HOSEN GROUP
LTD

DELIVERING THE BEST QUALITY GOODNESS THROUGHOUT THE YEAR

ANNUAL REPORT **2018**

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

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

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

CORPORATE PROFILE

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

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

Hosen Group, through its subsidiaries in Singapore, Malaysia and China, has developed over the past 40 years an extensive and robust distribution network that spans Asia, Europe, Middle East, Africa and the Oceanic countries. Today, Hosen's house brands of products can be found in various continents of the world.

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

Our Brands are renowned for 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 managed by an experienced team.

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

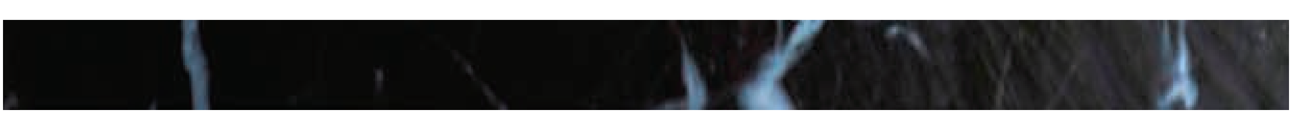
Our Food Service Divisions in Singapore, Malaysia and China service hotels, restaurants, airlines, clubs, caterers, cafes, ship-chandlers, bakeries and dessert chain stores. With the evolving changes in the businesses of these customer groups, we have, beyond product supplies and prompt services, engaged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

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

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

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

On the back of higher revenue, the profit before tax of the Group recorded at S$1.3 million in FY2018.



MESSAGE FROM CHAIRMAN AND CEO

"As part of our business expansion plan, a new six-storey building in Singapore has been being constructed and the Group will look into new potential investments and/or other opportunities to grow our business."

DEAR SHAREHOLDERS

On behalf of the Broad of Directors of Hosen Group Ltd, it is our pleasure to present you the Annual Report and the results of the Group for the financial year ended 31 December 2018 ("FY2018").

Looking back at FY2018, it was a challenging year. The rising global trade tension has created uncertainties in both the global economic conditions and the general business environment. In addition, the Group is also facing with higher cost of operation and increased volatility of foreign exchange. Despite these challenges, thanks to the efforts made by local and overseas management teams, the Group was able to achieve better results, even after the one-time write off of the carrying amount of the one-storey warehouse in Singapore of S$0.8 million upon its demolition.

The Group's revenue went up to S$68.3 million in FY2018, an increase by 2.4% from S$66.7 million for the financial year ended 31 December 2017 ("FY2017"). The main contributor to the growth came from a Malaysia subsidiary as general consumption in Malaysia improved, with the establishment of more outlets by its retail customers and the appreciation of the Malaysia Ringgit in FY2018 compared to FY2017.

On the back of higher revenue in FY2018, the profit before tax of the Group recorded at S$1.3 million in FY2018, up from S$1.1 million in FY2017. The profit attributed to the owners was S$0.9 million, after the writing off the abovementioned demolition of warehouse.

Our house brands, including Hosen, Fortune, Highway, LaDiva, Sincero, Calbuco, Cocoa Grande, Royal Select, Royal Orchid and others, are the major income generators to the Group. The sales of our house brands' products contributed 74% to our revenue, being 2% higher than that in FY2017.

GOING FORWARD

Under the current uncertain economic environment, the Group will remain vigilant while continue to look for opportunities to explore new markets and promote our house brand canned foods and chocolate products.

As part of our business expansion plan, a new six-storey building in Singapore has been being constructed and the Group will look into new potential investments and/or other opportunities to grow our business.

APPRECIATION

We would like to take this opportunity to extend our appreciation to our management and staff for their hard work and contributions to the Group. We also wish to thank our business associates, customers, suppliers and bankers for their continued support over the years. Furthermore, special gratitude also goes to our shareholders who gave us their trust in our management team in the past. Last but not least, we give thanks our fellow Board members and our professional teams, namely, company secretary, sponsor and share registrar for their advice and guidance.

WEE PIEW
Non-Executive Independent Chairman

LIM HAI CHEOK
Chief Executive Officer

OPERATIONS REVIEW

BUSINESS REVIEW

Due to the rising global trade tension and uncertain business environment, as well as the increasing cost of operation and the volatility of foreign exchange, the FMCG environment remains challenging.

Having noticed that the potential uncertain business condition and the unresolved global trade contention, the Group has since tightened its credit control and reviewed regularly the customers' ordering trends and payment records in order to minimise credit risk and to identify the customers who paid after credit terms.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group recorded a higher revenue of S$68.31 million for the financial year ended 31 December 2018 ("FY2018") as compared to S$66.72 million for the financial year ended 31 December 2017 ("FY2017"). The increase of S$1.59 million or 2.4% in revenue was mainly due to higher revenue generated in a Malaysia subsidiary as general consumption in Malaysia improved, with the establishment of more outlets by the Group's retail customers and the appreciation of the Malaysia Ringgit in FY2018 compared to FY2017; and the Chinese New Year ("CNY") came earlier in FY2019 than in FY2018.

Gross profit increased by S$1.14 million, or 9.0% to S$13.79 million in FY2018 from S$12.65 million in FY2017 mainly due to higher profit margin earned by its Singapore subsidiary and a Malaysia subsidiary as they streamlined the procurement process in order to lower the purchase costs.

Selling and distribution expenses increased by S$0.04 million to S$3.21 million in FY2018 from S$3.17 million in FY2017 mainly due to higher advertisement and promotion expenses incurred in promoting the house-brand products and introducing new chocolate products.

Other expenses increased by S$0.62 million to S$2.66 million in FY2018 from S$2.04 million in FY2017 mainly due to the one-time write off of the carrying amount of S$0.82 million pertaining to the one-storey warehouse in Singapore upon its demolition.

The Group recorded a net profit of S$0.88 million for FY2018 as compared to a net profit of S$0.76 million for FY2017. The increase in profit was mainly attributable to higher revenue and gross profit margin in FY2018 due to earlier CNY sales in FY2019.

FINANCIAL POSITION AND CASH FLOWS

As at 31 December 2018, the Group's net assets were S$29.38 million compared to S$28.74 million as at 31 December 2017. The increase of S$0.64 million was mainly due to the profit for the current financial year of S$0.88 million and exchange differences on translation of foreign operations of S$0.09 million.

Property, plant and equipment as at 31 December 2018 was recorded at S$12.84 million, decreased from S$13.27 million as at 31 December 2017. The decrease of S$0.43 million arose from a one-time write-off of the carrying amount of the one-storey warehouse in Singapore upon its demolition, partially offset by the increase in construction-in-progress for a new six-storey building in Singapore.


SINCERO®
Premium Chocolate

OPERATIONS REVIEW

Inventories decreased by S$1.48 million to S$15.17 million as at 31 December 2018 from S$16.65 million as at 31 December 2017 mainly due to lesser purchase before the year end due to limited storage space after the demolition of one-storey warehouse. Nonetheless, a temporary warehouse has been rented for the storage of the inventories.

Trade and other receivables increased by S$2.26 million to S$15.59 million as at 31 December 2018 from S$13.33 million as at 31 December 2017 due to more sales made before the year end as the Chinese New Year ("CNY") came earlier in 2019 than in 2018.

Trade and other payables increased by S$1.38 million to S$9.06 million as at 31 December 2018 from S$7.68 million as at 31 December 2017, mainly due to amount owing to contractor for construction of the new six-storey building and increase in advance receipts from customers.

Bank borrowings in current liabilities decreased by S$0.40 million to S$6.93 million as at 31 December 2018 from S$7.33 million as at 31 December 2017 as a result of lower utilisation of trade facilities.

Bank borrowings in non-current liabilities decreased by S$0.29 million to S$2.81 million as at 31 December 2018 from S$3.10 million as at 31 December 2017 mainly due to the repayment of term loans for the properties in Malaysia.

Cash and cash equivalents increased by S$0.84 million to S$5.45 million as at 31 December 2018 from S$4.61 million as at 31 December 2017. Out of the cash and cash equivalents, S$3.17 million was generated from operating activities, S$0.89 million used in investing activities and S$1.48 million used in financing activities.

The net cash generated from operating activities was mainly due to operating cash flows before working capital changes of S$3.76 million, increment of trade and other receivables of S$2.64 million, increase in trade and other payables of S$0.97 million, partially offset by the decrease in inventories of S$1.18 million.

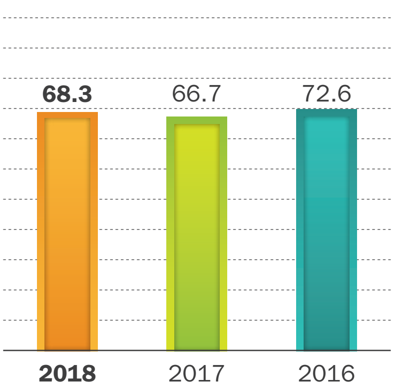
The net cash used in investing activities was mainly attributable to the purchase of property, plant and equipment of S$0.93 million, offset by the sale proceeds from the disposal of property, plant and equipment of S$0.04 million.

The net cash used in financing activities was mainly due to net repayment of bank borrowings, dividend and interest paid in FY2018.

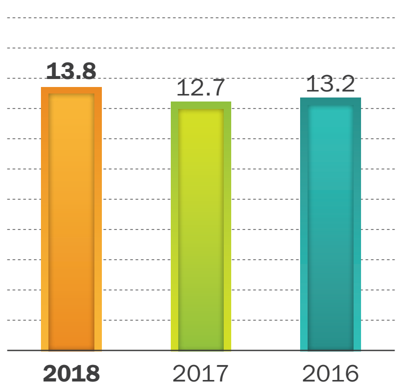
The sales of our house brands' products contributed 74% to our revenue.

