



STRENGTHENING **GROWTH**
EXPANDING BRAND PRESENCE

2015 ANNUAL REPORT



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

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

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CORPORATE PROFILE



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

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

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

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

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

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

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

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

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

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

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 Fortune® brand carries an exquisite range of high quality canned seafood such as braised abalone and various types of shellfish.

CHAIRMAN'S STATEMENT

The Group will continue to leverage on the strength of its well-recognised house brands, expand its distribution network, develop new products.

Dear Shareholders,

On behalf of the Board of Directors of Hosen Group Ltd, I am pleased to present you with the annual report for the financial year ended 31 December 2015 ("FY2015").

Hosen Group Ltd has been operating in the fast-moving consumer goods ("FMCG") industry for several decades, focusing on the canned foods, beverages and other related products. Marching through headwinds in the past, the Group had faced keen competition, escalated operating costs and restriction of foreign labour. The Group decided to step out to establish its manufacturing arm in February 2015 by setting up Hosen Chocolate Sdn Bhd ("Hosen Chocolate"), to develop, process, trade and distribute house brand as well as new chocolate products. Hosen Chocolate is currently in the midst of preparation gearing to be fully operational.

The Group revenue climbed higher to S\$75.8 million in FY2015 from S\$72.6 million in the previous financial year as the 2015 Chinese New Year ("2015 CNY") festive sales was fully recorded in FY2015 as 2015 CNY came after mid-February 2015. With the higher revenue in FY2015, the Group recorded higher gross profit although the overall gross profit margin slid slightly.

Operating in the unstable economic environment, the Group was affected by the depreciation of Malaysia Ringgit, coupled with the provision for additional inventory obsolescence and start-up cost incurred by Hosen Chocolate. As a result, the Group reported a loss of S\$0.95 million for the financial year.

The business sector of our house brand, which include Hosen, Fortune, Highway, LaDiva, Sincero, Royal Select, Royal Orchid and Ocean Luck remains the major income generator to the Group as it contributed more than 67% of the Group revenue in FY2015. Our operating units in Singapore and Malaysia continued to generate revenue to the Group even in such uncertain economic outlook. Our subsidiary in China had faced challenges in developing new markets in the financial year and would reposition itself and redevelop the business.

GOING FORWARD

The Group will continue to leverage on the strength of its well-recognised house brands, expand its distribution network, develop new products as well as chocolate products (both house brand and industrial chocolate) and explore new business opportunities to achieve growth of the core business of the Group.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our business partners, suppliers, customers, bankers and shareholders for their unwavering support. I also wish to extend our appreciation to my fellow Board members for their advice and guidance on various aspects and to thank our management and staff for their unremitting dedication.

LIM HAI CHEOK

Chairman and Chief Executive Officer

OPERATIONS REVIEW

BUSINESS REVIEW

The FMCG industry in which the Group operates is vulnerable to the global economic outlook and the uncertain economic growth on the regional markets. Any fluctuations, especially sharp and sudden changes, in foreign currencies may also impact the Group's performance. The Group also faces challenges on increasing various kinds of operating costs. The Group remains mindful and will take appropriate actions to mitigate the impact on the Group's business.

The Group has registered higher revenue of S\$75.77 million for the financial year ended 31 December 2015 ("FY2015") as compared to S\$72.62 million for the financial year ended 31 December 2014 ("FY2014"). The increase of S\$3.15 million or 4.3% in group revenue was mainly due to higher turnover from a Singapore subsidiary and part of 2016 Chinese New Year ("CNY") sales was recorded in FY2015 while there was no 2015 CNY sales recorded in FY2014 as the 2015 CNY arrived after mid-February 2015.

Gross profit increased by S\$0.17 million, or 1.3% to S\$12.56 million in FY2015 from S\$12.39 million in FY2014. The higher gross profit was a result of higher

revenue, notwithstanding that the gross profit margin slipped slightly.

The Group recorded a net loss of S\$0.95 million for FY2015 as compared to profit of S\$0.69 million for FY2014. The loss was mainly attributable to the foreign exchange loss on the depreciation of Malaysia Ringgit, allowance for additional inventory obsolescence and start-up cost incurred by Hosen Chocolate.

FINANCIAL POSITION AND CASH FLOWS

As at 31 December 2015, the Group's net assets were S\$26.98 million compared to S\$28.50 million as at 31 December 2014. The decrease of S\$1.52 million was due to the loss for the financial year of S\$0.95 million and exchange differences on translating foreign operations of S\$0.25 million and a dividend payment of S\$0.33 million.

Property, plant and equipment as at 31 December 2015 was recorded at S\$13.26 million, increased from S\$10.92 million as at 31 December 2014. The increase of S\$2.34 million was mainly due to the acquisition of properties in Senai, Malaysia after deducting the depreciation charge for FY2015.



The Group established its first manufacturing arm to develop, process, trade and distribute house brand as well as new chocolate products for both retail and industrial uses.



OPERATIONS REVIEW

Inventories decreased by S\$2.51 million to S\$16.73 million as at 31 December 2015 from S\$19.24 million as at 31 December 2014 mainly due to lower inventory level.

Trade and other receivables decreased by S\$2.94 million to S\$13.05 million as at 31 December 2015 from S\$15.99 million as at 31 December 2014 mainly due to better collection as a result of tighter control over trade receivables.

Trade and other payables decreased by S\$1.43 million to S\$7.05 million as at 31 December 2015, which was in line with the lower inventory level mentioned above.

Bank borrowings in current liabilities decreased by S\$3.72 million to S\$9.30 million as at 31 December 2015 from S\$13.02 million as at 31 December 2014 mainly due to the repayment of trade facilities used for working capital during FY2015, which was also commensurate with the lower inventory level.

Bank borrowings in non-current liabilities increased by S\$1.21 million to S\$2.29 million as at 31 December 2015 from S\$2.45 million as at 31 December 2014 mainly due to the additional bank borrowings during FY2015 to finance the newly acquired properties in Senai.

Cash and cash equivalents decreased by S\$2.29 million to S\$4.41 million as at 31 December 2015. Out of the cash and cash equivalents, S\$4.14 million was generated from operating activities, which was reduced by S\$3.78 million used in investing activities and S\$2.51 million used in financing activities.

The net cash generated from operating activities was mainly due to the reduction of both inventories of S\$1.37 million and trade receivables of S\$2.34 million, offset by the decrease in trade payables.

The net cash used in investing activities was mainly attributable to the purchase of property, plant and equipment of S\$3.75 million.

The net cash used in financing activities was mainly due to net repayment of bank borrowings, interest and dividends paid in FY2015.



Our Brands are renowned for providing premium quality products at affordable prices.

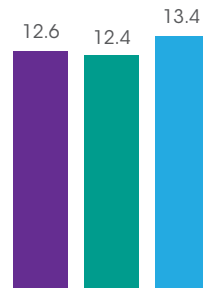


FINANCIAL HIGHLIGHTS

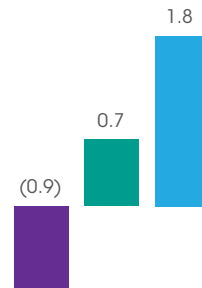
Revenue (\$'M)



Gross Profit (\$'M)

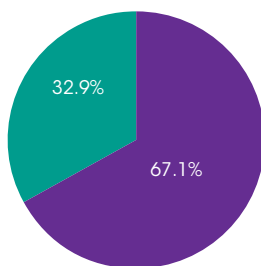


Profit for the financial year (\$'M)

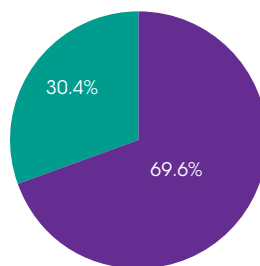


■ 2015 ■ 2014 ■ 2013

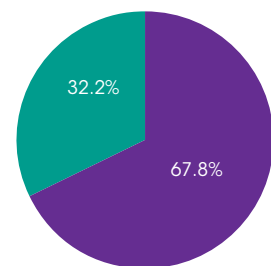
Revenue by Operating Segment



2015



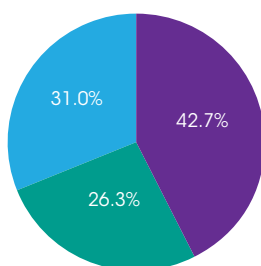
2014



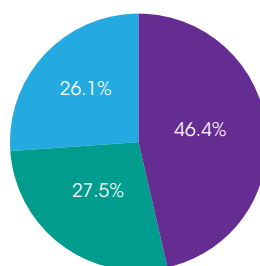
2013

■ House Brand ■ Non-House Brand

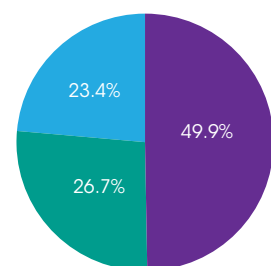
Revenue by Geographical Segment



2015



2014



2013

■ Singapore ■ Malaysia ■ Others

BOARD OF DIRECTORS

MR LIM HAI CHEOK

Chairman and Chief Executive Officer

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

MADAM CHONG POH SOON

Executive Director

Madam Chong Poh Soon is the co-founder of the Group, and was appointed Executive Director of the Company on 5 July 2004. She has served as an Executive Director of HSF since its incorporation in 1982. She is responsible for the Group's procurement and logistics. Madam Chong has more than 40 years experience in the trading of canned products industry.

MS LIM KIM ENG SUSAN

Executive Director

Ms Lim Kim Eng Susan joined the Group in 1982 and was appointed as an Executive Director of HSF in 1994. She was appointed Executive Director of the Company on 5 July 2004. Ms Lim is in charge of the Group's re-export business, parallel imported 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.

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 as well as the chocolate products development.

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

MR LIM HENG SENG

Non-Executive Independent Director

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

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

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

MR WEE PIEW

Non-Executive Independent Director

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

Mr Wee is currently a Non-Executive Independent Director of Blue Sky Power Holdings Limited and Miyoshi Limited. He was formerly the CEO of HG Metal Manufacturing Ltd, a company listed on the SGX's main board. He also has experiences with other public listed companies. Prior to his corporate experience, he was in corporate banking for more than 10 years with DBS Bank, ABN AMRO Bank and Vereinsbank. Mr Wee holds a Bachelor of Accountancy (Honours) from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants.

