

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

**UNAUDITED HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016**

This announcement has been prepared by Hosen Group Ltd (the "Company") and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

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

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

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

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

Group Income Statement and Statement of Comprehensive Income for the financial period ended 30 June 2016. These figures have not been audited.

Consolidated Statement of Comprehensive Income	Group		% Change
	S\$'000	S\$'000	
	Half Year ended 30/6/2016	Half Year ended 30/6/2015	
Revenue	37,317	37,778	(1.2)
Cost of sales	(30,925)	(31,596)	(2.1)
Gross profit	6,392	6,182	3.4
Other income	94	75	25.3
Selling and distribution expenses	(2,225)	(2,023)	10.0
Administrative expenses	(3,076)	(2,817)	9.2
Other expenses	(1,429)	(1,103)	29.6
Finance costs	(192)	(170)	12.9
(Loss)/Profit before income tax	(436)	144	NM
Income tax expense	(52)	(127)	(59.1)
(Loss)/Profit for the financial period	(488)	17	NM

NM – Not meaningful

Consolidated Statement of Comprehensive Income	Group		
	S\$'000	S\$'000	%
	Half Year ended 30/6/2016	Half Year ended 30/6/2015	Change
Other comprehensive income for the financial period, net of tax			
Exchange differences on translating foreign operations	270	(123)	NM
Total comprehensive income for the financial period attributable to owners of the parent	(218)	(106)	105.7

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

	Group		
	S\$'000	S\$'000	%
	Half Year ended 30/6/2016	Half Year ended 30/6/2015	Change
Depreciation of property, plant and equipment	429	318	34.9
Amortisation of intangible asset	41	41	0.0
Allowance for doubtful third party trade receivables	88	-	NM
Allowance for doubtful third party trade receivables written back	-	(19)	NM
Foreign exchange loss, (net)	270	359	(24.8)
Gain on disposal of property, plant and equipment	(10)	(8)	25.0
Allowance for inventory obsolescence written back	-	(62)	NM
Allowance for inventory obsolescence	200	-	NM
Interest income	(1)	(2)	(50.0)
Interest expenses	192	170	12.9

NM – Not meaningful

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30/6/2016	As at 31/12/2015	As at 30/6/2016	As at 31/12/2015
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	13,002	13,257	-	-
Investments in subsidiaries	-	-	9,836	9,836
Intangible asset	68	152	-	-
Other receivables	-	-	12,000	12,000
	13,070	13,409	21,836	21,836
Current assets				
Inventories	12,938	16,732	-	-
Trade and other receivables	11,016	13,054	3,494	3,484
Financial assets at fair value through profit and loss	7	8	-	-
Tax recoverable	71	22	-	-
Fixed deposits	49	49	-	-
Cash and bank balances	3,903	4,389	70	9
	27,984	34,254	3,564	3,493
Less:				
Current liabilities				
Trade and other payables	4,867	7,045	147	248
Current income tax payable	152	200	4	8
Finance lease payables	2	19	-	-
Bank borrowings	5,261	9,296	-	-
	10,282	16,560	151	256
Net current assets	17,702	17,694	3,413	3,237
Less:				
Non-Current liabilities				
Finance lease payables	43	37	-	-
Bank borrowings	3,543	3,662	-	-
Deferred tax liabilities	427	427	-	-
Total non-current liabilities	4,013	4,126	-	-
Net assets	26,759	26,977	25,249	25,073
Capital and reserves				
Share capital	28,431	28,431	28,431	28,431
Treasury shares	(3,557)	(3,557)	(3,557)	(3,557)
Foreign currency translation account	(265)	(535)	-	-
Accumulated profits	2,150	2,638	375	199
Equity attributable to owners of the parent	26,759	26,977	25,249	25,073

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

	As at 30 Jun 2016		As at 31 Dec 2015	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Repayable in one year or less or on demand	284	4,979	298	9,017
Repayable after one year	3,586	-	3,699	-
Total	3,870	4,979	3,997	9,017

Details of any collateral

1. Bank loans amounting to S\$3.82 million (31 December 2015: S\$3.94 million) is secured by legal mortgage over properties held by subsidiaries.
2. Finance lease payables are secured by the underlying assets acquired.
3. All the above facilities are covered by guarantees from the Company.

