2012</td></tr>
<tr><td>Chong Poh Soon</td><td>Executive Director</td><td>29 April 2013</td></tr>
<tr><td>Lim Kim Eng</td><td>Executive Director</td><td>29 April 2014</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>Executive Director</td><td>29 April 2013</td></tr>
<tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td><td>25 April 2012</td></tr>
<tr><td>Wee Piew</td><td>Non-Executive Independent Director</td><td>29 April 2014</td></tr>
<tr><td>Ngiam Zee Moey</td><td>Non-Executive Independent Director</td><td>29 April 2014</td></tr>
</table>
</td></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is 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">Table 5 – Performance Criteria for Board Evaluation</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>
</table>

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></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. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.

For FY2014, the review process was as follows:
1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5 above;
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 used in the evaluation process for the financial year in review.</td></tr>
<tr><td></td><td>(b) Has the Board met its performance objectives?</td><td>Yes, the Board has met its performance objectives.</td></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
10.3</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>Table 6 – Types of information provided by key management personnel to Independent Directors
<table><tr><th></th><th>Information</th><th>Frequency</th></tr><tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Whenever Available</td></tr><tr><td>2.</td><td>Budgets and forecasts (with variance analysis)</td><td>Annually</td></tr><tr><td>3.</td><td>Reports on on-going or planned corporate actions</td><td>Whenever Available</td></tr><tr><td>4.</td><td>EA and internal auditors' ("IA") reports</td><td>Annually</td></tr></table>
Key management personnel will also provide any additional material or information, including management accounts, potential acquisition and disposal of assets, that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3	What is the role of the Company Secretary?	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 Memorandum and Articles, 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 SGX-ST Listing Manual Section B: Rules of Catalist (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 all Board 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.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	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 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 run the Company successfully; • reviews and recommends to the Board on the implementation of any long term incentive schemes for the Directors and employees of the Group, as appropriate; • reviews and determines the specific remuneration packages and terms of employment for each Director and key management personnel; • reviews and recommends fees for Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM; and • reviews and recommends fees for Executive Directors.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2014.
Disclosure on Remuneration		
9	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 benchmarked against relevant and comparative compensation in the market.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.1 9.2	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?	The breakdown for the remuneration of the Directors for FY2014 is as follows:

Table 9 – Directors' Remuneration

Name	Directors Fees (%)	Salary (%)	Variable and Bonus (%)	Allowance and Others (%)	Share Option (%)	Total (%)
S$250,000 to S$499,999						
Lim Hai Cheok	–	75	20	5	–	100
Lim Kim Eng	–	78	18	4	–	100
Below S$250,000						
Chong Poh Soon	–	78	22	–	–	100
Lim Hock Chye Daniel	–	74	21	5	–	100
Lim Heng Seng	100	–	–	–	–	100
Wee Piew	100	–	–	–	–	100
Yeo Boon Siah[1]	100	–	–	–	–	100
Ngiam Zee Moey	100	–	–	–	–	100

(1) Mr Yeo Boon Siah resigned from the Board on 29 April 2014.

(All the above remuneration excludes employer's CPF contribution portion.)

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.

There were no termination and retirement benefits given to Directors and key management personnel for the financial year in review.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.3</td><td>(a) 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 key management personnel (who are not Directors or the CEO) for FY2014 is as follows:
<table>
<tr><th colspan="6">Table 9.3 – Remuneration of Key Management Personnel</th></tr>
<tr><th>Key management personnel</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Share Option (%)</th><th>Total (%)</th></tr>
<tr><td colspan="6">(Below S$250,000)</td></tr>
<tr><td>1 executive</td><td>86</td><td>11</td><td>3</td><td>–</td><td>100</td></tr>
<tr><td>1 executive</td><td>86</td><td>9</td><td>5</td><td>–</td><td>100</td></tr>
<tr><td>1 executive</td><td>59</td><td>30</td><td>11</td><td>–</td><td>100</td></tr>
<tr><td>1 executive</td><td>66</td><td>27</td><td>7</td><td>–</td><td>100</td></tr>
<tr><td>1 executive</td><td>66</td><td>27</td><td>7</td><td>–</td><td>100</td></tr>
</table>
(All the above remuneration excludes employer's CPF/EPF contribution portion.)</td></tr>
<tr><td></td><td>(b) 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 to the top 5 key management personnel for FY2014 was approximately S$562,000.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>There was no employee of the Group who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 in FY2014.</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.5	Please provide details of the employee share scheme(s).	Information on the Company's Hosen Employee Share Option Scheme is set out in the Report of Directors of this Annual Report.
9.6	(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 FY2014. Their remuneration is made up of fixed and variable compensations. The fixed compensation is in the form of base salary, fixed bonus and allowance. The variable compensation is determined based on the tied to 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 employee share option scheme adopted by the Company.
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	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: (see Table 9.6(b) below)
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2014.

Table 9.6(b)

Performance Conditions	**Short-term Incentives** (such as performance bonus)	**Long-term Incentives** (such as the Hosen Share Employee Option Scheme)
Qualitative	1. Leadership 2. Commitment 3. Teamwork 4. Macro-economic factors	1. Current market and industry practices 2. Rank 3. Years of Service
Quantitative		1. Performance of the Group

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(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.	The Board 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 FY2014. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO, CFO and IA (refer to Section 11.3(b) below; 2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; and 4. Discussions were held between the AC and auditors 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 FY2014. The Board has additionally relied on the IA's reports issued to the Company in FY2014 to assure that the Company's risk management and internal controls are adequate and effective.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Audit Committee		
12.1 12.4	What is the role of the AC?	The AC is guided by the following key terms of reference: • reviews the audit plans of the external auditors, the audit reports and management letters issued by the external auditors and the co-operation given by the Company's Management to the external auditors; • reviews the nature and extent of non-audit services provided by the external auditors; • reviews cost effectiveness and the independence and objectivity of the external auditors; • makes recommendations to the Board on the appointment, re-appointment and removal of external auditors, and to review the remuneration and terms of engagement of the external auditors; • 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 statute or the SGX-ST Rules of Catalist; • 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 internal auditor of the Company; • meets with the external auditors and with internal auditor, separately without the presence of Management; and • reviews interested person transactions in accordance with the requirements as defined in the SGX-ST Rules of Catalist.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>12.5</td><td>Has the AC met with the auditors in the absence of key management personnel?</td><td>Yes, the AC has met with the IA and the EA in the absence of key management personnel in FY2014.</td></tr>
<tr><td>12.6</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, and has recommended the re-appointment of the EA at the forthcoming AGM.</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">Table 12.6(a) – Fees Payable to the EA for FY2014</th></tr>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>73,500</td><td>85</td></tr>
<tr><td>Non-audit fees
for tax compliance purposes</td><td>12,900</td><td>15</td></tr>
<tr><td>Total</td><td>86,400</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 FY2014 were not substantial.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>Yes. 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 www.hockseng.com.</td></tr>
<tr><td>12.8</td><td>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?</td><td>In FY2014, the AC was updated by the External Auditors with respect to revisions to the accounting standards.</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	In FY2014, the Company's internal audit function was outsourced to UHY Lee Seng Chan & Co that 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. The AC is satisfied that UHY Lee Seng Chan & Co is 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.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.2 15.3 15.4	(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 in-house investor relations team as well as their website contact portal at http://hockseng.com/contact_enquiries.htm.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	
	(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 through its corporate website at www.hosen.com.sg.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel 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.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board had proposed a first and final dividend of 0.10 Singapore cents per ordinary share for FY2014 which will be subject to shareholders' approval at the forthcoming AGM.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company shall, for the time being, put all resolutions to vote by show of hands as it is of the view that voting by poll is logistically burdensome and not cost effective. The Company would adopt poll voting for its general meetings of shareholders held on or after 1 August 2015. All minutes of general meetings will made available to shareholders upon their request within one month after the general meeting.

COMPLIANCE WITH APPLICABLE CATALIST RULES

Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the 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 FY2014 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the internal controls are adequate 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 and EA; • assurance from the CEO and CFO; and • reviews done by the various Board Committees and 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 on 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. There were no IPTs with value more than S$100,000 transacted during FY2014.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and 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.
1204(21)	Non-sponsor fees	No non-sponsor fees were paid to the Company's sponsor, CNP Compliance Pte. Ltd. and PrimePartners Corporate Finance Pte. Ltd., for FY2014.

FINANCIAL CONTENTS

The Directors of the Company present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014 and the statement of changes in equity of the Company for the financial year ended 31 December 2014.

1. Directors

The Directors of the Company in office at the date of this report are:

Lim Hai Cheok	(Chairman and Chief Executive Officer)
Chong Poh Soon	(Executive Director)
Lim Kim Eng	(Executive Director)
Lim Hock Chye Daniel	(Executive Director)
Lim Heng Seng	(Non-Executive Independent Director)
Wee Piew	(Non-Executive Independent Director)
Ngiam Zee Moey	(Non-Executive Independent Director)

2. 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.

