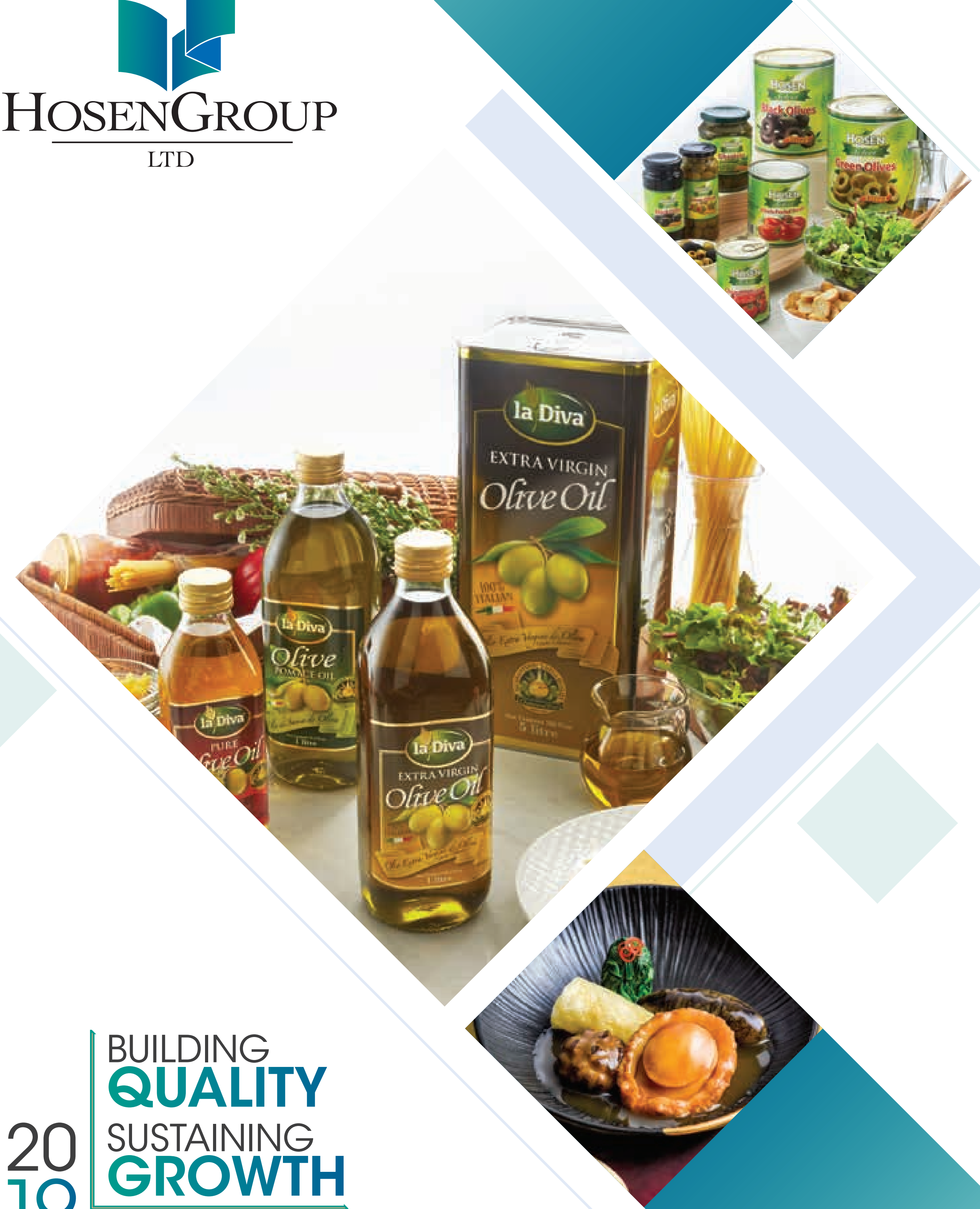
HOSENGROUP

LTD



BUILDING QUALITY SUSTAINING GROWTH

2019

ANNUAL REPORT

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

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

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

CORPORATE **PROFILE**

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

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

Hosen Group, through its subsidiaries in Singapore, Malaysia and China, has developed over the past 50 years an extensive and robust distribution network that spans across Asia, Europe, Middle East, Africa and the Oceanic countries. Today, Hosen's house brands of products can be found in various continents of the world.

Besides our strength in developing distribution network, the Company has also honed its skills in brand management and product development.

Our Brands are renowned for its premium quality products at affordable prices. HOSEN® brand, our key house brand, has won many accolades and bagged numerous awards over the years, including the Most Promising Brand Award and Superbrands Awards. The Company has also been awarded Singapore 1000 Company (Public Listed) for consecutive years.

Our Hosen® brand carries a wide range of fruits, vegetables, condiments and beverages in various packaging such as can, bottle and pouch. The Fortune® brand carries an exquisite range of high-quality canned seafood such as braised abalone and various types of shellfish. The Group also owns the Highway® Brand that carries canned meat and breakfast spreads. In 2013, LaDiva® brand was launched to cater to a growing demand for western product lines. The Sincero® brand carries chocolate products with various contents packed in bottle, pouch and tin.

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

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

Our Food Service Divisions in Singapore, Malaysia and China service hotels, restaurants, airlines, clubs, caterers, cafes, ship-chandlers, bakeries and dessert chain stores. With the evolving changes in the businesses of these customer groups, we have, beyond product supplies and prompt services, engaged customers in the area of product development and other value added services.

Our Export Division has, over the years, developed a good client base in our overseas network, spanning more than 40 countries, and gained a reputation of delivering high quality products and excellent services. The Company has leveraged on this strength and has also taken on the role of a service provider for procurement and logistic requirements for our established customers.

In 2015, the Company established a Malaysia subsidiary in Senai, being the first manufacturing arm of the Group, to develop, process, trade and distribute house brand and new chocolate products for both retail and industrial uses.

The Group will continue to provide an efficient, innovative and cost-effective distribution network in the domestic and international markets to supply and distribute our house brands and other FMCG products thereby enhancing the value of the Group and its stakeholders.

The Group earned a gross profit of S$13.25 million, backed by the Group’s revenue of S$67.31 million.

MESSAGE FROM CHAIRMAN AND CEO

> **The Group has been looking for new potential investments to grow our business and widen our products lines.**

DEAR SHAREHOLDERS

We are pleased to present you with our Annual Report of Hosen Group for the financial year ended 31 December 2019 ("FY2019").

It has been a challenging year for the Group with the prolonged global trade tension in FY2019. Since then, the global economic condition has worsened with the outbreak of the Covid-19 worldwide and its widespread disruption in every economic sector. At the domestic level, the Group continues to face the twin forces of rising employment costs and volatile foreign exchange which are part and parcel of the FMCG industry.

Despite the difficult economic conditions, the Group's revenue decreased slightly by S$1 million or 1.5% to S$67.3 million in FY2019 from S$68.3 million in the financial year ended 31 December 2018 ("FY2018"). The gross profit was lower by S$0.5 million to S$13.2 million in FY2019. As a result of the allowance for the third-party trade and other receivables, the Group recorded a loss attributed to the owners of the parent of S$0.9 million. The Group was nevertheless able to generate strong operating cash flows at more than S$3.8 million, maintaining at a similar level in the previous year.

Our house brands, including Hosen, Fortune, Highway, LaDiva, Hula, Sincero, Calbuco, Cocoa Grande, Royal Select and others, continue to form the bulk of the Group's revenue. More than 76% of the Group's revenue in FY2019 is generated by our house brand products, up from 74% in FY2018. In terms of geographical income, almost 74% of the revenue in FY2019 derived from the operations in Singapore and Malaysia as compared with 69% in FY2018.

GOING FORWARD

With the recent development of the Covid-19 pandemic, the already deteriorating economic condition will be getting worse. The pandemic has already caused many industries to shut down with trade and travel worldwide seriously disrupted. At this juncture, it will be difficult to assess the magnitude of the impact of the pandemic to our business. The Group is, however, prepared for the long haul. With the support of all our employees, management, bankers and other stakeholders, we will work towards overcoming these difficulties and uncertainties that we may face in the coming year.

As an update to all shareholders, the Group has recently obtained the temporary occupancy permit of our new six-storey building in Singapore which will be used for warehouse and future expansive purpose. At the same time, the Group has been looking for new potential investments to grow our business and widen our product lines. The Group will also continue to explore new overseas markets for our house brand canned foods and chocolate products.

APPRECIATION

On behalf of the Board, we would like to thank our suppliers, customers, bankers, shareholders and business partners for their continuous supports over the years. We also wish to express our appreciation to our fellow Board members and the professional teams for their valuable advice during this challenging year and to our staff for their contributions and effort made.

WEE PIEW
Non-Executive Independent Chairman

LIM HAI CHEOK
Executive Director and
Chief Executive Officer

OPERATIONS REVIEW

BUSINESS REVIEW

The prolonged global trade tension in FY2019 has led to the deterioration of global economic condition. Under such economic situation, the Group earned a gross profit of S$13.25 million, backed by the Group's revenue of S$67.31 million.

External revenue from House Brands increased by S$0.80 million to S$51.27 million in FY2019 from S$50.47 million in FY2018 and external revenue from Non-House Brands decreased by S$1.80 million to S$16.04 million in FY2019 from S$17.84 million in FY2018 as the Group prioritised on promoting our House Brands products than Non-House Brands products in order to capture a bigger market share for House Brands products in both local and overseas markets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group recorded a lower revenue of S$67.31 million for the financial year ended 31 December 2019 ("FY2019") as compared to S$68.31 million for the financial year ended 31 December 2018 ("FY2018"). The decrease of S$1.00 million or 1.5% in revenue was mainly due to lower sales in overseas markets, partly offset by higher sales in both Singapore and Malaysia markets.

Gross profit decreased by S$0.54 million or 3.9% to S$13.25 million in FY2019 from S$13.79 million in FY2018 mainly due to higher purchase cost resulting from the appreciation of US Dollars.

Selling and distribution expenses decreased by S$0.67 million to S$2.54 million in FY2019 from S$3.21 million in FY2018 as less expenses were incurred in promotion and food fair event in FY2019.

Administrative expenses increased by S$0.18 million to S$6.64 million in FY2019 from S$6.46 million in FY2018 mainly due to higher employment costs which was partly offset by the reduction of directors' profit sharing in FY2019.

Other expenses increased by S$0.16 million to S$2.82 million in FY2019 from S$2.66 million in FY2018, which was a combined result of depreciation of right-of-use assets of S$0.45 million after the adoption of SFRS(I) 16 Leases, impairment loss on property, plant and equipment of S$0.52 million, increase in write-down of inventories of S$0.28 million, reduced by the absence of a one-time write off of the net carrying amount of S$0.82 million of the one-storey warehouse in Singapore upon its demolition in FY2018.

Loss allowance for third party trade and other receivables of S$2.09 million was attributed to customers mainly in the PRC region despite collection efforts made.

Finance costs increased by S$0.18 million to S$0.54 million in FY2019 due to higher utilisation of trade facilities and bank loan.

The Group recorded a net loss attributed to the owners of the parent of S$0.94 million in FY2019 as compared to a net profit of S$0.89 million in FY2018.

FINANCIAL POSITION AND CASH FLOWS

As at 31 December 2019, the Group's net assets were S$28.32 million compared to S$29.38 million as at 31 December 2018. The decrease of S$1.06 million was mainly due to the loss of S$1.34 million suffered and the change of non-controlling interests by S$0.21 million in FY2019.

Property, plant and equipment as at 31 December 2019 was recorded at S$20.49 million, an increase of S$7.65 arising million from S$12.84 million as at 31 December 2018. It is mainly due to the additions of construction-in-progress of S$6.47 million arising

SINCERO®
Premium Chocolate

OPERATIONS REVIEW

from construction of the new six-storey building and the recognisation of future lease payments of leasehold land of S$1.78 million as right-of-use assets on adoption of SFRS(I) 16 Leases, offset by impairment loss of plant and machinery of S$0.52 million in a subsidiary and depreciation charge of S$1.05 million.

Other receivables in non-current assets decreased by S$0.47 million to S$0.03 million as at 31 December 2019 from S$0.50 million as at 31 December 2018 mainly due to the down-payment for the construction of the new six-storey building in Singapore being reclassified as construction-in-progress as at 31 December 2019.

Inventories increased by S$2.34 million to S$17.51 million as at 31 December 2019 from S$15.17 million as at 31 December 2018 mainly due to more purchases made before the end of FY2019 to meet the sales volume during Chinese New Year in FY2020.

Trade and other receivables decreased by S$2.40 million to S$13.19 million as at 31 December 2019 from S$15.59 million as at 31 December 2018 mainly due to loss allowance for third party trade and other receivables of S$2.09 million.

Trade and other payables decreased by S$0.94 million to S$8.12 million as at 31 December 2019 from S$9.06 million as at 31 December 2018 due to timely payments to suppliers which utilised more bank borrowings in FY2019.

Lease liabilities in current liabilities increased by S$0.06 million to S$0.17 million as at 31 December 2019 from S$0.11 million as at 31 December 2018 due to adoption of SFRS(I) 16 Leases.

Bank borrowings in current liabilities increased by S$7.41 million to S$14.34 million as at 31 December 2019 from S$6.93 million as at 31 December 2018 as a result of higher utilisation of trade facilities and bank loans to finance the increased inventory level and pay off trade and other payables.

Bank borrowings in non-current liabilities decreased by S$0.30 million to S$2.51 million as at 31 December 2019 from S$2.81 million as at 31 December 2018 mainly due to the repayment of term loans for the properties in Malaysia.

Lease liabilities in non-current liabilities increased by S$1.87 million to S$2.07 million as at 31 December 2019 from S$0.20 million as at 31 December 2018 mainly due to the recognition of additional lease liabilities on adoption of SFRS(I) 16 Leases for the leasehold land, office premise, certain motor vehicles and office equipment.