FINANCIAL HIGHLIGHTS

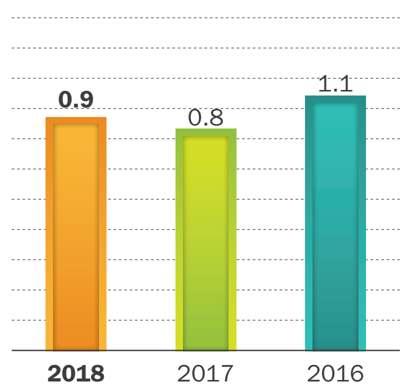
REVENUE (S$'M)



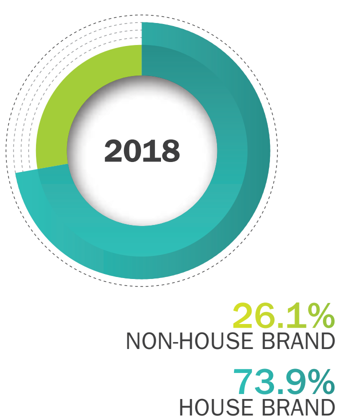
GROSS PROFIT (S$'M)

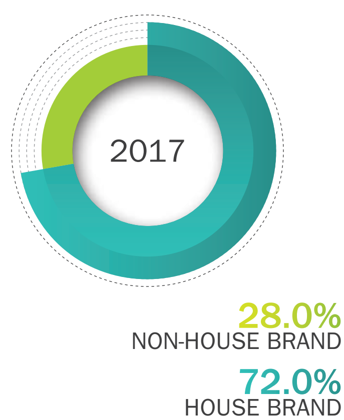


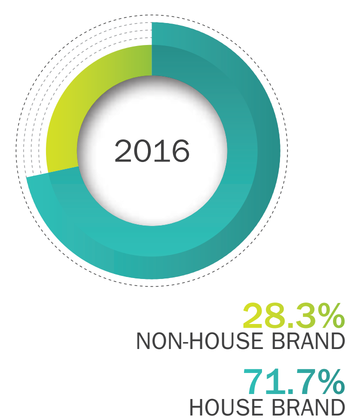
PROFIT FOR THE FINANCIAL YEAR (S$'M)



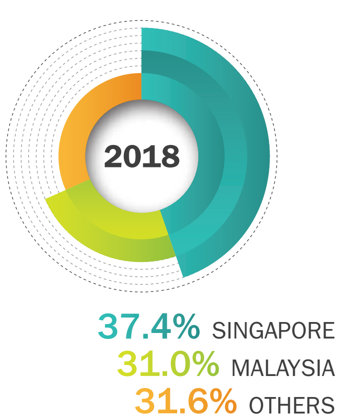
REVENUE BY OPERATING SEGMENT

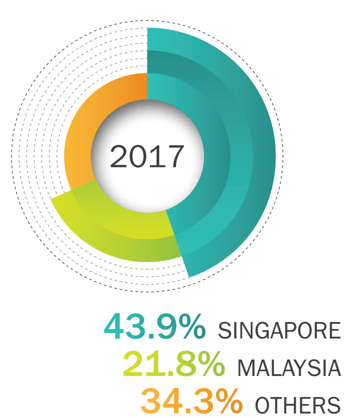


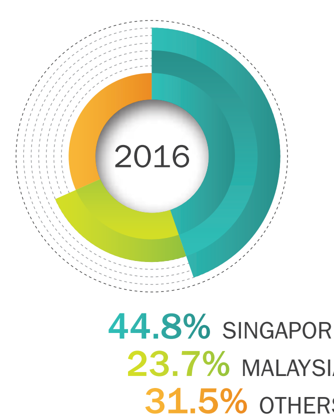




REVENUE BY GEOGRAPHICAL SEGMENT







BOARD OF DIRECTORS

MR WEE PIEW Non-Executive Independent Chairman

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

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

MR LIM HAI CHEOK Executive Director and Chief Executive Officer

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

MADAM CHONG POH SOON Executive Director

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

MS LIM KIM ENG Executive Director

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

MR LIM HOCK CHYE DANIEL Executive Director

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

MR LIM HENG SENG Non-Executive Independent Director

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

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

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

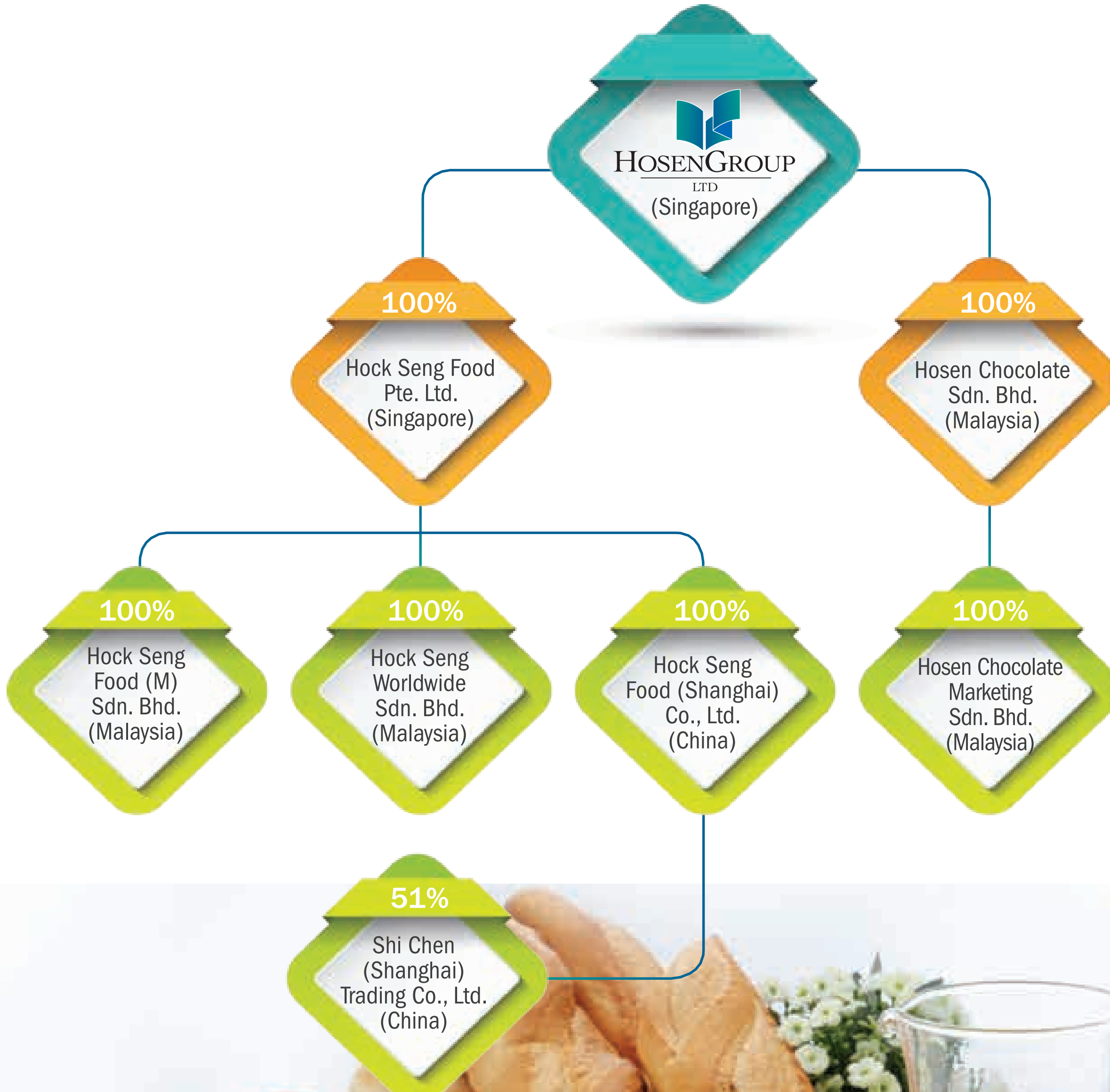
KEY MANAGEMENT

MR HO SIN YAM PATRICK CHIEF FINANCIAL OFFICER

Mr Patrick Ho joined the Group as Chief Financial Officer on 17 March 2014. He is responsible for the corporate finance, financial management, treasury, compliance, risk management, finance and accounting matters of the Group. Mr Ho has extensive experience in strategic management, corporate finance, acquisitions and disposals, dual listing, initial public offering, group restructuring, financial management, risk management and investor relations. He worked as Financial Controller of a number of listed companies and private companies in Singapore and Hong Kong. He also worked in reputable audit firms both in Singapore and Hong Kong and previously held directorships in several private companies.

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

GROUP STRUCTURE



Bank borrowings in current liabilities decreased by S$0.40 million to S$6.93 million as at 31 December 2018.

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 2018 ("**FY2018**"), 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 2016 (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 FY2018.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affairs</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>The Board has six (6) members as at the end of FY2018 and comprises the following:

<table>
<tr><td colspan="2">Table 1.1 – Composition of the Board</td></tr>
<tr><td>Name of Director</td><td>Designation</td></tr>
<tr><td>Wee Piew</td><td>Non-Executive Independent Chairman</td></tr>
<tr><td>Lim Hai Cheok</td><td>Executive Director and Chief Executive Officer</td></tr>
<tr><td>Chong Poh Soon</td><td>Executive Director</td></tr>
<tr><td>Lim Kim Eng</td><td>Executive Director</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>Executive Director</td></tr>
<tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td></tr>
</table>
Note:
Mr Ngiam Zee Moey resigned as a Non-Executive Independent Director on 15 January 2018. Following the resignation of Mr Ngiam, the Board comprises six (6) members. Please also refer to the Company's announcement released via SGXNet on 29 March 2018.

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 the Management.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has delegated certain responsibilities to the Audit Committee (the “AC”), the Remuneration Committee (the “RC”) and the Nominating Committee (the “NC”) (collectively, the “Board Committees”). The compositions of the Board Committees in FY2018 are as follows:

<table>
<tr><td colspan="4">Table 1.3 – Composition of the Board Committees</td></tr>
<tr><td colspan="4">In FY2018 (From 29 March 2018 onwards)</td></tr>
<tr><td></td><td>AC</td><td>NC</td><td>RC</td></tr>
<tr><td>Chairman</td><td>Wee Piew</td><td>Lim Heng Seng</td><td>Wee Piew</td></tr>
<tr><td>Member</td><td>Lim Heng Seng</td><td>Wee Piew</td><td>Lim Heng Seng</td></tr>
<tr><td>Member</td><td>Lim Hai Cheok</td><td>Lim Hai Cheok</td><td>Lim Hai Cheok</td></tr>
</table>

Following the resignation of Mr Ngiam Zee Moey as the Non-Executive Independent Director and a member of the AC and RC on 15 January 2018, the Board has on 29 March 2018 appointed Mr Lim Hai Cheok, an Executive Director and the Chief Executive Officer, as a member of the AC and the RC in replacing Mr Ngiam.