The unsecured bank loans and overdrafts of the Group amounting to S\$0.80 million (31 December 2015: S\$2.80 million) and trust receipts amounting to S\$4.18 million (31 December 2015: S\$6.22 million).

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

Consolidated Statement of Cash Flows	Group	
	Period ended 30/6/2016 S\$'000	Period ended 30/6/2015 S\$'000
Operating activities:		
(Loss)/Profit before income tax	(436)	144
Adjustments for :		
Allowance for doubtful trade receivables	88	-
Allowance for doubtful trade receivables written back	-	(19)
Allowance for inventory obsolescence	200	-
Allowance for inventory obsolescence written back	-	(62)
Depreciation of property, plant and equipment	429	318
Amortisation of intangible asset	41	41
Interest income	(1)	(2)
Interest expenses	192	170
Gain on disposal of property, plant and equipment	(10)	(8)
Fair value loss on financial assets at fair value through profit or loss	1	-
Operating cash flows before working capital changes	504	582
Inventories	3,594	5,128
Trade and other receivables	1,950	2,728
Trade and other payables	(2,178)	(2,297)
Cash generated from operations	3,870	6,141
Interest received	1	2
Income tax (paid)	(150)	(108)
Net cash generated from operating activities	3,721	6,035

Consolidated Statement of Cash Flows (Continued)	Group	
	Period ended 30/6/2016 S\$'000	Period ended 30/6/2015 S\$'000
Investing activities		
Proceeds from disposal of property, plant and equipment	68	8
Purchase of property, plant and equipment	(146)	(2,287)
Disposal of intangible asset	44	-
Net cash used in investing activities	(34)	(2,279)
Financing activities		
Repayment of finance lease payables	(11)	(7)
Dividends paid	-	(327)
Decrease in pledged deposits	(1)	2
Interest paid	(192)	(170)
Proceeds from bank borrowings	9,488	15,793
Repayment of bank borrowings	(13,642)	(20,369)
Net cash used in financing activities	(4,358)	(5,078)
Net effect of exchange rate changes on consolidation	184	173
Net change in cash and cash equivalents	(487)	(1,149)
Cash and cash equivalents at beginning of financial period	4,410	6,695
Cash and cash equivalents at end of financial period	3,923	5,546
<u>Cash and cash equivalents comprise the following:</u>		
Fixed deposits	49	50
Cash and bank balances	3,903	5,526
	3,952	5,576
Fixed deposits pledged	(29)	(30)
Cash and cash equivalents at end of financial period	3,923	5,546

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity

Group	Equity attributable to owners of the parent				
	Share capital	Treasury shares	Foreign currency translation account	Accumulated profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2016	28,431	(3,557)	(535)	2,638	26,977
Loss for the financial period	-	-	-	(488)	(488)
Exchange differences on translating foreign operations	-	-	270	-	270
Total comprehensive income for the financial period	-	-	270	(488)	(218)
Contributions by and distributions to owners of the parent:					
Dividends	-	-	-	-	-
Total transactions with owners of the parent	-	-	-	-	-
Balance at 30 Jun 2016	28,431	(3,557)	(265)	2,150	26,759
Balance at 1 Jan 2015	28,431	(3,557)	(287)	3,911	28,498
Loss for the financial period	-	-	-	17	17
Exchange differences on translating foreign operations	-	-	(123)	-	(123)
Total comprehensive income for the financial period	-	-	(123)	17	(106)
Contributions by and distributions to owners of the parent:					
Dividends	-	-	-	(327)	(327)
Total transactions with owners of the parent	-	-	-	(327)	(327)
Balance at 30 Jun 2015	28,431	(3,557)	(410)	3,601	28,065