Cash and cash equivalents decreased by S$0.19 million to S$5.26 million as at 31 December 2019 from S$5.45 million as at 31 December 2018. Out of the cash and cash equivalents, S$0.03 million was generated from operating activities, S$6.69 million used in investing activities and S$6.47 million generated from financing activities.

The net cash generated from operating activities mainly comprised the increase in inventories by S$3.72 million and the decrease in trade and other receivables by S$0.38 million.

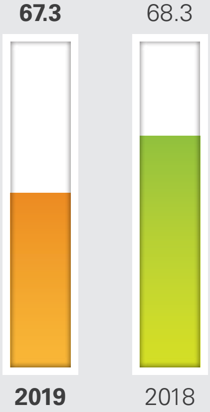
The net cash used in investing activities was mainly attributable to the acquisition of property, plant and equipment of S$6.80 million, in particular, for the construction of the new building in Singapore.

The net cash from financing activities was mainly due to net proceeds from bank borrowings of S$7.13 million and payment of interests of S$0.54 million in FY2019.

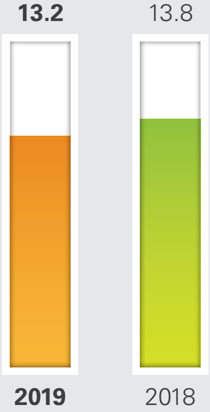
More than 76% of the Group's revenue in FY2019 is generated by our house brand products, up from 74% in FY2018.

FINANCIAL HIGHLIGHTS

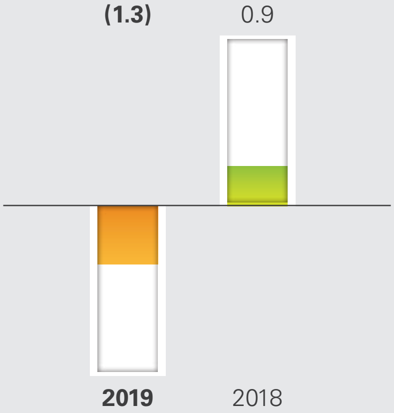
REVENUE (S$'M)



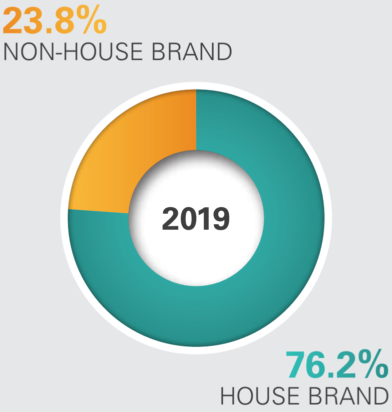
GROSS PROFIT (S$'M)

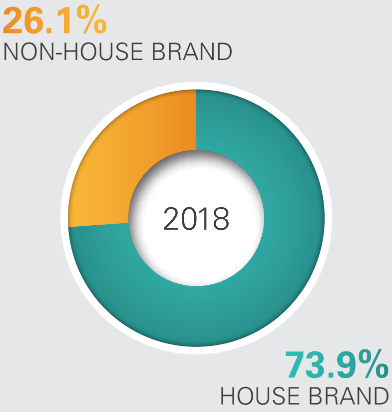


(LOSS)/PROFIT FOR THE FINANCIAL YEAR (S$'M)

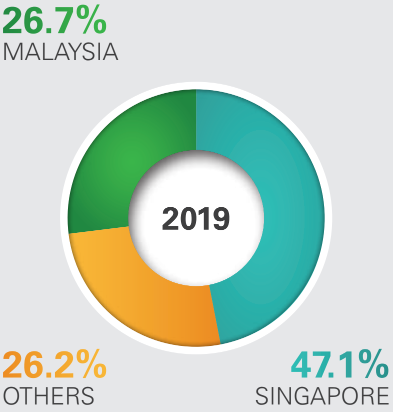


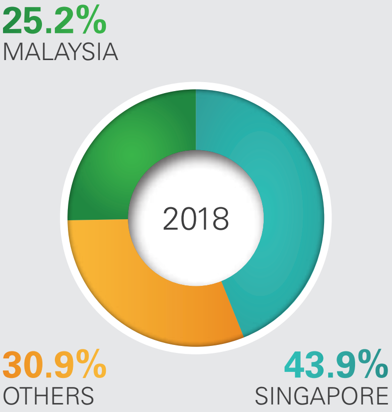
REVENUE BY OPERATING SEGMENT





REVENUE BY OPERATING SEGMENT





BOARD OF DIRECTORS

MR WEE PIEW Non-Executive Independent Chairman

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

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

MR LIM HAI CHEOK Executive Director and Chief Executive Officer

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

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. Madam Chong is the spouse of Lim Hai Cheok, mother of Lim Hock Chye Daniel and sister-in-law of Lim Kim Eng.

MS LIM KIM ENG Executive Director

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

MR LIM HOCK CHYE DANIEL Executive Director

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

MR LIM HENG SENG Non-Executive Independent Director

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

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

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

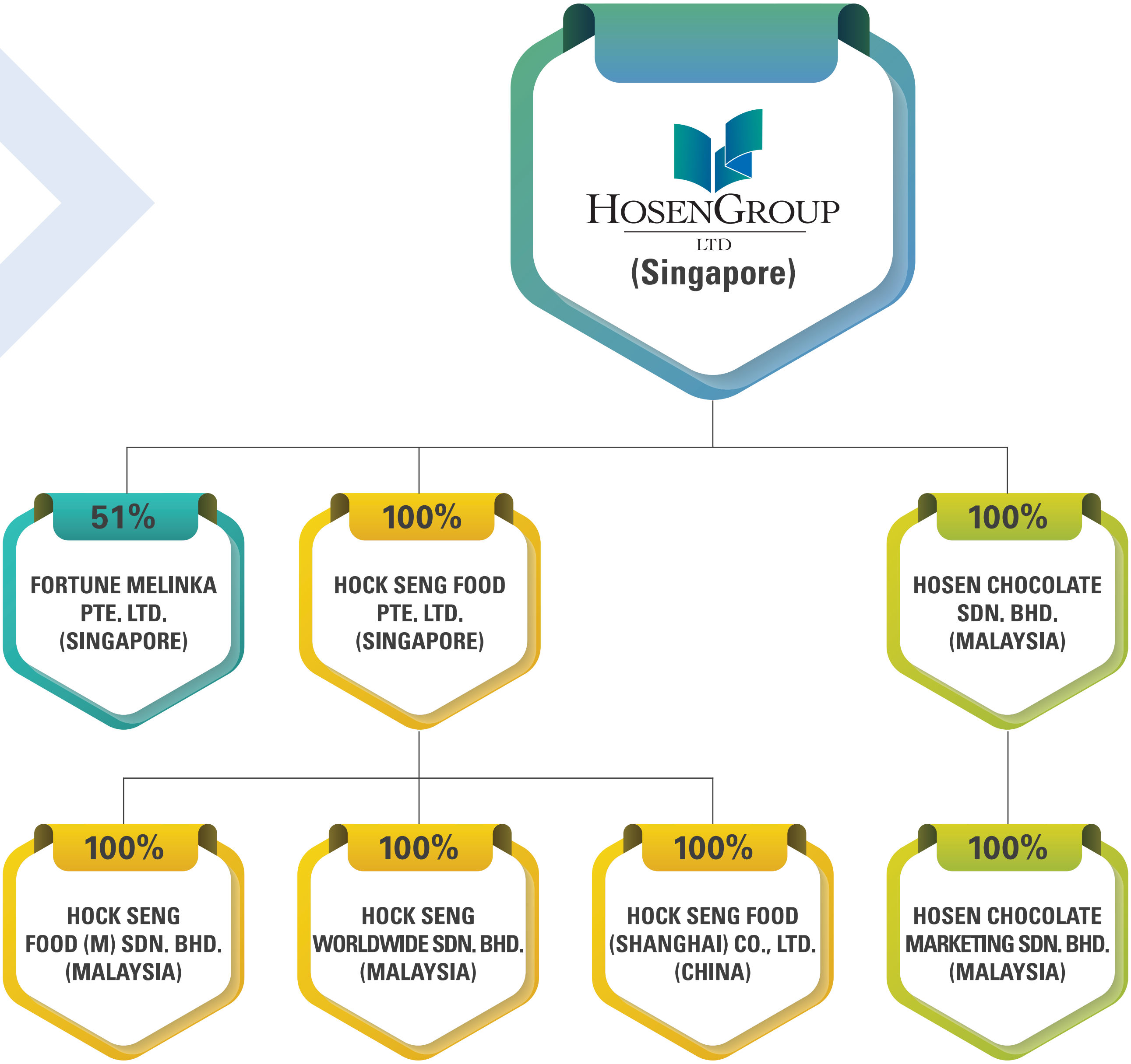
KEY MANAGEMENT

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, treasury, compliance, risk management, finance and accounting matters of the Group. Mr Ho has extensive experience in strategic management, corporate finance, acquisitions and disposals, dual listing, initial public offering, group restructuring, financial management, risk management and investor relations. He worked as Financial Controller of a number of listed companies and private companies in Singapore and Hong Kong. He also worked in reputable audit firms both in Singapore and Hong Kong and previously held directorships in several private companies.

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

GROUP STRUCTURE



The Group was able to generate strong operating cash flows at more than S$3.8 million.

CORPORATE **GOVERNANCE REPORT**

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

The Board of Directors (the "**Board**") of Hosen Group Ltd (the "**Company**") 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 accountability, transparency, sustainability and achieving long-term sustainable business performance and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2019 ("**FY2019**"), with specific reference made to the principles of the Code of Corporate Governance 2018 (the "**Code**").

Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	The Company did not adopt any alternative corporate governance practices in FY2019 other than those explained in this report.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3">The Board's Conduct of Affairs</td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>
<p>The Board has six (6) members as at the end of FY2019 and comprises the following:</p>
<table>
<tr><th colspan="2"><i>Table 1.2 – Composition of the Board</i></th></tr>
<tr><th>Name of Director</th><th>Designation</th></tr>
<tr><td>Wee Piew</td><td>Non-Executive Independent Chairman</td></tr>
<tr><td>Lim Hai Cheok</td><td>Executive Director and Chief Executive Officer</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>
</table>
<p>The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principal functions are:</p>

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

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

CORPORATE **GOVERNANCE REPORT**

Provision	Code and/or Guide Description	Company's Compliance or Explanation
		All Directors are required to avoid situations where their own personal or business interests may conflict or appear to conflict with the interests of the Company. Where a Director has a conflict of interest, or it appears that he/she might have a conflict of interest in relation to any matter, he/she must immediately declare his/her interest at a meeting of the Directors or send a written notice to the Company containing details of his/her interest in the matter and the actual or potential conflict, and recuse himself/herself from participating in any discussion or decision on the matter.
1.2	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director will be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. All newly appointed Directors who do not have prior experience as a Director of a public listed company in Singapore will be provided with relevant training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange and in areas such as legal and accounting where necessary.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	New and existing Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. Briefings, updates and trainings for the Directors in FY2019 include: • the external auditor ("**EA**") had briefed the AC on changes or amendments to accounting standards; • the Company Secretary had provided from time to time updates on changes in the relevant laws, regulations and listing rules; and • the Company Secretary had recommended from time to time seminars/workshops with regards to the updates of relevant regulations and listing rules organised by external professionals.

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.3</td><td>What are the types of material transactions which require approval from the Board?</td><td>Matters that require the Board's approval include, amongst others, the following:

corporate strategy and business plans;
material acquisitions and disposals;
share issuance, dividend release or changes in capital;
material interested person transactions;
budgets, financial results announcements, annual report and audited financial statements;
announcement publication; and
convening of general meetings.
</td></tr>
<tr><td>1.4
4.2
6.2
10.2</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td><p>The Board has delegated certain responsibilities to the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC") (collectively, the "Board Committees"). The compositions of the Board Committees in FY2019 are as follows:</p>
<table>
<tr><th colspan="4"><i>Table 1.4 – Composition of the Board Committees</i></th></tr>
<tr><th colspan="4">In FY2019</th></tr>
<tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Wee Piew</td><td>Lim Heng Seng</td><td>Wee Piew</td></tr>
<tr><td>Member</td><td>Lim Heng Seng</td><td>Wee Piew</td><td>Lim Heng Seng</td></tr>
<tr><td>Member</td><td>Lim Hai Cheok</td><td>Lim Hai Cheok</td><td>Lim Hai Cheok</td></tr>
</table>
<p>Not all of the members of the AC and the RC are non-executive Directors. The NC had recommended and the Board was of the view that Mr Lim Hai Cheok, with his more than 40 years' experience in FMCG industry, would be able to provide input and enhance the efficient communications on the market information and practices in the industry of various countries to the other members of the AC and prevailing remuneration trend to the other members of the RC.</p>
<p>As no Director or member of the RC is allowed to participate in the deliberation, and has to abstain from voting on any resolution, relating to his/her own remuneration or that of employees related to him/her, the Board is of the view that retaining an RC member who is in an executive position will not lead to a conflict of interest or impede the independence of the RC.</p></td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The AC (excluding Mr Lim Hai Cheok) meets with the external and internal auditors without the presence of Management at least once a year to, amongst others, ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems. Mr Lim Hai Cheok has been excluded from the aforesaid meeting(s) to ensure that the AC remains a platform for the external and internal auditors to provide their independent opinions without the influence of Management. This arrangement is essential to ensure that the presence of an executive director on the AC will not lead to any conflict of interest or impede the independence of the AC. AC also met without presence of Mr Lim Hai Cheok and the Management.