3. 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, Cap. 50 (the "Act") except as follows:

	Shareholdings registered in name of Directors		Shareholdings in which Directors are deemed to have an interest	
The Company	**Balance at 1 January 2014**	**Balance at 31 December 2014**	**Balance at 1 January 2014**	**Balance at 31 December 2014**
	Number of ordinary shares			
Lim Hai Cheok	50,500,000	50,500,000	79,343,750	79,343,750
Chong Poh Soon	64,843,750	64,843,750	65,000,000	65,000,000
Lim Kim Eng	17,812,500	17,812,500	–	–

By virtue of Section 7 of the Act, Mr. Lim Hai Cheok and Mdm. Chong Poh Soon are deemed to have an interest in all the subsidiaries held by 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 Directors' shareholdings, the Directors' interests as at 21 January 2015 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2014.

4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations as disclosed in Note 29 of the accompanying financial statements.

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.

The ESOS apply to group employees, Executive Directors and Non-Executive Directors, who are not controlling shareholders or their associates.

There were no share options granted by the Company or its subsidiaries 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 subsidiaries.

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

6. Audit Committee

The Audit Committee comprises the following members, all of whom are Non-Executive Independent Directors. The members of the Audit Committee during the financial year and at the date of this report are:

Wee Piew (Chairman)
Lim Heng Seng
Ngiam Zee Moey

The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act and the Code of Corporate Governance, including the review of the following:

(a) the audit plans of the internal and external auditors and the results of the internal 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 financial statements of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditors' report on those financial statements;

(d) the half-yearly 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 Group's external auditors;

(f) the re-appointment of the external auditors of the Group; 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 auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

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 auditors of the Company at the forthcoming Annual General Meeting.

7. Auditors

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Lim Hai Cheok
Director

Chong Poh Soon
Director

Singapore
27 March 2015

STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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.

On behalf of the Board of Directors

Lim Hai Cheok
Director

Chong Poh Soon
Director

Singapore
27 March 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Hosen Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 42 to 105, which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

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 those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	10,922	8,543	–	–
Investments in subsidiaries	5	–	–	9,468	9,468
Available-for-sale financial asset	6	–	–	–	–
Intangible asset	7	190	19	–	–
Other receivables	9	–	–	15,000	10,052
		11,112	8,562	24,468	19,520
Current assets					
Inventories	8	19,239	17,582	–	–
Trade and other receivables	9	15,990	17,235	1,096	6,421
Financial assets at fair value through profit or loss	10	7	8	–	–
Derivative financial instrument	11	–	23	–	–
Fixed deposits	12	52	52	–	–
Cash and bank balances	13	6,675	7,263	108	65
		41,963	42,163	1,204	6,486
Less:					
Current liabilities					
Trade and other payables	14	8,479	6,683	180	198
Current income tax payable		102	105	20	1
Finance lease payables	15	47	94	–	–
Bank borrowings	16	13,022	14,767	–	–
		21,650	21,649	200	199
Net current assets		20,313	20,514	1,004	6,287
Less:					
Non-current liabilities					
Finance lease payables	15	48	50	–	–
Bank borrowings	16	2,452	260	–	–
Deferred tax liabilities	17	427	232	–	–
		2,927	542	–	–
Net assets		28,498	28,534	25,472	25,807
Equity					
Share capital	18	28,431	28,431	28,431	28,431
Treasury shares	19	(3,557)	(3,557)	(3,557)	(3,557)
Foreign currency translation account	20	(287)	(214)	–	–
Accumulated profits		3,911	3,874	598	933
Equity attributable to owners of the parent		28,498	28,534	25,472	25,807

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenue	21	72,616	77,708
Cost of sales		(60,223)	(64,353)
Gross profit		12,393	13,355
Other income	22	550	454
Selling and distribution expenses		(3,608)	(4,100)
Administrative expenses		(5,792)	(5,895)
Other expenses		(2,066)	(2,129)
Finance costs	23	(402)	(362)
Profit before income tax	24	1,075	1,323
Income tax expense	25	(383)	(381)
Profit for the financial year from continuing operations		692	942
Discontinued operations			
Profit from discontinued operations, net of tax	5	–	866
Profit for the financial year		692	1,808
Other comprehensive income for the financial year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(73)	(129)
Other comprehensive income for the financial year, net of tax		(73)	(129)
Total comprehensive income for the financial year		619	1,679
Profit attributable to owners of the parent:			
- Continuing operations		692	942
- Discontinued operations		–	866
		692	1,808
Total comprehensive income attributable to:			
Owners of the parent			
- Continuing operations		619	813
- Discontinued operations		–	866
		619	1,679
Earnings per share			
Basic			
- Continuing operations	26	0.21 cents	0.29 cents
- Discontinued operations	5	–	0.26 cents
Diluted			
- Continuing operations	26	0.21 cents	0.29 cents
- Discontinued operations	5	–	0.26 cents

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Group	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation account $'000	Accumulated profits $'000	Total $'000
		Equity attributable to owners of the parent				
Balance at 1 January 2014		28,431	(3,557)	(214)	3,874	28,534
Profit for the financial year		–	–	–	692	692
Exchange differences on translating foreign operations		–	–	(73)	–	(73)
Total comprehensive income for the financial year		–	–	(73)	692	619
Distributions to owners of the parent:						
Dividends	27	–	–	–	(655)	(655)
Total transactions with owners of the parent		–	–	–	(655)	(655)
Balance at 31 December 2014		28,431	(3,557)	(287)	3,911	28,498
Balance at 1 January 2013		28,431	(3,557)	(85)	2,393	27,182
Profit for the financial year		–	–	–	1,808	1,808
Exchange differences on translating foreign operations		–	–	(129)	–	(129)
Total comprehensive income for the financial year		–	–	(129)	1,808	1,679
Distributions to owners of the parent:						
Dividends	27	–	–	–	(327)	(327)
Total transactions with owners of the parent		–	–	–	(327)	(327)
Balance at 31 December 2013		28,431	(3,557)	(214)	3,874	28,534

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

		Equity attributable to owners of the parent			
Company	**Note**	**Share capital $'000**	**Treasury shares $'000**	**Accumulated profits $'000**	**Total $'000**
Balance at 1 January 2014		28,431	(3,557)	933	25,807
Profit for the financial year		–	–	320	320
Total comprehensive income for the financial year		–	–	320	320
Distributions to owners of the parent:					
Dividends	27	–	–	(655)	(655)
Total transactions with owners of the parent		–	–	(655)	(655)
Balance at 31 December 2014		28,431	(3,557)	598	25,472
Balance at 1 January 2013		28,431	(3,557)	465	25,339
Profit for the financial year		–	–	795	795
Total comprehensive income for the financial year		–	–	795	795
Distributions to owners of the parent:					
Dividends	27	–	–	(327)	(327)
Total transactions with owners of the parent		–	–	(327)	(327)
Balance at 31 December 2013		28,431	(3,557)	933	25,807

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Operating activities:			
Profit before income tax from continuing operations		1,075	1,323
Profit before income tax from discontinued operations		–	866
Profit before income tax		1,075	2,189
Adjustments for:			
Allowance for doubtful third party trade receivables	9	20	175
Allowance for doubtful trade receivables written back	9	(86)	(187)
Allowance for inventory obsolescence	8	295	219
Allowance for inventory obsolescence written back	8	(2)	(37)
Amortisation of intangible asset	7	59	10
Depreciation of property, plant and equipment	4	730	824
Fair value loss / (gain) on derivative financial instrument	11	23	(23)
Fair value loss on financial assets at fair value through profit or loss	10	1	6
Gain on disposal of property, plant and equipment	22	(257)	(41)
Gain on disposal of a subsidiary	5	–	(1,214)
Loss on disposal of financial assets at fair value through profit or loss	10	–	11
Interest expense	23	402	365
Interest income	22	(5)	(3)
Operating cash flows before working capital changes		2,255	2,294
Working capital changes:			
Inventories		(1,950)	(631)
Trade and other receivables		1,190	(1,644)
Trade and other payables		1,796	1,556
Cash generated from operations		3,291	1,575
Income tax paid		(193)	(366)
Interest received		5	3
Net cash generated from operating activities		3,103	1,212
Investing activities			
Proceeds from disposal of property, plant and equipment		910	67
Purchases of property, plant and equipment	4	(3,705)	(232)
Proceeds from disposal of a subsidiary	5	–	1,074
Purchase of intangible asset	7	(110)	(1)
Net cash (used in) / generated from investing activities		(2,905)	908

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Financing activities			
Repayment of finance lease payables		(107)	(131)
Dividends paid		(655)	(327)
Interest paid		(402)	(365)
Increase in pledged deposits	12	(1)	–
Proceeds from bank borrowings		39,658	44,818
Repayment of bank borrowings		(39,211)	(42,003)
Net cash (used in) / generated from financing activities		(718)	1,992
Net effect of exchange rate changes on cash and cash equivalents		(69)	(129)
Net change in cash and cash equivalents		(589)	3,983
Cash and cash equivalents at beginning of financial year		7,284	3,301
Cash and cash equivalents at end of financial year	13	6,695	7,284

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

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

1. General corporate information

Hosen Group Ltd. (the "Company") is a public limited company, incorporated and domiciled in Singapore with its principal place of business and registered office at 267 Pandan Loop, Singapore 128439. The Company's registration number is 200403029E.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014 were authorised for issue by the Board of Directors on 27 March 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS"). The financial statements are presented in Singapore dollar ("$") and all values are rounded to the nearest thousand ($'000) unless otherwise indicated. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity 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 and statement of changes in equity 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.