MR NGIAM ZEE MOEY

Non-Executive Independent Director

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

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

KEY MANAGEMENT

MR HO SIN YAM PATRICK

Chief Financial Officer

Mr Patrick Ho joined the Group as Chief Financial Officer on 17 March 2014. He is responsible for the corporate finance, financial management, treasury, compliance, finance and accounting matters of the Group. Mr Ho has extensive experience in strategic management, corporate finance, mergers and acquisitions, 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 was director of 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 will continue to provide an efficient, innovative and cost-effective distribution network in the domestic and international markets.



CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 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 transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2015 ("**FY2015**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? 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 and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2015.

BOARD MATTERS

The Board's Conduct of Affairs

1.1	What is the role of the Board?	The Board has seven (7) members and comprises the following:																
		Table 1.1 - Composition of the Board																
		<table><tr><th>Name of Director</th><th>Designation</th></tr><tr><td>Lim Hai Cheok</td><td>Chairman and Chief Executive Officer</td></tr><tr><td>Chong Poh Soon</td><td>Executive Director</td></tr><tr><td>Lim Kim Eng</td><td>Executive Director</td></tr><tr><td>Lim Hock Chye Daniel</td><td>Executive Director</td></tr><tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td></tr><tr><td>Wee Piew</td><td>Non-Executive Independent Director</td></tr><tr><td>Ngiam Zee Moey</td><td>Non-Executive Independent Director</td></tr></table>	Name of Director	Designation	Lim Hai Cheok	Chairman and Chief Executive Officer	Chong Poh Soon	Executive Director	Lim Kim Eng	Executive Director	Lim Hock Chye Daniel	Executive Director	Lim Heng Seng	Non-Executive Independent Director	Wee Piew	Non-Executive Independent Director	Ngiam Zee Moey	Non-Executive Independent Director
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		Lim Hock Chye Daniel	Executive Director															
		Lim Heng Seng	Non-Executive Independent Director															
		Wee Piew	Non-Executive Independent Director															
Ngiam Zee Moey	Non-Executive Independent Director																	

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																				
1.1	What is the role of the Board?	The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principle functions are: • supervising the management of the business and affairs of the Group; • reviewing the financial performance of the Group; • approving corporate and strategic directions; • setting up the broad policies and financial objectives of the Group; • overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; • approving the appointments to the Board, various Board committees and key management personnel; • reviewing merger, acquisition and disposal transactions; • approving annual budgets and major funding proposals; • assuming responsibility for corporate governance; and • reviewing the performance of Management.																				
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	The Board has delegated certain responsibilities to the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC") (collectively, the "Board Committees"). The compositions of the Board Committees are as follows: <table><tr><th colspan="4">Table 1.3 - Composition of the Board Committees</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>Lim Hai Cheok</td><td>Lim Heng Seng</td></tr><tr><td>Member</td><td>Ngiam Zee Moey</td><td>Wee Piew</td><td>Ngiam Zee Moey</td></tr></table>	Table 1.3 - Composition of the Board Committees					AC	NC	RC	Chairman	Wee Piew	Lim Heng Seng	Wee Piew	Member	Lim Heng Seng	Lim Hai Cheok	Lim Heng Seng	Member	Ngiam Zee Moey	Wee Piew	Ngiam Zee Moey
Table 1.3 - Composition of the Board Committees																						
	AC	NC	RC																			
Chairman	Wee Piew	Lim Heng Seng	Wee Piew																			
Member	Lim Heng Seng	Lim Hai Cheok	Lim Heng Seng																			
Member	Ngiam Zee Moey	Wee Piew	Ngiam Zee Moey																			

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																							
1.4	Have the Board and Board Committees met in the last financial year?	The Board meets on a half yearly basis, and as and when circumstances require. In FY2015, 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 1.4 - Board and Board Committee Meetings in FY2015</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>1</td></tr><tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr><tr><td>Lim Hai Cheok</td><td>3</td><td>3*</td><td>1</td><td>1*</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>1</td></tr><tr><td>Wee Piew</td><td>3</td><td>3</td><td>1</td><td>1</td></tr><tr><td>Ngiam Zee Moey</td><td>3</td><td>3</td><td>1*</td><td>1</td></tr></table> * By invitation The Company's Articles of Association (the "Articles") allow for meetings to be held through telephone or video communication.	Table 1.4 - Board and Board Committee Meetings in FY2015						Board	AC	NC	RC	Number of Meetings Held	3	3	1	1	Name of Director	Number of Meetings Attended				Lim Hai Cheok	3	3*	1	1*	Chong Poh Soon	3	3*	1*	1*	Lim Kim Eng	3	3*	1*	1*	Lim Hock Chye Daniel	3	3*	1*	1*	Lim Heng Seng	3	3	1	1	Wee Piew	3	3	1	1	Ngiam Zee Moey	3	3	1*	1
Table 1.4 - Board and Board Committee Meetings in FY2015																																																									
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Wee Piew	3	3	1	1																																																					
Ngiam Zee Moey	3	3	1*	1																																																					
1.5	What are the types of material transactions which require approval from the Board?	Matters that require the Board's approval include, amongst others, the following: • corporate strategy and business plans; • material acquisitions and disposals; • share issuance, dividend release or changes in capital; • announcement publication; • budgets, financial results announcements, annual report and audited financial statements; • convening of general meetings; and • material interested person transactions.																																																							

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director 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 areas such as legal and accounting.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Briefings, updates and trainings for the Directors include: - the external auditors ("EA") had briefed the AC on changes or amendments to accounting standards; and - the Company Secretary had provided from time to time updates on changes in the relevant laws, regulations and listing rules.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Notwithstanding that Mr Lim Hai Cheok is Chairman of the Board (the "Chairman") and the chief executive officer (the "CEO"), the Board is of the view that the balance of power, accountability and capacity of the Board for independent decision making of the Group would not be compromised. All Board committees are chaired by Non-Executive Independent Directors and sufficient safeguards are in place to ensure decision making process of the Board is independent and based on collective decision of the Directors. The Board is of the view that the appointment of a lead independent director is deemed not necessary and would, however, review from time to time, the need to appoint a lead independent director as recommended by the Code.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year? (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.	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. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	Notwithstanding that Mr Lim Heng Seng and Mr Wee Piew, had served beyond nine years since the date of their first appointment on 5 July 2004, the Board is of the view that Mr Lim and Mr Wee are independent as they: • over the years, have actively participated in the proceedings and decision making processed of Board meetings; • constructively challenged and help develop proposals on strategy and review the performance of Management in achieving agreed goals; • have provided overall guidance to Management and in protecting the Company's assets and shareholders' best interests; and • will provide continuity and stability to the Board of the Company and the Group.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																								
2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows: <table border="1"> <caption>Table 2.6 – Balance and Diversity of the Board</caption> <thead> <tr> <th></th><th>Number of Directors</th><th>Proportion of Board</th></tr> </thead> <tbody> <tr> <td>Core Competencies</td><td></td><td></td></tr> <tr> <td>– Accounting or finance</td><td>2</td><td>28.6%</td></tr> <tr> <td>– Human Resource management</td><td>1</td><td>14.3%</td></tr> <tr> <td>– Relevant industry knowledge or experience</td><td>4</td><td>57.1%</td></tr> <tr> <td>Gender</td><td></td><td></td></tr> <tr> <td>– Male</td><td>5</td><td>71.4%</td></tr> <tr> <td>– Female</td><td>2</td><td>28.6%</td></tr> </tbody> </table> The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.		Number of Directors	Proportion of Board	Core Competencies			– Accounting or finance	2	28.6%	– Human Resource management	1	14.3%	– Relevant industry knowledge or experience	4	57.1%	Gender			– Male	5	71.4%	– Female	2	28.6%
	Number of Directors	Proportion of Board																								
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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors have met in the absence of key management personnel in FY2015.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	Mr Lim Hai Cheok assumes the roles of the Chairman and CEO. The Company believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. The Board is of the opinion that it is not necessary to separate the two roles after taking into consideration the following: • Size and capabilities of the Board; and • Size and operations of the Group;
3.4	Have the Independent Directors met in the absence of key management personnel?	The Independent Directors have met in the absence of key management personnel in FY2015.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: • makes recommendations to the Board on all Board appointments and re-appointments having regard to each individual Director's contribution and performance; • reviews the structure, size and composition of the Board and to make recommendations to the Board with regards to any adjustment that are deemed necessary; • determines the criteria for identifying candidates and to assess nominations for new appointments; • determines the independence of each Director annually in accordance with Code's definition of independence; • review Board's succession plans for Directors, in particular the Chairman and CEO; • determines and proposes the objective performance criteria for the Board's approval and to review the Board's performance in terms of the performance criteria; assess the effectiveness of the Board as a whole; and • decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has set the maximum number of listed company board representations as six (6). Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not Applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors; • Contributions by the Directors; • Geographical location of Directors; • Size and composition of the Board; and • Nature and scope of the Group's operations and size.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2015.
4.5	Are there alternate Directors?	The Company does not have any alternate directors.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																											
4.6	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.	Table 4.6(a) - Process for the Selection and Appointment of New Directors <table> <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 4.6(b) - Process for the Re-electing Incumbent Directors <table> <tr> <td>1.</td><td>Assessment of director</td><td> - The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and - The NC would also consider the current needs of the Board. </td></tr> <tr> <td>2.</td><td>Re-appointment of director</td><td> - Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval. </td></tr> </table> Table 4.6(c) - Re-election of Directors retiring at the forthcoming AGM <table> <tr> <th>Name</th><th>Designation</th><th>Pursuant to Article</th></tr> <tr> <td>Chong Poh Soon</td><td>Executive Director</td><td>104</td></tr> <tr> <td>Lim Hock Chye Daniel</td><td>Executive Director</td><td>104</td></tr> </table>	1.	Determination of selection criteria	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.	2.	Search for suitable candidates	The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.	3.	Assessment of shortlisted candidates	The NC would meet and interview the shortlisted candidates to assess their suitability.	4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.	1.	Assessment of director	- 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.	2.	Re-appointment of director	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.	Name	Designation	Pursuant to Article	Chong Poh Soon	Executive Director	104	Lim Hock Chye Daniel	Executive Director	104
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CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																											
4.7	Please provide Directors' key information.	The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out in the section entitled "Board of Directors" in this annual report. <table> <tr> <th colspan="3">Table 4.7 - Last re-election dates of Directors</th></tr> <tr> <th>Name</th><th>Designation</th><th>Last Re-election date</th></tr> <tr> <td>Lim Hai Cheok</td><td>Chairman and Chief Executive Officer</td><td>25 April 2015</td></tr> <tr> <td>Chong Poh Soon</td><td>Executive Director</td><td>29 April 2013</td></tr> <tr> <td>Lim Kim Eng</td><td>Executive Director</td><td>29 April 2014</td></tr> <tr> <td>Lim Hock Chye Daniel</td><td>Executive Director</td><td>29 April 2013</td></tr> <tr> <td>Lim Heng Seng</td><td>Non-Executive Independent Director</td><td>25 April 2015</td></tr> <tr> <td>Wee Piew</td><td>Non-Executive Independent Director</td><td>29 April 2014</td></tr> <tr> <td>Ngiam Zee Moey</td><td>Non-Executive Independent Director</td><td>29 April 2014</td></tr> </table>	Table 4.7 - Last re-election dates of Directors			Name	Designation	Last Re-election date	Lim Hai Cheok	Chairman and Chief Executive Officer	25 April 2015	Chong Poh Soon	Executive Director	29 April 2013	Lim Kim Eng	Executive Director	29 April 2014	Lim Hock Chye Daniel	Executive Director	29 April 2013	Lim Heng Seng	Non-Executive Independent Director	25 April 2015	Wee Piew	Non-Executive Independent Director	29 April 2014	Ngiam Zee Moey	Non-Executive Independent Director	29 April 2014
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Board Performance																													
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board: <table> <tr> <th colspan="3">Table 5</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>	Table 5			Performance Criteria	Board and Board Committees	Individual Directors	Qualitative	1. Access to information 2. Board processes 3. Strategic planning 4. Board accountability 5. Risk management 6. Succession planning	1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence (if applicable) 5. Overall effectiveness	Quantitative	1. Size and composition	1. Attendance at Board and Board Committee meetings															
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Guideline	Code and/or Guide Description	Company's Compliance or Explanation															
5.1 (cont'd) 5.2 5.3	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. For FY2015, the review process was as follows: 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5 above; 2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance. No external facilitator was used in the evaluation process.															
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.															
Access to Information																	
6.1 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Table 6 - Types of information provided by key management personnel to Independent Directors <table> <tr> <th></th><th>Information</th><th>Frequency</th></tr> <tr> <td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Whenever Available</td></tr> <tr> <td>2.</td><td>Budgets and forecasts (with variance analysis)</td><td>Annually</td></tr> <tr> <td>3.</td><td>Reports on on-going or planned corporate actions</td><td>Whenever Available</td></tr> <tr> <td>4.</td><td>EA and internal auditors' ("IA") reports</td><td>Annually</td></tr> </table> Key management personnel will also provide any additional material or information, including monthly management accounts, potential acquisition and disposal of assets, that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.		Information	Frequency	1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Whenever Available	2.	Budgets and forecasts (with variance analysis)	Annually	3.	Reports on on-going or planned corporate actions	Whenever Available	4.	EA and internal auditors' ("IA") reports	Annually
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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3	What is the role of the Company Secretary?	The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: - ensuring that Board procedures are observed and that the Company's Memorandum and Articles, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules"), are complied with; - assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; - assists the Chairman to ensure good information flows within the Board and its committees and key management personnel; - facilitating orientation and assisting with professional development as required; - training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; - attends and prepares minutes for 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; - 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; - 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;