The Board will be reviewing the composition of its Board and Board Committees and will consider undertaking changes to such composition to meet with the relevant provisions of the Code for the RC and AC to comprise all non-executive directors.</td></tr>
<tr><td>1.5
1.6</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a half yearly basis, and as and when circumstances require. In FY2019, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.
<table>
<tr><th colspan="5">Table 1.5 – Board and Board Committee Meetings in FY2019</th></tr>
<tr><th></th><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Number of Meetings Held</td><td>3</td><td>3</td><td>1</td><td>2</td></tr>
<tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr>
<tr><td>Wee Piew</td><td>3</td><td>3</td><td>1</td><td>2</td></tr>
<tr><td>Lim Hai Cheok</td><td>3</td><td>3</td><td>1</td><td>2</td></tr>
<tr><td>Chong Poh Soon</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Kim Eng</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Heng Seng</td><td>3</td><td>3</td><td>1</td><td>2</td></tr>
</table>
* By invitation

The Company's Articles of Association (the "Articles") allow for meetings to be held through telephone or video communication.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

Provision	Code and/or Guide Description	Company's Compliance or Explanation
		The Management provides directors with complete, adequate and timely information prior to meetings to enable them to make informed decisions. If there is any proposed corporate action, the Management will convene meeting and furnish meeting materials.
1.7	What is the role of the Company Secretary?	Directors also have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the Company's expense. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: • ensuring that Board procedures are observed and that the Company's 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 Catalist Rules, are complied with; • assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • assists the Chairman to ensure good information flows within the Board and its committees and key management personnel; • facilitating orientation and assisting with professional development as required; • training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • attends and prepares minutes for Board and Board Committee meetings; • scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;

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		• 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.
Board Composition and Guidance		
2.2 2.3	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.	The Board currently consists of two (2) Non-Executive Independent Directors and four (4) Executive Directors. The Company is in the midst of identifying a new Non-Executive Independent Director and will restructure the Board after this new appointment. The Company will release appropriate announcements for the new appointment and changes to the composition of the Board in due course.
2.1 4.4	Has the independence of the Independent Directors been reviewed in the last financial year?	The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. 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.

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
2.1	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	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: • neither they and nor their immediate family members have any relationship or business dealings with the Group and the Company's substantial shareholders in the current or immediate past financial year; • neither they and nor their immediate family members have been employed by the Company or any of its related corporations for the current or any of the past three financial years; • they have, over the years, actively participated in the proceedings and decision-making process of Board meetings. The Board considers both Mr Lim Heng Seng and Mr Wee Piew to have made impartial advice and insights and have exercised independent judgement in doing so without dominating the Board discussions in these proceedings and/or meetings; • they have constructively challenged and helped develop proposals on strategy and reviewed the performance of Management in achieving agreed goals; and • they have provided overall guidance to Management and in protecting the Company's assets and shareholders' best interests. The Board recognises that Mr Lim Heng Seng and Mr Wee Piew have developed substantial insight of the Group's business and operations and will continue to value add to the Board.

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>2.4</td><td>(a) What is the Board’s policy with regard to diversity in identifying Director nominees?</td><td>The Board’s policy in identifying Director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.</td></tr>
<tr><td></td><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:
<table>
<tr><th colspan="3">Table 2.4 – Balance and Diversity of the Board in FY2019</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td colspan="3">Core Competencies</td></tr>
<tr><td>– Accounting or finance</td><td>1</td><td>16.7%</td></tr>
<tr><td>– Human Resource management</td><td>1</td><td>16.7%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>4</td><td>66.6%</td></tr>
<tr><td colspan="3">Gender</td></tr>
<tr><td>– Male</td><td>4</td><td>66.7%</td></tr>
<tr><td>– Female</td><td>2</td><td>33.3%</td></tr>
</table></td></tr>
<tr><td></td><td>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</td><td>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>2.5</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 Independent Directors have met in the absence of key management personnel in FY2019. The Chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.</td></tr>
</table>

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
Chairman and Chief Executive Officer		
3.1 3.2 3.3	Are the duties between Chairman and CEO segregated?	The Chairman of the Board (the "Chairman") is a Non-Executive Independent Director and the Chief Executive Officer (the "CEO") is an Executive Director. The Chairman and CEO are separate persons and are not immediate family members. The duties of Chairman and CEO are segregated. In brief, the Chairman would lead the Board to ensure its effectiveness on all aspects of its role and ensure that the Directors receive complete, adequate and timely information and ensure effective communication with shareholders while the CEO would carry out the day-to-day overall management and execute the decisions made by the Board. The Chairman of the Company is an Non-Executive Independent Director who is available to shareholders where they have concerns and for which contact through the normal channels of communications with the Management are inappropriate or inadequate.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: • makes recommendations to the Board on all Board appointments, re-appointments and replacement of the Chairman, CEO and key management personnel, having regard to each individual contribution and performance; • reviews the structure, size and composition of the Board and to make recommendations to the Board with regards to any adjustment that are deemed necessary; • reviews the training and professional development programmes for the Board and its Directors; • determines the criteria for identifying candidates and to assess nominations for new appointments; • determines the independence of each Director annually in accordance with Code's definition of independence; • reviews Board's succession plans for Directors, CEO and key management personnel;

CORPORATE **GOVERNANCE REPORT**

Provision	Code and/or Guide Description	Company's Compliance or Explanation
		• determines and proposes the objective performance criteria for the Board's approval and to review the Board's performance in terms of the performance criteria, assess the effectiveness of the Board as a whole; and • decides whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when the Director has multiple Board representations.
1.5 4.5	(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 reviews the Directors with multiple board representations to ensure that sufficient time and attention are given to the affairs of each company and therefore, the Board has prescribed a maximum number of board representations that can be held by each Director is 6.
	(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 key information of the Directors, including their listed company directorships and principal commitments, are set out on page 9 in this annual report. The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs and is satisfied that all Directors have discharged their duties adequately for FY2019.
4.5	Are there alternate Directors?	The Company does not have any alternate Directors.

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>4.3</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.</td><td>
<table>
<tr><th colspan="3">Table 4.3(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience, and knowledge to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of Director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.3(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>
</td></tr>
</table>

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
		Pursuant to Article 104 of the Company's Articles of Association, all Directors shall submit themselves for re-election at least once every three years.

Table 4.3(c) – Re-election of Directors retiring at the forthcoming AGM

Name	**Designation**	**Pursuant to Article**
Wee Piew	Non-Executive Independent Director	104
Lim Kim Eng	Executive Director	104

Provision	Code and/or Guide Description	Company's Compliance or Explanation
		The information as required under Rule 720(5) of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") for the Directors to be re-elected at the forthcoming AGM are set out in the Appendix to the Annual Report. Directors standing for re-election at the AGM had to be evaluated by the other Directors on their past contributions in terms of knowledge of the industry as well as the business and operations of the company, development of strategy, the results of which are evaluated by the NC before the NC recommends the Directors' re-election for Board approval, and such Directors are subsequently recommended by the Board to shareholders for re-election.

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2</td><td>What are the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><th colspan="3"><i>Table 5 – Performance Criteria to Evaluate Effectiveness of Board</i></th></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Access to information
2. Board processes
3. Strategic planning
4. Board accountability
5. Risk management
6. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Size and composition</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table></td></tr>
<tr><td></td><td>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</td><td>The review of the performance of the Board and the Board Committees is conducted by the NC annually.
For FY2019, the review process was as follows:
1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and the Board Committees and performance evaluation forms of individual Directors standing for re-election at the forthcoming AGM based on criteria disclosed in Table 5;
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.</td></tr>
</table>

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
		All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance. No external facilitator was engaged in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives in FY2019.
REMUNERATION MATTERS		
Procedures for Developing Remuneration Policies		
6.1 6.3 7.3	What is the role of the RC?	The RC is guided by key terms of reference as follows: • reviews and recommends to the Board a framework of remuneration for each Executive Director and key management personnel that are competitive and appropriate to attract, retain and motivate Directors and key management personnel of the required quality to successfully manage the Company for the long-term; • reviews and determines the specific remuneration packages and terms of employment for each Director and key management personnel; • considers all aspects of remuneration, including termination terms to ensure they are fair; and • reviews and recommends fees for Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM.
6.4	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2019.

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<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">Level and Mix of Remuneration</td></tr>
<tr><td>7.1
7.2</td><td>What is the Company's remuneration policy?</td><td>The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and is benchmarked against relevant and comparative compensation in the market.

The remuneration of Non-Executive Independent Directors are considered appropriate to the level of contribution, taking into account factors such as effort, time spent, responsibilities and number of meetings.</td></tr>
<tr><td colspan="3">Disclosure on Remuneration</td></tr>
<tr><td>8.1
8.3</td><td>(a) Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors and Chief Executive Officer for FY2019 is as follows:
<table>
<tr><th colspan="6"><i>Table 8.1(a) – Directors' Remuneration</i></th></tr>
<tr><th>Name</th><th>Directors Fees (%)</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Total (%)</th></tr>
<tr><td colspan="6">S$250,000 to S$499,999</td></tr>
<tr><td>Lim Hai Cheok</td><td>–</td><td>85</td><td>7</td><td>8</td><td>100</td></tr>
<tr><td>Lim Kim Eng</td><td>–</td><td>82</td><td>13</td><td>5</td><td>100</td></tr>
<tr><td>Below S$250,000</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Chong Poh Soon</td><td>–</td><td>92</td><td>8</td><td>–</td><td>100</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>–</td><td>68</td><td>26</td><td>6</td><td>100</td></tr>
<tr><td>Lim Heng Seng</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Wee Piew</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
</table>
<i>(All the above remuneration excludes employer's CPF contribution portion.)</i></td></tr>
</table>

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>8.1
8.3</td><td>(b) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>
<p>The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2019 is as follows:</p>
<table>
<tr><th colspan="5"><i>Table 8.1 (b) – Remuneration of Key Management Personnel</i></th></tr>
<tr><th>Key management personnel</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Total (%)</th></tr>
<tr><td>Below S$250,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>1 executive</td><td>27</td><td>71</td><td>2</td><td>100</td></tr>
<tr><td>1 executive</td><td>85</td><td>15</td><td>–</td><td>100</td></tr>
<tr><td>1 executive</td><td>86</td><td>13</td><td>1</td><td>100</td></tr>
<tr><td>1 executive</td><td>80</td><td>8</td><td>12</td><td>100</td></tr>
<tr><td>1 executive</td><td>27</td><td>71</td><td>2</td><td>100</td></tr>
</table>
<p><i>(The remuneration payable relates to performance bonuses that are payable to the certain key management personnel in respect their performance in FY2019 and all the above remuneration excludes employer's CPF/EPF contribution portion.)</i></p>
<p>After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. The names of key management personnel are not disclosed to avoid from any possible poaching.</p>
<p>There were no termination, retirement and post-termination benefits given to Directors and key management personnel for the financial year in review.</p>
</td></tr>
<tr><td></td><td>(c) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid/payable to the top 5 key management personnel for FY2019 was approximately S$800,000.</td></tr>
</table>

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8.2	Is there any employee who is a substantial shareholder of the Company, or an immediate family member of a Director, the CEO, or a substantial shareholder of the Company, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	There was no employee of the Group who was a substantial shareholder of the Company, or an immediate family member of a Director or the CEO or a substantial shareholder of the Company, whose remuneration exceeded S$100,000 in FY2019.
8.3	Please provide details of the employee share scheme(s).	Information on the Company's Hosen Employee Share Option Scheme is set out in the Directors' Statement of this Annual Report. The Hosen Employee Share Option Scheme is administrated by the RC. There was no share option granted to any employee in FY2019.
7.1	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2019. Their remuneration is made up of fixed and variable compensations. The fixed compensation is in the form of base salary, variable and bonus, allowance and others. The variable compensation is determined based on the Group's or Company's performance and the individual performance. Another element of the variable component is the grant of share options to staff under the Hosen Employee Share Option Scheme of the Company.

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:
<table>
<tr><th colspan="3">Table 7.1(b) – Performance Conditions for Entitlement to Incentives</th></tr>
<tr><th>Performance Conditions</th><th>Short-term Incentives
(such as performance bonus)</th><th>Long-term Incentives
(such as the Hosen Employee Share Option Scheme)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. Commitment
3. Teamwork
4. Macro-economic factors</td><td>1. Current market and industry practices
2. Rank
3. Years of Service</td></tr>
<tr><td>Quantitative</td><td>–</td><td>1. Performance of the Group</td></tr>
</table>
</td></tr>
<tr><td></td><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2019.</td></tr>
<tr><td colspan="3">ACCOUNTABILITY AND AUDIT</td></tr>
<tr><td colspan="3">Risk Management and Internal Controls</td></tr>
<tr><td>9.1
9.2</td><td>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board’s view on the adequacy and effectiveness of the Company’s internal controls and risk management systems.</td><td>The Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls to safeguard the interests of the Company and its shareholders. The Board determines the nature and extent of the risks which the Company is willing to take to achieve its strategic objectives and value creation.

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

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
		The Group's material risks can be broadly classified as follows: **Business/Operational Risks** This relates to operations and includes updates in the food industry, security threats, quality of products, employee attribution, increased competition. Owners of such risks such as the business unit heads would monitor such risks. We obtain certifications to achieve standardisation of processes and best practices. The company has obtained from Agri Food & Veterinary Authority of Singapore, in short, commonly known as "AVA" the import and export of our fish and meat products, various health certificates, and other food certificates to ensure the supply of safe food to all our customers. Our own chocolate factory strictly follows the principles and standards in Hazard Analysis and Critical Control Point (in short, commonly known as "HACCP"), an internationally recognised system to reduce the risk of safety hazards in food and it also obtained HALAL certification, with which our chocolate products can be sold to Muslim consumers. We conduct regular reviews of policies and authority limits to ensure that they remain relevant in meeting changing business requirements. **Compliance Risks** Compliance with local laws and regulations in the countries where the Group is operating are monitored by the executive directors, the business unit heads and/or finance department led by the CFO. **Financial Risks** These risks are set out in the notes to the financial statements. Generally, the Group is conservative in its financial dealings and does not engaged in speculative instruments that would expose the Group to unnecessary risks exposure. 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 FY2019.