The preparation of financial statements in compliance with FRS 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 the most significant effect on the financial statements are disclosed in Note 3.

In the current financial year, the Group and the Company have adopted all the new or revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years, except as disclosed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS 110 Consolidated Financial Statements and FRS 27 (Revised) Separate Financial Statements

FRS 110 introduces a single new control model, as the basis for determining which entities are consolidated in the Group's financial statements. Under FRS 110, control exists when the Group has:

– power over an investee;

– exposure, or rights, to variable returns from the investee; and

– the ability to use its power over an investee to affect the Company's returns from the investee.

The Group has applied FRS 110 retrospectively, in accordance with the transitional provisions of FRS 110 and changed its accounting policy for determining whether it has control over an entity and whether it is required to consolidate that interest. The adoption of FRS 110 did not result in any changes to the control conclusions reached by the Group in respect of its involvement with other entities as at the date of initial adoption on 1 January 2014. The adoption of FRS 27 (Revised) did not result in any material changes to the Group's or the Company's financial statements.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the Group's financial position or performance. Certain new disclosures are included in these financial statements following adoption of FRS 112 on 1 January 2014.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective and have not been adopted early in these financial statements:

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: *Disclosure Initiative*	1 January 2016
FRS 16 and FRS 38 (Amendments)	: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
FRS 19 (Amendments)	: *Defined Benefits Plan: Employee Contribution*	1 July 2014
FRS 27 (Amendments)	: *Equity Method in Separate Financial Statements*	1 January 2016
FRS 109	: *Financial Instruments*	1 January 2018
FRS 110 and FRS 28 (Amendments)	: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
FRS 111 (Amendments)	: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
FRS 110, FRS 112 and FRS 28 (Amendments)	: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115	: *Revenue from Contracts with Customers*	1 January 2017
Improvements to FRSs 2014 (January 2014)		
FRS 16 (Amendments)	: *Property, Plant and Equipment*	1 July 2014
FRS 24 (Amendments)	: *Related Party Disclosures*	1 July 2014
FRS 38 (Amendments)	: *Intangible Assets*	1 July 2014
FRS 102 (Amendments)	: *Share-based Payments*	1 July 2014
FRS 103 (Amendments)	: *Business Combinations*	1 July 2014
FRS 108 (Amendments)	: *Operating Segments*	1 July 2014
Improvements to FRSs 2014 (February 2014)		
FRS 40 (Amendments)	: *Investment Property*	1 July 2014
FRS 103 (Amendments)	: *Business Combinations*	1 July 2014
FRS 113 (Amendments)	: *Fair Value Measurement*	1 July 2014
Improvements to FRSs 2014 (November 2014)		
FRS 19 (Amendments)	: *Employee Benefits*	1 January 2016
FRS 105 (Amendments)	: *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
FRS 107 (Amendments)	: *Financial Instruments: Disclosure*	1 January 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

Consequential amendments were also made to various standards as a result of these new or revised standards.

The management anticipates that the adoption of the above FRS and INT FRS in future periods, if applicable, will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except as disclosed below:

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available-for-sale, and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2017 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

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 obtained by 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 may be an impairment indicator of the asset concerned.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period 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 in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. 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 Company.

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 FRS 39 *Financial Instruments: Recognition and Measurement* 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, associates and joint ventures 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 also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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.

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 interest 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 gain.

2.4 Property, plant and equipment

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

The cost of property, plant and equipment 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. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives as follows:

	Years
Leasehold land and buildings	50 - 60
Plant and machineries	5 - 10
Motor vehicles	3 – 5
Office equipment and furnishings	5
Computers	3 – 5
Container cabins	5

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.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.5 Intangible asset

Computer software

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 any impairment losses.

Amortisation is calculated on the straight-line method so as to write off the costs of the computer software over their estimated useful lives of three to five years.

2. Summary of significant accounting policies (Continued)

2.6 Impairment of non-financial assets excluding goodwill

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.

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.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

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

Financial assets are classified as FVTPL if the financial asset is either held-for-trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade and other receivables, excluding prepayments and advances to supplier, and cash and cash equivalents which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets ("AFS")

Certain investments held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group derecognises 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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group 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.

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

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.

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.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding advances received 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.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, 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.

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 plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into derivative financial instruments to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments. The Group does not use derivative financial instrument for speculative purposes.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase and other costs 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. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents also includes bank overdrafts and excludes any pledged deposits. In the statement of financial position, bank overdrafts are presented within borrowings under current liabilities.

2.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates and other similar allowances and sales related taxes.

2. Summary of significant accounting policies (Continued)

2.10 Revenue recognition (Continued)

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.11 Government grants

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures. Where the grant relates to an asset, the fair values of grants are deducted from the cost of the asset in calculating the carrying amount of the asset.

2.12 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

2. Summary of significant accounting policies (Continued)

2.12 Leases (Continued)

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.13 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.14 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the financial year.

2.15 Borrowing costs

Borrowing costs are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest applicable.

2.16 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 as reported in 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 tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

2. Summary of significant accounting policies (Continued)

2.16 Taxes (Continued)

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 used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in 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.

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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

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.

2.17 Dividends

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

2. Summary of significant accounting policies (Continued)

2.18 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate 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 retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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 reserve.

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.

2.20 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, and

i) represents a separate major line of business or geographical area of operations;

ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or

iii) is a subsidiary acquired exclusively with a view to resale.

2. Summary of significant accounting policies (Continued)

2.20 Discontinued operations (Continued)

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

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, 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.

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

Management is of the opinion that there is no critical judgement (other than those involving estimates) that has a significant effect on the amounts recognised in the financial statements, except as discussed below.

(i) Impairment of investments in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether investments in subsidiaries or financial assets are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost and the financial health of the near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 3 to 60 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2014 was approximately $10,922,000 (2013: $8,543,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the weighted average method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical sales activities, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2014 was approximately $19,239,000 (2013: $17,582,000).

(iii) Allowance for doubtful trade and other receivables

The Group and the Company establish allowance for doubtful trade and other receivables on a case-by-case basis when it believes the payment of amounts owed is unlikely to occur. In establishing these allowances, the Group and the Company consider its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables excluding prepayment and advance payment to suppliers as at 31 December 2014 were approximately $11,756,000 (2013: $14,578,000) and $16,087,000 (2013: $16,465,000) respectively.

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. The Group and the Company recognise expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made. The carrying amounts of the Group's and the Company's current income tax payable as at 31 December 2014 were approximately $102,000 (2013: $105,000) and $20,000 (2013: $1,000) respectively. The carrying amount of the Group's deferred tax liabilities as at 31 December 2014 was approximately $427,000 (2013: $232,000).

4. Property, plant and equipment

Group	Leasehold land	Leasehold building	Plant and machineries	Motor vehicles	Office equipment and furnishings	Computers	Container cabins	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
Balance at 1 January 2014	1,104	7,934	637	1,826	1,256	211	8	12,976
Additions	–	3,569	53	115	9	17	–	3,763
Disposals	–	(621)	(199)	(59)	–	–	–	(879)
Currency translation adjustment	–	1	–	–	–	–	–	1
Balance at 31 December 2014	1,104	10,883	491	1,882	1,265	228	8	15,861
Accumulated depreciation								
Balance at 1 January 2014	477	1,461	275	1,237	807	169	7	4,433
Depreciation charge for the year	17	246	53	238	150	25	1	730
Disposals	–	(110)	(57)	(59)	–	–	–	(226)
Currency translation adjustment	–	1	–	4	–	(3)	–	2
Balance at 31 December 2014	494	1,598	271	1,420	957	191	8	4,939
Carrying amount								
At 31 December 2014	610	9,285	220	462	308	37	–	10,922

4. Property, plant and equipment (Continued)

Group	Leasehold land	Leasehold building	Plant and machineries	Motor vehicles	Office equipment and furnishings	Computers	Container cabins	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
Balance at 1 January 2013	1,104	7,934	643	1,833	1,205	227	8	12,954
Additions	–	–	–	151	72	9	–	232
Disposals	–	–	(4)	(86)	(2)	–	–	(92)
Disposal of a subsidiary (Note 5)	–	–	(2)	(69)	(21)	(13)	–	(105)
Write off	–	–	–	–	–	(11)	–	(11)
Currency translation adjustment	–	–	–	(3)	2	(1)	–	(2)
Balance at 31 December 2013	1,104	7,934	637	1,826	1,256	211	8	12,976
Accumulated depreciation								
Balance at 1 January 2013	448	1,263	253	996	596	162	4	3,722
Reclassification	12	(10)	(38)	37	(1)	(1)	1	–
Depreciation charge for the year	17	208	64	290	219	24	2	824
Disposals	–	–	(4)	(61)	(1)	–	–	(66)
Disposal of a subsidiary (Note 5)	–	–	–	(23)	(7)	(4)	–	(34)
Write off	–	–	–	–	–	(11)	–	(11)
Currency translation adjustment	–	–	–	(2)	1	(1)	–	(2)
Balance at 31 December 2013	477	1,461	275	1,237	807	169	7	4,433
Carrying amount								
At 31 December 2013	627	6,473	362	589	449	42	1	8,543

As at the end of the financial year, the Group's motor vehicles and plant and machineries with a net carrying amount of approximately $200,000 (2013: $290,000) were purchased under finance lease agreements. Finance lease assets are pledged as securities for the related finance lease payables as disclosed in Note 15 to the financial statements.