Not all of the members of the AC and the RC are non-executive Directors. The NC had recommended and the Board was of the view that Mr Lim Hai Cheok, with his more than 40 years’ experience in FMCG industry, would be able to provide input and enhance the efficient communications on the market information and practices in the industry of various countries to the other members of the AC and prevailing remuneration trend to the other members of the RC.

As no Director or member of the RC is allowed to participate in the deliberation, and has to abstain from voting on any resolution, relating to his/her own remuneration or that of employees related to him/her, the Board is of the view that retaining an RC member who is in an executive position will not lead to a conflict of interest or impede the independence of the RC.

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

The Board will be reviewing the composition of its Board and Board Committees and will consider undertaking changes to such composition to meet with the relevant provisions of the Code for the RC and AC to comprise all non-executive directors.</td></tr>
</table>

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 FY2018, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.

Table 1.4 – Board and Board Committee Meetings in FY2018

	Board	AC	NC	RC
Number of Meetings Held	3	3	1	1
Name of Director	**Number of Meetings Attended**			
Wee Piew	3	3	1	1
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

*　*By invitation*

**　*By invitation in one out of three meetings (Mr Lim Hai Cheok was appointed as a member of AC and RC on 29 March 2018)*

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

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	Matters that require the Board's approval include, amongst others, the following: • corporate strategy and business plans; • material acquisitions and disposals; • share issuance, dividend release or changes in capital; • announcement publication; • budgets, financial results announcements, annual report and audited financial statements; • convening of general meetings; and • material interested person transactions.
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director will be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. All newly appointed Directors who do not have prior experience as a Director of a public listed company in Singapore will be provided with relevant training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange and in areas such as legal and accounting where necessary.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(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 in FY2018 include: • the external auditor ("**EA**") had briefed the AC on changes or amendments to accounting standards; • the Company Secretary had provided from time to time updates on changes in the relevant laws, regulations and listing rules; and • the Company Secretary had recommended from time to time seminars/ workshops in regards to the updates of relevant regulations and listing rules organised by external professionals.
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.	The Chairman of the Board (the "**Chairman**") is a Non-Executive Independent Director and the chief executive officer (the "**CEO**") is an Executive Director. The Chairman and CEO are separate persons and are not immediate family members. The Board currently consists of two (2) Non-Executive Independent Directors and four (4) Executive Directors and therefore the Independent Directors makes up one-third of the Board.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.4</td><td>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.</td><td>Notwithstanding that Mr Lim Heng Seng and Mr Wee Piew, had served beyond nine years since the date of their first appointment on 5 July 2004, the Board is of the view that Mr Lim and Mr Wee are independent as:

• neither they and nor their immediate family members have any relationship or business dealings with the Group and the Company's substantial shareholders in the current or immediate past financial year;

• neither they and nor their immediate family members have been employed by the Company or any of its related corporations for the current or any of the past three financial years;

• they have, over the years, actively participated in the proceedings and decision-making process of Board meetings. The Board considers both Mr Lim Heng Seng and Mr Wee Piew to have made impartial advice and insights and have exercised independent judgement in doing so without dominating the Board discussions in these proceedings and/or meetings;

• they have constructively challenged and helped develop proposals on strategy and reviewed the performance of Management in achieving agreed goals; and

• they have provided overall guidance to Management and in protecting the Company's assets and shareholders' best interests.

The Board recognises that Mr Lim Heng Seng and Mr Wee Piew have developed substantial insight of the Group's business and operations and will continue to value add to the Board.</td></tr>
<tr><td rowspan="2">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying Director nominees?</td><td>The Board's policy in identifying Director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.</td></tr>
<tr><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board in FY2018</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td colspan="3">Core Competencies</td></tr>
<tr><td>– Accounting or finance</td><td>1</td><td>16.7%</td></tr>
<tr><td>– Human Resource management</td><td>1</td><td>16.7%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>4</td><td>66.6%</td></tr>
<tr><td colspan="3">Gender</td></tr>
<tr><td>– Male</td><td>4</td><td>66.7%</td></tr>
<tr><td>– Female</td><td>2</td><td>33.3%</td></tr>
</table>
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	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.
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 FY2018.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The duties of Chairman and CEO are segregated. In brief, the Chairman would lead the Board to ensure its effectiveness on all aspects of its role and ensure that the Directors receive complete, adequate and timely information and ensure effective communication with shareholders while the CEO would carry out the day-to-day overall management and execute the decisions made by the Board.
3.4	Have the Independent Directors met in the absence of other directors?	The Independent Directors have met in the absence of other directors in FY2018.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
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; • reviews Board's succession plans for Directors; • determines and proposes the objective performance criteria for the Board's approval and to review the Board's performance in terms of the performance criteria, assess the effectiveness of the Board as a whole; and • decides whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when the Director has multiple Board representations.
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, while being able to dedicate sufficient time and attention to the Board, 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.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(d) Have the Directors adequately discharged their duties?</td><td>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 FY2018.</td></tr>
<tr><td>4.5</td><td>Are there alternate Directors?</td><td>The Company does not have any alternate Directors.</td></tr>
<tr><td>4.6</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.</td><td>
<table>
<tr><th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience, and knowledge to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of Director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-electing Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the Director in accordance with the performance criteria set by the Board; and
• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of Director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(c) – Re-election of Directors retiring at the forthcoming AGM</th></tr>
<tr><th>Name</th><th>Designation</th><th>Pursuant to Article</th></tr>
<tr><td>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>
The information as required under Rule 720(5) of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules") for the Directors to be re-elected at the forthcoming AGM are set out in the Appendix.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out in the section entitled "Board of Directors" in this annual report.
<table>
<tr><th colspan="3">Table 4.7 – Last Re-election Dates of Directors</th></tr>
<tr><th>Name</th><th>Designation</th><th>Last Re-election Date</th></tr>
<tr><td>Wee Piew</td><td>Non-Executive Independent Chairman</td><td>28 April 2017</td></tr>
<tr><td>Lim Hai Cheok</td><td>Executive Director and Chief Executive Officer</td><td>30 April 2018</td></tr>
<tr><td>Chong Poh Soon</td><td>Executive Director</td><td>29 April 2016</td></tr>
<tr><td>Lim Kim Eng</td><td>Executive Director</td><td>28 April 2017</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>Executive Director</td><td>29 April 2016</td></tr>
<tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td><td>30 April 2018</td></tr>
</table></td></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><th colspan="3">Table 5 – Performance Criteria to Evaluate Effectiveness of Board</th></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Access to information
2. Board processes
3. Strategic planning
4. Board accountability
5. Risk management
6. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Size and composition</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table></td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</td><td>The review of the performance of the Board and the Board Committees is conducted by the NC annually.

For FY2018, the review process was as follows:

1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and the Board Committees and performance evaluation forms of individual Directors standing for re-election at the forthcoming AGM based on criteria disclosed in Table 5;

2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; and

3. The NC discussed the report and concluded the performance results during the NC meeting.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.

No external facilitator was engaged in the evaluation process.</td></tr>
<tr><td></td><td>(b) Has the Board met its performance objectives?</td><td>Yes, the Board has met its performance objectives.</td></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
10.3</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>
<table>
<tr><td colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</td></tr>
<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>Reports from EA and internal auditor ("IA")</td><td>Annually</td></tr>
</table>

Key management personnel will also provide any additional material or information, including management accounts, memorandums on potential acquisition and disposal of assets, that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

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 Articles, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the Catalist Rules, are complied with; • assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • assists the Chairman to ensure good information flows within the Board and its committees and key management personnel; • facilitating orientation and assisting with professional development as required; • training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • attends and prepares minutes for Board and Board Committee meetings; • scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations; • as secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; • reviews key proposals before they are presented to the Board for consideration; and • assists the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings.

CORPORATE GOVERNANCE REPORT

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 Executive Director and key management personnel that are competitive and appropriate to attract, retain and motivate Directors and key management personnel of the required quality to 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; and • reviews and recommends fees for Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2018.
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.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>
The breakdown for the remuneration of the Directors for FY2018 is as follows:
<table>
<tr><th colspan="6">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>Total (%)</th></tr>
<tr><td colspan="6">S$250,000 to S$499,999</td></tr>
<tr><td>Lim Hai Cheok</td><td>–</td><td>62</td><td>34</td><td>4</td><td>100</td></tr>
<tr><td>Lim Kim Eng</td><td>–</td><td>66</td><td>31</td><td>3</td><td>100</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>–</td><td>58</td><td>37</td><td>5</td><td>100</td></tr>
<tr><td colspan="6">Below S$250,000</td></tr>
<tr><td>Chong Poh Soon</td><td>–</td><td>63</td><td>37</td><td>–</td><td>100</td></tr>
<tr><td>Lim Heng Seng</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Wee Piew</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Ngiam Zee Moey[1]</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
</table>
(All the above remuneration excludes employer's CPF contribution portion.)
1 Mr Ngiam Zee Moey resigned as a Non-Executive Independent Director on 15 January 2018.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. The names of key management personnel are not disclosed to avoid from any possible poaching.