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: • reviews and recommends to the Board a framework of remuneration for each Director and key management personnel that are competitive and appropriate to attract, retain and motivate Directors and key management personnel of the required quality to run the Company successfully; • reviews and recommends to the Board on the implementation of any long term incentive schemes for the Directors and employees of the Group, as appropriate; • reviews and determines the specific remuneration packages and terms of employment for each Director and key management personnel; • reviews and recommends fees for Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM; and • reviews and recommends fees for Executive Directors.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2015.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																																													
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Directors for FY2015 is as follows: <table><tr><th colspan="7">Table 9 – Directors' Remuneration</th></tr><tr><th>Name</th><th>Directors Fees (%)</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Share Option (%)</th><th>Total (%)</th></tr><tr><td colspan="7">\$S\$250,000 to \$S\$499,999</td></tr><tr><td>Lim Kim Eng</td><td>–</td><td>89</td><td>7</td><td>4</td><td>–</td><td>100</td></tr><tr><td colspan="7">Below \$S\$250,000</td></tr><tr><td>Lim Hai Cheok</td><td>–</td><td>88</td><td>7</td><td>5</td><td>–</td><td>100</td></tr><tr><td>Chong Poh Soon</td><td>–</td><td>92</td><td>8</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Lim Hock Chye Daniel</td><td>–</td><td>87</td><td>7</td><td>6</td><td>–</td><td>100</td></tr><tr><td>Lim Heng Seng</td><td>100</td><td>–</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>–</td><td>100</td></tr><tr><td>Ngiam Zee Moey</td><td>100</td><td>–</td><td>–</td><td>–</td><td>–</td><td>100</td></tr></table> (All the above remuneration excludes employer's CPF contribution portion.) After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. There were no termination, retirement and post-termination benefits given to Directors and key management personnel for the financial year in review.	Table 9 – Directors' Remuneration							Name	Directors Fees (%)	Salary (%)	Variable and Bonus (%)	Allowance and Others (%)	Share Option (%)	Total (%)	\$S\$250,000 to \$S\$499,999							Lim Kim Eng	–	89	7	4	–	100	Below \$S\$250,000							Lim Hai Cheok	–	88	7	5	–	100	Chong Poh Soon	–	92	8	–	–	100	Lim Hock Chye Daniel	–	87	7	6	–	100	Lim Heng Seng	100	–	–	–	–	100	Wee Piew	100	–	–	–	–	100	Ngiam Zee Moey	100	–	–	–	–	100
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9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2015 is as follows: <table><tr><th colspan="6">Table 9.3 - Remuneration of Key Management Personnel</th></tr><tr><th>Key management personnel</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Share Option (%)</th><th>Total (%)</th></tr><tr><td colspan="6">Below S\$250,000</td></tr><tr><td>1 executive</td><td>92</td><td>8</td><td>-</td><td>-</td><td>100</td></tr><tr><td>1 executive</td><td>89</td><td>11</td><td>-</td><td>-</td><td>100</td></tr><tr><td>1 executive</td><td>60</td><td>29</td><td>11</td><td>-</td><td>100</td></tr><tr><td>1 executive</td><td>65</td><td>29</td><td>6</td><td>-</td><td>100</td></tr><tr><td>1 executive</td><td>65</td><td>29</td><td>6</td><td>-</td><td>100</td></tr></table> (All the above remuneration excludes employer's CPF/EPF contribution portion.) The total remuneration paid to the top 5 key management personnel for FY2015 was approximately S\$509,000.	Table 9.3 - Remuneration of Key Management Personnel						Key management personnel	Salary (%)	Variable and Bonus (%)	Allowance and Others (%)	Share Option (%)	Total (%)	Below S\$250,000						1 executive	92	8	-	-	100	1 executive	89	11	-	-	100	1 executive	60	29	11	-	100	1 executive	65	29	6	-	100	1 executive	65	29	6	-	100
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9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	There was no employee of the Group who was an immediate family member of a Director or the CEO whose remuneration exceeded S\$50,000 in FY2015.																																																
9.5	Please provide details of the employee share scheme(s).	Information on the Company's Hosen Employee Share Option Scheme is set out in the Report of Directors of this Annual Report. The Hosen Employee Share Option Scheme is administered by the RC.																																																

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation												
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2015. 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 tied to the Group's or Company's performance and the individual performance. Another element of the variable component is the grant of share options to staff under the employee share option scheme adopted/to be adopted by the Company.												
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders: <table><tr><th colspan="3">Table 9.6(b)</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>	Table 9.6(b)			Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the Hosen Employee Share Option Scheme)	Qualitative	1. Leadership 2. Commitment 3. Teamwork 4. Macro-economic factors	1. Current market and industry practices 2. Rank 3. Years of Service	Quantitative		1. Performance of the Group
	Table 9.6(b)													
Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the Hosen Employee Share Option Scheme)												
Qualitative	1. Leadership 2. Commitment 3. Teamwork 4. Macro-economic factors	1. Current market and industry practices 2. Rank 3. Years of Service												
Quantitative		1. Performance of the Group												
(c) Were all of these performance conditions met? If not, what were the reasons?	Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2015.													

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (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?	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 FY2015. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and CFO (refer to Section 11.3(b) below); 2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; and 4. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise. Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2015. The Board has additionally relied on the IA's report issued to the Company in FY2015 to assure that the Company's risk management and internal controls are adequate and effective.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Audit Committee		
12.1 12.4	What is the role of the AC?	The AC is guided by the following key terms of reference: • reviews the audit plans of the external auditors, the audit reports and management letters issued by the external auditors and the co-operation given by the Company's Management to the external auditors; • reviews the nature and extent of non-audit services provided by the external auditors; • reviews cost effectiveness and the independence and objectivity of the external auditors; • makes recommendations to the Board on the appointment, re-appointment and removal of external auditors, and to review the remuneration and terms of engagement of the external auditors; • reviews the financial reports so as to ensure the integrity of the financial statements of the Company and focus, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit and compliance with financial reporting standards; • reviews announcements of the Company's half-year and full-year results before submission to the Board for approval for release to the SGX-ST; • undertakes such other functions, duties, reviews and projects as may be requested by the Board or as may be required by statute or the 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 internal auditor of the Company; • meets with the external auditors and with internal auditor, separately without the presence of Management; and • reviews interested person transactions in accordance with the requirements as defined in the Catalist Rules.
12.5	Has the AC met with the auditors 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 FY2015.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation															
12.6	Has the AC reviewed the independence of the EA?	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.															
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	<table> <tr> <th colspan="3">Table 12.6(a) - Fees Paid/Payable to the EA for FY2015</th></tr> <tr> <th></th><th>S\$</th><th>% of total</th></tr> <tr> <td>Audit fees</td><td>73,500</td><td>86</td></tr> <tr> <td>Non-audit fees for tax compliance purposes</td><td>11,900</td><td>14</td></tr> <tr> <td>Total</td><td>85,400</td><td>100</td></tr> </table>	Table 12.6(a) - Fees Paid/Payable to the EA for FY2015				S\$	% of total	Audit fees	73,500	86	Non-audit fees for tax compliance purposes	11,900	14	Total	85,400	100
Table 12.6(a) - Fees Paid/Payable to the EA for FY2015																	
	S\$	% of total															
Audit fees	73,500	86															
Non-audit fees for tax compliance purposes	11,900	14															
Total	85,400	100															
	(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.	The AC has reviewed and is of the opinion that the non-audit services rendered during FY2015 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.															
12.7	Does the Company have a whistle-blowing policy?	Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the Chairman of AC via ac.hockseng@gmail.com . To facilitate participation by external parties, the policy is also available on the Company's website at http://www.hosengroup.com/contact.htm .															
12.8	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?	In FY2015, the AC was updated by the EA with respect to revisions to the accounting standards.															
Internal Audit																	
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	In FY2015, the Company's internal audit function is outsourced to HLS Risk Advisory Services Pte Ltd that reports directly to the AC Chairman and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that HLS Risk Advisory Services Pte Ltd is adequately qualified (given, <i>inter alia</i> , 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.															