The Group's property, plant and equipment with carrying amount of approximately $3,467,000 as at 31 December 2014 (2013: $527,000) was pledged as a security for the bank loans as disclosed in Note 16 to the financial statements.

4. Property, plant and equipment (Continued)

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

	Group	
	2014	2013
	$'000	$'000
Additions to property, plant and equipment	3,763	232
Acquired under finance lease agreements	(58)	–
Cash payments to acquire property, plant and equipment	3,705	232

Particulars of the properties held by the Group are as follows:

Location	Description	Tenure
267 Pandan Loop Singapore 128439	Office and warehouse premises with a build-up area of 8,346 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

5. Investments in subsidiaries

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost:		
Balance at beginning of financial year	9,968	10,468
Disposal	–	(500)
Balance at end of financial year	9,968	9,968
Less: Allowance for impairment losses		
Balance at beginning of financial year	500	1,000
Reversal of impairment loss	–	(500)
Balance at end of financial year	500	500
	9,468	9,468

5. Investments in subsidiaries (Continued)

Particulars of subsidiaries

Name of subsidiary (Country of incorporation and principal place of business)	Proportion of ownership interest held		Principal activities
	2014	2013	
	%	%	
Held by Company			
Hock Seng Food Pte Ltd[(1)] (Singapore)	100	100	Import, distribution, wholesale of fast-moving consumer goods
Arenas Seafood Pte Ltd[(1)] (Singapore)	100	100	Processing of fish and seafood and wholesale of frozen livestock and seafood
LaDiva Fine Foods B.V.[(2)] (Netherlands)	100	100	Marketing office, agency and distribution of fast-moving consumer goods
Held by subsidiary			
Hock Seng Food Pte Ltd			
Hock Seng Food (M) Sdn Bhd[(3)] (Malaysia)	100	100	Import, distribution, wholesale of fast-moving consumer goods
Hock Seng Worldwide Sdn Bhd[(3)] (Malaysia)	100	100	Investment holding company
Hock Seng Food (Shanghai) Co., Ltd[(4)] (People's Republic of China)	100	100	Marketing office cum general wholesale of fast-moving consumer goods

Notes:

(1) Audited by BDO LLP, Singapore

(2) Not audited as there are no operations since incorporation

(3) Audited by BDO, Malaysia

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

Significant restrictions

Cash and bank balances of $398,000 (2013: $269,000) held in 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.

5. Investments in subsidiaries (Continued)

Acquisition of a subsidiary

In the previous financial year, Hock Seng Food Pte Ltd acquired a wholly-owned subsidiary, Hock Seng Worldwide Sdn Bhd (formerly known as "Wealthy Indulgence Sdn Bhd"), in Malaysia with an issued and paid-up capital of Ringgit Malaysia 2.

The net book value of acquired shares as at acquisition date was Ringgit Malaysia 2. In the opinion of the Board of Directors of the Company, the carrying amounts of the identifiable assets and liabilities of Hock Seng Worldwide Sdn Bhd approximate their fair values as at acquisition date.

Disposal of subsidiary and discontinued operations

On 19 March 2013, the Company disposed the entire equity interest in Health Domain Pte Ltd ("Health Domain") to a third party, for cash consideration of $1,000,000. Health Domain's operations were presented as "Discontinued operations" upon the disposal of Health Domain in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued operations*. Health Domain results were presented separately in the consolidated statement of comprehensive income as "Profit for the financial year from discontinued operations".

The relevant contributions from Health Domain to the Group were:

Statement of comprehensive income

	2013 **$'000**
Revenue	116
Cost of Sales	(63)
	53
Other income	5
Distribution expenses	(61)
Administrative expenses	(333)
Other expenses	(9)
Finance cost	(3)
Loss before income tax from discontinued operation	(348)
Income tax expenses	–
Gain on disposal of discontinued operation	1,214
Total profit after tax from discontinued operation	866
Profit attributable to owners of the parent	866
Total comprehensive income attributable to owners of the parent from discontinued operations	866

5. Investments in subsidiaries (Continued)

Statement of cash flows

	2013 $'000
Operating activities	(16)
Investing activities	–
Finance activities	2
Net cash outflows	(14)

Earnings per share

	2013
Earnings per share from discontinued operations attributable to owners of the parent	
- Basic	0.26 cents
- Diluted	0.26 cents

The basic and diluted earnings per share from discontinued operations are calculated by dividing the profit for the financial year from discontinued operations attributable to owners of the parent by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

Diluted loss per share is the same as the basic loss per share as the Group does not have any dilutive options for the relevant periods.

The effects of the disposal of Health Domain on the cash flows were as follows:

	2013 $'000
Property, plant and equipment (Note 4)	71
Intangibles (Note 7)	1
Inventories	263
Trade and other receivables	173
Cash and bank balances	8
Trade and other payables	(40)
Borrowings	(643)
Finance lease payables	(47)
Gain on disposal	1,214
Disposal price	1,000
Add: Net bank overdraft included in cash and cash equivalent disposed	74
Net cash inflow from disposal of a subsidiary	1,074

6. Available-for-sale financial asset

	Group	
	2014	2013
	$'000	$'000
Unquoted equity securities, at cost	49	49
Allowance for impairment loss	(49)	(49)
	–	–

The unquoted equity securities have been accounted for at cost, as the investment does not have a quoted market price in an active market and there are no other available methods and not practicable to determine the fair value of the unquoted investment with sufficient reliability.

7. Intangible asset

Computer software

	Group	
	2014	2013
	$'000	$'000
Cost		
Balance at beginning of financial year	127	128
Additions	231	1
Disposal of a subsidiary (Note 5)	–	(2)
Exchange differences	(1)	–
Balance at end of financial year	357	127
Accumulated amortisation		
Balance at beginning of financial year	108	99
Amortisation for the financial year	59	10
Disposal of a subsidiary (Note 5)	–	(1)
Balance at end of financial year	167	108
Carrying amount		
Balance at end of financial year	190	19

Amortisation expense was included in "other expenses" in the consolidated statement of comprehensive income.

The remaining useful life of the computer software is 1 to 5 years (2013: 2 to 3 years).

7. Intangible asset (Continued)

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

	Group	
	2014	2013
	$'000	$'000
Additions to intangible asset	231	1
Reversal from prepayments	(121)	–
Cash payments to acquire intangible assets	110	1

8. Inventories

	Group	
	2014	2013
	$'000	$'000
Finished goods and goods for resale	15,861	14,542
Goods-in-transit	3,378	3,040
	19,239	17,582

The cost of inventories of the Group recognised as an expense in profit or loss and included in "cost of sales" line item amounted to:

	Group	
	2014	2013
	$'000	$'000
Continuing operations	59,999	63,765
Discontinued operations	–	63
	59,999	63,828

During the financial year, a reversal of allowance of $2,000 (2013: $37,000) was recognised in "other income" in the consolidated statement of comprehensive income when the related inventories were sold above the carrying amount. In addition, the Group recognised an allowance for inventory obsolescence of approximately $295,000 (2013: $219,000) in "other expenses" in the consolidated statement of comprehensive income subsequent to a review carried out by the management on the realisable values of the inventories.

9. Trade and other receivables

(a) Trade and other receivables - current

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables				
- third parties	11,863	14,776	–	–
- advance payments to suppliers	4,091	1,959	–	–
Allowance for doubtful third party trade receivables	(300)	(420)	–	–
	15,654	16,315	–	–
Deposits	162	206	–	–
Prepayments	143	698	9	8
Loans to subsidiaries	–	–	685	5,810
Dividend receivable from a subsidiary	–	–	400	600
Other receivables	31	16	2	3
	15,990	17,235	1,096	6,421

Movements in allowance for doubtful third party trade receivables:

	Group	
	2014	2013
	$'000	$'000
Balance at beginning of financial year	420	495
Allowance made during the financial year	20	175
Allowance written off during the financial year	(54)	(63)
Write-back of allowance no longer required	(86)	(187)
Balance at end of financial year	300	420

Trade amounts due from third parties are non-interest bearing and repayable within the normal trade credit terms of 30 to 90 days (2013: same terms).