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Provision	Code and/or Guide Description	Company's Compliance or Explanation
		The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and CFO; 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 the EA/IA in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2019. The Board has additionally relied on the IA's report issued to the Company in FY2019 to assure that the Company's risk management and internal controls are adequate and effective.

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

CORPORATE **GOVERNANCE REPORT**

Provision	Code and/or Guide Description	Company's Compliance or Explanation
		• reviews cost effectiveness and the independence and objectivity of the EA; • reviews the adequacy, effectiveness, independence, scope and the results of the EA and IA function; • makes recommendations to the Board on the appointment, re-appointment and removal of EA and IA, and to review the remuneration and terms of engagement of the EA and IA; • reviews the financial reports so as to ensure the integrity of the financial statements of the Company and focus, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit and compliance with financial reporting standards; • reviews announcements of the Company's half-year and full-year results before submission to the Board for approval for release to the SGX-ST; • undertakes such other functions, duties, reviews and projects as may be requested by the Board or as may be required by statutes or the Catalist Rules; • reviews effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management policies and reviews the findings of the IA; • meets with the EA and with IA, separately without the presence of the Management annually; and • reviews interested person transactions in accordance with the requirements as defined in the Catalist Rules.
10.5	Has the AC met with the auditor in the absence of key management personnel?	Yes, the AC has met with the EA and the IA in the absence of key management personnel in FY2019.

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>10.1</td><td>Has the AC reviewed the independence of the EA?</td><td>The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, 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"><i>Table 10.1(a) – Fees Paid/Payable to the EA for FY2019</i></th></tr>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>97,000</td><td>67</td></tr>
<tr><td>Non-audit fees – tax compliance</td><td>47,000</td><td>33</td></tr>
<tr><td>Total</td><td>144,000</td><td>100</td></tr>
</table>
</td></tr>
<tr><td></td><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.</td><td>The AC has reviewed and is of the opinion that the non-audit services rendered during FY2019 were not substantial and the nature and extent of such services would not prejudice the independence of the EA, and thus recommended the re-appointment of the EA of the forthcoming AGM.</td></tr>
<tr><td>10.1</td><td>Does the Company have a whistle-blowing policy?</td><td>The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the Chairman of AC via ac.hockseng@gmail.com. To facilitate participation by external parties, the policy is also available on the Company's website at http://www.hosengroup. com/contact.php. There are no reported incidents pertaining to whistle-blowing for FY2019.

The Group has zero tolerance on fraudulent and corrupt practices that may disrupt the business operations and impede the growth of the business due to the loss of trust in our Company that we have built over the years. The Company has established an anti-corruption policy and this has been disseminated to our employees and business partners. The policy is posted on the Company's website.</td></tr>
<tr><td>1.2</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 FY2019, the AC was updated by the EA with respect to revisions to the accounting standards.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

Provision	Code and/or Guide Description	Company's Compliance or Explanation
10.4	Please provide details of the Company's internal audit function, if any.	In FY2019, the Company's internal audit function is outsourced to the IA, HLS Risk Advisory Services Pte. Ltd., which is independent of the external audit function and from the Group. The IA reports directly to the AC Chairman and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. For FY2019, the AC has reviewed the scope of the internal audit function, IA's reports, proposed follow-up actions implemented by the Management and has noted that the necessary co-operation required from the Management had been provided to enable the IA to perform its function effectively. In addition to the above, the AC had also reviewed the experience of the IA, including the assigned engagement personnel's experience and is satisfied that the IA is independent, effective and adequately qualified (given, inter alia, its adherence to standards set by nationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.
SHAREHOLDER RIGHTS AND ENGAGEMENT		
Shareholder Rights And Conduct of General Meetings		
11.1 11.2 11.3 11.4 11.5	How are the general meetings of shareholders conducted?	The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders. The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

CORPORATE **GOVERNANCE REPORT**

Provision	Code and/or Guide Description	Company's Compliance or Explanation
		Shareholders are allowed to appoint proxies or the Chairman of the Meeting to attend and vote in the general meetings on their behalf. Shareholders may decide how their votes to be cast by indicating their votes in the proxy form in case their proxies are unable to attend on the date of general meetings. The Company has adopted poll voting for its general meetings of shareholders. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meetings. All minutes of general meetings will made available to shareholders upon their written request within one month after the general meetings.
11.6	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, the management will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
ENGAGEMENT WITH SHAREHOLDERS		
12.2	Does the Company have an investor relations policy?	The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders.
12.1 12.3	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders through the contact portal at http://www.hosengroup.com/contact.php. The Company also solicits feedback from and addresses the concerns of shareholder through its annual general meetings held.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Executive Directors are managing investor relations via the Company's corporate website on an ongoing basis.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments and events through its corporate website at www.hosengroup.com.

CORPORATE **GOVERNANCE REPORT**

Provision	Code and/or Guide Description	Company's Compliance or Explanation
MANAGING STAKEHOLDERS RELATIONS		
Engagement with Stakeholders		
13.1 13.2 13.3	Does the Company manage its relationships with stakeholders?	The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups and discloses its strategy and key areas of focus in relation to the management of stakeholder relationships in its annual sustainability report. The Company maintains a current corporate website at www.hosengroup.com to communicate and engage with stakeholders.

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
711A	Sustainability Report	The Company has started its preparation of the Sustainability Reporting and will issue the Sustainability Reporting by 31 May 2020.
712, 715 or 716	Appointment of Auditor	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 FY2019 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy and effectiveness of internal controls	The Board and the AC are of the opinion that the internal controls are adequate and effective to address the financial, operational and compliance risks based on the following: • internal controls and the risk management system established by the Company; • work performed by the IA; • assurance from the CEO and CFO; and • reviews done by the various Board Committees and key management personnel.

CORPORATE **GOVERNANCE REPORT**

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
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 FY2019.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and key officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and key officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the following day after the announcement of the relevant results. The guidelines on share buyback under the Share Buyback Mandate, to be renewed at the Company's forthcoming AGM also provides that the Company will not effect any purchases of shares on the SGX-ST during the period of one month immediately preceding the announcement of the Company's half year results and full year results.
1204(21)	Non-sponsor fees	No non-sponsor fee was paid/payable to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2019.

DIRECTORS' **STATEMENT**

The Directors of Hosen Group Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

2. DIRECTORS

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

Lim Hai Cheok	(Executive Director 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 Chairman)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' **STATEMENT**

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	**At end of year**	**At beginning of year**	**At end of year**
Company:				
Hosen Group Ltd.				
(No. of ordinary shares)				
Lim Hai Cheok	65,000,000	65,000,000	64,843,750	64,843,750
Chong Poh Soon	64,843,750	64,843,750	65,000,000	65,000,000
Lim Kim Eng	17,812,500	17,812,500	–	–
Lim Hock Chye Daniel	5,447,000	5,447,000	–	–

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 related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

5. SHARE OPTIONS

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

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

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

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

DIRECTORS' **STATEMENT**

6. AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' **STATEMENT**

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Lim Hai Cheek
Director

Chong Poh Soon
Director

Singapore
30 March 2020

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF HOSEN GROUP LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hosen Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 50 to 121, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF HOSEN GROUP LTD.

Key Audit Matters (Continued)

1 Revenue recognition

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

As part of the customary business practices, the Group accepts returns of goods from customers that give rise to variable consideration which reduces revenue. Accordingly, the Group has recognised the sales returns under "Refund liabilities" and the right to the recovered goods under "Other current assets".

For certain overseas sales with multiple performance obligations, the arrangement of freight, insurance and handling services is identified as a separate performance obligation from sales of goods. As the Group is acting as an agent for customers, revenue associated with such arrangement, after deducting the related expenses, is recognised separately as "Service income" within "Revenue" in profit or loss.

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

Related Disclosures

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

Audit Response

Our procedures included, amongst others, the following:

- We evaluated the appropriateness of the Group's revenue recognition accounting policies;
- We performed internal control testing on the key controls identified in the revenue cycle;
- We performed cut-off procedures for a sample of revenue transactions, before and after the financial year, by examining relevant supporting documents such as acknowledged delivery orders/shipping documents and invoices to evaluate whether control has passed so as to check whether the related goods or services are recognised in the appropriate financial year;
- We evaluated the appropriateness of management's assessment of overseas sales with multiple performance obligations that involved principal and agent relationship;
- We assessed reasonableness of management's judgements and key assumptions used in the computation of sales returns by comparing to historical data; and
- We assessed the adequacy of the related disclosures in the financial statements.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF HOSEN GROUP LTD.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF HOSEN GROUP LTD.

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF HOSEN GROUP LTD.

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2020

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	4	**20,494**	12,835	**–**	–
Intangible asset	5	**47**	67	**–**	–
Investments in subsidiaries	6	**–**	–	**9,841**	9,836
Financial assets, at fair value through other comprehensive income	7	**–**	–	**–**	–
Other receivables	8	**25**	504	**–**	4,234
		20,566	13,406	**9,841**	14,070
Current assets					
Inventories	9	**17,512**	15,170	**–**	–
Trade and other receivables	8	**13,187**	15,585	**10,130**	12,414
Other current assets	22	**992**	1,051	**–**	–
Financial assets, at fair value through profit or loss	10	**3**	3	**–**	–
Fixed deposits	11	**32**	31	**–**	–
Cash and bank balances	12	**5,260**	5,449	**88**	51
		36,986	37,289	**10,218**	12,465
Less:					
Current liabilities					
Trade and other payables	13	**8,121**	9,063	**173**	165
Refund liabilities	14	**1,712**	1,726	**–**	–
Current income tax payable		**47**	354	**29**	11
Lease liabilities[1]	15	**172**	106	**–**	–
Bank borrowings	16	**14,342**	6,928	**–**	–
		24,394	18,177	**202**	176
Net current assets		**12,592**	19,112	**10,016**	12,289
Less:					
Non-current liabilities					
Lease liabilities[1]	15	**2,068**	202	**–**	–
Bank borrowings	16	**2,510**	2,808	**–**	–
Deferred tax liabilities	17	**257**	127	**–**	–
		4,835	3,137	**–**	–
Net assets		**28,323**	29,381	**19,857**	26,359
Equity					
Share capital	18	**28,431**	28,431	**28,431**	28,431
Treasury shares	19	**(3,654)**	(3,654)	**(3,654)**	(3,654)
Foreign currency translation account	20	**(210)**	(298)	**–**	–
Fair value reserve	21	**(49)**	(49)	**–**	–
Retained earnings		**4,030**	4,966	**(4,920)**	1,582
Equity attributable to owners of the parent		**28,548**	29,396	**19,857**	26,359
Non-controlling interests		**(225)**	(15)	**–**	–
Total equity		**28,323**	29,381	**19,857**	26,359

[1] Previously presented as finance lease payables

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue	22	**67,311**	68,311
Cost of sales		**(54,062)**	(54,524)
Gross profit		**13,249**	13,787
Other income	23	**382**	213
Selling and distribution expenses		**(2,537)**	(3,212)
Administrative expenses		**(6,635)**	(6,463)
Other expenses		**(2,822)**	(2,663)
Loss allowance (made)/reversed on third party trade and other receivables		**(2,093)**	24
Finance costs	24	**(540)**	(360)
(Loss)/Profit before income tax	25	**(996)**	1,326
Income tax expense	26	**(348)**	(449)
(Loss)/Profit for the financial year		**(1,344)**	877
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**91**	94
Other comprehensive income for the financial year, net of tax		**91**	94
Total comprehensive income for the financial year, attributable to owners of the parent		**(1,253)**	971
(Loss)/Profit attributable to:			
Owners of the parent		**(936)**	892
Non-controlling interests		**(408)**	(15)
		(1,344)	877
Total comprehensive income attributable to:			
Owners of the parent		**(848)**	986
Non-controlling interests		**(405)**	(15)
		(1,253)	971
(Loss)/Earnings per share			
– Basic and diluted (in cents)	27	**(0.29)**	0.27

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation account $'000	Fair value reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2019		28,431	(3,654)	(298)	(49)	4,966	29,396	(15)	29,381
Loss for the financial year		–	–	–	–	(936)	(936)	(408)	(1,344)
Exchange differences on translating foreign operations	20	–	–	88	–	–	88	3	91
Total comprehensive income for the financial year		–	–	88	–	(936)	(848)	(405)	(1,253)
Transactions with non-controlling interests:									
Capital contribution by a non-controlling shareholders of subsidiaries		–	–	–	–	–	–	54	54
Disposal of non-controlling interests in a subsidiary		–	–	–	–	–	–	141	141
Total transactions with non-controlling interests		–	–	–	–	–	–	195	195
Balance at 31 December 2019		28,431	(3,654)	(210)	(49)	4,030	28,548	(225)	28,323
Balance at 1 January 2018		28,431	(3,654)	(392)	(49)	4,399	28,735	–	28,735
Profit for the financial year		–	–	–	–	892	892	(15)	877
Exchange differences on translating foreign operations	20	–	–	94	–	–	94	–	94
Total comprehensive income for the financial year		–	–	94	–	892	986	(15)	971
Transactions with owners:									
Dividends	28	–	–	–	–	(325)	(325)	–	(325)
Total transactions with owners of the parent		–	–	–	–	(325)	(325)	–	(325)
Balance at 31 December 2018		28,431	(3,654)	(298)	(49)	4,966	29,396	(15)	29,381