There were no termination, retirement and post-termination benefits given to Directors and key management personnel for the financial year in review.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="2">9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2018 is as follows:

Table 9.3 – Remuneration of Key Management Personnel
<table>
<tr><th>Key management personnel</th><th>Salary (%)</th><th>Variable and Bonus (%)</th><th>Allowance and Others (%)</th><th>Total (%)</th></tr>
<tr><td>Below S$250,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>1 executive</td><td>31</td><td>66</td><td>3</td><td>100</td></tr>
<tr><td>1 executive</td><td>78</td><td>10</td><td>12</td><td>100</td></tr>
<tr><td>1 executive</td><td>89</td><td>11</td><td>–</td><td>100</td></tr>
<tr><td>1 executive</td><td>31</td><td>66</td><td>3</td><td>100</td></tr>
<tr><td>1 executive</td><td>86</td><td>13</td><td>1</td><td>100</td></tr>
</table></td></tr>
<tr><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid/payable to the top 5 key management personnel for FY2018 was approximately S$727,000.

(The remuneration payable relates to performance bonuses that are payable to the certain key management personnel in respect their performance in FY2018 and all the above remuneration excludes employer's CPF/EPF contribution portion.)</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>In FY2018, Lai Ginn Keow, Procurement Executive, who is the wife of Lim Hock Chye Daniel, Executive Director, has received an annual remuneration of between S$50,000 and S$100,000. Save as disclosed above, 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 FY2018.

(The above remuneration excludes employer's CPF/EPF contribution portion.)</td></tr>
<tr><td>9.5</td><td>Please provide details of the employee share scheme(s).</td><td>Information on the Company's Hosen Employee Share Option Scheme is set out in the Directors' Statement of this Annual Report. The Hosen Employee Share Option Scheme is administrated by the RC. There was no share option granted to any employee in FY2018.</td></tr>
<tr><td>9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>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 FY2018.

Their remuneration is made up of fixed and variable compensations. The fixed compensation is in the form of base salary, variable and bonus, allowance and others. The variable compensation is determined based on the Group's or Company's performance and the individual performance. Another element of the variable component is the grant of share options to staff under the Hosen Employee Share Option Scheme of the Company.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="2"></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:
<table>
<tr><th colspan="3">Table 9.6(b) – Performance Conditions for Entitlement to Incentives</th></tr>
<tr><td>Performance Conditions</td><td>Short-term Incentives
(such as performance bonus)</td><td>Long-term Incentives
(such as the Hosen Employee Share Option Scheme)</td></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. Commitment
3. Teamwork
4. Macro-economic factors</td><td>1. Current market and industry practices
2. Rank
3. Years of Service</td></tr>
<tr><td>Quantitative</td><td>–</td><td>1. Performance of the Group</td></tr>
</table></td></tr>
<tr><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2018.</td></tr>
<tr><td colspan="3">ACCOUNTABILITY AND AUDIT</td></tr>
<tr><td colspan="3"><u>Risk Management and Internal Controls</u></td></tr>
<tr><td>11.3</td><td>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</td><td>The Board is 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 FY2018.

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 the EA/IA in the absence of the key management personnel to review and address any potential concerns.

The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2018. The Board has additionally relied on the IA's report issued to the Company in FY2018 to assure that the Company's risk management and internal controls are adequate and effective.
Audit Committee		
12.1 12.4	What is the role of the AC?	None of the AC members were previous partners or Directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm. The AC is guided by the following key terms of reference: • reviews the audit plans of the external auditor, the audit reports and management letters issued by the EA and the co-operation given by the Company's Management to the EA; • reviews the nature and extent of non-audit services provided by the EA; • reviews cost effectiveness and the independence and objectivity of the EA; • reviews the adequacy, effectiveness, independence, scope and the results of the EA and IA function; • makes recommendations to the Board on the appointment, re-appointment and removal of EA and IA, and to review the remuneration and terms of engagement of the EA and IA; • reviews the financial reports so as to ensure the integrity of the financial statements of the Company and focus, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit and compliance with financial reporting standards; • reviews announcements of the Company's half-year and full-year results before submission to the Board for approval for release to the SGX-ST; • undertakes such other functions, duties, reviews and projects as may be requested by the Board or as may be required by statutes or the Catalist Rules; • reviews effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management policies and reviews the findings of the IA; and • meets with the EA and with IA, separately without the presence of the Management annually; and • reviews interested person transactions in accordance with the requirements as defined in the Catalist Rules.

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<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>12.5</td><td>Has the AC met with the auditor in the absence of key management personnel?</td><td>Yes, the AC has met with the EA and the IA in the absence of key management personnel in FY2018.</td></tr>
<tr><td rowspan="3">12.6</td><td>Has the AC reviewed the independence of the EA?</td><td>The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td><table>
<tr><th colspan="3">Table 12.6(a) – Fees Paid/Payable to the EA for FY2018</th></tr>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>73,000</td><td>87</td></tr>
<tr><td>Non-audit fees – tax compliance</td><td>10,600</td><td>13</td></tr>
<tr><td>Total</td><td>83,600</td><td>100</td></tr>
</table></td></tr>
<tr><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.</td><td>The AC has reviewed and is of the opinion that the non-audit services rendered during FY2018 were not substantial and the nature and extent of such services would not prejudice the independence of the EA, and thus recommended the re-appointment of the EA of the forthcoming AGM.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the Chairman of AC via ac.hockseng@gmail.com. To facilitate participation by external parties, the policy is also available on the Company's website at http://www.hosengroup. com/contact.php. There are no reported incidents pertaining to whistle-blowing for FY2018.</td></tr>
<tr><td>12.8</td><td>What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?</td><td>In FY2018, the AC was updated by the EA with respect to revisions to the accounting standards.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	In FY2018, the Company's internal audit function is outsourced to the IA, HLS Risk Advisory Services Pte. Ltd., which is independent of the external audit function and from the Group. The IA reports directly to the AC Chairman and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. For FY2018,the AC has reviewed the scope of the internal audit function, IA's reports, proposed follow-up actions implemented by the Management and has noted that the necessary co-operation required from the Management had been provided to enable the IA to perform its function effectively. In addition to the above, the AC had also reviewed the experience of the IA, including the assigned engagement personnel's experience and is satisfied that the IA is independent, effective and adequately qualified (given, inter alia, its adherence to standards set by nationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.1	Does the Company have an investor relations policy?	The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.
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 contact portal at http://www.hosengroup.com/contact.php. The Company also solicits feedback from and addresses the concerns of shareholder through its annual general meetings held.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Executive Directors are managing investor relations via the website on an ongoing basis.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments and events through its corporate website at www.hosengroup.com.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, the management will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board did not propose any dividend for FY2018 as the Group intended to conserve funds for the construction of a new six-storey building as part of the Group's business expansion plans (as announced on 7 September 2018), future expansion and potential investments when opportunities arise.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company has adopted poll voting for its general meetings of shareholders. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meetings. All minutes of general meetings will made available to shareholders upon their written request within 1 month after the general meetings.

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
711	Sustainability Report	The Company has started its preparation of the Sustainability Reporting and will issue the Sustainability Reporting by 31 May 2019.
712, 715 or 716	Appointment of Auditor	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy and effectiveness of internal controls	The Board and the AC are of the opinion that the internal controls are adequate and effective to address the financial, operational and compliance risks based on the following: • internal controls and the risk management system established by the Company; • work performed by the IA; • assurance from the CEO and CFO; and • reviews done by the various Board Committees and key management personnel.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
1204(17)	Interested Persons Transaction ("**IPT**")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no IPTs with value more than S$100,000 transacted during FY2018.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and key officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and key officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the following day after the announcement of the relevant results. The guidelines on share buyback under the Share Buyback Mandate, to be renewed at the Company's forthcoming AGM also provides that the Company will not effect any purchases of shares on the SGX-ST during the period of one month immediately preceding the announcement of the Company's half year results and full year results.
1204(21)	Non-sponsor fees	No non-sponsor fee was paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2018.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Directors of Hosen Group Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

2. DIRECTORS

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

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

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

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

By virtue of Section 7 of the Act, Mr. Lim Hai Cheok and Mdm. Chong Poh Soon are deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

5. SHARE OPTIONS

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

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

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

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

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr. Wee Piew, a non-executive independent Chairman, Mr. Lim Heng Seng, an independent Director and Mr. Lim Hai Cheok (appointed on 29 March 2018), an executive Director and Chief Executive Officer. The Audit Committee has met three times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Lim Hai Cheok	**Chong Poh Soon**
Director	Director

Singapore
29 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hosen Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 45 to 121, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Key Audit Matters (Continued)

1 Revenue recognition

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

The adoption of SFRS(I) 15 *Revenue from Contracts with Customers* involves judgements and estimates on sales returns as the Group accepts return of goods from customers arising from customary business practices that gives rise to variable consideration which reduces revenue. Accordingly, the Group has recognised the sales returns under "Refund liabilities" and the right to the recovered goods under "Other current assets".

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

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

Related Disclosures

Refer to Notes 2.10, 3.2(iv), 14, 22, 35(i) and 35(ii) of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Key Audit Matters (Continued)

2 Impairment assessment of property, plant and equipment

As at 31 December 2018, the Group's property, plant and equipment ("PPE") of $12,835,000 included an amount of $3,145,000 held by a subsidiary, Hosen Chocolate Sdn. Bhd. ("Hosen Choc"). Hosen Choc was set up in 2015 as the Group's manufacturing arm in order to develop new chocolate products to expand its distribution network and to explore new business opportunities. As at 31 December 2018, Hosen Choc was in a net liabilities position and had incurred losses during the financial year, which indicate that PPE of Hosen Choc may be impaired.

Management had carried out an impairment assessment by using the value-in-use ("VIU") method to determine the recoverable amount of the cash-generating unit which the PPE belong. Based on the management's assessment, no impairment is required.

We focused on the impairment assessment of Hosen Choc's PPE as a key audit matter owing to the significant judgments and estimates used in deriving the recoverable amount.