Statement of Changes in Equity

Company	Equity attributable to owners of the company			
	Share capital	Treasury shares	Accumulated profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2016	28,431	(3,557)	199	25,073
Profit for the financial period	-	-	176	176
Total comprehensive income for the financial period	-	-	176	176
Contributions by and distributions to owners of the company:				
Dividends	-	-	-	-
Total transactions with owners of the company	-	-	-	-
Balance at 30 June 2016	28,431	(3,557)	375	25,249
Company	Equity attributable to owners of the company			
	Share capital	Treasury shares	Accumulated profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 Jan 2015	28,431	(3,557)	598	25,472
Profit for the financial period	-	-	23	23
Total comprehensive income for the financial period	-	-	23	23
Contributions by and distributions to owners of the company:				
Dividends	-	-	(327)	(327)
Total transactions with owners of the company	-	-	(327)	(327)
Balance at 30 June 2015	28,431	(3,557)	294	25,168

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	As at 30 June 2016 and 31 December 2015
No of Ordinary shares	357,178,846
Share Capital (S\$'000)	28,431

There are no changes in the Company's share capital since the end of the previous period reported on.

As at 30 June 2016 and 30 June 2015, the Company held 29,868,000 treasury shares.

Save as disclosed, the Company did not have any outstanding options or convertibles as at 30 June 2016 and 30 June 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares excluding treasury shares :

	As at 30 June 2016	As at 31 December 2015
Total number of issued shares	357,178,846	357,178,846
Less: Treasury shares	(29,868,000)	(29,868,000)
Total number of issued shares excluding treasury shares	327,310,846	327,310,846

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

Not applicable, as there were no sales, transfers, disposal, cancellation and/or use of treasury shares for the half year ended 30 June 2016.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

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

The Group has adopted all the Singapore Financial Reporting Standards ("**FRSs**") and Interpretations of FRS ("**INT FRS**") that are effective for the current financial year. The adoption of new/revised FRS and INT FRS does not have any material impact on the financial statements of the Group.

Save for the abovementioned, the Group has adopted the same accounting policies and methods of computation which are consistent with those used in the most recent audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Save as disclosed in Note 4 above, there was no other change in the accounting policies and methods of computation for the current financial period reported on.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(Loss)/Earnings per ordinary share of the Group for the period on the net profit after income tax: (Singapore cents)	Group	
	Half year ended 30/6/2016	Half year ended 30/6/2015
(a) Based on the weighted average number of shares	(0.15)	0.01
(b) On a fully diluted basis	(0.15)	0.01

Basic earnings per share are computed based on 327,310,846 (excluding treasury shares) at 30 June 2016 and 30 June 2015.

The basic and dilutive earnings per share are the same as there were no potentially dilutive securities for the half year ended 30 June 2016 and 30 June 2015 respectively.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 30/6/2016	As at 31/12/2015	As at 30/6/2016	As at 31/12/2015
Net asset value per ordinary share (Singapore cents) based on total number of issued shares excluding treasury shares at the end of:	8.18	8.24	7.71	7.66

Note: The net asset value per share is calculated based on the total number of issued shares excluding treasury shares of 327,310,846 as at 30 June 2016 and 31 December 2015.

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

Consolidated Statement of Comprehensive Income

Revenue

Revenue decreased by 1.2% or S\$0.46 million to S\$37.32 million in the half year ended 30 June 2016 ("1H2016") from S\$37.78 million in the half year ended 30 June 2015 ("1H2015") mainly due to lower sales after translated to reporting currency arising from the weakening of Malaysian Ringgit.

Gross Profit

Gross profit increased by 3.4% or S\$0.21 million to S\$6.39 million in 1H2016 from S\$6.18 million in 1H2015 was a result of improvement in the gross profit margin.