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Operating activities			
(Loss)/Profit before income tax		**(996)**	1,326
Adjustments for:			
Loss allowance made/(reversed) on third party trade and other receivables		**2,093**	(24)
Bad debts written off – trade		**21**	–
Write-down of inventories		**582**	303
Amortisation of intangible asset		**20**	20
Depreciation of property, plant and equipment		**1,046**	943
Gain on disposal of a subsidiary		**(148)**	–
Property, plant and equipment written off		**31**	815
Fair value loss arising from financial assets, at fair value through profit or loss		**–**	3
Gain on disposal of property, plant and equipment		**(74)**	(37)
Impairment of property, plant and equipment		**517**	–
Interest expense		**540**	360
Interest income		**(32)**	(8)
Unrealised exchange loss		**231**	60
Operating cash flows before working capital changes		**3,831**	3,761
Working capital changes:			
Inventories		**(3,723)**	1,182
Trade and other receivables		**382**	(2,638)
Trade and other payables		**(9)**	966
Other current assets		**59**	(310)
Refund liabilities		**(14)**	593
Cash generated from operations		**526**	3,554
Income tax paid		**(525)**	(396)
Interest received		**32**	8
Net cash from operating activities		**33**	3,166
Investing activities			
Proceeds from disposal of property, plant and equipment		**108**	40
Purchase of property, plant and equipment	4	**(6,796)**	(927)
Proceeds from disposal of a subsidiary	6	**1**	–
Net cash used in investing activities		**(6,687)**	(887)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Financing activities			
Dividends paid		–	(325)
Fixed deposits		(1)	(1)
Interest paid		(540)	(360)
Proceeds from issuance of ordinary shares to non-controlling interests		54	–
Repayment of lease liabilities	A	(168)	–
Repayment of finance lease payables	A	–	(96)
Proceeds from bank borrowings	A	29,853	–
Repayment of bank borrowings	A	(22,721)	(697)
Net cash from/(used in) financing activities		6,477	(1,479)
Net change in cash and cash equivalents		(177)	800
Cash and cash equivalents at beginning of financial year		5,449	4,614
Net effect of exchange rate changes on cash and cash equivalents		(12)	35
Cash and cash equivalents at end of financial year	12	5,260	5,449

Note A: Reconciliation of liabilities arising from financing activities

					Non-cash changes			
	31.12.2018 $'000	Adoption of SFRS(I) 16 $'000	1.1.2019 $'000	Cash flows $'000	Additions of property, plant and equipment under lease liabilities $'000	Variable lease payment adjustments $'000	Foreign exchange differences $'000	31.12.2019 $'000
Lease liabilities (Note 15)	308	1,781	2,089	(168)	156	163	–	2,240
Bank borrowings (Note 16)	9,736	–	9,736	7,132	–	–	(16)	16,852
	10,044	1,781	11,825	6,964	156	163	(16)	19,092

			Non-cash changes		
	1.1.2018 $'000	Cash flows $'000	Additions of property, plant and equipment under finance leases $'000	Foreign exchange differences $'000	31.12.2018 $'000
Finance lease payables (Note 15)	337	(96)	67	–	308
Bank borrowings (Note 16)	10,418	(697)	–	15	9,736
	10,755	(793)	67	15	10,044

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

1. GENERAL CORPORATE INFORMATION

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

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

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

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

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 were authorised for issue in accordance with a Directors' resolution dated 30 March 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

The individual financial statements of each 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 of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000"), unless otherwise stated.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Change in accounting policy

New standards, amendments and interpretations effective from 1 January 2019

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

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be depreciated and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 January 2019 (the "date of initial application"). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolio of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on consolidated statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months; and
- For the purpose of measuring the right-of-use assets, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease term) based on circumstances on or after the lease commencement date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Change in accounting policy (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to leasehold land, office premise, and office equipment, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The incremental borrowing rate applied to lease liabilities on 1 January 2019 range from 4% to 6.09%.

The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are presented within "Property, plant and equipment".

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018. Consequently, certain motor vehicles are reclassified and presented under right-of-use assets (Note 4) at the date of initial application.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Change in accounting policy (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group **Increase** **$'000**
Assets	
Property, plant and equipment	1,781
Liabilities	
Lease liabilities	1,781

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	$'000
Operating lease commitment as at 31 December 2018 (Note 29)	3,120
Effect of short-term leases	(74)
	3,046
Effect of discounting using the incremental borrowing rate as at date of initial application	(1,265)
	1,781
Finance lease liabilities recognised as at 31 December 2018	308
Lease liabilities as at 1 January 2019	2,089

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

New standards, amendments and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new standards, amendments and interpretations were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	:	Definition of Material	1 January 2020
SFRS(I) 3 (Amendments)	:	Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, and SFRS(I) 7 (Amendments)	:	Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17	:	Insurance contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various amendments	:	References to the Conceptual Framework in SFRS(I) Standards, illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020

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

Management anticipates that the adoption of the above new standards, amendments and interpretations in future periods, if applicable, will not have a material impact on the financial statements of the Group in the period of their initial adoption.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.3 Business combinations

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

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

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

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

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

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

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

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

	Years
Freehold building	33
Leasehold land and building	50 to 60
Plant and machinery	5 to 10
Motor vehicles	3 to 5
Office equipment and furnishings	3 to 10
Computers	3 to 5
Container cabins	5

Freehold land has indefinite useful life and is not depreciated. No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the reporting period.

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.

Prior to 1 January 2019, 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. Effective from 1 January 2019, all leased assets were classified as right-of-use assets and accounted for in accordance with Note 2.6 to the financial statements.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible asset

Computer software

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

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

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

2.6 Leases

As lessee

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

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

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

Initial measurement

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (Continued)

As lessee (Continued)

Initial measurement (Continued)

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

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

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

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

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

Subsequent measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

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

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.6 **Leases** (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

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

Accounting policy prior to 1 January 2019

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 capitalised as property, plant and equipment 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 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.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

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

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

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

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

2.8 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

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

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

Derecognition of financial assets

The Group 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.8 **Financial instruments** (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the 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.

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 as the Group does not have financial liabilities at fair value through profit or loss.

Other financial liabilities

Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Bank borrowings

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

Financial guarantee contracts

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

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

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

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

Derecognition of financial liabilities

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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. Obsolete, slow-moving and defective inventories are written down to its net realisable value.

2.10 Cash and bank balances

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents excludes fixed deposits.

2.11 Revenue recognition

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

Sale of goods

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Revenue recognition (Continued)

Sale of goods (Continued)

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

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

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

Service income

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

Dividend income

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

Interest income

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Retirement benefit costs

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

2.13 Employee leave entitlements

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

2.14 Borrowing costs

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

2.15 Taxes

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

Current income tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

Deferred tax liabilities are recognised on taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 reporting period.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

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

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

Sales tax

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

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

- receivables and payables that are stated with the amount of sales tax included.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Dividends

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

2.17 Foreign currency transactions and translation

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.18 Contingencies

A contingent liability is:

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

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

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

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

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

Contingencies are not recognised on the statement of the financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

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 Provisions

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

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Classification and measurement of financial assets

The Group classifies and measures its financial assets based on the business model that reflects how its financial assets are managed. The Group continuously monitor whether the business model continues to be appropriate and if it is not, whether there has been a change in business model which will result in prospective change to the classification of its financial assets.

The Group monitors impairment of financial assets at amortised cost using the forward-looking expected credit loss model. For trade receivables, management determines the expected credit loss rates by the grouping the customers having similar characteristics into the sectors that they operate to consider if there will be default payment. As for loans to subsidiaries which are measured at amortised cost, management exercises judgements to determine whether there is significant increase in the credit risk profile since initial recognition.

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is indication that the investments in subsidiaries are impaired. Where there is an indication of impairment, the recoverable amounts of the cash-generating unit ("CGU") will be determined using the higher of fair value less costs of disposal or value-in-use method, which requires the use of estimates. Management evaluates, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance changes in technology and operational and financing cash flows. The carrying amount of the Company's investments in subsidiaries as at 31 December 2019 was $9,841,000 (2018: $9,836,000).

(ii) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for its property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amount may not be recoverable. The impairment assessment included critical judgement and estimates in determining the recoverable amounts. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at 31 December 2019 was $20,494,000 (2018: $12,835,000).

(iii) Estimating expected credit loss allowance

The management estimates expected credit loss allowance using a forward-looking expected credit loss ("ECL") model. When measuring ECL, the Group performs a review of the historical trends, default payment and information, profile its customers to determine a reasonable probability of default, which is the key estimate in measuring ECL. The carrying amount of the Group's and the Company's trade and other receivables as at 31 December 2019 were $13,212,000 (2018: $16,089,000) and $10,130,000 (2018: $16,648,000) respectively.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Estimating sales returns

The Group accepts return of goods from customers arising from customary business practices that give rise to variable consideration. In estimating the variable consideration, the Group uses the expected value method to predict the sales returns. Management relies on historical purchasing patterns and product returns of customers, including seasonal trends, to develop its expectation.

Estimates of expected sales returns are sensitive to changes in circumstances and the Group's experience regarding returns may not be representative of customers' actual returns in the future. As at 31 December 2019, the refund liabilities recognised by the Group for return of goods was $1,347,000 (2018: $1,322,000) (Note 14).

(v) Inventory valuation method

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 obsolete inventories based on historical sales activities, estimated future demand, related pricing and their expiry date. 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 2019 was $17,512,000 (2018: $15,170,000).

(vi) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's implicit inherent rate or the incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The incremental borrowing rate applied to lease liabilities as at 31 December 2019 range from 4% to 6.71%. The carrying amount of lease liabilities as at 31 December 2019 was $2,240,000.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Freehold building $'000	Leasehold land $'000	Leasehold building $'000	Construction-in-progress $'000	Office premise $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment and furnishings $'000	Computers $'000	Total $'000
Cost											
Balance at 1 January 2019	**802**	**960**	**1,104**	**9,045**	**654**	**–**	**2,453**	**2,485**	**1,449**	**298**	**19,250**
Adoption of SFRS(I) 16	**–**	**–**	**1,704**	**–**	**–**	**58**	**–**	**–**	**19**	**–**	**1,781**
Balance at 1 January 2019	**802**	**960**	**2,808**	**9,045**	**654**	**58**	**2,453**	**2,485**	**1,468**	**298**	**21,031**
Additions	–	–	–	–	6,470	–	165	605	108	13	7,361
Variable lease payment adjustments	–	–	163	–	–	–	–	–	–	–	163
Disposals	–	–	–	–	–	–	–	(467)	(80)	(123)	(670)
Disposal of a subsidiary (Note 6)	–	–	–	–	–	–	–	–	(5)	–	(5)
Write off	–	–	–	–	–	–	(40)	–	(1)	–	(41)
Currency translation adjustment	(2)	(3)	–	(8)	–	(2)	(5)	(1)	(1)	–	(22)
Balance at 31 December 2019	**800**	**957**	**2,971**	**9,037**	**7,124**	**56**	**2,573**	**2,622**	**1,489**	**188**	**27,817**
Accumulated depreciation and impairment											
Balance at 1 January 2019	**–**	**115**	**564**	**1,768**	**–**	**–**	**979**	**1,425**	**1,311**	**253**	**6,415**
Depreciation charge	–	32	74	229	–	35	231	366	60	19	1,046
Impairment loss	–	–	–	–	–	–	517	–	–	–	517
Disposals	–	–	–	–	–	–	–	(436)	(77)	(123)	(636)
Disposal of a subsidiary (Note 6)	–	–	–	–	–	–	–	–	(2)	–	(2)
Write off	–	–	–	–	–	–	(10)	–	–	–	(10)
Currency translation adjustment	–	(2)	–	(2)	–	(2)	(1)	(1)	1	–	(7)
Balance at 31 December 2019	**–**	**145**	**638**	**1,995**	**–**	**33**	**1,716**	**1,354**	**1,293**	**149**	**7,323**
Carrying amount											
At 31 December 2019	**800**	**812**	**2,333**	**7,042**	**7,124**	**23**	**857**	**1,268**	**196**	**39**	**20,494**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. **PROPERTY, PLANT AND EQUIPMENT** (CONTINUED)

Group	Freehold land $'000	Freehold building $'000	Leasehold land $'000	Leasehold building $'000	Construction-in-progress $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment and furnishings $'000	Computers $'000	Container cabins $'000	Total $'000
Cost											
Balance at 1 January 2018	801	958	1,104	10,560	–	2,195	2,347	1,463	288	8	19,724
Additions	–	–	–	32	654	264	307	47	10	–	1,314
Disposals	–	–	–	–	–	(6)	(169)	–	–	(8)	(183)
Write off	–	–	–	(1,554)	–	–	–	(61)	–	–	(1,615)
Currency translation adjustment	1	2	–	7	–	–	–	–	–	–	10
Balance at 31 December 2018	802	960	1,104	9,045	654	2,453	2,485	1,449	298	–	19,250
Accumulated depreciation											
Balance at 1 January 2018	–	82	546	2,311	–	753	1,284	1,235	235	8	6,454
Depreciation charge	–	33	18	242	–	230	309	93	18	–	943
Disposals	–	–	–	–	–	(2)	(170)	–	–	(8)	(180)
Write off	–	–	–	(785)	–	–	–	(15)	–	–	(800)
Currency translation adjustment	–	–	–	–	–	(2)	2	(2)	–	–	(2)
Balance at 31 December 2018	–	115	564	1,768	–	979	1,425	1,311	253	–	6,415
Carrying amount											
At 31 December 2018	802	845	540	7,277	654	1,474	1,060	138	45	–	12,835

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's property, plant and equipment with carrying amount of $4,465,000 as at 31 December 2019 (2018: $4,591,000) was pledged as a security for the bank loans granted to the Group (Note 16).