The loans to subsidiaries are unsecured and repayable on demand. The loans bear interest rates at 1.50% to 2.50% (2013: 1.95% to 2.00%) per annum.

Allowance for doubtful third party trade receivables amounting to approximately $20,000 (2013: $175,000) was recognised in "other expenses" in the consolidated statement of comprehensive income subsequent to a debt recovery assessment performed.

Write-back of allowance for doubtful third party trade receivables no longer required amounting to approximately $86,000 (2013: $187,000) was recognised in "other income" in the consolidated statement of comprehensive income upon collection of these trade receivables.

9. Trade and other receivables (Continued)

(a) Trade and other receivables – current (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	5,706	9,901	1,067	6,421
United States dollar	6,238	2,190	–	–
Ringgit Malaysia	3,549	4,669	–	–
Euro	232	–	29	–
Renminbi	265	475	–	–
	15,990	17,235	1,096	6,421

(b) Other receivables – non-current

	Company	
	2014	2013
	$'000	$'000
Other receivables		
- loans to subsidiaries	15,000	10,052

The current portion of the loans to subsidiaries is repayable on demand. The non-current portion of the loan does not have fixed repayment terms and is not expected to be realised within the next twelve months.

The loans bear floating interest rates per annum (2014: 2.25%, 2013: 1.95%), unsecured and denominated in Singapore dollar. The carrying amounts approximate its fair values.

10. Financial assets at fair value through profit or loss

	Group	
	2014	2013
	$'000	$'000
Held for trading:		
Balance at beginning of financial year	8	25
Fair value change	(1)	(6)
Disposal	–	(11)
Balance at end of financial year	7	8
Listed securities		
Equity securities, Singapore	7	8

11. Derivative financial instrument

In previous financial year, the derivative financial instrument entered into by the Group relates to the forward foreign exchange contracts to hedge the Group's purchases denominated in United States dollar and Euro (Note 28.2). Fair value gain arising from the derivative financial instrument of approximately $23,000 was included in "other income" in the consolidated statement of comprehensive income.

12. Fixed deposits

Fixed deposits earn interests between 0.25% to 3.20% (2013: 0.25% to 3.30%) per annum and have tenors of approximately 365 days (2013: approximately 365 days).

As at the end of the financial year, fixed deposit amounting to approximately $32,000 (2013: $31,000) of the Group is pledged to a bank as security for bank facilities granted to its subsidiary (Note 16).

Fixed deposits are denominated in the following currencies:

	Group	
	2014	**2013**
	$'000	**$'000**
Singapore dollar	20	21
Ringgit Malaysia	32	31
	52	52

13. Cash and bank balances

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	4,695	3,440	105	62
United States dollar	961	1,576	3	3
Ringgit Malaysia	632	2,007	–	–
Euro	18	3	–	–
Renminbi	369	237	–	–
	6,675	7,263	108	65

13. Cash and bank balances (Continued)

Cash and cash equivalents in the consolidated statement of cash flows comprise the following:

	Group	
	2014 $'000	2013 $'000
Fixed deposits	52	52
Cash and bank balances	6,675	7,263
	6,727	7,315
Fixed deposits pledged	(32)	(31)
	6,695	7,284

14. Trade and other payables

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables				
- third parties	1,685	819	–	–
- accrued expenses	5,362	4,992	63	58
- advance receipts from customers	940	448	–	–
Other payables				
- Directors' fees	117	140	117	140
- third parties	375	284	–	–
	8,479	6,683	180	198

Trade payables to third parties and a related party are non-interest bearing and generally on 30 to 90 days credit term (2013: same terms).

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Singapore dollar	2,607	3,206	180	198
United States dollar	4,723	509	–	–
Ringgit Malaysia	650	2,715	–	–
Euro	415	222	–	–
Renminbi	39	31	–	–
Hong Kong dollar	45	–	–	–
	8,479	6,683	180	198

15. Finance lease payables

	Group		
	Minimum lease payments $'000	Future finance charges $'000	Present value of minimum lease payments $'000
2014			
Within one year	51	(4)	47
After one year but within five years	54	(6)	48
	105	(10)	95
2013			
Within one year	97	(3)	94
After one year but within five years	51	(1)	50
	148	(4)	144

The finance lease term is 3 to 5 (2013: 3 to 5) years. The average effective interest rate for the finance lease payable is 4.33% to 10.48% (2013: 1.90% to 9.52%) per annum.

The Group's finance lease payables are secured by the lessor's title to the leased asset (Note 4).

Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The management estimates that the carrying amounts approximate their fair values.

Finance lease payables are denominated in Singapore dollar.

16. Bank borrowings

	Group 2014 $'000	Group 2013 $'000
Current		
Secured		
Trust receipts	4,041	31
Bank loans	207	78
Unsecured		
Short-term bank loans	2,121	3,573
Trust receipts	6,653	11,085
	13,022	14,767
Non-current		
Secured		
Bank loans	2,452	260
	2,452	260
Total bank borrowings	15,474	15,027

The current and non-current bank loans are secured by 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 interest rates per annum of the borrowings were as follows:

	Group 2014 %	Group 2013 %
Bank overdrafts	–	5.00
Short-term bank loans	1.70	1.75
Long-term bank loans	2.00	1.73
Trust receipts	3.37	3.24

Trust receipts are repayable within 30 to 120 days (2013: 30 to 160 days).

Short-term loans are repayable within 1 to 2 months (2013: 1 to 2 months) and are due by February 2015 (2013: February 2014).

The subsidiaries' bank overdraft, short-term loans and trust receipts facilities are supported by corporate guarantees given by the Company. As at the end of the financial year, trust receipts of the Group are secured by fixed deposits pledged to a bank amounting to approximately $32,000 (2013: $31,000) (Note 12).

16. Bank borrowings (Continued)

Bank borrowings are denominated in the following currencies:

	Group	
	2014	**2013**
	$'000	**$'000**
Singapore dollar	2,658	339
United States dollar	8,774	8,873
Ringgit Malaysia	4,042	5,296
Euro	–	519
	15,474	15,027

17. Deferred tax liabilities

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of financial year	232	302
Charge to profit or loss	195	(70)
Balance at end of financial year	427	232

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

18. Share capital

	Group and Company	
	2014	**2013**
	$'000	**$'000**
Issued and fully paid:		
357,178,846 ordinary shares at beginning and end of financial year	28,431	28,431

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

19. Treasury shares

	Group and Company	
	2014	2013
	$'000	$'000
Issued and paid up:		
29,868,000 ordinary shares at beginning and end of financial year	3,557	3,557

20. Foreign currency translation account

The foreign currency translation account comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is non-distributable.

21. Revenue

	Group	
	2014	2013
	$'000	$'000
Continuing Operations		
Sales of goods	72,616	77,708
Discontinued Operations		
Sales of goods	–	116
Total	72,616	77,824

22. Other income

	Group	
	2014	**2013**
	$'000	**$'000**
Continuing operations		
Allowance for doubtful third party trade receivables written back	86	187
Allowance for inventory obsolescence written back	2	37
Gain on disposal of property, plant and equipment	257	41
Gain on financial derivative instrument	–	23
Gain on foreign exchange, net	47	36
Government grant	52	85
Interest income from banks	5	3
Other income	101	42
	550	454
Discontinued operations		
Miscellaneous income	–	5
	–	5
Total	550	459

23. Finance costs

	Group	
	2014	**2013**
	$'000	**$'000**
Continuing operations		
Interest expense		
- trust receipts	306	278
- bank overdraft	–	1
- term loans	92	69
- finance leases	4	14
	402	362
Discontinued operations		
Interest expense		
- term loans	–	3
	–	3
Total	402	365

24. Profit before income tax

The above is arrived at after charging:

	Group					
	Continuing operations		Discontinued operations		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Selling and distribution expenses						
Advertisements	78	1,151	–	20	78	1,171
Delivery outwards	464	657	–	–	464	657
Freight outwards	660	394	–	–	660	394
Promotions	1,119	513	–	14	1,119	527
Transports and travelling	369	171	–	8	369	179
Staff costs						
- other short term benefits	593	877	–	18	593	895
Administrative expenses						
Audit fees						
- auditors of the Company	69	64	–	–	69	64
- other auditors	17	15	–	2	17	17
Non-audit fees						
- auditors of the Company	11	19	–	–	11	19
- other auditors	4	12	–	–	4	12
Directors' fees						
- Directors of the Company	117	140	–	–	117	140
Directors' remuneration						
- Directors of the Company	998	1,302	–	–	998	1,302
- Directors of subsidiaries	199	251	–	15	199	266
Staff costs						
- salaries, bonuses and other short-term benefits	3,085	3,411	–	33	3,085	3,444
- employer's contributions to defined contribution plan	508	425	–	8	508	433
Other expenses						
Allowance for doubtful third party trade receivables	20	175	–	–	20	175
Allowance for inventory obsolescence	295	219	–	–	295	219
Amortisation of intangible asset	59	10	–	–	59	10
Depreciation of property, plant and equipment	730	821	–	3	730	824
Operating leases – rental of premises	339	336	–	–	339	336