Selling and Distribution Expenses

Selling and distribution expenses increased by S\$0.20 million to S\$2.22 million in 1H2016 from S\$2.02 million in 1H2015 due to increase in promotional activities, advertisement expenses and logistics costs incurred in 1H2016.

Other Expenses

Other expenses increased by S\$0.33 million to S\$1.43 million in 1H2016 from S\$1.10 million in 1H2016 mainly due to additional provision for inventory obsolescence on slow moving, near-to-expiry products and additional depreciation of properties acquired by Hosen Chocolate Sdn Bhd ("Hosen Chocolate").

Finance Costs

The finance costs increased by S\$0.02 million mainly due to additional bank borrowings for properties acquired by Hosen Chocolate.

Loss for the Financial Period

The Group recorded a net loss of S\$0.49 million for 1H2016 as compared to profit of S\$0.02 million for 1H2015. The loss was mainly attributable to the provision for additional inventory obsolescence and additional depreciation of properties acquired by Hosen Chocolate.

Statement of Financial Position

As at 30 June 2016, the Group's net assets were S\$26.76 million compared to S\$26.98 million as at 31 December 2015. The decrease of S\$0.22 million was mainly due to the loss incurred in 1H2016, which was partially offset by the effect of exchange differences on translating foreign operations.

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

- 1) Property, plant and equipment as at 30 June 2016 was recorded at S\$13.00 million, decreased from S\$13.26 million as at 31 December 2015. The decrease of S\$0.26 million was mainly due to depreciation expenses charged for the period, after offsetting the purchase of plant and equipment for the Group.
- 2) Inventories decreased by S\$3.79 million to S\$12.94 million as at 30 June 2016 from S\$16.73 million as at 31 December 2015 due to the higher stock holding level for the 2016 CNY sales as at 31 December 2015.
- 3) Trade and other receivables decreased by S\$2.03 million to S\$11.02 million as at 30 June 2016 from S\$13.05 million as at 31 December 2015 due to the prompt collection of debts.
- 4) Trade and other payables decreased by S\$2.18 million to S\$4.87 million as at 30 June 2016 from S\$7.05 million as at 31 December 2015, which commensurate with the lower level of inventories.
- 5) Bank borrowings in current liabilities decreased by S\$4.04 million to S\$5.26 million as at 30 June 2016 from S\$9.30 million as at 31 December 2015 due to partial repayment of short-term bank borrowings and reduction in trade financing.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased by S\$0.49 million to S\$3.92 million as at 30 June 2016. S\$3.72 million was generated from operating activities, which was offset by S\$0.03 million used in investing activities and S\$4.36 million used in financing activities.

The net cash generated from operating activities was largely due to the decrease in both inventories and trade receivables and the reduction of trade payables.

The net cash used in investing activities was mainly due to the net increase in property, plant and equipment.

The net cash used in financing activities of S\$4.36 million was mainly represented by the net repayment of bank borrowings.

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

Not applicable

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In view of the uncertain global economic outlook and stiffer competition in the FMCG industry, coupled with the fluctuations in the foreign currencies and increasing operating costs, the business of the Group remains challenging and vulnerable.

The Group will continue to improve its competitiveness by expanding its distribution network while focusing on certain measures improving the operational efficiency.

Hosen Chocolate is still in the process of being fully operational in the next 12 months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared.

13. Interested Persons Transactions

The Company does not have a general mandate for IPT from shareholders.

There was no IPT with value of more than S\$100,000 entered into during the financial period.

14. Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual (Section B: Rule of Catalist) of the Singapore Exchange Securities Trading Limited.

On behalf of the Board of Directors, we hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of Hosen Group Ltd which may render the unaudited financial statements for the half year ended 30 June 2016 to be false or misleading in any material aspects.

For and on behalf of the Board of Hosen Group Ltd.

Lim Hai Cheok
Chief Executive Officer

Chong Poh Soon
Executive Director

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

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

BY ORDER OF THE BOARD

Lim Hai Cheok
Chief Executive Officer
11 August 2016