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

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

Group	**Leasehold land $'000**	**Leasehold building $'000**	**Office premise $'000**	**Motor vehicles $'000**	**Office equipment $'000**	**Total $'000**
Cost						
Balance at 1 January 2019	**2,808**	**5,759**	**58**	**842**	**19**	**9,486**
Additions	–	–	–	289	12	301
Variable lease payment adjustments	163	–	–	–	–	163
Transfer back to property, plant and equipment	–	–	–	(63)	–	(63)
Currency translation adjustment	–	–	(2)	–	–	(2)
Balance at 31 December 2019	**2,971**	**5,759**	**56**	**1,068**	**31**	**9,885**
Accumulated depreciation						
Balance at 1 January 2019	**564**	**1,424**	**–**	**312**	**–**	**2,300**
Depreciation charge	74	146	35	183	7	445
Transfer back to property, plant and equipment	–	–	–	(63)	–	(63)
Currency translation adjustment	–	–	(2)	–	–	(2)
Balance at 31 December 2019	**638**	**1,570**	**33**	**432**	**7**	**2,680**
Carrying amount						
At 31 December 2019	**2,333**	**4,189**	**23**	**636**	**24**	**7,205**

At 1 January 2019, the Group recognised right-of-use assets for motor vehicles under leases with carrying amount of $530,000. During the financial year, motor vehicles with cost and carrying amount of $63,000 and $Nil respectively was fully settled as at the end of reporting period and had been transferred to property, plant and equipment.

As at 31 December 2019, motor vehicles and office equipment with a carrying amount of $646,000 (2018: $530,000) are secured over the lease liabilities of $360,000 (2018: $308,000). These assets will be seized and returned to lessor in the event of default by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated statement of cash flows

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

	Group	
	2019	**2018**
	$'000	**$'000**
Additions to property, plant and equipment	**7,361**	1,314
Acquired under lease agreements	**(156)**	(67)
Other payables	**(409)**	(320)
Cash payments to acquire property, plant and equipment	**6,796**	927

The assets under construction pertain to construction of a new six-storey building in Singapore which is not ready for use at the end of the reporting period.

Impairment testing

During the financial year, having regards for indicators of impairment based on existing performance of a subsidiary, management carried out an impairment assessment by using the cash-generating unit's ("CGU") smallest group of assets. The main categories of the CGU's assets are freehold land and building and plant and machinery. Whilst the fair value less costs of disposal for the freehold land and building exceeded the carrying amounts, the management had engaged an independent asset appraiser to estimate the market value of the carrying amount of plant and machinery of $1,026,000 as at 31 December 2019. The approach of depreciated replacement cost method had taken into consideration the age and condition of the items, production capacity and operating costs, intensity of usage, amongst others. The most significant input into the valuation model is the age and condition of the plant and machinery. The fair value hierarchy used in determining the above is considered as Level 3 as the assessment included unobservable inputs. Following the impairment assessment, the Group recorded an impairment loss of $517,000 during the financial year in respect of the CGU's plant and machinery, included in the "Other expenses" in the Group's profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

5. INTANGIBLE ASSET

Computer software

	Group	
	2019 $'000	**2018 $'000**
Cost		
Balance at beginning of financial year	**471**	471
Write off	**(22)**	–
Balance at end of financial year	**449**	471
Accumulated amortisation		
Balance at beginning of financial year	**404**	384
Amortisation charge	**20**	20
Write off	**(22)**	–
Balance at end of financial year	**402**	404
Carrying amount		
Balance at end of financial year	**47**	67

The remaining useful life of the computer software is 1 to 3 years (2018: 1 to 4 years).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	**2018**
	$'000	**$'000**
Unquoted equity shares, at cost	**9,841**	9,836

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	**Principal activities**	**Proportion of ownership interest held by the Group**		**Proportion of ownership interest held by non-controlling interests**	
		2019	**2018**	**2019**	**2018**
		%	**%**	**%**	**%**
Held by the Company					
Hock Seng Food Pte Ltd(1) (Singapore)	Import, distribution, wholesale of fast moving consumer goods	**100**	100	**–**	–
Hosen Chocolate Sdn Bhd(2) (Malaysia)	Develop, process, trade and distribute house brand and new chocolate products	**100**	100	**–**	–
Fortune Melinka Pte Ltd(1) (Singapore)	Trading of frozen, dried, canned and seafood related products	**51**	–	**49**	–
Held by Hock Seng Food Pte Ltd					
Hock Seng Food (M) Sdn Bhd(2) (Malaysia)	Import, distribution, wholesale of fast moving consumer goods	**100**	100	**–**	–
Hock Seng Worldwide Sdn Bhd(2) (Malaysia)	Investment holding company	**100**	100	**–**	–
Hock Seng Food (Shanghai) Co., Ltd(3) (People's Republic of China)	Marketing office cum general wholesale of fast moving consumer goods and frozen seafood	**100**	100	**–**	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries (Country of incorporation and principal place of business)	**Principal activities**	**Proportion of ownership interest held by the Group**		**Proportion of ownership interest held by non-controlling interests**	
		2019	**2018**	**2019**	**2018**
		%	**%**	**%**	**%**
Held by Hosen Chocolate Sdn Bhd					
Hosen Chocolate Marketing Sdn Bhd[2] (Malaysia)	Trading and retailing of foods products and other fast moving consumer goods	**100**	100	**–**	–
Held by Hock Seng Food (Shanghai) Co., Ltd					
Shi Chen (Shanghai) Trading Co. Ltd.[4] (People's Republic of China)	Trading of seaweed, frozen seafood products and other fast moving consumer goods	**–**	51	**–**	49

Notes:
(1) Audited by BDO LLP, Singapore.
(2) Audited by overseas member firm of the BDO Network in Malaysia.
(3) Audited by Shanghai Willfly Certified Public Accountants Co., Ltd, People's Republic of China.
(4) Disposed in December 2019.

Significant restrictions

Cash and bank balances of $265,000 (2018: $443,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

Incorporation of a subsidiary

During the financial year, the Company incorporated a 51% owned subsidiary, Fortune Melinka Pte. Ltd. ("Fortune Melinka"), a company incorporated in Singapore, with a paid-up share capital of $5,100.

Fortune Melinka has not commenced operations as of year-end and no disclosure for non-controlling interests has been presented as the amounts are insignificant.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. **INVESTMENTS IN SUBSIDIARIES** (CONTINUED)

Disposal of a subsidiary

In the previous financial year, the Company's wholly-owned subsidiary, Hock Seng Food (Shanghai) Co., Ltd. ("HSFS") incorporated a 51% owned subsidiary, Shi Chen (Shanghai) Trading Co. Ltd. ("Shi Chen") in the People's Republic of China. On 2 January 2019, HSFS injected cash of RMB255,000 (equivalent to $52,000) as paid-up capital and equity interest remains at 51%.

In December 2019, HSFS disposed of its entire 51% equity interest in Shi Chen to a third party for a cash consideration of RMB5,000 (equivalent to $1,000). The gain on disposal of a subsidiary of $148,000 was recognised in the "Other income" in the Group's profit or loss for the financial year.

The effects of the disposal as at the date of disposal were as follows:

	2019 **$'000**
Property, plant and equipment	**3**
Trade and other receivables	**265**
Inventories	**756**
Trade and other payables	**(1,312)**
Net identifiable liabilities	**288**
51% of net identifiable liabilities	**147**
Consideration received in cash	**1**
Gain on disposal of a subsidiary (Note 23)	**148**

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

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

The fair value of unlisted equity investment was derived using adjusted net assets of the unlisted equity investment as at 31 December 2019, which approximated the carrying amount of $Nil (2018: $Nil).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Other receivables				
– Loan to a subsidiary	**–**	–	**–**	4,234
Prepayment	**25**	504	**–**	–
	25	504	**–**	4,234
Current				
Trade receivables				
– Third parties	**12,716**	14,144	**–**	–
Loss allowance	**(1,764)**	(522)	**–**	–
	10,952	13,622	**–**	–
Other receivables				
– Third parties	**1,837**	179	**–**	–
– Loans to subsidiaries	**–**	–	**16,808**	12,407
– A related party	**399**	–	**–**	–
Loss allowance				
– Third parties	**(455)**	–	**–**	–
– Loans to subsidiaries	**–**	–	**(6,685)**	–
– A related party	**(399)**	–	**–**	–
	12,334	13,801	**10,123**	12,407
Advance payments to suppliers	**508**	1,320	**–**	–
Deposits	**61**	95	**–**	–
Prepayments	**284**	369	**7**	7
Total trade and other receivables – current	**13,187**	15,585	**10,130**	12,414
Add:				
Other receivables – non-current	**25**	504	**–**	4,234
Total trade and other receivables	**13,212**	16,089	**10,130**	16,648
Less:				
– Advance payments to suppliers	**(508)**	(1,320)	**–**	–
– Goods and services tax	**(50)**	(68)	**–**	–
– Prepayments	**(309)**	(873)	**(7)**	(7)
	12,345	13,828	**10,123**	16,641
Add:				
– Fixed deposits	**32**	31	**–**	–
– Cash and bank balances	**5,260**	5,449	**88**	51
Financial assets at amortised cost	**17,637**	19,308	**10,211**	16,692

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

The non-current prepayment pertained to non-refundable deposit paid for purchase of a new motor vehicle. In previous financial year, the non-current prepayment pertained to down-payment paid to supplier in relation to construction costs of a new six-storey building and will be utilised as part of settlement of construction costs.

The trade amounts due from third parties are unsecured, interest-free and repayable within the normal credit terms of 14 to 90 days (2018: 14 to 90 days), in cash.

The current loans to subsidiaries are unsecured, repayable on demand and bore interests from 3% to 4% (2018: 2.8% to 3%) per annum.

In previous financial year, non-current loan to a subsidiary of $4,234,000 was unsecured and bore interest at rate of 3% per annum, was to be repaid over the next 30 years between 2023 and 2052.

The management estimates expected credit loss allowance using a forward-looking expected credit loss ("ECL") model. When measuring ECL, the Group performs a review of the historical trends, default payment information and profile its customers to determine a reasonable probability of default. There is no change in the estimation techniques made in assessing loss allowance during the year. The lifetime expected loss allowance made for the Group's third party trade receivables at each reporting period were as follows:

	Current	**1 to 3 months past due**	**3 to 6 months past due**	**6 to 12 months past due**	**More than 12 months past due**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
31 December 2019						
Weighted average loss rate	***0.42%***	***3.46%***	***6.44%***	***11.11%***	***15.02%***	
Trade receivables						
– Third parties	**7,097**	**3,391**	**548**	**270**	**1,410**	**12,716**
Loss allowance						
– Non-credit impaired	**30**	**117**	**28**	**2**	**35**	**212**
– Credit impaired	**–**	**10**	**113**	**252**	**1,177**	**1,552**
	30	**127**	**141**	**254**	**1,212**	**1,764**
31 December 2018						
Weighted average loss rate	*0.06%*	*1.14%*	*1.50%*	*8.07%*	*8.12%*	
Trade receivables						
– Third parties	7,057	5,556	687	177	667	14,144
Loss allowance						
– Non-credit impaired	4	63	10	13	28	118
– Credit impaired	25	21	20	16	322	404
	29	84	30	29	350	522

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in loss allowance for third party trade receivables:

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**522**	581
Loss allowance made/(reversed) during the financial year	**1,321**	(24)
Amount written off as uncollectible	**(82)**	(32)
Currency translation difference	**3**	(3)
Balance at end of financial year	**1,764**	522

Movement in loss allowance for third party other receivables:

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**–**	–
Loss allowance made during the financial year	**455**	–
Balance at end of financial year	**455**	–

Movement in loss allowance for a related party other receivables:

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**–**	–
Loss allowance made during the financial year	**399**	–
Balance at end of financial year	**399**	–

Movement in loss allowance for loans to subsidiaries:

	Company	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**–**	440
Loss allowance made/(reversed) during the financial year	**6,685**	(440)
Balance at end of financial year	**6,685**	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Loss allowance on non-trade amounts due from subsidiaries amounting to $6,685,000 arose mainly from a subsidiary with balance of $6,214,000 suffering from significant losses from its operations where it is not probable that the balances due from this subsidiary will be recoverable in the foreseeable future. Consequently, the amount due from this subsidiary is considered as credit impaired. In addition, an allowance of $471,000 was mainly from a subsidiary based on forward looking expected credit loss model.

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

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**5,531**	6,466	**9,987**	16,641
United States dollar	**2,641**	3,481	**136**	–
Ringgit Malaysia	**3,935**	3,564	**–**	–
Euro	**–**	220	**–**	–
Chinese renminbi	**238**	97	**–**	–
	12,345	13,828	**10,123**	16,641

9. INVENTORIES

	Group	
	2019	**2018**
	$'000	**$'000**
Raw materials	**329**	591
Work-in-progress	**51**	127
Finished goods and goods for resale	**13,313**	12,766
Goods-in-transit	**3,819**	1,686
	17,512	15,170

The cost of inventories recognised as an expense in profit or loss and included in "Cost of sales" line item amounted to $53,716,000 (2018: $54,517,000).

During the financial year, the Group carried out a review of the net realisable value of its inventories which led to the write-down of inventories by $582,000 (2018: $303,000) recognised in "Other expenses" in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

	Group	
	2019	**2018**
	$'000	**$'000**
Quoted equity securities, at fair value	**3**	3

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

The quoted equity securities are denominated in Singapore dollar.

11. FIXED DEPOSITS

Group

Fixed deposits earn interests at 3.10% (2018: 3.35%) per annum and are for a tenure of approximately 365 days (2018: 365 days).

At each reporting date, fixed deposit amounting to $32,000 (2018: $31,000) was pledged to a bank as security for unpaid stamp duty on credit facility granted to a subsidiary.

The fixed deposits are denominated in Ringgit Malaysia.