25. Income tax expense

	Group	
	2014	**2013**
	$'000	**$'000**
Continuing operations		
Current income tax		
- current year	164	426
- under provision in prior year	24	25
	188	451
Deferred tax		
- current year	(17)	–
- under / (over) provision in prior year	212	(70)
	195	(70)
Total income tax expense	383	381

Reconciliation of effective income tax rate

	Group	
	2014	**2013**
	$'000	**$'000**
Profit before income tax		
- Continuing operations	1,075	1,323
- Discontinued operations	–	866
	1,075	2,189
Income tax calculated at Singapore statutory tax rate of 17%	183	372
Tax effect of:		
- expenses not deductible for income tax purposes	156	156
- income not subject to income tax	(120)	(117)
- income tax exemption	(56)	(69)
Deferred tax assets not recognised	90	136
Under/(Over) provision in prior financial years		
- current income tax	24	25
- deferred tax	212	(70)
Effect of different income tax rate of subsidiary operating in another jurisdiction	(17)	1
Tax incentive under Productivity and Innovation Credit	(121)	(34)
Other items	32	(19)
	383	381

25. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of financial year	350	214
Deferred tax assets not recognised in profit or loss	90	136
Charge to profit or loss	(7)	–
Balance at end of financial year	433	350

Unrecognised deferred tax assets are attributable to the following:

	Group	
	2014	**2013**
	$'000	**$'000**
Unutilised tax losses	1,616	1,630
Property, plant and equipment	(13)	(9)
Allowances	129	49

The above deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements of the Group in accordance with the accounting policy in Note 2.16 to the financial statements and do not expire under the current tax legislation except for:

	Group	
	2014	**2013**
	$'000	**$'000**
Unutilised tax losses expired in financial year ended		
No expiry	–	344
31 December 2016	343	338
31 December 2017	583	572
31 December 2018	383	376
31 December 2019	307	–

26. Earnings per share from continuing operations

Basic earnings per share is calculated by dividing the Group's profit attributable to owners of the parent by the weighted average number of shares in issue during the financial year.

	Group	
	2014	**2013**
Earnings per share		
- Basic	0.21 cents	0.29 cents
- Diluted	0.21 cents	0.29 cents

Diluted loss per share is the same as the basic loss per share as the Group does not have any dilute options for the relevant periods.

The calculation of the earnings per share is based on:

	Group	
	2014	**2013**
Profit after income tax attributable to owners of the parent ($'000)		
- Continuing operations	692	942
Weighted average number of fully paid shares in issue (excluding treasury shares) during the financial year applicable to basic and diluted earnings per share	327,310,846	327,310,846

27. Dividends

	Group and Company	
	2014	**2013**
	$'000	**$'000**
First and final tax exempt dividend of 0.20 cents (2013: 0.10 cents) per ordinary share paid in respect of the previous financial year	655	327

The Directors of the Company propose a first and final tax-exempt dividend of 0.10 cents (2013: 0.20 cents) per share or a total of approximately $327,000 (2013: $655,000) in respect of the current financial year ended 31 December 2014. This dividend is subject to approval by shareholders at the next annual general meeting and has not been recognised as a liability in these financial statements.

28. Contingent liabilities and commitments

28.1 Operating lease commitments

When the Group is a lessee

	Group	
	2014	**2013**
	$'000	**$'000**
Operating leases included in profit or loss:		
- minimum lease payments	339	336

The Group leases office premises under non-cancellable operating leases. The leases have varying terms and renewal rights.

As at the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premises are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Future minimum lease payments payable:		
Within one year	188	285
After one year but within five years	425	379
After five years	2,852	2,770
	3,465	3,434

The operating lease commitments are based on existing rates. The lease agreements provide for periodic revision of such rates in the future with no arrangements entered for contingent rent payments. The leases have varying terms and some leases contain renewal options for 1 to 2 years.

28. Contingent liabilities and commitments (Continued)

28.2 Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to sell United States dollar and Euro contracts to manage its currency risk on foreign currency denominated purchases (Note 11). As at the end of the previous financial year, the Group's outstanding forward exchange contracts were as follows:

	Group 2013 Notional amount '000	Group 2013 SGD equivalent $'000	Settlement date matured between
United States dollar	USD 1,259	1,581	2 January 2014 and 12 March 2014
Euro	Euro 169	283	14 January 2014 and 27 January 2014
		1,864	

28.3 Capital commitments

As at the end of the financial year, commitments in respect of capital expenditure are as follows:

	Group 2014 $'000	Group 2013 $'000
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of equipment	–	40
- Commitments for the acquisition of intangibles	–	72
	–	112

28.4 Contingent liabilities

Corporate guarantees

As at 31 December 2014, the Company had given guarantees amounting to $33,532,000 (2013: $33,532,000) to certain banks in respect of banking facilities granted to the subsidiaries.

As at the end of the financial year, the total amount of loans outstanding covered by the guarantees is $15,474,000 (2013: $15,027,000) (Note 16). These guarantees are financial guarantee contract as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn. The financial guarantees have not been recognised in the financial statements of the Company as the requirements to reimburse are remote.

29. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group and Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

During the financial year, in addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the parties:

Related party refers to an entity owned by one of the executive director of the Company which is not within the Group.

	Group	
	2014	**2013**
	$'000	**$'000**
With a related party		
Sales to a related party	11	7
Purchases from a related party	46	79

29. Significant related party transactions (Continued)

	Company	
	2014	2013
	$'000	$'000
With subsidiaries		
Loan to subsidiaries	500	650
Repayment of loan by subsidiaries	112	130
Interest income received from subsidiaries	234	303
Dividend income receivable from a subsidiary	400	600

Compensation of Directors and key management personnel

The remuneration of Directors and other members of key management during the financial year are as follows:

	Group	
	2014	2013
	$'000	$'000
Salaries, bonuses and other short-term benefits	1,547	1,778
Employer's contributions to defined contribution plan	75	92
Directors' fees	117	140
	1,739	2,010
Analysed into:		
- Directors of the Company	1,138	1,442
- Directors of subsidiaries	228	266
- other key management personnel	373	302
	1,739	2,010

The remuneration of Directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

30. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.19).

Management considers the business from a business segment perspective. Management manages and monitors the business in these business segments.

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.

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format of business segments is based on the Group's management and internal reporting structure.

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 operation profit or loss which is similar to the accounting profit or loss.

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 intersegment transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

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.

Non-house brands – Importation, distribution, wholesaling and retailing of canned food and household consumable goods.

30. Segment information (Continued)

Segment revenue and expense are the operating revenue and expense reported in the Group's consolidated statement of comprehensive income that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

	House brands $'000	Non-house brands $'000	Total $'000
2014			
External revenue	50,557	22,059	72,616
Inter-segment revenue	5,689	428	6,117
Total revenue	56,246	22,487	78,733
Interest income	3	2	5
Interest expense	(321)	(81)	(402)
Depreciation of property, plant and equipment	(507)	(223)	(730)
Amortisation of intangible assets	(39)	(20)	(59)
Other non-cash items:			
Allowance for doubtful third party trade receivables	15	5	20
Allowance for doubtful third party trade receivables written back	(52)	(34)	(86)
Allowance for inventory obsolescence written back	(1)	(1)	(2)
Allowance for inventory obsolescence	229	66	295
Segment profit	1,812	(17)	1,795
Assets			
Segment assets	41,614	13,666	55,280
Capital expenditure	3,719	45	3,764
Liabilities			
Segment liabilities	21,129	5,092	26,221

30. Segment information (Continued)

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

	Total $'000
2014	
Revenues	
Total revenues for reportable segments	78,733
Elimination of inter-segment revenues	(6,117)
Total external revenues	72,616
Profit or loss	
Total segment profit	1,795
Unallocated corporate expenses	(81)
Other income/Other expenses	(639)
Profit before income tax	1,075
Assets	
Segment assets	55,280
Elimination of receivables from corporate office	25,125
Other unallocated assets	(27,330)
Total assets	53,075
Liabilities	
Segment liabilities	26,221
Elimination of payables from corporate office	(1,644)
Total liabilities	24,577