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders through the in-house investor relations team as well as their website contact portal at http://www.hosengroup.com/contact_enquiries.htm .
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.hosen.com.sg .
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, <i>inter alia</i> , the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board did not propose any dividend for FY2015 in order to conserve the Group's financial resources.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company will adopt poll voting for its upcoming general meetings of shareholders. All minutes of general meetings will made available to shareholders upon their written request within 1 month after the general meeting.
COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2015 or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	Rule Description	Company's Compliance or Explanation
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the internal controls are adequate to address the financial, operational and compliance risks based on the following: • internal controls and the risk management system established by the Company; • work performed by the IA and EA; • assurance from the CEO and CFO; and • reviews done by the various Board Committees and key management personnel.
1204(17)	Interested Persons Transaction ("IPT")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no IPTs with value more than S\$100,000 transacted during FY2015.
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	During FY2015, a fee of \$2,000 was paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for other non-sponsor service.

FINANCIAL CONTENTS

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DIRECTORS' STATEMENT

The Directors present their statement to the members together with the audited consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2015.

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 and statement of changes in equity 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 2015, and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; 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	(Chairman and Chief Executive Officer)
Chong Poh Soon	(Executive Director)
Lim Kim Eng	(Executive Director)
Lim Hock Chye Daniel	(Executive Director)
Lim Heng Seng	(Non-Executive Independent Director)
Wee Piew	(Non-Executive Independent Director)
Ngiam Zee Moey	(Non-Executive Independent Director)

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.

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 and companies 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 or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
The Company	Number of ordinary shares			
Lim Hai Cheok	50,500,000	65,000,000	79,343,750	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	–	3,204,000	–	–

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

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 2016 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2015.

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.

6. AUDIT COMMITTEE

The audit committee of the Company is chaired by Wee Piew, an independent Director, and includes Lim Heng Seng and Ngiam Zee Moey, who are both independent Directors. 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), 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 internal auditors examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the 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-yearly and annual 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 external auditor;
- (f) the re-appointment of the external auditor of the Group; and
- (g) the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of SGX-ST as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudiced to the interests of the members of the Company.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

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

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

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

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 Cheok
Director

Chong Poh Soon
Director

Singapore
28 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Hosen Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 40 to 96, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

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

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
28 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets					
Property, plant and equipment	4	13,257	10,922	-	-
Investments in subsidiaries	5	-	-	9,836	9,468
Available-for-sale financial asset	6	-	-	-	-
Intangible asset	7	152	190	-	-
Other receivables	9	-	-	12,000	15,000
		<u>13,409</u>	<u>11,112</u>	<u>21,836</u>	<u>24,468</u>
Current assets					
Inventories	8	16,732	19,239	-	-
Trade and other receivables	9	13,054	15,990	3,484	1,096
Financial assets at fair value through profit or loss	10	8	7	-	-
Tax recoverable		22	-	-	-
Fixed deposits	11	49	52	-	-
Cash and bank balances	12	4,389	6,675	9	108
		<u>34,254</u>	<u>41,963</u>	<u>3,493</u>	<u>1,204</u>
Less:					
Current liabilities					
Trade and other payables	13	7,045	8,479	248	180
Current income tax payable		200	102	8	20
Finance lease payables	14	19	47	-	-
Bank borrowings	15	9,296	13,022	-	-
		<u>16,560</u>	<u>21,650</u>	<u>256</u>	<u>200</u>
Net current assets		<u>17,694</u>	<u>20,313</u>	<u>3,237</u>	<u>1,004</u>
Less:					
Non-current liabilities					
Finance lease payables	14	37	48	-	-
Bank borrowings	15	3,662	2,452	-	-
Deferred tax liabilities	16	427	427	-	-
		<u>4,126</u>	<u>2,927</u>	<u>-</u>	<u>-</u>
Net assets		<u>26,977</u>	<u>28,498</u>	<u>25,073</u>	<u>25,472</u>
Equity					
Share capital	17	28,431	28,431	28,431	28,431
Treasury shares	18	(3,557)	(3,557)	(3,557)	(3,557)
Foreign currency translation account	19	(535)	(287)	-	-
Accumulated profits		<u>2,638</u>	<u>3,911</u>	<u>199</u>	<u>598</u>
Equity attributable to owners of the parent		<u>26,977</u>	<u>28,498</u>	<u>25,073</u>	<u>25,472</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Revenue	20	75,767	72,616
Cost of sales		(63,207)	(60,223)
Gross profit		12,560	12,393
Other income	21	222	550
Selling and distribution expenses		(4,324)	(3,608)
Administrative expenses		(5,898)	(5,792)
Other expenses		(2,926)	(2,066)
Finance costs	22	(350)	(402)
(Loss)/Profit before income tax	23	(716)	1,075
Income tax expense	24	(230)	(383)
(Loss)/Profit for the financial year		(946)	692
Other comprehensive income for the financial year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(248)	(73)
Total comprehensive income for the financial year attributable to owners of the parent		(1,194)	619
Earnings per share			
Basic	25	(0.29) cents	0.21 cents
Diluted	25	(0.29) cents	0.21 cents

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Equity attributable to owners of the parent				
		Share capital \$'000	Treasury shares \$'000	Foreign currency translation account \$'000	Accumulated profits \$'000	Total \$'000
Balance at 1 January 2015		28,431	(3,557)	(287)	3,911	28,498
Loss for the financial year		-	-	-	(946)	(946)
Exchange differences on translating foreign operations		-	-	(248)	-	(248)
Total comprehensive income for the financial year		-	-	(248)	(946)	(1,194)
Distributions to owners of the parent:						
Dividends	26	-	-	-	(327)	(327)
Total transactions with owners of the parent		-	-	-	(327)	(327)
Balance at 31 December 2015		<u>28,431</u>	<u>(3,557)</u>	<u>(535)</u>	<u>2,638</u>	<u>26,977</u>
Balance at 1 January 2014		28,431	(3,557)	(214)	3,874	28,534
Profit for the financial year		-	-	-	692	692
Exchange differences on translating foreign operations		-	-	(73)	-	(73)
Total comprehensive income for the financial year		-	-	(73)	692	619
Distributions to owners of the parent:						
Dividends	26	-	-	-	(655)	(655)
Total transactions with owners of the parent		-	-	-	(655)	(655)
Balance at 31 December 2014		<u>28,431</u>	<u>(3,557)</u>	<u>(287)</u>	<u>3,911</u>	<u>28,498</u>

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Company	Note	Equity attributable to owners of the parent			
		Share capital \$'000	Treasury shares \$'000	Accumulated profits \$'000	Total \$'000
Balance at 1 January 2015		28,431	(3,557)	598	25,472
Loss for the financial year		-	-	(72)	(72)
Total comprehensive income for the financial year		-	-	(72)	(72)
Distributions to owners of the parent:					
Dividends	26	-	-	(327)	(327)
Total transactions with owners of the parent		-	-	(327)	(327)
Balance at 31 December 2015		28,431	(3,557)	199	25,073
Balance at 1 January 2014		28,431	(3,557)	933	25,807
Profit for the financial year		-	-	320	320
Total comprehensive income for the financial year		-	-	320	320
Distributions to owners of the parent:					
Dividends	26	-	-	(655)	(655)
Total transactions with owners of the parent		-	-	(655)	(655)
Balance at 31 December 2014		28,431	(3,557)	598	25,472

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Operating activities:			
(Loss)/Profit before income tax		(716)	1,075
Adjustments for:			
Allowance for doubtful third party trade receivables	9	125	20
Allowance for doubtful trade receivables written back	9	(41)	(86)
Write down of inventories	8	536	295
Reversal of inventory obsolescence	8	-	(2)
Amortisation of intangible asset	7	82	59
Depreciation of property, plant and equipment	4	699	730
Fair value loss on derivative financial instrument		-	23
Fair value (gain)/loss on financial assets at fair value through profit or loss	10	(1)	1
Gain on disposal of property, plant and equipment	21	(11)	(257)
Interest expense	22	350	402
Interest income	21	(4)	(5)
Operating cash flows before working capital changes		1,019	2,255
Working capital changes:			
Inventories		1,374	(1,950)
Trade and other receivables		2,335	1,190
Trade and other payables		(432)	1,796
Cash generated from operations		4,296	3,291
Income tax paid		(156)	(193)
Interest received		4	5
Net cash generated from operating activities		4,144	3,103
Investing activities			
Proceeds from disposal of property, plant and equipment		11	910
Purchases of property, plant and equipment	4	(3,745)	(3,705)
Purchase of intangible asset	7	(44)	(110)
Net cash used in investing activities		(3,778)	(2,905)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Financing activities			
Repayment of finance lease payables		(31)	(107)
Dividends paid	26	(327)	(655)
Interest paid		(350)	(402)
Increase/(decrease) in pledged deposits	11	-	(1)
Proceeds from bank borrowings		35,650	39,658
Repayment of bank borrowings		(37,450)	(39,211)
Net cash used in financing activities		(2,508)	(718)
Net change in cash and cash equivalents		(2,142)	(520)
Cash and cash equivalents at beginning of financial year		6,695	7,284
Net effect of exchange rate changes on cash and cash equivalents		(143)	(69)
Cash and cash equivalents at end of financial year	12	4,410	6,695

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

1. GENERAL CORPORATE INFORMATION

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

The principal activity of the Company is investment holding.

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

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors on 28 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("S\$") 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 ("S\$'000") as indicated.

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

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective

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

	Effective date (annual periods beginning on or after)
FRS 1 (Amendments) : <i>Disclosure Initiative</i>	1 January 2016
FRS 7 (Amendments) : <i>Disclosure Initiative</i>	1 January 2017
FRS 12 (Amendments) : <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 16 and FRS 38 : <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
FRS 27 (Amendments) : <i>Equity Method in Separate Financial Statements</i>	1 January 2016
FRS 109 : <i>Financial Instruments</i>	1 January 2018
FRS 115 : <i>Revenue from Contracts with Customers</i>	1 January 2018

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

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

FRS 109 Financial Instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

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

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

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 Revenue from Contracts with Customers

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

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF 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 obtained by the Group up to the effective date on which control is lost, as appropriate.