Related Disclosures

Refer to Notes 2.6, 3.2(ii) and 4 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- We carried out discussions with management and evaluated the reasonableness of the key assumptions and estimates used in the VIU prepared, including revenue growth rate, gross profit margin and discount rate;
- We evaluated the reasonableness of the discount rate used by engaging our internal specialist to independently develop an expectation of the discount rate;
- We checked the computation of the cash flow projections;
- We performed sensitivity analysis on the relevant key assumptions used in the cash flow projections; and
- We assessed the adequacy of the related disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Non-current assets							
Property, plant and equipment	4	**12,835**	13,270	12,991	**–**	–	–
Investments in subsidiaries	5	**–**	–	–	**9,836**	9,836	9,836
Available-for-sale financial assets	6	**–**	–	–	**–**	–	–
Financial assets, at fair value through other comprehensive income	6	**–**	–	–	**–**	–	–
Intangible asset	7	**67**	87	57	**–**	–	–
Other receivables	8	**504**	–	–	**4,234**	14,194	12,000
		13,406	13,357	13,048	**14,070**	24,030	21,836
Current assets							
Inventories	9	**15,170**	16,654	15,607	**–**	–	–
Trade and other receivables	8	**15,585**	13,328	14,915	**12,414**	2,156	3,452
Other current assets	22	**1,051**	741	958	**–**	–	–
Financial assets at fair value through profit or loss	10	**3**	6	7	**–**	–	–
Income tax recoverable		**–**	–	131	**–**	–	–
Fixed deposits	11	**31**	30	49	**–**	–	–
Cash and bank balances	12	**5,449**	4,614	3,475	**51**	58	31
		37,289	35,373	35,142	**12,465**	2,214	3,483
Less:							
Current liabilities							
Trade and other payables	13	**9,063**	7,679	5,801	**165**	163	175
Refund liabilities	14	**1,726**	1,133	1,459	**–**	–	–
Current income tax payable		**354**	161	140	**11**	13	17
Finance lease payables	15	**106**	94	50	**–**	–	–
Bank borrowings	16	**6,928**	7,326	9,005	**–**	–	–
		18,177	16,393	16,455	**176**	176	192
Net current assets		**19,112**	18,980	18,687	**12,289**	2,038	3,291
Less:							
Non-current liabilities							
Finance lease payables	15	**202**	243	167	**–**	–	–
Bank borrowings	16	**2,808**	3,092	3,350	**–**	–	–
Deferred tax liabilities	17	**127**	267	267	**–**	–	–
		3,137	3,602	3,784	**–**	–	–
Net assets		**29,381**	28,735	27,951	**26,359**	26,068	25,127
Equity							
Share capital	18	**28,431**	28,431	28,431	**28,431**	28,431	28,431
Treasury shares	19	**(3,654)**	(3,654)	(3,654)	**(3,654)**	(3,654)	(3,654)
Foreign currency translation account	20	**(298)**	(392)	(419)	**–**	–	–
Fair value reserve	21	**(49)**	–	–	**–**	–	–
Retained earnings		**4,966**	4,350	3,593	**1,582**	1,291	350
Equity attributable to owners of the parent		**29,396**	28,735	27,951	**26,359**	26,068	25,127
Non-controlling interests		**(15)**	–	–	**–**	–	–
Total equity		**29,381**	28,735	27,951	**26,359**	26,068	25,127

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Revenue	22	**68,311**	66,715
Cost of sales		**(54,524)**	(54,061)
Gross profit		**13,787**	12,654
Other income	23	**213**	356
Selling and distribution expenses		**(3,212)**	(3,174)
Administrative expenses		**(6,463)**	(6,058)
Other expenses		**(2,663)**	(2,042)
Loss allowance reversed/(made) for third party trade receivables		**24**	(311)
Finance costs	24	**(360)**	(345)
Profit before income tax	25	**1,326**	1,080
Income tax expense	26	**(449)**	(323)
Profit for the financial year		**877**	757
Other comprehensive income for the financial year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	20	**94**	27
Other comprehensive income for the financial year, net of tax		**94**	27
Total comprehensive income for the financial year attributable to owners of the parent		**971**	784
Profit attributable to:			
Owners of the parent		**892**	757
Non-controlling interests		**(15)**	–
		877	757
Total comprehensive income attributable to:			
Owners of the parent		**986**	784
Non-controlling interests		**(15)**	–
		971	784

	Note	2018	2017
Earnings per share			
– Basic and diluted (in cents)	27	**0.27**	0.23

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation account $'000	Fair value reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 31 December 2017		28,431	(3,654)	(392)	–	4,350	28,735	–	28,735
Effect of adopting SFRS(I) 9	35	–	–	–	(49)	49	–	–	–
Balance at 1 January 2018		**28,431**	**(3,654)**	**(392)**	**(49)**	**4,399**	**28,735**	**–**	**28,735**
Profit for the financial year		**–**	**–**	**–**	**–**	**892**	**892**	**(15)**	**877**
Exchange differences on translating foreign operations	20	**–**	**–**	**94**	**–**	**–**	**94**	**–**	**94**
Total comprehensive income for the financial year		**–**	**–**	**94**	**–**	**892**	**986**	**(15)**	**971**
Transactions with owners:									
Dividends	28	**–**	**–**	**–**	**–**	**(325)**	**(325)**	**–**	**(325)**
Total transactions with owners of the parent		**–**	**–**	**–**	**–**	**(325)**	**(325)**	**–**	**(325)**
Balance at 31 December 2018		**28,431**	**(3,654)**	**(298)**	**(49)**	**4,966**	**29,396**	**(15)**	**29,381**
Balance at 1 January 2017		28,431	(3,654)	(419)	–	3,593	27,951	–	27,951
Profit for the financial year		–	–	–	–	757	757	–	757
Exchange differences on translating foreign operations	20	–	–	27	–	–	27	–	27
Total comprehensive income for the financial year		–	–	27	–	757	784	–	784
Balance at 31 December 2017		28,431	(3,654)	(392)	–	4,350	28,735	–	28,735

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Operating activities			
Profit before income tax		**1,326**	1,080
Adjustments for:			
Loss allowance (reversed)/made for third party trade receivables		**(24)**	311
Bad debts written off – trade		**–**	22
Write-down of inventories		**303**	345
Reversal of inventories written down		**–**	(27)
Amortisation of intangible asset		**20**	69
Depreciation of property, plant and equipment		**943**	863
Property, plant and equipment written off		**815**	–
Fair value loss arising from financial assets at fair value through profit or loss		**3**	1
Gain on disposal of property, plant and equipment		**(37)**	(72)
Interest expense		**360**	345
Interest income		**(8)**	(3)
Unrealised exchange loss		**60**	–
Operating cash flows before working capital changes		**3,761**	2,934
Working capital changes:			
Inventories		**1,182**	(1,265)
Trade and other receivables		**(2,638)**	1,319
Trade and other payables		**966**	1,676
Other current assets		**(310)**	217
Refund liabilities		**593**	(326)
Cash generated from operations		**3,554**	4,555
Income tax paid		**(396)**	(171)
Interest received		**8**	3
Net cash generated from operating activities		**3,166**	4,387
Investing activities			
Proceeds from disposal of property, plant and equipment		**40**	73
Purchase of property, plant and equipment	4	**(927)**	(819)
Purchase of intangible asset		**–**	(99)
Net cash used in investing activities		**(887)**	(845)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Financing activities			
Dividend paid		**(325)**	–
Fixed deposits		**(1)**	19
Interest paid		**(360)**	(345)
Repayment of finance lease payables	A	**(96)**	(73)
Repayment of bank borrowings	A	**(697)**	(2,055)
Net cash used in financing activities		**(1,479)**	(2,454)
Net change in cash and cash equivalents		**800**	1,088
Cash and cash equivalents at beginning of financial year		**4,614**	3,475
Net effect of exchange rate changes on cash and cash equivalents		**35**	51
Cash and cash equivalents at end of financial year	12	**5,449**	4,614

Note A: Reconciliation of liabilities arising from financing activities

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

	1.1.2017 $'000	Financing cash flows $'000	Non cash changes: Additions of property, plant and equipment under finance leases $'000	Non cash changes: Foreign exchange differences $'000	31.12.2017 $'000
Bank borrowings (Note 16)	12,355	(2,055)	–	118	10,418
Finance lease payables (Note 15)	217	(73)	192	1	337
	12,572	(2,128)	192	119	10,755

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

1. GENERAL CORPORATE INFORMATION

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

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

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

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

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 were authorised for issue in accordance with a Directors' resolution dated 29 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Company's Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group's first financial statements prepared in accordance with SFRS(I)s. The Group has previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group has consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs to SFRS(I)s are disclosed in Note 35 to the financial statements.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

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

SFRS(I) issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I) that is relevant to the Group was issued but not yet effective, and has not been early adopted in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: Leases	1 January 2019

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

Management anticipates that the adoption of the above SFRS(I) in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except as disclosed below:

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group is in the process of quantifying the potential impact on the adoption of SFRS(I) 16. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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

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

2.3 Business combinations

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

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

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

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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

2.4 Property, plant and equipment

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

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

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.

2.5 Intangible asset

Computer software

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

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

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

2.6 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets (Continued)

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

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

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

2.7 Financial instruments

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

Financial assets

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

Amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income" or "other expenses".

Derecognition of financial assets

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

Accounting policy for financial assets prior to 1 January 2018

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

Financial assets

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

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.

Financial assets at 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 (excluding advance payments to suppliers, prepayments and goods and services tax), fixed deposits and cash and bank balances.

Available-for-sale financial assets (“AFS”)

Equity 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, including any related foreign exchange component, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

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

Bank borrowings

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

Financial guarantee contracts

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

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

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

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

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Offsetting financial instruments

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

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

2.9 Cash and bank balances

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

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

2.10 Revenue recognition

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

Sale of goods

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Revenue recognition (Continued)

Sale of goods (Continued)

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

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

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

Service income

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

Dividend income

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

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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 of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.12 Retirement benefit costs

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore subsidiary in the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

2.13 Employee leave entitlements

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

2.14 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxes (Continued)

Deferred tax (Continued)

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

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

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

Sales tax

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

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

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

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

2.16 Dividends

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

2.17 Foreign currency transactions and translation

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign currency transactions and translation (Continued)

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

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

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

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

2.18 Segment reporting

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

2.19 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

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

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

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

2.20 Contingencies

A contingent liability is:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Classification and measurement of financial assets

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

The Group monitors impairment of financial assets at amortised cost using the forward-looking expected credit loss model. On initial recognition, management determines the expected credit loss rates by the grouping the customers having similar characteristics into the sectors that they operate to consider if there will be default payment. As for loans to subsidiaries are measured at amortised cost, management exercises judgements to determine the credit risk profile of subsidiaries on initial recognition and subsequently considers whether there is significant increase in the credit risk profile of these subsidiaries by assessing their financial performance, projected cash flows prepared and any default in external debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is indication that the investments in subsidiaries are impaired. Where there is an indication of impairment, the recoverable amounts of the cash-generating unit ("CGU") will be determined using the higher of fair value less costs of disposal or value-in-use method, which requires the use of estimates. In estimating the value-in-use, the management exercised judgement in estimating the expected future cash flows from the CGUs using suitable growth rates and discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2018 was approximately $9,836,000 (31 December 2017: $9,836,000, 1 January 2017: $9,836,000).