30. Segment information (Continued)

	House brands $'000	Non-house brands $'000	Total continuing operations $'000	Discontinued operations $'000	Total $'000
2013					
External revenue	52,659	25,049	77,708	116	77,824
Inter-segment revenue	7,494	570	8,064	–	8,064
Total revenue	60,153	25,619	85,772	116	85,888
Interest income	3	–	3	–	3
Interest expense	(289)	(73)	(362)	(3)	(365)
Depreciation of property, plant and equipment	(490)	(331)	(821)	(3)	(824)
Amortisation of intangible assets	(8)	(2)	(10)	–	(10)
Other non-cash items:					
Allowance for doubtful third party trade receivables	112	63	175	–	175
Allowance for doubtful third party trade receivables written back	(129)	(58)	(187)	–	(187)
Allowance for inventory obsolescence written back	–	(37)	(37)	–	(37)
Allowance for inventory obsolescence	149	70	219	–	219
Segment profit	1,538	180	1,718	(70)	1,648
Assets					
Segment assets	35,772	13,034	48,806	–	48,806
Capital expenditure	142	90	232	–	232
Liabilities					
Segment liabilities	19,534	3,685	23,219	–	23,219

30. Segment information (Continued)

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

	Total $'000
2013	
Revenues	
Total revenues for reportable segments from continuing operations	85,772
Total revenues for reportable segments from discontinued operations	116
Elimination of inter-segment revenues	(8,064)
Total external revenues	77,824
Profit or loss	
Total segment profit from continuing operations	1,718
Total segment loss from discontinued operations	(70)
Unallocated corporate expenses	(105)
Other income/Other expenses	646
Profit before income tax	2,189
Assets	
Segment assets	48,806
Elimination of receivables from corporate office	(21,889)
Other unallocated assets	23,808
Total assets	50,725
Liabilities	
Segment liabilities	23,219
Elimination of payables to corporate office	(1,028)
Total liabilities	22,191

30. Segment information (Continued)

Geographical information

Revenues from external customers and location of non-current assets

The revenue information by geographical areas is based on the location of customers. The non-current assets are based on the location of those assets.

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Singapore	33,681	38,734	–	116	33,681	38,850
Malaysia	19,946	20,783	–	–	19,946	20,783
Others*	18,989	18,191	–	–	18,989	18,191
	72,616	77,708	–	116	72,616	77,824
Non-current assets						
Singapore	7,497	8,521	–	–	7,497	8,521
Malaysia	3,613	31	–	–	3,613	31
Others*	2	10	–	–	2	10
	11,112	8,562	–	–	11,112	8,562

Non-current assets consist of property, plant and equipment and intangible asset.

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

There are no customers contributing more than 10 percent to the revenue of the Group.

31. 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 liquidity risk. 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 Group's 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.

31. Financial instruments and financial risks (Continued)

31.1 Credit risks

Credit risk refers to the risk 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 and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company had significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to approximately $16,085,000 (2013: $16,462,000) as at the end of the financial year.

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 and Company do not hold any collateral.

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade and other receivables excluding prepayments and advance payment to suppliers.

Bank deposits are deposits placed with reputable banks with minimal risk of default.

Trade receivables that are neither past due or impaired are substantially companies with good collection track record with the Group.

Analysis of trade receivables:

	Group	
	2014	**2013**
	$'000	**$'000**
Not past due and not impaired	7,326	10,142
Past due but not impaired*	4,537	4,634
	11,863	14,776
Impaired receivables - individually assessed**		
- customer no longer in operations	(184)	(36)
- past due more than 12 months and no response to repayment demands	(116)	(384)
Allowance for impairment losses	(300)	(420)
Total trade receivables	11,563	14,356

* These amounts are stated before any deduction for impairment losses.
** These receivables are not secured by any collateral or credit enhancements.

31. Financial instruments and financial risks (Continued)

31.1 Credit risks (Continued)

The age analysis of trade receivables which were past due but not impaired are as follows:

	Group	
	2014	2013
	$'000	$'000
Past due less than 3 months	3,312	2,288
Past due 3 months to 6 months	741	1,310
Past due 6 months to 12 months	484	1,036
	4,537	4,634

31.2 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 United States dollar, Ringgit Malaysia and Euro. Exposure to foreign currency risk 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 and hedge through currency forward exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of financial year were as follows:

	Group	
	2014	2013
	$'000	$'000
Monetary assets		
United States dollar	7,199	3,765
Ringgit Malaysia	49	30
Euro	250	3
Monetary liabilities		
United States dollar	13,498	9,382
Ringgit Malaysia	20	86
Euro	415	710

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.

The Company has an investment in a foreign subsidiary, whose net assets are exposed to foreign exchange translation risk.

31. Financial instruments and financial risks (Continued)

31.2 Market risks (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to United States dollar, Euro and Ringgit Malaysia.

The following table details the sensitivity to a 10% (2013: 10%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group. The 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates.

	Group Profit/(Loss)	
	2014	**2013**
	$'000	**$'000**
Singapore dollar strengthens against		
- United States dollar	630	562
- Ringgit Malaysia	(3)	6
- Euro	17	71

A 10% (2013: 10%) decrease in the relevant foreign currency against the functional currency of the entities within the Group would have an equal but opposite effect, assuming that all other variables remain constant.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to fixed deposits, finance lease payables and bank borrowings as shown in Notes 12, 15 and 16 to the financial statements respectively.

If the interest rate increases or decreases by 0.5% (2013: 0.5%), the Group's equity will decrease or increase by approximately $31,000 (2013: $21,900), arising mainly as a result of higher or lower interest on floating rates for bank borrowings. The interest expense from bank borrowings are recognised as an expense under "Finance costs" line item in the consolidated statement of comprehensive income.

The Group's exposure to interest rates risks is set out in a table below under liquidity risk.

Equity price risk

The Group is exposed to equity risks arising from 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 respectively.

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

31. Financial instruments and financial risks (Continued)

31.3 Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle. The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table includes both interest and principal cash flows.

Contractual maturity analysis

	Less than 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
Financial liabilities				
Trade and other payables, excluding advance receipt from suppliers	7,539	–	–	7,539
Bank borrowings	13,022	827	1,625	15,474
Finance leases payables	51	54	–	105
As at 31 December 2014	20,612	881	1,625	23,118
Trade and other payables, excluding advance receipt from suppliers	6,235	–	–	6,235
Bank borrowings	15,183	167	97	15,447
Finance leases payables	97	51	–	148
As at 31 December 2013	21,515	218	97	21,830

	Less than 1 year $'000	More than 1 year $'000	Total $'000
Company			
Financial liabilities			
Trade and other payables, excluding advance receipt from suppliers as at 31 December 2014	180	–	180
Trade and other payables, excluding advance receipt from suppliers as at 31 December 2013	198	–	198

31. Financial instruments and financial risks (Continued)

31.3 Liquidity risks (Continued)

As at 31 December 2013, the Group's derivative financial instruments includes foreign currency forward contracts (Note 28.2) which will matured within a year and require to be settled on a gross basis. The undiscounted gross inflows and outflows of the forward contracts amounted to $1,887,000 and $1,864,000 respectively.

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

The repayment terms of the financial lease payables and bank borrowings are disclosed in Note 15 and 16 to the financial statements.

The Company has given corporate guarantees to certain banks in connection with loans granted by the banks to the subsidiaries with carrying amount as at 31 December 2014 of $15,474,000 (2013: $15,027,000) (Note 16). The carrying amount of the loans represent the maximum amount of the guarantee that the Company would be called upon to pay. In the opinion of the management, no material losses are expected to arise from these corporate guarantees.

Contractual maturity analysis

The table shows the contractual maturity of the Company's financial guarantees. The maximum amount of the financial guarantee are allocated to the earliest period in which the guarantee could be called.

	One year or less	
	2014	**2013**
	$'000	**$'000**
Financial guarantees	33,532,000	33,532,000

32. Fair value of financial assets and financial liabilities

Financial instruments whose carrying amount approximates fair value

The carrying amounts of trade and other receivables (excluding prepayments and advance payments to suppliers), cash and cash equivalents, trade and other payables (excluding advance receipts from customers) and bank borrowings approximate their respective fair value due to the relative short term maturity of these financial instruments.

The carrying amounts of financial assets and financial liabilities recorded at amortised costs, which approximate their fair value, are detailed in the following table.

32. Fair value of financial assets and financial liabilities (Continued)

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other receivables, excluding prepayments and advance payments to suppliers	11,756	14,578	16,087	16,465
Fixed deposits	52	52	–	–
Cash and bank balances	6,675	7,263	108	65
Total loans and receivables	18,483	21,893	16,195	16,530
Financial liabilities				
Trade and other payables, excluding advance receipt from suppliers	7,539	6,235	180	198
Finance leases payables	95	144	–	–
Bank borrowings	15,474	15,027	–	–
Total financial liabilities measured at amortised cost	23,108	21,406	180	198

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

32. Fair value of financial assets and financial liabilities (Continued)

Financial instruments whose carrying amount approximates fair value (Continued)

Fair value hierarchy (Continued)

Fair value measurement using	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2014				
Financial assets at fair value through profit or loss	7	–	–	7
2013				
Financial assets at fair value through profit or loss	8	–	–	8
Derivative financial asset	–	23	–	23

There were no transfers within the fair value hierarchy for the financial year end 2014 and 2013.

The financial instruments included in Level 1 are traded in the active markets and their fair values are based on quoted market prices at the reporting date.