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

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.

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

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

2.4 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

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

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

	Years
Freehold land	–
Freehold buildings	33
Leasehold land and buildings	50 – 60
Plant and machineries	5 – 10
Motor vehicles	3 – 5
Office equipment and furnishings	5
Computers	3 – 5
Container cabins	5

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible asset

Computer software

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

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

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

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments

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

Effective interest method

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

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

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

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

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

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost where applicable, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

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

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

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Impairment of financial assets

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

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

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding advances received from customers, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

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

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

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.

Derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

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

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

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated costs to be incurred in marketing, selling and distribution. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents excludes any pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Revenue recognition

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

Sale of goods

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

Dividend income

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

Interest income

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

2.11 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.12 Leases

Finance leases

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

Assets held under finance leases are 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 or 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 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Retirement benefit costs

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

2.14 Employee leave entitlement

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

2.15 Borrowing costs

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

2.16 Taxes

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit 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 taxation 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 financial year.

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.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Taxes (Continued)

Deferred tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

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

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

Sales tax

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

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

2.17 Dividends

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

2.18 Foreign currency transactions and translation

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

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the 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 equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Foreign currency transactions and translation (Continued)

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

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of Executive Directors and the Chief Executive Officer who make strategic decisions.

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

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

(i) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the investments in subsidiaries are impaired. The management's assessment is based on estimation of the value in use of the CGU by forecasting the expected future cash flows using a suitable discount rate in order to calculate present value of those cash flows. The Company's carrying amount of investment in subsidiaries as at 31 December 2015 was \$9,836,000 (2014: \$9,468,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 3 to 60 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2015 was approximately \$13,257,000 (2014: \$10,922,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) 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 excess and obsolete inventories based on historical sales activities, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2015 was approximately \$16,732,000 (2014: \$19,239,000).

(iii) Allowance for doubtful trade and other receivables

The Group and the Company establish allowance for doubtful trade and other receivables on a case-by-case basis when it believes the payment of amounts owed is unlikely to occur. In establishing these allowances, the Group and the Company consider its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables excluding prepayment and advance payment to suppliers as at 31 December 2015 were approximately \$11,420,000 (2014: \$11,756,000) and \$15,477,000 (2014: \$16,087,000) respectively.

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. The Group and the Company recognise expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made. The carrying amounts of the Group's and the Company's current income tax payable as at 31 December 2015 were approximately \$200,000 (2014: \$102,000) and \$8,000 (2014: \$20,000) respectively. The carrying amount of the Group's deferred tax liabilities as at 31 December 2015 was approximately \$427,000 (2014: \$427,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Freehold building \$'000	Leasehold land \$'000	Leasehold building \$'000	Plant and machineries \$'000	Motor vehicles \$'000	Office equipment and furnishings \$'000	Computers \$'000	Container cabins \$'000	Total \$'000
Cost										
Balance at 1 January 2015	-	-	1,104	10,883	491	1,882	1,265	228	8	15,861
Additions	865	1,035	-	86	1,462	155	122	37	-	3,762
Disposals	-	-	-	-	-	(49)	(10)	-	-	(59)
Write off	-	-	-	-	-	-	(7)	(19)	-	(26)
Currency translation adjustment	(64)	(76)	-	(465)	(106)	(23)	(11)	(4)	-	(749)
Balance at 31 December 2015	801	959	1,104	10,504	1,847	1,965	1,359	242	8	18,789
Accumulated depreciation										
Balance at 1 January 2015	-	-	494	1,598	271	1,420	957	191	8	4,939
Depreciation charge for the year	-	19	17	243	88	202	108	22	-	699
Disposals	-	-	-	-	-	(49)	(10)	-	-	(59)
Write off	-	-	-	-	-	-	(7)	(19)	-	(26)
Currency translation adjustment	-	(1)	-	(11)	-*	(9)	-*	-*	-	(21)
Balance at 31 December 2015	-	18	511	1,830	359	1,564	1,048	194	8	5,532
Carrying amount										
At 31 December 2015	801	941	593	8,674	1,488	401	311	48	-	13,257

* Denotes figures less than \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

As at the end of the financial year, the Group's motor vehicles and plant and machineries with a net carrying amount of approximately \$107,000 (2014: \$200,000) were purchased under finance lease agreements. Finance lease assets are pledged as securities for the related finance lease payables as disclosed in Note 14 to the financial statements.

The Group's property, plant and equipment with carrying amount of approximately \$4,815,000 as at 31 December 2015 (2014: \$3,467,000) was pledged as a security for the bank loans as disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2015 \$'000	2014 \$'000
Additions to property, plant and equipment	3,762	3,763
Acquired under finance lease agreements	(17)	(58)
Cash payments to acquire property, plant and equipment	3,745	3,705

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

Location	Description	Tenure
267 Pandan Loop Singapore 128439	Office and warehouse premises with a build-up area of 8,346 sq metres	60 years from 1 October 1989
No 8 Jalan Utarid U5/12 Seksyen U5, Shah Alam, Selangor Darul Ehsan, Malaysia	Single-storey warehouse attached with 2 storey office, measuring approximately 27,918 sq feet	50 years from 23 April 2014
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. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 \$'000	2014 \$'000
<i>Unquoted equity shares, at cost:</i>		
Balance at beginning of financial year	9,968	9,968
Addition	368	-
Balance at end of financial year	10,336	9,968
Less:		
<i>Allowance for impairment losses</i>		
Balance at beginning of financial year	500	500
Balance at end of financial year	500	500
	9,836	9,468

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of subsidiaries

Name of subsidiary	Principal activities	Country of incorporation and principal place of business	Effective equity interest held by the Group	
			2015 %	2014 %
Hock Seng Food Pte Ltd ⁽¹⁾	Import, distribution, wholesale of fast-moving consumer goods	Singapore	100	100
Arenas Seafood Pte Ltd ⁽¹⁾	Processing of fish and seafood and wholesale of frozen livestock and seafood	Singapore	100	100
LaDiva Fine Foods B.V. ⁽²⁾	Marketing office, agency and distribution of fast-moving consumer goods	Netherlands	100	100
Hosen Chocolate Sdn Bhd ⁽³⁾	Develop, process, trade and distribute house brand and new chocolate products	Malaysia	100	-
Held by subsidiary				
Hock Seng Food Pte Ltd				
Hock Seng Food (M) Sdn Bhd ⁽³⁾	Import, distribution, wholesale of fast-moving consumer goods	Malaysia	100	100
Hock Seng Worldwide Sdn Bhd ⁽³⁾	Investment holding company	Malaysia	100	100
Hock Seng Food (Shanghai) Co., Ltd ⁽⁴⁾	Marketing office cum general wholesale of fast-moving consumer goods	People's Republic of China	100	100

Notes:

- (1) Audited by BDO LLP, Singapore
- (2) Not audited as there are no operations since incorporation
- (3) Audited by BDO, Malaysia
- (4) Audited by Shanghai Willfly Certified Public Accountants Co., Ltd, People's Republic of China

Significant restrictions

Cash and bank balances of \$358,000 (2014: \$398,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Establishment of a subsidiary

During the financial year, Hosen Group Ltd established a wholly-owned subsidiary, Hosen Chocolate Sdn Bhd, in Malaysia with an issued and paid-up capital of Ringgit Malaysia 1,000,000 (equivalent to S\$368,000).

The Group established Hosen Chocolate Sdn Bhd to continue to expand its distribution network, develop new chocolate products (both house brand and industrial chocolate) and explore new business opportunities to achieve growth of the core business of the Group.

6. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2015 \$'000	2014 \$'000
Unquoted equity securities, at cost	49	49
Allowance for impairment loss	(49)	(49)
	-	-

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

7. INTANGIBLE ASSET

Computer software

	Group	
	2015 \$'000	2014 \$'000
Cost		
Balance at beginning of financial year	357	127
Additions	44	231
Exchange differences	(2)	(1)
Balance at end of financial year	399	357
Accumulated amortisation		
Balance at beginning of financial year	167	108
Amortisation for the financial year	82	59
Exchange differences	(2)	-
Balance at end of financial year	247	167
Carrying amount		
Balance at end of financial year	152	190

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

The remaining amortisation period of the computer software is 1 to 5 years (2014: 1 to 5 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INTANGIBLE ASSET (CONTINUED)

Computer software (Continued)

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

	Group	
	2015 \$'000	2014 \$'000
Additions to intangible asset	44	231
Reversal from prepayments	-	(121)
Cash payments to acquire intangible assets	44	110

8. INVENTORIES

	Group	
	2015 \$'000	2014 \$'000
Raw materials	103	-
Work-in-progress	72	-
Finished goods and goods for resale	13,031	15,861
Goods-in-transit	3,526	3,378
	16,732	19,239

The cost of inventories of the Group recognised as an expense in profit or loss and included in "cost of sales" line item amounted to S\$63,091,000 (2014: S\$59,999,000).

The Group wrote down inventory obsolescence of approximately \$536,000 (2014: \$295,000) in "other expenses" in the consolidated statement of comprehensive income subsequent to a review carried out by the management on the realisable values of the inventories. In FY2014, the Group has recognised a reversal of inventory obsolescence of \$2,000 in "other income" in the consolidated statement of comprehensive income as the inventories were sold above the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. TRADE AND OTHER RECEIVABLES

(a) Trade and other receivables – current

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables				
– third parties	11,438	11,863	-	-
– related party	98	-	-	-
Allowance for doubtful third party trade receivables	(377)	(300)	-	-
	11,159	11,563	-	-
Deposits	129	162	-	-
Prepayments	125	143	7	9
Advance payments to suppliers	1,509	4,091	-	-
Loans to subsidiaries	-	-	3,516	685
Dividend receivable from a subsidiary	-	-	400	400
Other receivables	132	31	1	2
Allowance for impairment of loan to a subsidiary	-	-	(440)	-
	13,054	15,990	3,484	1,096

Movements in allowance for doubtful third party trade receivables:

	Group	
	2015 \$'000	2014 \$'000
Balance at beginning of financial year	300	420
Allowance made during the financial year	125	20
Allowance written off during the financial year	-	(54)
Write-back of allowance no longer required	(41)	(86)
Exchange difference	(7)	-
Balance at end of financial year	377	300

Movements in allowance for impairment of loan to a subsidiary:

	Company	
	2015 \$'000	2014 \$'000
Balance at beginning of financial year	-	-
Allowance made during the financial year	(440)	-
Balance at end of financial year	(440)	-

Trade amounts due from third parties are non-interest bearing and repayable within the normal trade credit terms of 30 to 90 days (2014: 30 to 90 days).