(ii) Impairment of property, plant and equipment

At the end of each financial year, an assessment is made on whether there is indication that the property, plant and equipment are impaired. Where there is an indication of property, plant and equipment belonging to the CGU identified, the recoverable amount of the CGU is determined based on value-in-use method, which requires the use of estimates. In estimating the value-in-use, the management exercised judgement in estimating the expected future cash flows from the CGUs using suitable growth rates and discount rate in order to calculate the present value of those cash flows covering the property, plant and equipment estimated useful lives. The carrying amount of the Group's property, plant and equipment as at 31 December 2018 was approximately $12,835,000 (31 December 2017: $13,270,000, 1 January 2017: $12,991,000).

(iii) Estimating expected credit loss allowance

The management estimates expected credit loss allowance using a forward-looking expected credit loss ("ECL") model. When measuring ECL, the Group performs a review of the historical trends, default payment information, profile its customers to determine a reasonable probability of default, which is the key estimate in measuring ECL. The carrying amount of the Group's and the Company's trade and other receivables as at 31 December 2018 were $16,089,000 (31 December 2017: $13,328,000, 1 January 2017: $14,915,000) and $16,648,000 (31 December 2017: $16,350,000, 1 January 2017: $15,452,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Estimating sales returns

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

Estimates of expected sales returns are sensitive to changes in circumstances and the Group's experience regarding returns may not be representative of customers' actual returns in the future. As at 31 December 2018, the refund liabilities recognised for return of goods was $1,322,000 (31 December 2017: $921,000, 1 January 2017: $1,214,000).

(v) Inventory valuation method

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the weighted average method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for obsolete inventories based on historical sales activities, estimated future demand, related pricing and their expiry date. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2018 was approximately $15,170,000 (31 December 2017: $16,654,000, 1 January 2017: $15,607,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2017	784	937	1,104	10,423	1,922	2,068	1,382	264	6	18,890
Additions	–	–	–	58	237	612	74	30	–	1,011
Disposals	–	–	–	–	–	(407)	–	–	–	(407)
Write off	–	–	–	–	–	–	(1)	–	–	(1)
Currency translation adjustment	17	21	–	79	36	74	8	(6)	2	231
Balance at 31 December 2017	801	958	1,104	10,560	2,195	2,347	1,463	288	8	19,724
Accumulated depreciation										
Balance at 1 January 2017	–	49	529	2,052	550	1,354	1,136	223	6	5,899
Depreciation charge for the year	–	31	17	243	197	267	90	18	–	863
Disposals	–	–	–	–	–	(406)	–	–	–	(406)
Write off	–	–	–	–	–	–	(1)	–	–	(1)
Currency translation adjustment	–	2	–	16	6	69	10	(6)	2	99
Balance at 31 December 2017	–	82	546	2,311	753	1,284	1,235	235	8	6,454
Carrying amount										
At 31 December 2017	801	876	558	8,249	1,442	1,063	228	53	–	13,270

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Motor vehicles and an office equipment with carrying amount of approximately $530,000 (31 December 2017: $609,000, 1 January 2017: $410,000) were acquired under finance lease arrangements (Note 15).

Finance lease assets are pledged as securities for the related finance lease payables.

Depreciation of property, plant and equipment is included in the consolidated statement of comprehensive income as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Cost of sales	**196**	–
Other expenses	**747**	863
	943	863

The Group's property, plant and equipment with carrying amount of approximately $4,591,000 as at 31 December 2018 (31 December 2017: $4,661,000, 1 January 2017: $4,608,000) was pledged as a security for the bank loans granted to the Group (Note 16).

Consolidated statement of cash flows

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

	Group	
	2018	**2017**
	$'000	**$'000**
Additions to property, plant and equipment	**1,314**	1,011
Acquired under finance lease agreements	**(67)**	(192)
Other payables	**(320)**	–
Cash payments to acquire property, plant and equipment	**927**	819

During the current financial year, the assets under construction pertain to construction of a new six-storey building in Singapore which is not ready for use at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

5. INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Unquoted equity shares, at cost	**9,836**	9,836	9,836

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group			Proportion of ownership interest held by non-controlling interests		
		31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		%	%	%	%	%	%
Held by the Company							
Hock Seng Food Pte Ltd[(1)] (Singapore)	Import, distribution, wholesale of fast moving consumer goods	**100**	100	100	**–**	–	–
Hosen Chocolate Sdn Bhd[(2)] (Malaysia)	Develop, process, trade and distribute house brand and new chocolate products	**100**	100	100	**–**	–	–
Arenas Seafood Pte Ltd[(3)] (Singapore)	Processing of fish and seafood and wholesale of frozen livestock and seafood	**–**	–	100	**–**	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group			Proportion of ownership interest held by non-controlling interests		
		31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by Hock Seng Food Pte Ltd							
Hock Seng Food (M) Sdn Bhd(2) (Malaysia)	Import, distribution, wholesale of fast moving consumer goods	**100**	100	100	**–**	–	–
Hock Seng Worldwide Sdn Bhd(2) (Malaysia)	Investment holding company	**100**	100	100	**–**	–	–
Hock Seng Food (Shanghai) Co., Ltd(4) (People's Republic of China)	Marketing office cum general wholesale of fast moving consumer goods	**100**	100	100	**–**	–	–
Held by Hosen Chocolate Sdn Bhd							
Hosen Chocolate Marketing Sdn Bhd(2) (Malaysia)	Trading and retailing of foods products and other fast moving consumer goods	**100**	100	–	**–**	–	–
Held by Hock Seng Food (Shanghai) Co., Ltd							
Shi Chen (Shanghai) Trading Co. Ltd.(5) (People's Republic of China)	Trading of seaweed, frozen seafood products and other fast moving consumer goods	**51**	–	–	**49**	–	–

Notes:
(1) Audited by BDO LLP, Singapore.
(2) Audited by overseas member firm of the BDO Network in Malaysia.
(3) Struck off in previous financial year.
(4) Audited by Shanghai Willfly Certified Public Accountants Co., Ltd, People's Republic of China.
(5) Not audited as there is no operation since incorporation.

Significant restrictions

Cash and bank balances of approximately $443,000 (31 December 2017: $235,000, 1 January 2017: $410,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Strike off of a subsidiary

Following an approval by the Board of Directors, an application to strike off a subsidiary, Arenas Seafood Pte Ltd, was submitted on 8 September 2016 and officially struck off on 9 January 2017.

Incorporation of a subsidiary

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

The Group established Shi Chen to continue to expand its distribution network and explore new business opportunities to achieve growth of the core business of the Group.

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSET/FINANCIAL ASSETS, AT FVOCI

As at 1 January 2018, the Group has designated its unlisted equity investment in Singapore of $49,000, previously classified as available-for-sale financial asset, to be measured as FVOCI. The Group intends to hold this investment for long-term and strategic investment purposes. This unlisted equity investment has been fully impaired prior to 1 January 2018. Therefore, the previously impaired allowance of $49,000 has been reclassified to fair value reserve (Notes 21 and 35).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTANGIBLE ASSET

Computer software

	Group	
	2018	**2017**
	$'000	**$'000**
Cost		
Balance at beginning of financial year	**471**	372
Additions	**–**	99
Balance at end of financial year	**471**	471
Accumulated amortisation		
Balance at beginning of financial year	**384**	315
Amortisation for the financial year	**20**	69
Balance at end of financial year	**404**	384
Carrying amount		
Balance at end of financial year	**67**	87

The remaining useful life of the computer software is 1 to 4 years (31 December 2017: 2 to 5 years, 1 January 2017: 2 to 5 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Non-current						
Other receivables						
– Loan to subsidiaries	**–**	–	–	**4,234**	14,634	12,000
Loss allowance on loan to a subsidiary	**–**	–	–	**–**	(440)	–
Prepayment	**504**	–	–	**–**	–	–
	504	–	–	**4,234**	14,194	12,000
Current						
Trade receivables						
– Third parties	**14,144**	11,334	13,197	**–**	–	–
Loss allowance	**(522)**	(581)	(279)	**–**	–	–
	13,622	10,753	12,918	**–**	–	–
Other receivables						
– Third parties	**179**	13	142	**–**	–	–
– Loans to subsidiaries	**–**	–	–	**12,407**	1,349	3,885
– Dividend receivable from a subsidiary	**–**	–	–	**–**	800	–
Loss allowance on loan to a subsidiary	**–**	–	–	**–**	–	(440)
	13,801	10,766	13,060	**12,407**	2,149	3,445
Advance payments to suppliers	**1,320**	2,270	1,580	**–**	–	–
Deposits	**95**	72	99	**–**	–	–
Prepayments	**369**	220	176	**7**	7	7
Total trade and other receivables – current	**15,585**	13,328	14,915	**12,414**	2,156	3,452
Add: Other receivables – non-current	**504**	–	–	**4,234**	14,194	12,000
Total trade and other receivables	**16,089**	13,328	14,915	**16,648**	16,350	15,452
Less:						
– Advance payments to suppliers	**(1,320)**	(2,270)	(1,580)	**–**	–	–
– Goods and services tax	**(68)**	(25)	–	**–**	–	–
– Prepayments	**(873)**	(220)	(176)	**(7)**	(7)	(7)
	13,828	10,813	13,159	**16,641**	16,343	15,445
Add:						
– Fixed deposits	**31**	30	49	**–**	–	–
– Cash and bank balances	**5,449**	4,614	3,475	**51**	58	31
Financial assets at amortised cost/Loans and receivables (2017)	**19,308**	15,457	16,683	**16,692**	16,401	15,476

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Non-current

The non-current prepayment pertained to down-payment paid to supplier in relation to construction costs of a new six-storey building and will be utilised as part of settlement of construction costs.