The financial instruments that are not traded in active markets comprise derivatives. The fair value of derivatives are determined through the use of discounted cash flow valuation techniques with observable market inputs such as yield curves and quoted forward rates at the reporting date. These financial instruments have been classified as Level 2 in the previous financial year.

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

33. Capital management policies and objectives

The Group manages its capital to ensure that it is able to continue as a going concern and maintains 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, reserves and accumulated profits.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (excluding current income tax payable and deferred tax liabilities) less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

33. Capital management policies and objectives (Continued)

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 and new share issues as well as the issue of new debt or the redemption of existing debt, if necessary. The Group's overall strategy remains unchanged from the financial year ended 31 December 2013.

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Net debt/(cash)	17,321	14,539	72	133
Total equity	28,498	28,534	25,472	25,807
Total capital	45,819	43,073	25,544	25,940
Gearing ratio	38%	34%	*	*

*Not meaningful

34. Events subsequent to the reporting date

On 5 February 2015, the Company incorporate a new wholly-owned subsidiary known as Hosen Chocolate Sdn. Bhd. ("Hosen Chocolate"), in Malaysia.

Hosen Chocolate was established to develop, process, trade and distribute house brand and new chocolate products. The paid up capital of Hosen Chocolate is Ringgit Malaysia 100, comprising of 100 ordinary shares of Ringgit Malaysia 1 each.

Hosen Chocolate has on 9 March 2015 entered into a Sale and Purchase Agreement for the acquisition of two properties in Senai, Malaysia for an aggregate consideration of Ringgit Malaysia 5,100,000.

ANALYSIS OF SHAREHOLDINGS

As at 25 March 2015

NO. OF SHARES ISSUED (excluding Treasury Shares)	:	327,310,846
NUMBER/PERCENTAGE OF TREASURY SHARES	:	29,868,000 (9.13%)
CLASS OF SHARES	:	ORDINARY SHARE
VOTING RIGHTS	:	1 VOTE PER SHARE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	23	2.37	632	0.00
100 - 1,000	149	15.38	63,478	0.02
1,001 - 10,000	252	26.01	1,480,284	0.45
10,001 - 1,000,000	520	53.66	50,567,482	15.45
1,000,001 & ABOVE	25	2.58	275,198,970	84.08
TOTAL	969	100.00	327,310,846	100.00

TOP TWENTY SHAREHOLDERS AS AT 25 MARCH 2015

		NO. OF SHARES	%
1	LIM HAI CHEOK	65,000,000	19.86
2	CHONG POH SOON	64,843,750	19.81
3	RAFFLES NOMINEES (PTE) LTD	39,852,000	12.18
4	HONG LEONG FINANCE NOMINEES PTE LTD	25,485,000	7.79
5	LIM KIM ENG	17,812,500	5.44
6	MAYBANK KIM ENG SECURITIES PTE LTD	15,398,800	4.70
7	CHEE SIN KONG	5,343,000	1.63
8	LIM MEI YAN JANE	4,293,000	1.31
9	WANG LILING	3,664,452	1.12
10	YE MEIYING	3,610,000	1.10
11	KONG AI LIAN MABELINE (KANG AILIAN MABELINE)	3,190,500	0.97
12	GOH CHIN KEOW	3,014,000	0.92
13	CITIBANK NOMINEES SINGAPORE PTE LTD	3,000,000	0.92
14	NOMURA SINGAPORE LIMITED	3,000,000	0.92
15	CHIA GEK HOONG ANGELINE	2,516,000	0.77
16	OCBC SECURITIES PRIVATE LTD	2,255,345	0.69
17	STEVEN CHONG KING PECK	2,025,500	0.62
18	POH LEH DIN	2,005,000	0.61
19	CHAN AH POH	1,810,500	0.55
20	PORNCHAI TITTHUMMAPHAN	1,342,298	0.41
		269,461,645	82.32

SUBSTANTIAL SHAREHOLDERS as at 25 March 2015

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
CHONG POH SOON	64,843,750	19.81	65,000,000	19.86
LIM HAI CHEOK	65,000,000	19.86	64,843,750	19.81
LIM KIM ENG	17,812,500	5.44	–	–

1. 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 Public's Hands

As at 25 March 2015, approximately 51.98% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Rule of Catalist.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HOSEN GROUP LTD. (the "Company") will be held at 267 Pandan Loop Singapore 128439 on 29 April 2015, at 12.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 0.10 cent per ordinary share for the year ended 31 December 2014 (2013: 0.20 cents per ordinary share). **(Resolution 2)**

3. To re-elect the following Directors retiring by rotation pursuant to Article 104 of the Company's Articles of Association:

   Mr Lim Hai Cheok **(Resolution 3)**
   Mr Lim Heng Seng **(Resolution 4)**

   Mr Lim Heng Seng will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B : Rules of Catalist ("Catalist Rules").

4. To approve the payment of Directors' fees of S$116,667 for the year ended 31 December 2014 (2013: S$140,000). **(Resolution 5)**

5. To re-appoint BDO LLP as the Company's Auditors 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.

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, Cap. 50 (the "Companies Act") and Rule 806 of the Catalist Rules, authority be given to the Directors of the Company ("Directors") to 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 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) 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) 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 the 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) shall be based on the total number of issued shares (excluding treasury shares) 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 which are outstanding or subsisting at the time this Resolution is passed; and

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

(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, Chapter 50, 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 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) 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. **Renewal of Share Buy-Back Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company:

(1) to purchase or otherwise acquire issued ordinary shares ("Share Buy-Backs") in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market Share Buy-Backs (each an "On-market Share Buy-Back") transacted on the SGX-ST; and/or

(ii) off-market Share Buy-Backs (each an "Off-market Share Buy-Back") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with the applicable provisions of the Companies Act and the Catalist Rules, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

(b) unless varied or revoked by the Company in 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 date of the passing of this Resolution and expiring on the earlier of:

(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 purchases or acquisitions of shares pursuant to the Share Buy-Back are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company in general meeting;

(c) in this Resolution:

"Prescribed Limit" means ten per cent. (10%) of the total number of Shares as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share, which shall not exceed:

(i) in the case of an On-market Share Buy-Back, five per cent. (5%) above the average of the closing market prices of the Shares over the last five (5) market days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day of the On-market Share Buy-Back by the Company, and deemed to be adjusted for any corporate action that occurs after such five (5)-day period; and

(ii) in the case of an Off-market Share Buy-Back pursuant to an equal access scheme, twenty per cent. (20%) above the average of the closing market prices of the Shares over the last five (5) market days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price for each Share and the relevant terms of the equal access scheme for effecting the Off-market Share Buy-Back, and deemed to be adjusted for any corporate action that occurs after such five (5)-day period; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary or expedient to give effect to the transactions contemplated by this Resolution.
[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Tan San-Ju
Company Secretary

Singapore, 13 April 2015

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) 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) in the capital of the Company from time to time.

(iii) Ordinary Resolution 9, 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 held, or the date on which purchases and acquisitions of shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated, whichever is earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent. (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company up to the Maximum Price. Information relating to this proposed Resolution are set out in the Appendix attached.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 267 Pandan Loop Singapore 128439 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 proxies and representatives 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 Annual General Meeting (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) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) 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.

HOSEN GROUP LTD.

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

IMPORTANT:

CPF Investors

1. For investors who have used their CPF monies to buy HOSEN GROUP LTD.'s shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

Personal Data Privacy

4. 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 in the Company's Notice of Annual General Meeting.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of HOSEN GROUP LTD. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 29 April 2015 at 12.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
2	Payment of proposed first & final dividend		
3	Re-election of Mr Lim Hai Cheok as a Director		
4	Re-election of Mr Lim Heng Seng 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	Renewal of Share Buy-Back Mandate		

*Delete where inapplicable

Dated this ______________ day of ______________ 2015

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

____

Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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 Members, 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 Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 267 Pandan Loop Singapore 128439 not less than forty-eight (48) hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. 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, Chapter 50 of Singapore.

General:

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 a proxy or proxies. 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/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

Board of Directors:
Lim Hai Cheok
Chairman and
Chief Executive Officer

Chong Poh Soon
Executive Director

Lim Kim Eng
Executive Director

Lim Hock Chye Daniel
Executive Director

Lim Heng Seng
Non-Executive Independent Director

Wee Piew
Non-Executive Independent Director

Ngiam Zee Moey
Non-Executive Independent Director

Secretary:
Tan San-Ju

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

Share Registrar:
B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Tel: (65) 6593 4848
Fax: (65) 6593 4847

Auditors:
BDO LLP
Public Accountants and
Chartered Accountants
21 Merchant Road
#05-01
Singapore 058267

Partner-in-Charge:
Koh Yen Ling
(Appointed since the financial year
ended 31 December 2013)

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

Registered Professional:
Thomas Lam

Principal Bankers:
Australia & New Zealand Banking Group Ltd
DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Ltd
The Hongkong and Shanghai Banking Corporation Ltd
United Overseas Bank Ltd
CIMB Bank Berhad

HOSENGROUP
LTD

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