The loans to subsidiaries are unsecured and repayable on demand. The loans bear interest rates at 2.80% to 3.00% (2014: 1.50% to 2.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

During the year, the Company carried out a review of the recoverable amount of the loan to a subsidiary due to the slower than expected revenue growth of the subsidiary. The review led to the recognition of an impairment loss of \$440,000 that has been recognised in profit or loss.

Allowance for doubtful third party trade receivables amounting to approximately \$125,000 (2014: \$20,000) was recognised in "other expenses" in the consolidated statement of comprehensive income subsequent to a debt recovery assessment performed.

Write-back of allowance for doubtful third party trade receivables no longer required amounting to approximately \$41,000 (2014: \$86,000) was recognised in "other income" in the consolidated statement of comprehensive income upon collection of these trade receivables.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	5,386	5,706	3,439	1,067
United States dollar	3,919	6,238	-	-
Ringgit Malaysia	3,653	3,549	-	-
Euro	4	232	45	29
Renminbi	92	265	-	-
	<u>13,054</u>	<u>15,990</u>	<u>3,484</u>	<u>1,096</u>

(b) Other receivables – non-current

	Company	
	2015	2014
	\$'000	\$'000
Other receivables		
– loans to subsidiaries	<u>12,000</u>	<u>15,000</u>

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

The loans bear floating interest rates of 2.80% (2014: 2.25%) per annum, unsecured and denominated in Singapore dollar. The carrying amounts approximate its fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2015 \$'000	2014 \$'000
Held for trading:		
Balance at beginning of financial year	7	8
Fair value change	1	(1)
Disposal	-	-
Balance at end of financial year	8	7
 Listed securities		
Equity securities, Singapore	8	7

11. FIXED DEPOSITS

Fixed deposits earn interests between 0.25% to 3.20% (2014: 0.25% to 3.20%) per annum and have tenors of approximately 365 days (2014: approximately 365 days).

As at the end of the financial year, fixed deposit amounting to approximately \$28,000 (2014: \$32,000) of the Group is pledged to a bank as security for bank facilities granted to its subsidiary (Note 15).

Fixed deposits are denominated in the following currencies:

	Group	
	2015 \$'000	2014 \$'000
Singapore dollar	21	20
Ringgit Malaysia	28	32
	49	52

12. CASH AND BANK BALANCES

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Singapore dollar	1,614	4,695	6	105
United States dollar	1,177	961	3	3
Ringgit Malaysia	1,263	632	-	-
Euro	8	18	-	-
Renminbi	327	369	-	-
	4,389	6,675	9	108

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

12. CASH AND BANK BALANCES (CONTINUED)

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

	Group	
	2015 \$'000	2014 \$'000
Fixed deposits	49	52
Cash and bank balances	4,389	6,675
	4,438	6,727
Fixed deposits pledged	(28)	(32)
	4,410	6,695

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade payables				
- third parties	4,136	1,685	-	-
- related party	33	-	-	-
Other payables				
- Directors' fees	105	117	105	117
- third parties	1,232	375	-	-
- accrued expenses	1,245	5,362	143	63
- advance receipts from customers	294	940	-	-
	7,045	8,479	248	180

Trade payables to third parties and a related party are non-interest bearing and generally on 30 to 90 days credit term (2014: 30 to 90 days).

Other payables to third parties are non-interest bearing, unsecured and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Singapore dollar	2,802	2,607	248	180
United States dollar	3,944	4,723	-	-
Ringgit Malaysia	161	650	-	-
Euro	92	415	-	-
Renminbi	46	39	-	-
Hong Kong dollar	-	45	-	-
	7,045	8,479	248	180

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. FINANCE LEASE PAYABLES

	Group		
	Minimum lease payments \$'000	Future finance charges \$'000	Present value of minimum lease payments \$'000
2015			
Within one year	22	(3)	19
After one year but within five years	42	(5)	37
	64	(8)	56
2014			
Within one year	51	(4)	47
After one year but within five years	54	(6)	48
	105	(10)	95

The finance lease term is 3 to 5 (2014: 3 to 5) years. The average effective interest rate for the finance lease payable is 2.64% to 12.59% (2014: 4.33% to 10.48%) per annum.

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

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

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

Finance lease payables are denominated in the following currencies:

	Group	
	2015 \$'000	2014 \$'000
Singapore dollar	4	37
Ringgit Malaysia	52	58
	<u>56</u>	<u>95</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. BANK BORROWINGS

	Group	
	2015 \$'000	2014 \$'000
Current		
Secured		
Trust receipts	4,488	4,041
Bank loans	278	207
Unsecured		
Short-term bank loans	2,800	2,121
Trust receipts	1,730	6,653
	<u>9,296</u>	<u>13,022</u>
Non-current		
Secured		
Bank loans	3,662	2,452
	<u>3,662</u>	<u>2,452</u>
Total bank borrowings	<u>12,958</u>	<u>15,474</u>

The current and non-current bank loans are secured by the property, plant and equipment as disclosed in Note 4 to the financial statements.

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

	Group	
	2015 %	2014 %
Short-term bank loans	2.00	1.70
Long-term bank loans	3.38	2.00
Trust receipts	<u>4.11</u>	<u>3.37</u>

Trust receipts are repayable within 30 to 120 days (2014: 30 to 120 days).

Short-term loans are repayable within 1 to 2 months (2014: 1 to 2 months) and are due by February 2016 (2014: February 2015).

The subsidiaries' short-term loans and trust receipts facilities are supported by corporate guarantees given by the Company. As at the end of the financial year, trust receipts of the Group are secured by fixed deposits pledged to a bank amounting to approximately \$28,000 (2014: \$32,000) (Note 11).

Bank borrowings are denominated in the following currencies:

	Group	
	2015 \$'000	2014 \$'000
Singapore dollar	5,252	2,658
United States dollar	1,609	8,774
Ringgit Malaysia	5,976	4,042
Euro	121	-
	<u>12,958</u>	<u>15,474</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. DEFERRED TAX LIABILITIES

	Group	
	2015 \$'000	2014 \$'000
Balance at beginning of financial year	427	232
Charge to profit or loss	–	195
Balance at end of financial year	427	427

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

17. SHARE CAPITAL

	Group and Company	
	2015 \$'000	2014 \$'000
Issued and fully paid:		
357,178,846 ordinary shares at beginning and end of financial year	28,431	28,431

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

18. TREASURY SHARES

	Group and Company	
	2015 \$'000	2014 \$'000
29,868,000 ordinary shares at beginning and end of financial year	3,557	3,557

19. FOREIGN CURRENCY TRANSLATION ACCOUNT

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

20. REVENUE

	Group	
	2015 \$'000	2014 \$'000
Sales of goods	75,767	72,616

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. OTHER INCOME

Allowance for doubtful third party trade receivables written back
Reversal of inventory obsolescence
Gain on disposal of property, plant and equipment
Gain on foreign exchange, net
Government grant
Interest income from banks
Other income

Group	
2015 \$'000	2014 \$'000
41	86
-	2
11	257
-	47
79	52
4	5
87	101
222	550

22. FINANCE COSTS

Interest expense
- trust receipts
- bank overdraft
- term loans
- finance leases

Group	
2015 \$'000	2014 \$'000
228	306
1	-
118	92
3	4
350	402

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

23. (LOSS)/PROFIT BEFORE INCOME TAX

The above is arrived at after charging:

	Group	
	2015 \$'000	2014 \$'000
<i>Selling and distribution expenses</i>		
Advertisements	332	78
Delivery outwards	279	464
Freight outwards	732	660
Promotions	1,598	1,119
Transports and travelling	444	369
Staff costs		
- other short term benefits	577	593
<i>Administrative expenses</i>		
Audit fees		
- auditors of the Company	80	69
- other auditors	17	17
Non-audit fees		
- auditors of the Company	7	11
- other auditors	5	4
Directors' fees		
- Directors of the Company	105	117
Directors' remuneration		
- Directors of the Company	880	998
- Directors of subsidiaries	189	199
Staff costs		
- salaries, bonuses and other short-term benefits	4,288	3,085
- employer's contributions to defined contribution plan	532	508
<i>Other expenses</i>		
Allowance for doubtful third party trade receivables	125	20
Write down of inventories	536	295
Amortisation of intangible asset	82	59
Depreciation of property, plant and equipment	699	730
Operating leases – rental of premises	200	339
Loss on foreign exchange, net	594	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

24. INCOME TAX EXPENSE

	Group	
	2015 \$'000	2014 \$'000
Current income tax		
- current year	267	164
- (over)/under provision in prior year	(37)	24
	230	188
Deferred tax		
- current year	-	(17)
- under provision in prior year	-	212
	-	195
Total income tax expense	230	383

The income tax expense varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% (2014: 17%) to (loss)/profit before income tax as a result of the following differences:

	Group	
	2015 \$'000	2014 \$'000
(Loss)/Profit before income tax	(716)	1,075
Income tax calculated at Singapore statutory tax rate of 17%	(122)	183
Tax effect of:		
- expenses not deductible for income tax purposes	388	156
- income not subject to income tax	(93)	(120)
- income tax exemption	(47)	(56)
Deferred tax assets not recognised	288	90
Utilisation of deferred tax assets not recognised	(15)	(7)
Under/(Over) provision in prior financial years		
- current income tax	(37)	24
- deferred tax	-	212
Effect of different income tax rate of subsidiary operating in another jurisdiction	(145)	(17)
Tax incentive under Productivity and Innovation Credit	(11)	(121)
Corporate income tax rebate	(36)	(28)
Other items	60	67
	230	383

Unrecognised deferred tax assets

	Group	
	2015 \$'000	2014 \$'000
Balance at beginning of financial year	433	350
Deferred tax assets not recognised in profit or loss	288	90
Charge to profit or loss	(15)	(7)
Balance at end of financial year	706	433

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

24. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to the following:

	Group	
	2015 \$'000	2014 \$'000
Unutilised tax losses	2,723	1,616
Property, plant and equipment	(399)	(13)
Allowances	502	129

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

	Group	
	2015 \$'000	2014 \$'000
<u>Unutilised tax losses expired in financial year ended</u>		
31 December 2016	349	343
31 December 2017	591	583
31 December 2018	386	383
31 December 2019	309	307
31 December 2020	499	-

25. EARNINGS PER SHARE FROM CONTINUING OPERATIONS

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

	Group	
	2015	2014
Earnings per share		
- Basic	(0.29) cents	0.21 cents
- Diluted	(0.29) cents	0.21 cents

Diluted loss per share is the same as the basic loss per share as the Group does not have any dilutive potential ordinary shares.