Current

The trade amounts due from third parties are unsecured, interest-free and repayable within the normal credit terms of 14 to 90 days (31 December 2017: 14 to 90 days, 1 January 2017: 14 to 90 days), in cash.

As at 31 December 2018, the term of the loan to a subsidiary was modified from repayable from 2023 onwards to repayable on demand and bore interest at 2.8% (31 December 2017 and 1 January 2017: 2.8%) per annum.

As at 31 December 2018, loan to a subsidiary with carrying amount of $4,234,000 (31 December 2017: $2,194,000, 1 January 2017: $Nil) was unsecured and bore interest at rate of 3% per annum, is to be repaid over the next 30 years between 2023 and 2052. The effective interest rate is 3.04% (31 December 2017: 5.4%, 1 January 2017: Nil) per annum.

The management estimates expected credit loss allowance using a forward-looking expected credit loss ("ECL") model. When measuring ECL, the Group performs a review of the historical trends, default payment information and profile its customers to determine a reasonable probability of default. As at 31 December 2018, the lifetime expected loss allowance made for the Group's third party trade receivables were as follows:

	Current $'000	1 to 3 months past due $'000	3 to 6 months past due $'000	6 to 12 months past due $'000	More than 12 months past due $'000	Total $'000
Weighted average loss rate	*0.06%*	*1.14%*	*1.50%*	*8.07%*	*8.12%*	
Trade receivables						
– Third parties	7,057	5,556	687	177	667	14,144
Loss allowance						
– Expected loss	4	63	10	13	28	118
– Credit impaired	25	21	20	16	322	404
	29	84	30	29	350	522

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in loss allowance for third party trade receivables:

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of financial year	**581**	279
Loss allowance (reversed)/made during the financial year	**(24)**	311
Amount written off as uncollectible	**(32)**	–
Currency translation difference	**(3)**	(9)
Balance at end of financial year	**522**	581

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

	Group	
	31.12.2017	**1.1.2017**
	$'000	**$'000**
Past due less than 3 months	**5,524**	3,860
Past due 3 months to 6 months	**550**	1,222
Past due 6 months to 12 months	**62**	–
	6,136	5,082

Movement in loss allowance for loan to a subsidiary:

	Company	
	31.12.2018	**31.12.2017**
	$'000	**$'000**
Balance at beginning of financial year under FRS 39	**440**	440
Application of SFRS(I) 9	**(440)**	–
Balance at end of financial year under SFRS(I) 9	**–**	440

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Singapore dollar	6,466	4,585	6,201	16,641	16,343	15,445
United States dollar	3,481	2,863	2,598	–	–	–
Ringgit Malaysia	3,564	2,954	4,192	–	–	–
Euro	220	314	55	–	–	–
Chinese Renminbi	97	97	113	–	–	–
	13,828	10,813	13,159	16,641	16,343	15,445

9. INVENTORIES

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Raw materials	591	501	410
Work-in-progress	127	47	60
Finished goods and goods for resale	12,766	12,612	13,737
Goods-in-transit	1,686	3,494	1,400
	15,170	16,654	15,607

The cost of inventories recognised as an expense in profit or loss and included in "Cost of sales" line item amounted to approximately $54,517,000 (2017: $54,477,000).

During the financial year, the Group carried out a review of the net realisable value of its inventories which led to the write-down of inventories by approximately $303,000 (2017: $345,000) recognised in "Other expenses" in profit or loss.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Quoted equity securities, at fair value	3	6	7

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

The quoted equity securities are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. FIXED DEPOSITS

Fixed deposits earn interests at 3.35% (31 December 2017: 3.15%, 1 January 2017: 0.25% to 3.45%) per annum and are for a tenure of approximately 365 days (31 December 2017: 365 days, 1 January 2017: 365 days).

As at the end of the financial year, fixed deposit amounting to approximately $31,000 (31 December 2017: $30,000, 1 January 2017: $28,000) was pledged to a bank as security for unpaid stamp duty on credit facility granted in Malaysia.

The currency profiles of fixed deposits are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Singapore dollar	–	–	21
Ringgit Malaysia	31	30	28
	31	30	49

12. CASH AND BANK BALANCES

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

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Singapore dollar	**1,279**	1,028	1,475	**44**	51	23
United States dollar	**732**	619	160	**7**	7	8
Ringgit Malaysia	**2,913**	2,624	1,460	**–**	–	–
Euro	**82**	108	1	**–**	–	–
Chinese Renminbi	**443**	235	379	**–**	–	–
	5,449	4,614	3,475	**51**	58	31

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables						
– Third parties	**4,652**	4,795	2,329	**–**	–	–
– Goods and services tax	**355**	376	417	**–**	–	–
– Related parties	**3**	13	3	**–**	–	–
– Advance receipts from customers	**1,038**	372	645	**–**	–	–
Other payables						
– Directors' fees	**83**	113	105	**83**	113	105
– Third parties	**724**	288	320	**27**	10	33
– Accrued expenses	**2,208**	1,722	1,982	**55**	40	37
Total trade and other payables	**9,063**	7,679	5,801	**165**	163	175
Less:						
– Goods and services tax	**(355)**	(376)	(417)	**–**	–	–
– Advance receipts from customers	**(1,038)**	(372)	(645)	**–**	–	–
	7,670	6,931	4,739	**165**	163	175
Add:						
– Finance lease payables	**308**	337	217	**–**	–	–
– Bank borrowings	**9,736**	10,418	12,355	**–**	–	–
Total financial liabilities carried at amortised cost	**17,714**	17,686	17,311	**165**	163	175

The average credit period on purchases on goods is 30 to 90 days (31 December 2017: 30 to 90 days, 1 January 2017: 30 to 90 days).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Singapore dollar	**1,906**	2,292	2,031	**165**	163	175
United States dollar	**3,406**	3,539	1,367	**–**	–	–
Ringgit Malaysia	**1,367**	730	1,151	**–**	–	–
Euro	**197**	314	62	**–**	–	–
Chinese Renminbi	**794**	56	128	**–**	–	–
	7,670	6,931	4,739	**165**	163	175

14. REFUND LIABILITIES

The Group recognises refund liabilities for return of goods and sales rebates. Sales returns represent management's best estimate of the present value of the future outflow of economic benefits arising from the Group accepting return of goods from customers arising from customary business practices. The estimates have been made on the basis of historical purchasing patterns and product returns of customers, including seasonal trends. Sales rebates are contractual sales rebates provided to certain customers based on sales transactions for the financial year. As at 31 December 2018, the refund liabilities recognised for return of goods and sales rebates were $1,322,000 (31 December 2017: $921,000, 1 January 2017: $1,214,000) and $404,000 (31 December 2017: $212,000, 1 January 2017: $245,000) respectively.

15. FINANCE LEASE PAYABLES

	Group		
	Minimum lease payments $'000	Future finance charges $'000	Present value of minimum lease payments $'000
31 December 2018			
Within one year	**119**	**(13)**	**106**
After one year but within five years	**227**	**(25)**	**202**
	346	**(38)**	**308**
31 December 2017			
Within one year	106	(12)	94
After one year but within five years	272	(29)	243
	378	(41)	337
1 January 2017			
Within one year	60	(10)	50
After one year but within five years	184	(17)	167
	244	(27)	217

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. FINANCE LEASE PAYABLES (CONTINUED)

The finance lease term is 3 to 5 years (31 December 2017: 3 to 5 years, 1 January 2017: 3 to 5 years).

The average effective interest rate for the finance lease payables are 4.68% to 8.07% (31 December 2017: 4.68% to 8.74%, 1 January 2017: 4.68% to 12.59%) per annum. Interest rates are fixed at the contract date, and thus do not expose the Group to interest rate risk. At the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the leased assets (Note 4), which will revert to the lessors in the event of default by the Group.

The currency profiles of finance lease payables are as follows:

		Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Singapore dollar	**216**	283	181
Ringgit Malaysia	**92**	54	36
	308	337	217

16. BANK BORROWINGS

		Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Current			
Secured:			
Bank loans	**294**	292	281
Unsecured:			
Short-term bank loans	**500**	500	1,500
Bills payable	**6,134**	6,534	7,224
	6,928	7,326	9,005
Non-current			
Secured:			
Bank loans	**2,808**	3,092	3,350
Total bank borrowings	**9,736**	10,418	12,355

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. BANK BORROWINGS (CONTINUED)

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	%	%	%
Short-term bank loans	**2.41**	1.61	1.66
Long-term bank loans	**3.70**	3.46	3.58
Bills payable	**4.48**	3.85	3.80

Bills payable are repayable within 30 to 150 days (31 December 2017: 30 to 150 days, 1 January 2017: 30 to 150 days).

The Group's short-term bank loans are repayable within 1 to 2 months (31 December 2017: 1 to 2 months, 1 January 2017: 1 to 2 months) and are due by January 2019 (31 December 2017: January 2018, 1 January 2017: January 2017).

The Group has two principal bank loans:

a. A loan of approximately $1,832,000 (31 December 2017: $2,039,000, 1 January 2017: $2,245,000) was drawn down in April 2014. Repayments had commenced in May 2014 and will continue until April 2029.
b. A loan of approximately $1,270,000 (31 December 2017: $1,345,000, 1 January 2017: $1,386,000) was drawn down in September 2015. Repayments had commenced in October 2015 and will continue until September 2030.