12. CASH AND BANK BALANCES

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**1,305**	1,279	**81**	44
United States dollar	**986**	732	**7**	7
Ringgit Malaysia	**2,697**	2,913	**–**	–
Euro	**7**	82	**–**	–
Chinese renminbi	**265**	443	**–**	–
	5,260	5,449	**88**	51

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– Third parties	**4,855**	4,652	**–**	–
– Goods and services tax	**432**	355	**–**	–
– Related parties	**3**	3	**–**	–
– Advance receipts from customers	**404**	1,038	**–**	–
Other payables				
– Directors' fees	**81**	83	**81**	83
– Third parties	**486**	724	**22**	27
– Accrued expenses	**1,860**	2,208	**70**	55
Total trade and other payables	**8,121**	9,063	**173**	165
Less:				
– Goods and services tax	**(432)**	(355)	**–**	–
– Advance receipts from customers	**(404)**	(1,038)	**–**	–
	7,285	7,670	**173**	165
Add:				
– Lease liabilities/Finance lease payables	**2,240**	308	**–**	–
– Bank borrowings	**16,852**	9,736	**–**	–
Total financial liabilities carried at amortised cost	**26,377**	17,714	**173**	165

The average credit period on purchases on goods is 30 to 90 days (2018: 30 to 90 days).

The amounts due to related parties and Directors are unsecured, interest-free and repayable on demand.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**1,937**	1,906	**173**	165
United States dollar	**4,084**	3,406	**–**	–
Ringgit Malaysia	**1,172**	1,367	**–**	–
Euro	**13**	197	**–**	–
Chinese renminbi	**79**	794	**–**	–
	7,285	7,670	**173**	165

14. REFUND LIABILITIES

The Group recognises refund liabilities for return of goods and sales rebates. Sales returns represent management's best estimate of the present value of the future outflow of economic benefits arising from the Group accepting return of goods from customers arising from customary business practices. The estimates have been made on the basis of historical purchasing patterns and product returns of customers, including seasonal trends. Sales rebates are contractual sales rebates provided to certain customers based on sales transactions for the financial year. As at 31 December 2019, the refund liabilities recognised for return of goods and sales rebates were $1,347,000 (2018: $1,322,000) and $365,000 (2018: $404,000) respectively.

15. LEASE LIABILITIES/FINANCE LEASE PAYABLES

Group	**Leasehold land $'000**	**Office premise $'000**	**Motor vehicles $'000**	**Office equipment $'000**	**Total $'000**
Balance at 1 January 2019					
– Finance lease payables under SFRS(I) 1-17	**–**	**–**	**308**	**–**	**308**
– Adoption of SFRS(I) 16 (Note 2.1)	**1,704**	**58**	**–**	**19**	**1,781**
	1,704	**58**	**308**	**19**	**2,089**
Additions	**–**	**–**	**144**	**12**	**156**
Interest expense (Note 24)	**74**	**2**	**27**	**2**	**105**
Variable lease payment adjustments	**163**	**–**	**–**	**–**	**163**
Lease payments					
– Principal portion	**(25)**	**(34)**	**(103)**	**(6)**	**(168)**
– Interest portion	**(74)**	**(2)**	**(27)**	**(2)**	**(105)**
Balance at 31 December 2019	**1,842**	**24**	**349**	**25**	**2,240**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. LEASE LIABILITIES/FINANCE LEASE PAYABLES (CONTINUED)

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

	Group	
	2019	**2018**
	$'000	**$'000**
Contractual undiscounted cash flows		
– Not later than a year	**262**	119
– After 1 year but within 5 years	**699**	227
– More than five years	**2,625**	–
	3,586	346
Less: Future interest expense	**(1,346)**	(38)
Present value of lease liabilities	**2,240**	308
Presented in consolidated statement of financial position		
– Non-current	**2,068**	202
– Current	**172**	106
	2,240	308

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

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

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

	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity $'000
31 December 2019				
Leasehold land leases with:				
– payments linked to index	**1**	**–**	**82**	**+92**
Leases of office premise, motor vehicles and office equipment	**10**	**18**	**–**	**–**
	11	**18**	**82**	**+92**

As at 31 December 2018, the Group leases certain motor vehicles and office equipment under finance leases and the average effective interest rate for the finance lease payables was 4.68% to 8.07% per annum.

15. LEASE LIABILITIES/FINANCE LEASE PAYABLES (CONTINUED)

The Group's lease liabilities of $360,000 (2018: $308,000) are secured by the leased assets (Note 4), which will revert to the lessors in the event of default by the Group.

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

	Group	
	2019	**2018**
	$'000	**$'000**
Singapore dollar	**2,164**	216
Ringgit Malaysia	**53**	92
Chinese renminbi	**23**	–
	2,240	308

16. BANK BORROWINGS

	Group	
	2019	**2018**
	$'000	**$'000**
Current		
Secured:		
Bank loans	**294**	294
Unsecured:		
Short-term bank loans	**3,650**	500
Bills payable	**10,398**	6,134
	14,342	6,928
Non-current		
Secured:		
Bank loans	**2,510**	2,808
Total bank borrowings	**16,852**	9,736

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

16. BANK BORROWINGS (CONTINUED)

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

	Group	
	2019	**2018**
	%	**%**
Short-term bank loans	**2.58**	2.41
Long-term bank loans	**3.99**	3.70
Bills payable	**2.68**	4.48

Bills payable are repayable within 30 to 150 days (2018: 30 to 150 days).

The Group's short-term bank loans are repayable within 1 to 2 months (2018: 1 to 2 months) and are due by January 2020 (2018: January 2019).

The Group has two principal bank loans:

a. A loan of $1,625,000 (2018: $1,832,000) was drawn down in April 2014. Repayments had commenced in May 2014 and will continue until April 2029.

b. A loan of $1,179,000 (2018: $1,270,000) was drawn down in September 2015. Repayments had commenced in October 2015 and will continue until September 2030.

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

The currency profiles of bank borrowings are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Singapore dollar	**11,148**	4,042
Ringgit Malaysia	**5,704**	5,694
	16,852	9,736

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

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17. DEFERRED TAX LIABILITIES

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**127**	267
Charge/(Credit) to profit or loss	**130**	(140)
Balance at end of financial year	**257**	127

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

18. SHARE CAPITAL

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Issued and paid up:		
357,178,846 ordinary shares at beginning and end of financial year	**28,431**	28,431

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

19. TREASURY SHARES

	Group and Company			
	2019	**2018**	**2019**	**2018**
	Number of ordinary shares		**$'000**	**$'000**
Balance at beginning and end of financial year	**32,278,000**	32,278,000	**3,654**	3,654

20. FOREIGN CURRENCY TRANSLATION ACCOUNT

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

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**(298)**	(392)
Exchange differences arising on translation of foreign operations	**88**	94
Balance at end of financial year	**(210)**	(298)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. FAIR VALUE RESERVE

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

22. REVENUE

Disaggregation of revenue

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

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data; and
- enable users to understand the relationship with revenue segment information provided in Note 31 to the financial statements.

Segments	**House brands**		**Non-house brands**		**Total**	
	2019 **$'000**	**2018** **$'000**	**2019** **$'000**	**2018** **$'000**	**2019** **$'000**	**2018** **$'000**
Type of good or service						
Goods	**51,049**	50,262	**15,943**	17,736	**66,992**	67,998
Services	**221**	206	**98**	107	**319**	313
	51,270	50,468	**16,041**	17,843	**67,311**	68,311

Assets recognised from rights to the recovered goods

The Group has recognised an asset in relation to the right to the recovered goods for sales returns from customers amounting to $992,000 (2018: $1,051,000). This is presented within "Other current assets" in the Group's statement of financial position.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. OTHER INCOME

	Group	
	2019	**2018**
	$'000	**$'000**
Gain on disposal of property, plant and equipment	**74**	37
Gain on foreign exchange, net	**–**	66
Government incentives	**104**	62
Interest income	**32**	8
Gain on disposal of a subsidiary	**148**	–
Others	**24**	40
	382	213

24. FINANCE COSTS

	Group	
	2019	**2018**
	$'000	**$'000**
Interest expenses on:		
– Bills payable	**288**	227
– Term loans	**147**	121
– Lease liabilities (Note 15)	**105**	12
	540	360

NOTES TO THE **FINANCIAL STATEMENTS**

25. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Group	
	2019	**2018**
	$'000	**$'000**
Cost of sales		
Depreciation of property, plant and equipment	**169**	196
Selling and distribution expenses		
Advertisements	**226**	602
Delivery outwards	**466**	307
Promotions	**481**	683
Transports and travelling	**294**	332
Staff costs		
– other short-term benefits	**540**	582
Administrative expenses		
Audit fees		
– auditors of the Company	**97**	73
– other auditors	**21**	19
Non-audit fees		
– auditors of the Company	**47**	11
– other auditors	**2**	3
Directors' fees+	**84**	86
Directors' remuneration		
– Directors of the Company	**930**	1,209
– Directors of a subsidiary	**512**	398
Staff costs		
– salaries, bonuses and other short-term benefits++	**3,924**	3,650
– employer's contributions to defined contribution plan++	**489**	484
Other expenses		
Bad debts written off – trade	**21**	–
Write-down of inventories	**582**	303
Amortisation of intangible asset	**20**	20
Depreciation of property, plant and equipment	**877**	747
Property, plant and equipment written off	**31**	815
Fair value loss arising from financial assets, at fair value through profit or loss	**–**	3
Loss on foreign exchange,net	**88**	–
Impairment of property, plant and equipment	**517**	–
Operating leases – rental of premises and leasehold land	**–**	224
Short-term leases – office premise	**155**	–

\+ Included in the Directors' fees are fees declared by a subsidiary to the Directors in their capacity as Directors of the subsidiary of approximately $3,000 (2018: $3,000).

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. INCOME TAX EXPENSE

	Group	
	2019	**2018**
	$'000	**$'000**
Current income tax		
– current year	**338**	699
– over-provision in prior years	**(120)**	(110)
	218	589
Deferred tax		
– current year	**(104)**	(280)
– under-provision in prior years	**234**	140
	130	(140)
Total income tax expense	**348**	449

The income tax expense varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% (2018: 17%) to (loss)/profit before income tax as a result of the following differences:

	Group	
	2019	**2018**
	$'000	**$'000**
(Loss)/Profit before income tax	**(996)**	1,326
Income tax calculated at Singapore statutory tax rate of 17% (2018:17%)	**(169)**	225
Effect of different income tax rate of subsidiaries operating in another jurisdiction	**(20)**	62
Tax effect of:		
– expenses not deductible for income tax purposes	**340**	115
– income not subject to income tax	**(122)**	(91)
– income tax exemption	**(20)**	(44)
Deferred tax benefits not recognised	**214**	140
Utilisation of deferred tax benefits not recognised	**–**	(16)
(Over)/Under-provision in prior financial years		
– current income tax	**(120)**	(110)
– deferred tax	**234**	140
Corporate income tax rebate	**–**	(13)
Other items	**11**	41
	348	449

NOTES TO THE **FINANCIAL STATEMENTS**

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26. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**605**	543
Amount not recognised in profit or loss	**214**	140
Utilisation of deferred tax assets not recognised previously	**–**	(16)
Unutilised tax losses expired	**(50)**	(62)
Balance at end of financial year	**769**	605

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

	Group	
	2019	**2018**
	$'000	**$'000**
Unutilised tax losses	**3,337**	2,704
Property, plant and equipment	**1,034**	708
Other temporary differences	**152**	144

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

	Group	
	2019	**2018**
	$'000	**$'000**
Unutilised tax losses to be expired in financial year ended		
31 December 2019	**–**	292
31 December 2020	**370**	370
31 December 2021	**144**	144
31 December 2022	**87**	87
31 December 2023	**184**	206
31 December 2024	**254**	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. (LOSS)/EARNINGS PER SHARE

The calculation of the earnings per share is based on:

	Group	
	2019	**2018**
(Loss)/Profit after income tax attributable to owners of the parent ($'000)	**(936)**	892
Weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year applicable to basic and diluted earnings per share	**324,900,846**	324,900,846
Basic and diluted (loss)/earnings per share (in cents)	**(0.29)**	0.27

The calculations for basic (loss)/earnings per share for the relevant periods are based on the (loss)/profit attributable to owners for the financial years ended 31 December 2019 and 2018 divided by the weighted average of ordinary shares in the relevant periods.

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

28. DIVIDENDS

	Group and Company	
	2019	**2018**
	$'000	**$'000**
First and final tax-exempt dividend paid of 0.10 cents per share in respect of the financial year ended 31 December 2017	**–**	325

The Company did not recommend any dividend in respect of the financial year ended 31 December 2019.

NOTES TO THE **FINANCIAL STATEMENTS**

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29. CONTINGENT LIABILITIES AND COMMITMENTS

29.1 Lease commitments

When the Group is a lessee

As at 31 December 2018, commitments in respect of non-cancellable operating leases in respect of office premises, leasehold land and office equipment were as follows:

	Group 2018 $'000
Future minimum lease payments payable:	
Within one year	231
After one year but within five years	408
After five years	2,481
	3,120

The operating lease commitments as at 31 December 2018 were based on existing rates. The lease agreements provided for periodic revision of such rates in the future. These leases had varying terms and renewal options. There were no contingent rentals.

29.2 Corporate guarantees

As at 31 December 2019, the Company had given guarantees amounting to $13,268,000 (2018: $6,078,000) to certain banks in respect of banking facilities utilised by the subsidiaries. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facilities and the risk of default is considered to be minimal by considering their credit risk profiles and the presence of underlying assets as disclosed in Note 4 to the financial statements to secure the loans.