The calculation of the earnings per share is based on:

	Group	
	2015	2014
(Loss)/Profit after income tax attributable to owners of the parent (\$'000)	(946)	692
Weighted average number of fully paid shares in issue (excluding treasury shares) during the financial year applicable to basic and diluted earnings per share	327,310,846	327,310,846

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. DIVIDENDS

	Group and Company 2015 \$'000	2014 \$'000
First and final tax exempt dividend of 0.10 cents (2014: 0.20 cents) per ordinary share paid in respect of the previous financial year	327	655

In previous year, the Directors of the Company declared a first and final tax-exempt dividend of 0.10 cents per share or a total of approximately \$327,000 in respect of the financial year ended 31 December 2014 and this amount was paid during the current financial year. The Company did not recommend any dividend in respect of the financial year ended 31 December 2015.

27. CONTINGENT LIABILITIES AND COMMITMENTS

27.1 Operating lease commitments

When the Group is a lessee

	Group 2015 \$'000	2014 \$'000
Operating leases included in profit or loss: – minimum lease payments	200	339

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

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

	Group 2015 \$'000	2014 \$'000
Future minimum lease payments payable:		
Within one year	193	188
After one year but within five years	416	425
After five years	3,008	2,852
	3,617	3,465

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

27.2 Forward foreign exchange contracts

In the financial year 2015, the Group enters into forward foreign exchange contracts to buy foreign currencies to manage its currency risk on foreign currency denominated purchases. As at the end of financial year, the Group's outstanding forward exchange contracts were as follows:

	2015		
	Notional amount	SGD equivalent	Settlement date
United States dollar	USD 200,000	SGD 283,600	4 January 2016
Ringgit Malaysia	MYR 240,912	SGD 79,720	4 January 2016
		SGD 363,320	

Fair value gain arising from the derivative financial instrument of approximately \$2,000 was not recognised in the financial statements due to its immateriality. There were no forward foreign exchange contract entered into in FY2014.

27.3 Contingent liabilities

Corporate guarantees

As at 31 December 2015, the Company had given guarantees amounting to \$42,375,000 (2014: \$33,532,000) to certain banks in respect of banking facilities granted to the subsidiaries.

As at the end of the financial year, the total amount of loans outstanding covered by the guarantees is \$12,958,000 (2014: \$15,474,000) (Note 15). These guarantees are financial guarantee contract as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn. The financial guarantees have not been recognised in the financial statements of the Company as the requirements to reimburse are remote.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group and Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

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

	Group	
	2015 \$'000	2014 \$'000
With a related party		
Sales to a related party	6	11
Purchases from a related party	132	46
	Company	
	2015 \$'000	2014 \$'000
With subsidiaries		
Loan to subsidiaries	512	500
Repayment of loan by subsidiaries	1,448	112
Interest income received from subsidiaries	352	234
Dividend income receivable from a subsidiary	400	400

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of Directors and key management personnel

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

	Group	
	2015 \$'000	2014 \$'000
Salaries, bonuses and other short-term benefits	1,435	1,547
Employer's contributions to defined contribution plan	74	75
Directors' fees	105	117
	<u>1,614</u>	<u>1,739</u>
Analysed into:		
- Directors of the Company	985	1,138
- Directors of subsidiaries	189	228
- other key management personnel	440	373
	<u>1,614</u>	<u>1,739</u>

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

29. SEGMENT INFORMATION

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

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

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

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

Principal activities of each business segment are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. SEGMENT INFORMATION (CONTINUED)

	House brands \$'000	Non-house brands \$'000	Total \$'000
2015			
External revenue	50,864	24,903	75,767
Inter-segment revenue	3,029	1,125	4,154
Total revenue	53,893	26,028	79,921
Interest income	3	1	4
Interest expense	(287)	(63)	(350)
Depreciation of property, plant and equipment	(476)	(223)	(699)
Amortisation of intangible assets	(48)	(34)	(82)
Other non-cash items:			
Allowance for doubtful third party trade receivables	126	(1)	125
Allowance for doubtful third party trade receivables written back	(24)	(17)	(41)
Write down of inventories	436	100	536
Segment profit	(427)	438	11
Assets			
Segment assets	32,640	10,783	43,423
Capital expenditure	3,708	54	3,762
Liabilities			
Segment liabilities	10,015	3,094	13,109

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. SEGMENT INFORMATION (CONTINUED)

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

	Total \$'000
2015	
Revenues	
Total revenues for reportable segments	79,921
Elimination of inter-segment revenues	(4,154)
Total external revenues	<u>75,767</u>
Profit or loss	
Total segment profit	11
Unallocated corporate expenses	23
Other income/Other expenses	(750)
Profit before income tax	<u>(716)</u>
Assets	
Segment assets	43,423
Other unallocated assets	4,240
Total assets	<u>47,663</u>
Liabilities	
Segment liabilities	13,109
Other unallocated liabilities	7,577
Total liabilities	<u>20,686</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. SEGMENT INFORMATION (CONTINUED)

	House brands \$'000	Non-house brands \$'000	Total \$'000
2014			
External revenue	50,557	22,059	72,616
Inter-segment revenue	5,689	428	6,117
Total revenue	56,246	22,487	78,733
Interest income	3	2	5
Interest expense	(321)	(81)	(402)
Depreciation of property, plant and equipment	(507)	(223)	(730)
Amortisation of intangible assets	(39)	(20)	(59)
Other non-cash items:			
Allowance for doubtful third party trade receivables	15	5	20
Allowance for doubtful third party trade receivables written back	(52)	(34)	(86)
Allowance for inventory obsolescence written back	(1)	(1)	(2)
Write down of inventories	229	66	295
Segment profit	1,812	(17)	1,795
Assets			
Segment assets	38,687	12,121	50,808
Capital expenditure	3,718	45	3,763
Liabilities			
Segment liabilities	21,129	5,092	26,221

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. SEGMENT INFORMATION (CONTINUED)

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

	Total \$'000
2014	
Revenues	
Total revenues for reportable segments	78,733
Elimination of inter-segment revenues	(6,117)
Total external revenues	<u>72,616</u>
Profit or loss	
Total segment profit	1,795
Unallocated corporate expenses	(81)
Other income/Other expenses	(639)
Profit before income tax	<u>1,075</u>
Assets	
Segment assets	50,808
Other unallocated assets	2,267
Total assets	<u>53,075</u>
Liabilities	
Segment liabilities	26,221
Other unallocated liabilities	(1,644)
Total liabilities	<u>24,577</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenues from external customers and location of non-current assets

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

	Total	
	2015 \$'000	2014 \$'000
Revenue		
Singapore	32,338	33,681
Malaysia	19,957	19,946
Others*	23,472	18,989
	<u>75,767</u>	<u>72,616</u>
Non-current assets		
Singapore	7,056	7,497
Malaysia	6,351	3,613
Others*	2	2
	<u>13,409</u>	<u>11,112</u>

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

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

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.1 Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company had significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to approximately \$15,476,000 (2014: \$16,085,000) as at the end of the financial year.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk. The Group and Company do not hold any collateral.

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

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

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

Analysis of trade receivables:

	Group	
	2015	2014
	\$'000	\$'000
Not past due and not impaired	5,537	7,326
Past due but not impaired*	5,999	4,537
	11,536	11,863
Impaired receivables – individually assessed**		
– past due more than 12 months and no response to repayment demands	(377)	(300)
Allowance for impairment losses	(377)	(300)
Total trade receivables	11,159	11,563

* These amounts are stated before any deduction for impairment losses.

** These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.1 Credit risks (Continued)

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

	Group	
	2015 \$'000	2014 \$'000
Past due less than 3 months	3,901	3,312
Past due 3 months to 6 months	1,602	741
Past due 6 months to 12 months	496	484
	<u>5,999</u>	<u>4,537</u>

30.2 Market risks

Foreign currency risks

Foreign currency risk arises from transactions and balances that are denominated in currencies other than the functional currency of the entities within the Group. The currencies giving rise to this risk are primarily United States dollar, Ringgit Malaysia, Euro and Renminbi. Exposure to foreign currency risk are managed by foreign currency forward contracts in respect of actual or forecast currency exposures, and are monitored on an on-going basis to ensure that the net exposure is at an acceptable level and hedge through currency forward exchange contracts.

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

	Group	
	2015 \$'000	2014 \$'000
Monetary assets		
United States dollar	5,096	7,199
Ringgit Malaysia	4,944	4,213
Euro	12	250
Renminbi	<u>419</u>	<u>634</u>
Monetary liabilities		
United States dollar	5,553	13,498
Ringgit Malaysia	6,189	4,750
Euro	213	415
Renminbi	<u>46</u>	<u>39</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.2 Market risks (Continued)

Foreign currency sensitivity analysis

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

The following table details the sensitivity to a 10% (2014: 10%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group. The 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes balances between foreign operations within the Group where these gave rise to an impact on the Group's profit or loss.

	Group Profit/(Loss)	
	2015 \$'000	2014 \$'000
Singapore dollar strengthens against		
– United States dollar	46	630
– Ringgit Malaysia	(35)	(85)
– Euro	20	17
– Renminbi	(37)	(60)

A 10% (2014: 10%) decrease in the relevant foreign currency against the functional currency of the entities within the Group would have an equal but opposite effect, assuming that all other variables remain constant.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to fixed deposits and bank borrowings as shown in Notes 11 and 15 to the financial statements respectively.

If the interest rate increases or decreases by 0.5% (2014: 0.5%), the Group's profit or loss will decrease or increase by approximately \$64,000 (2014: \$31,000), arising mainly as a result of higher or lower interest on floating rates for bank borrowings. The interest expense from bank borrowings are recognised as an expense under "Finance costs" line item in the consolidated statement of comprehensive income.

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

Equity price risk

The Group is exposed to equity risks arising from financial assets at fair value through profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.3 Liquidity risks

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

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

Contractual maturity analysis

	Less than 1 year \$'000	2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Group				
Financial liabilities				
Trade and other payables, excluding advance receipt from suppliers	6,751	-	-	6,751
Bank borrowings	9,617	1,190	2,595	13,402
Finance leases payables	22	42	-	64
As at 31 December 2015	16,390	1,232	2,595	20,217
Trade and other payables, excluding advance receipt from suppliers	7,539	-	-	7,539
Bank borrowings	13,423	843	1,658	15,924
Finance leases payables	51	54	-	105
As at 31 December 2014	21,013	897	1,658	23,568
	Less than 1 year \$'000	More than 1 year \$'000	Total \$'000	
Company				
Financial liabilities				
Trade and other payables, excluding advance receipt from suppliers as at 31 December 2015	248	-	248	
Trade and other payables, excluding advance receipt from suppliers as at 31 December 2014	180	-	180	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

As at 31 December 2015, the Group's derivative financial instruments includes foreign currency forward contracts (Note 27.2) which will matured within a year and require to be settled on a gross basis. The undiscounted gross inflows and outflows of the forward contracts amounted to \$363,000 and \$361,000 respectively.

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

The repayment terms of the financial lease payables and bank borrowings are disclosed in Note 14 and 15 to the financial statements.

The Company has given corporate guarantees to certain banks in connection with loans granted by the banks to the subsidiaries with carrying amount as at 31 December 2015 of \$12,958,000 (2014: \$15,474,000) (Note 15). The carrying amount of the loans represent the maximum amount of the guarantee that the Company would be called upon to pay which could be within 1 year (2014: 1 year). In the opinion of the management, no material losses are expected to arise from these corporate guarantees.

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

	One year or less	
	2015	2014
	\$'000	\$'000
Financial guarantees	42,375	33,532

31. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments whose carrying amount approximates fair value

The carrying amounts of trade and other receivables (excluding prepayments and advance payments to suppliers), cash and cash equivalents, trade and other payables (excluding advance receipts from customers) and bank borrowings approximate their respective fair value due to the relative short term maturity of these financial instruments. The carrying amounts of non-current bank borrowings approximate their fair values as at the end of the financial year as the interest rates are at variable interest rates.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Financial instruments whose carrying amount approximates fair value (Continued)

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial assets				
Trade and other receivables, excluding prepayments and advance payments to suppliers	11,420	11,756	15,477	16,087
Fixed deposits	49	52	-	-
Cash and bank balances	4,389	6,675	9	108
Total loans and receivables	15,855	18,483	15,486	16,195
Financial liabilities				
Trade and other payables, excluding advance receipt from suppliers	6,751	7,539	248	180
Finance leases payables	56	95	-	-
Bank borrowings	12,958	15,474	-	-
Total financial liabilities measured at amortised cost	19,765	23,108	248	180

Financial instruments carried at fair value

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Financial instruments carried at fair value (Continued)

Fair value hierarchy (Continued)

Fair value measurement using

Group 2015

Financial assets at fair value through profit or loss

Level 1
\$'000

8

Total
\$'000

8

2014

Financial assets at fair value through profit or loss

7

7

There were no transfers within the fair value hierarchy for the financial year end 2015 and 2014.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that it is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated profits.

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

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt, if necessary. The Group's overall strategy remains unchanged from the financial year ended 31 December 2015.

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net debt	15,670	17,373	239	72
Total equity	26,977	28,498	25,073	25,472
Total capital	42,647	45,871	25,312	25,544
Gearing ratio	37%	38%	*	*

* Not meaningful

ANALYSIS OF SHAREHOLDINGS

AS AT 23 MARCH 2016

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	23	2.37	632	0.00
100 – 1,000	151	15.58	63,278	0.02
1,001 – 10,000	249	25.70	1,481,238	0.45
10,001 – 1,000,000	519	53.56	49,926,627	15.25
1,000,001 & ABOVE	27	2.79	275,839,071	84.28
TOTAL	969	100.00	327,310,846	100.00

TOP TWENTY SHAREHOLDERS AS AT 23 MARCH 2016

		NO. OF SHARES	%
1	LIM HAI CHEOK	65,000,000	19.86
2	CHONG POH SOON	64,843,750	19.81
3	RAFFLES NOMINEES (PTE) LTD	37,411,000	11.43
4	HONG LEONG FINANCE NOMINEES PTE LTD	25,475,000	7.78
5	LIM KIM ENG	17,812,500	5.44
6	MAYBANK KIM ENG SECURITIES PTE LTD	15,398,500	4.70
7	LIM MEI YAN JANE	4,293,000	1.31
8	WANG LILING	3,664,452	1.12
9	YE MEIYING	3,610,000	1.10
10	LIM HOCK CHYE DANIEL	3,204,000	0.98
11	KONG AI LIAN MABELINE (KANG AILIAN MABELINE)	3,190,500	0.97
12	GOH CHIN KEOW	3,014,000	0.92
13	CITIBANK NOMINEES SINGAPORE PTE LTD	3,000,000	0.92
14	NOMURA SINGAPORE LIMITED	3,000,000	0.92
15	CHIA GEK HOONG ANGELINE	2,516,000	0.77
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,480,001	0.76
17	CHEE SIN KONG	2,243,000	0.69
18	OCBC SECURITIES PRIVATE LTD	2,195,345	0.67
19	STEVEN CHONG KING PECK	2,025,500	0.62
20	POH LEH DIN	2,005,000	0.61
		266,381,548	81.38

ANALYSIS OF SHAREHOLDINGS

AS AT 23 MARCH 2016

SUBSTANTIAL SHAREHOLDERS AS AT 23 MARCH 2016

(As recorded in the Register of Substantial Shareholders)

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

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

Percentage of Shareholding in Public's Hands

As at 23 March 2016, approximately 51.00% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HOSEN GROUP LTD. (the "Company") will be held at 267 Pandan Loop Singapore 128439 on 29 April 2016, at 12.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring by rotation pursuant to Article 104 of the Company's Articles of Association:

Mdm Chong Poh Soon **(Resolution 2)**
Mr Lim Hock Chye Daniel **(Resolution 3)**
3. To approve the payment of Directors' fees of S\$105,000 for the financial year ended 31 December 2015 (2014: S\$116,667). **(Resolution 4)**
4. To re-appoint BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

6. Share Issue Mandate

That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Companies Act") and Rule 806 of the Catalist Rules, authority be given to the Directors of the Company ("Directors") to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below) at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

NOTICE OF ANNUAL GENERAL MEETING

- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, the Articles of Association of the Company; and
- (d) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (i)]

(Resolution 6)

7. **Authority to issue shares under the Hosen Employee Share Option Scheme 2014**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to grant options in accordance with the provisions of the Hosen Employee Share Option Scheme 2014 ("Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that:

- (i) the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time;
- (ii) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

8. **Renewal of Share Buy-Back Mandate**

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company:
 - (1) to purchase or otherwise acquire issued ordinary shares ("Share Buy-Backs") in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) on-market Share Buy-Backs (each an "On-market Share Buy-Back") transacted on the SGX-ST; and/or
 - (ii) off-market Share Buy-Backs (each an "Off-market Share Buy-Back") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,and otherwise in accordance with the applicable provisions of the Companies Act and the Catalist Rules, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
 - (ii) the date on which the purchases or acquisitions of shares pursuant to the Share Buy-Back are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company in general meeting;
- (c) in this Resolution:

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

NOTICE OF ANNUAL GENERAL MEETING

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

- (i) in the case of an On-market Share Buy-Back, five per cent. (5%) above the average of the closing market prices of the Shares over the last five (5) market days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day of the On-market Share Buy-Back by the Company, and deemed to be adjusted for any corporate action that occurs after such five (5)-day period; and
- (ii) in the case of an Off-market Share Buy-Back pursuant to an equal access scheme, twenty per cent. (20%) above the average of the closing market prices of the Shares over the last five (5) market days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price for each Share and the relevant terms of the equal access scheme for effecting the Off-market Share Buy-Back, and deemed to be adjusted for any corporate action that occurs after such five (5)-day period; and
- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary or expedient to give effect to the transactions contemplated by this Resolution.
[See Explanatory Note (iii)]

(Resolution 8)

By Order of the Board

Lai Foon Kuen
Company Secretary

Singapore, 13 April 2016

Explanatory Notes:

- (i) Ordinary Resolution 6, if passed, will empower the Directors from the date of the above Meeting until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and convertible securities in the Company up to a number not exceeding, in total, one hundred percent (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty percent (50%) may be issued other than on a pro-rata basis to shareholders.
- (ii) Ordinary Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

- (iii) Ordinary Resolution 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or the date on which purchases and acquisitions of shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated, whichever is earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent. (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company up to the Maximum Price. Information relating to this proposed resolution are set out in the Appendix attached.

Notes:

1. A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend, speak and vote on his behalf at the annual general meeting.
2. Where a member appoints more than one proxy, the member shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
3. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; or
 - (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

You are entitled to **appoint one or more proxies** to attend and vote at the meeting. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming annual general meeting.

4. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the registered office of the Company at 267 Pandan Loop Singapore 128439 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HOSEN GROUP LTD.

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

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of Annual General Meeting.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

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

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

and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Annual General Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 29 April 2016 at 12.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2015 together with the Auditors' Report thereon		
2	Re-election of Mdm Chong Poh Soon as a Director		
3	Re-election of Mr Lim Hock Chye Daniel as a Director		
4	Approval of Directors' fees		
5	Re-appointment of BDO LLP as Auditors		
6	Share Issue Mandate		
7	Authority to issue shares under the Hosen Employee Share Option Scheme 2014		
8	Renewal of Share Buy-Back Mandate		

*Delete where inapplicable

Dated this _____ day of _____ 2016

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

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

Notes:

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of Shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares in the capital of the Company held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend, speak and vote on his behalf at the annual general meeting.
3. Where a member appoints more than one proxy, the member shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; or
 - (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

You are entitled to **appoint one or more proxies** to attend and vote at the meeting. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming annual general meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 267 Pandan Loop Singapore 128439 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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CORPORATE INFORMATION

BOARD OF DIRECTORS:

Lim Hai Cheok
*Chairman and
Chief Executive Officer*

Chong Poh Soon
Executive Director

Lim Kim Eng
Executive Director

Lim Hock Chye Daniel
Executive Director

Wee Piew
Non-Executive Independent Director

Lim Heng Seng
Non-Executive Independent Director

Ngiam Zee Moey
Non-Executive Independent Director

SECRETARY:

Lai Foon Kuen

REGISTERED OFFICE:

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

SHARE REGISTRAR:

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

AUDITORS:

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

PARTNER-IN-CHARGE:

Koh Yen Ling
(Appointed since the financial year
ended 31 December 2013)

SPONSORS:

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

REGISTERED PROFESSIONAL:

Thomas Lam

PRINCIPAL BANKERS:

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



HOSEN GROUP LTD

Company Registration No.: 200403029E

267 Pandan Loop Singapore 128439
Tel: (65) 6595 9222 Fax: (65) 6779 0186

www.hosengroup.com