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

29.3 Capital commitment

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

	Group	
	2019 $'000	**2018 $'000**
Capital expenditure contracted but not provided for property, plant and equipment	**148**	6,056

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2019	**2018**
	$'000	**$'000**
With related parties		
Sales to related parties	**–**	20
Purchases from related parties	**264**	55

	Company	
	2019	**2018**
	$'000	**$'000**
With subsidiaries		
Loans to subsidiaries	**2,416**	1,490
Repayment of loan from a subsidiary	**2,766**	2,115
Interest income from subsidiaries	**516**	471

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

Key management personnel remuneration

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

	Group	
	2019	**2018**
	$'000	**$'000**
Salaries, bonuses and other short-term benefits	**1,701**	1,895
Employer's contributions to defined contribution plan	**142**	96
Directors' fees to Directors of the Company	**81**	83
Directors' fees to Directors of a subsidiary	**3**	3
	1,927	2,077
Analysed into:		
– Directors of the Company	**1,011**	1,292
– Directors of subsidiaries	**515**	401
– Other key management personnel	**401**	384
	1,927	2,077

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. SEGMENT INFORMATION

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

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

Principal activities of each business segment are as follows:

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. SEGMENT INFORMATION (CONTINUED)

	House brands $'000	Non-house brands $'000	Total $'000
2019			
External revenue	51,270	16,041	67,311
Inter-segment revenue	5,106	1,224	6,330
Total revenue	56,376	17,265	73,641
Interest income	31	1	32
Interest expense	(461)	(79)	(540)
Depreciation of property, plant and equipment	(864)	(182)	(1,046)
Amortisation of intangible asset	(15)	(5)	(20)
Other non-cash items:			
Loss allowance made on third party trade and other receivables	(1,524)	(569)	(2,093)
Bad debt written off – trade	(15)	(6)	(21)
Write-down of inventories	(462)	(120)	(582)
Property, plant and equipment written off	(22)	(9)	(31)
Impairment of property, plant and equipment	(517)	–	(517)
Segment profit	1,610	(1,491)	119
Assets			
Segment assets	41,433	10,818	52,251
Capital expenditure	5,216	2,145	7,361
Liabilities			
Segment liabilities	19,070	9,379	28,449

NOTES TO THE **FINANCIAL STATEMENTS**

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31. **SEGMENT INFORMATION** (CONTINUED)

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

	Total $'000
2019	
Revenue	
Total revenue for reportable segments	73,641
Elimination of inter-segment revenue	(6,330)
Consolidated revenue	67,311
Profit or loss	
Total segment profit	119
Unallocated corporate expenses	(575)
Other expenses	(540)
Consolidated loss before income tax	(996)
Assets	
Segment assets	52,251
Other unallocated assets	5,301
Consolidated total assets	57,552
Liabilities	
Segment liabilities	28,449
Other unallocated liabilities	780
Consolidated total liabilities	29,229

NOTES TO THE **FINANCIAL STATEMENTS**

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31. SEGMENT INFORMATION (CONTINUED)

	House brands $'000	Non-house brands $'000	Total $'000
2018			
External revenue	50,468	17,843	68,311
Inter-segment revenue	5,531	57	5,588
Total revenue	55,999	17,900	73,899
Interest income	7	1	8
Interest expense	(330)	(30)	(360)
Depreciation of property, plant and equipment	(755)	(188)	(943)
Amortisation of intangible asset	(14)	(6)	(20)
Other non-cash items:			
Loss allowance reversed/(made) on third party trade receivables	32	(8)	24
Write-down of inventories	(255)	(48)	(303)
Property, plant and equipment written off	(556)	(259)	(815)
Segment profit	2,603	(603)	2,000
Assets			
Segment assets	34,359	10,899	45,258
Capital expenditure	1,027	287	1,314
Liabilities			
Segment liabilities	15,204	4,656	19,860

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. SEGMENT INFORMATION (CONTINUED)

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

	Total $'000
2018	
Revenue	
Total revenue for reportable segments	73,899
Elimination of inter-segment revenue	(5,588)
Consolidated revenue	68,311
Profit or loss	
Total segment profit	2,000
Unallocated corporate expenses	(314)
Other expenses	(360)
Consolidated profit before income tax	1,326
Assets	
Segment assets	45,258
Other unallocated assets	5,437
Consolidated total assets	50,695
Liabilities	
Segment liabilities	19,860
Other unallocated liabilities	1,454
Consolidated total liabilities	21,314

Geographical information

Revenue from external customers and location of non-current assets

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

	Total 2019 $'000	 2018 $'000
Total revenue from external customers		
Singapore	**31,727**	29,994
Malaysia	**17,993**	17,199
Others*	**17,591**	21,118
	67,311	68,311

31. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Revenue from external customers and location of non-current assets (Continued)

	Total	
	2019	**2018**
	$'000	**$'000**
Non-current assets		
Singapore	**15,023**	7,136
Malaysia	**5,520**	6,264
Others*	**23**	6
	20,566	13,406

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

The Group's customers comprise mainly wholesale distributors and retailers. The Group sells products to a diversed base of customers and is not reliant on any customer for its sales. As such, none of the customer accounted for 10% or more of the Group's total revenue for each of the reporting period.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

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

32.1 Credit risks

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

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.1 Credit risks (Continued)

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for amount due from subsidiaries amounting to $10,123,000 (2018: $16,641,000) representing 99% (2018: 99%) of the total trade and other receivables as at the end of each reporting date.

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

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

For amounts due from subsidiaries (Note 8), Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitor and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their financial performance and any default in external debt. For those where the credit risk has not increased significantly since initial recognition, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

For other receivables, the Board of Directors monitors and assess at each reporting date on any indicator of significant increase in credit risk on these other receivables. As at 31 December 2019, lifetime expected credit losses are recognised for those which are determined to be credit impaired as disclosed in Note 8 to the financial statements.

Further disclosure regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 8 to the financial statements.

Cash and bank balances are placed with financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by investing only in liquid securities and only with counterparties that have good credit ratings. The cash and bank balances are held with banks and financial institution counterparties which are rated within Baa2 to Aa1 (2018: Baa2 to Aa1), based on Moody's rating. Management does not expect these counterparties to fail to meet their obligations.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks

Foreign currency risks

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

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

	SGD $'000	USD $'000	RM $'000	EUR $'000	RMB $'000	Total $'000
Group						
31 December 2019						
Total financial assets	**20,845**	**4,835**	**7,127**	**7**	**503**	**33,317**
Total financial liabilities	**(35,729)**	**(7,957)**	**(7,683)**	**(13)**	**(768)**	**(52,150)**
	(14,884)	**(3,122)**	**(556)**	**(6)**	**(265)**	**(18,833)**
(Less)/Add:						
Net financial liabilities denominated in the respective entities' functional currencies	**4,414**	**601**	**904**	**–**	**238**	**6,157**
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**(10,470)**	**(2,521)**	**348**	**(6)**	**(27)**	**(12,676)**
31 December 2018						
Total financial assets	29,284	5,671	6,858	302	1,238	43,353
Total financial liabilities	(29,247)	(6,235)	(8,017)	(197)	(794)	(44,490)
	37	(564)	(1,159)	105	444	(1,137)
(Less)/Add:						
Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(10,021)	–	1,543	–	226	(8,252)
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(9,984)	(564)	384	105	670	(9,389)

NOTES TO THE **FINANCIAL STATEMENTS**

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32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Foreign currency risks (Continued)

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

Foreign currency sensitivity analysis

The Group is mainly exposed to SGD and USD.

The following table details the Group's sensitivity to a 4% (2018: 10%) change in SGD and USD. The sensitivity analysis assumes an instantaneous 4% (2018: 10%) change in the foreign currency exchange rates from the end of the reporting date, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD and USD are included in the analysis.

	(Decrease)/Increase Profit or loss	
	2019	**2018**
	$'000	**$'000**
Group		
Singapore dollar		
Strengthened against Ringgit Malaysia and United States dollar	**(419)**	(998)
Weakened against Ringgit Malaysia and United States dollar	**419**	998
United States dollar		
Strengthened against the respective entities' functional currency	**(101)**	(56)
Weakened against the respective entities' functional currency	**101**	56

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Interest rate risk

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

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

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting date and the stipulated change taking place at the beginning of each reporting period and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis points (2018: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points (2018: 50 basis points) higher or lower and all other variables were held constant, the Group's profit for the financial year ended 31 December 2019 would decrease/increase by approximately $84,000 (2018: $49,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Equity price risk

The Group is exposed to equity risk arising from equity investments classified as financial assets, at fair value through profit or loss.

Further details of these equity investments can be found in Note 10 to the financial statements.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.3 Liquidity risks

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

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

Contractual maturity analysis

	Effective interest rate %	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000	Total $'000
Group					
31 December 2019					
Financial liabilities					
Non-interest bearing					
Trade and other payables*		**7,285**	**–**	**–**	**7,285**
Interest bearing					
Lease liabilities	**4.00 – 6.71**	**262**	**699**	**2,625**	**3,586**
Bank borrowings	**2.58 – 4.00**	**14,511**	**1,529**	**1,421**	**17,461**
		22,058	**2,228**	**4,046**	**28,332**
31 December 2018					
Financial liabilities					
Non-interest bearing					
Trade and other payables*		7,670	–	–	7,670
Interest bearing					
Finance lease payables	4.68 – 8.07	119	227	–	346
Bank borrowings	2.41 – 4.48	7,075	1,530	1,796	10,401
		14,864	1,757	1,796	18,417

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Within 1 year $'000
Company	
31 December 2019	
Financial liabilities	
Trade and other payables*	**173**
Financial guarantee contracts	**13,268**
31 December 2018	
Financial liabilities	
Trade and other payables*	165
Financial guarantee contracts	6,078

* Excludes goods and services tax and advance receipts from customers.

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

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

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

33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments whose carrying amount approximates fair value

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

33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial instruments carried at fair value

Fair value hierarchy

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

There were no transfers between levels during the financial year.

34. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

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

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

The Group and the Company are in compliance with external imposed capital requirements for the financial years ended 31 December 2019 and 2018.

35. SUBSEQUENT EVENT

The Covid-19 pandemic had already caused many industries to shut down with trade and travel worldwide were seriously disrupted. In light of the announcement by the government of Malaysia on the implementation of a nationwide Movement Control Order ("MCO") from 18 March 2020 to 14 April 2020 under the Prevention and Control of Infectious Diseases Act 1988 and Police Act 1967, one of the subsidiaries, Hosen Chocolate Sdn Bhd ("Hosen Choc"), has stopped its chocolate manufacturing operations in Senai, Johor until 14 April 2020. On the other hand, another operating subsidiary, Hock Seng Food (M) Sdn Bhd, which trades in FMCG products which are considered essential, has not been affected by the MCO and continues to operate as usual. It is uncertain that the impact of Covid-19 pandemic and the MCO may have on the Group's performance for the financial year ending 31 December 2020 at this juncture.

ANALYSIS OF **SHAREHOLDINGS**

AS AT 18 MARCH 2020

NO OF SHARES ISSUED (excluding Treasury Shares and Subsidiary holdings)	:	324,900,846
NUMBER/PERCENTAGE OF TREASURY SHARES	:	32,278,000 (9.93%)
NUMBER OF SUBSIDIARY HOLDINGS	:	NIL
CLASS OF SHARES	:	ORDINARY SHARE
VOTING RIGHTS	:	1 VOTE PER SHARE

SIZE OF SHAREHOLDINGS	**NO. OF SHAREHOLDERS**	**%**	**NO. OF SHARES**	**%**
1 – 99	23	2.45	632	0.00
100 – 1,000	148	15.78	62,578	0.02
1,001 – 10,000	233	24.84	1,404,226	0.43
10,001 – 1,000,000	503	53.62	52,305,647	16.10
1,000,001 & ABOVE	31	3.31	271,127,763	83.45
TOTAL	**938**	**100.00**	**324,900,846**	**100.00**

	TOP TWENTY SHAREHOLDERS AS AT 18 MARCH 2020	**NO. OF SHARES**	**%**
1	LIM HAI CHEOK	65,000,000	20.00
2	CHONG POH SOON	64,843,750	19.96
3	HSBC (SINGAPORE) NOMINEES PTE LTD	30,009,000	9.24
4	LIM KIM ENG	17,812,500	5.48
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	15,869,100	4.89
6	LIM HOCK CHYE DANIEL	6,613,000	2.04
7	DBS NOMINEES PTE LTD	6,244,500	1.92
8	LIM MEI YAN JANE	4,293,000	1.32
9	CITIBANK NOMINEES SINGAPORE PTE LTD	4,210,000	1.30
10	WANG LILING	3,664,452	1.13
11	YE MEIYING	3,610,000	1.11
12	JAMES ALVIN LOW YIEW HOCK	3,197,400	0.98
13	KONG AI LIAN MABELINE (KANG AILIAN MABELINE)	3,190,500	0.98
14	GOH CHIN KEOW	3,014,000	0.93
15	NOMURA SINGAPORE LIMITED	3,000,000	0.92
16	PHILLIP SECURITIES PTE LTD	2,741,995	0.84
17	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,693,100	0.83
18	OCBC SECURITIES PRIVATE LTD	2,678,000	0.82
19	CHIA GEK HOONG ANGELINE	2,516,000	0.77
20	CHEW THYE CHUAN OR TAN SEW MAI	2,402,400	0.74
		247,602,697	**76.20**

ANALYSIS OF **SHAREHOLDINGS**

AS AT 18 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

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

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

Percentage of Shareholding in the Hands of the Public

As at 18 March 2020, approximately 49.36% of the Company’s shares (excluding treasury shares and subsidiary holdings) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules of the Singapore Exchange Securities Trading Limited.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS:

WEE PIEW	Non-Executive Independent Chairman
LIM HAI CHEOK	Executive Director 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

SECRETARY:
LAI FOON KUEN

SHARE REGISTRAR:
B.A.C.S. PRIVATE LIMITED
8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: (65) 6593 4848
Fax: (65) 6593 4847

AUDITOR:
BDO LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

PARTNER-IN-CHARGE:
GOH CHERN NI
(Appointed since the financial year ended 31 December 2018)

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

SPONSORS:
PRIMEPARTNERS CORPORATE FINANCE PTE LTD
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

REGISTERED PROFESSIONAL:
JOSEPH AU

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

HOSENGROUP
LTD

HOSEN GROUP LTD
Company Registration No.: 200403029E

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