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

The currency profiles of bank borrowings are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Singapore dollar	**4,042**	4,516	6,069
Ringgit Malaysia	**5,694**	5,902	6,286
	9,736	10,418	12,355

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. DEFERRED TAX LIABILITIES

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of financial year	**267**	267
Credit to profit or loss	**(140)**	–
Balance at end of financial year	**127**	267

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

18. SHARE CAPITAL

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Issued and paid up:		
357,178,846 ordinary shares at beginning and end of financial year	**28,431**	28,431

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

19. TREASURY SHARES

	Group and Company			
	2018	**2017**	**2018**	**2017**
	Number of ordinary shares		**$'000**	**$'000**
Balance at beginning and end of financial year	**32,278,000**	32,278,000	**3,654**	3,654

20. FOREIGN CURRENCY TRANSLATION ACCOUNT

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

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of financial year	**(392)**	(419)
Exchange differences arising on translation of foreign operations	**94**	27
Balance at end of financial year	**(298)**	(392)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FAIR VALUE RESERVE

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets measured at FVOCI or available-for-sale financial assets under FRS 39 until they are derecognised. Upon derecognition, the cumulative fair value changes will be transferred to retained earnings.

	Group 2018 $'000
At 1 January under FRS 39	–
Application of SFRS(I) 9	**(49)**
At 1 January under SFRS(I) 9/At 31 December	**(49)**

22. REVENUE

Disaggregation of revenue

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

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

Segments	House brands		Non-house brands		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Type of good or service						
Goods	**50,262**	47,790	**17,736**	18,552	**67,998**	66,342
Services	**206**	269	**107**	104	**313**	373
	50,468	48,059	**17,843**	18,656	**68,311**	66,715

Assets recognised from rights to the recovered goods

The Group has recognised an asset in relation to the right to the recovered goods for sales returns from customers amounting to $1,051,000 (31 December 2017: $741,000, 1 January 2017: $958,000). This is presented within "Other current assets" in the Group's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. OTHER INCOME

	Group	
	2018	**2017**
	$'000	**$'000**
Gain on disposal of property, plant and equipment	**37**	72
Gain on foreign exchange, net	**66**	35
Government incentives	**62**	144
Interest income	**8**	3
Reversal of inventories written down	**–**	27
Others	**40**	75
	213	356

24. FINANCE COSTS

	Group	
	2018	**2017**
	$'000	**$'000**
Interest expenses on:		
– Bills payable	**227**	198
– Term loans	**121**	138
– Finance leases	**12**	9
	360	345

25. PROFIT BEFORE INCOME TAX

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

	Group	
	2018	**2017**
	$'000	**$'000**
Selling and distribution expenses		
Advertisements	**602**	898
Delivery outwards	**307**	282
Freight outwards	**174**	502
Promotions	**683**	389
Transports and travelling	**332**	361
Staff costs		
– other short-term benefits	**582**	616

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. PROFIT BEFORE INCOME TAX (CONTINUED)

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

	Group	
	2018	**2017**
	$'000	**$'000**
Administrative expenses		
Audit fees		
– auditors of the Company	**73**	83
– other auditors	**19**	18
Non-audit fees		
– auditors of the Company	**11**	11
– other auditors	**3**	2
Directors' fees+	**86**	116
Directors' remuneration		
– Directors of the Company	**1,209**	1,102
– Directors of a subsidiary	**398**	225
Staff costs		
– salaries, bonuses and other short-term benefits++	**3,650**	3,520
– employer's contributions to defined contribution plan++	**484**	470
Other expenses		
Bad debts written off – trade	**–**	22
Write-down of inventories	**303**	345
Amortisation of intangible asset	**20**	69
Depreciation of property, plant and equipment	**747**	863
Property, plant and equipment written off	**815**	–
Fair value loss arising from financial assets at fair value through profit or loss	**3**	1
Operating leases – rental of premises and leasehold land	**224**	170

\+ Included in the Directors' fees are fees declared by a subsidiary to the Directors in their capacity as Directors of the subsidiary of approximately $3,000 (2017: $3,000).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. INCOME TAX EXPENSES

	Group	
	2018	**2017**
	$'000	**$'000**
Current income tax		
– current year	**699**	326
– over-provision in prior years	**(110)**	(3)
	589	323
Deferred tax		
– current year	**(280)**	–
– under-provision in prior years	**140**	–
	(140)	–
Total income tax expenses	**449**	323

The income tax expense varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% (2017: 17%) to profit before income tax as a result of the following differences:

	Group	
	2018	**2017**
	$'000	**$'000**
Profit before income tax	**1,326**	1,080
Income tax calculated at Singapore statutory tax rate of 17%	**225**	184
Effect of different income tax rate of subsidiaries operating in another jurisdiction	**62**	4
Tax effect of:		
– expenses not deductible for income tax purposes	**115**	179
– income not subject to income tax	**(91)**	(68)
– income tax exemption	**(44)**	(52)
– tax incentive under Productivity and Innovation Credit	**–**	(61)
Deferred tax benefits not recognised	**193**	139
Utilisation of deferred tax benefits not recognised	**(16)**	–
(Over)/Under-provision in prior financial years		
– current income tax	**(110)**	(3)
– deferred tax	**140**	–
Corporate income tax rebate	**(13)**	(20)
Other items	**(12)**	21
	449	323

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. INCOME TAX EXPENSES (CONTINUED)

Unrecognised deferred tax assets

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of financial year	**543**	404
Amount not recognised in profit or loss	**193**	139
Utilisation of deferred tax assets not recognised previously	**(16)**	–
Unutilised tax losses expired	**(62)**	–
Balance at end of financial year	**658**	543

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

	Group	
	2018	**2017**
	$'000	**$'000**
Unutilised tax losses	**3,035**	2,565
Property, plant and equipment	**690**	387
Other temporary differences	**146**	244

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

	Group	
	2018	**2017**
	$'000	**$'000**
Unutilised tax losses to be expired in financial year ended		
31 December 2018	**–**	366
31 December 2019	**292**	292
31 December 2020	**370**	370
31 December 2021	**144**	144
31 December 2022	**87**	426
31 December 2023	**206**	–

NOTES TO THE FINANCIAL STATEMENTS

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27. EARNINGS PER SHARE

The calculation of the earnings per share is based on:

	Group	
	2018	**2017**
Profit after income tax attributable to owners of the parent ($'000)	**892**	757
Weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year applicable to basic and diluted earnings per share	**324,900,846**	324,900,846
Basic and diluted earnings per share (in cents)	**0.27**	0.23

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners for the financial years ended 31 December 2018 and 2017 divided by the weighted average of ordinary shares in the relevant periods.

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

28. DIVIDENDS

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

The Company did not recommend any dividend in respect of the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. CONTINGENT LIABILITIES AND COMMITMENTS

29.1 Operating lease commitments

When the Group is a lessee

The Group leases office premises and leasehold land under non-cancellable operating leases. At each reporting date, commitments in respect of non-cancellable operating leases in respect of office premises and leasehold land were as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Future minimum lease payments payable:			
Within one year	**231**	225	157
After one year but within five years	**408**	385	434
After five years	**2,481**	2,578	2,954
	3,120	3,188	3,545

The operating lease commitments are based on existing rates. The lease agreements provide a periodic revision of such rates in the future. The leases have varying terms and renewal options. There are no contingent rentals.

29.2 Corporate guarantees

As at 31 December 2018, the Company had given guarantees amounting to approximately $47,614,000 (31 December 2017: $47,530,000, 1 January 2017: $42,344,000) to certain banks in respect of banking facilities granted to the subsidiaries.

At each reporting date, the total amount of loans outstanding covered by the guarantees was approximately $6,078,000 (31 December 2017: $6,956,000, 1 January 2017: $8,448,000). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facilities and there is no change in these subsidiaries' credit risk profile.

The financial guarantees have not been recognised in the financial statements of the Company as the risk of default is remote.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

29.3 Capital commitment

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Capital expenditure contracted but not provided for property, plant and equipment	**6,056**	–	–

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2018	**2017**
	$'000	**$'000**
With related parties		
Sales to related parties	**20**	5
Purchases from related parties	**55**	92

	Company	
	2018	**2017**
	$'000	**$'000**
With subsidiaries		
Loan to a subsidiary	**1,490**	1,075
Repayment of loan from subsidiaries	**2,115**	1,425
Interest income from subsidiaries	**471**	449
Dividend income from a subsidiary	**–**	800

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel remuneration

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

	Group	
	2018	**2017**
	$'000	**$'000**
Salaries, bonuses and other short-term benefits	**1,895**	1,598
Employer's contributions to defined contribution plan	**96**	107
Directors' fees to Directors of the Company	**83**	113
Directors' fees to Directors of a subsidiary	**3**	3
	2,077	1,821
Analysed into:		
– Directors of the Company	**1,292**	1,221
– Directors of subsidiaries	**401**	228
– Other key management personnel	**384**	372
	2,077	1,821

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION

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

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

Principal activities of each business segment are as follows:

House brands – Development, trading and distribution of canned seafood, canned fruits and vegetables and canned meat products, and chocolate products.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

	House brands $'000	Non-house brands $'000	Total $'000
2017			
External revenue	48,059	18,656	66,715
Inter-segment revenue	4,260	54	4,314
Total revenue	52,319	18,710	71,029
Interest income	2	1	3
Interest expense	(176)	(169)	(345)
Depreciation of property, plant and equipment	(684)	(179)	(863)
Amortisation of intangible asset	(48)	(21)	(69)
Other non-cash items:			
Loss allowance made for third party trade receivables	(234)	(77)	(311)
Bad debts written off – trade	(15)	(7)	(22)
Write-down of inventories	(262)	(83)	(345)
Reversal of inventories written down	27	–	27
Segment profit	1,565	(639)	926
Assets			
Segment assets	34,925	9,148	44,073
Capital expenditure	869	241	1,110
Liabilities			
Segment liabilities	14,598	4,379	18,977

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

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

	Total $'000
2017	
Revenue	
Total revenue for reportable segments	71,029
Elimination of inter-segment revenue	(4,314)
Consolidated revenue	66,715
Profit or loss	
Total segment profit	926
Unallocated corporate expenses	500
Other income/Other expenses	(346)
Consolidated profit before income tax	1,080
Assets	
Segment assets	44,073
Other unallocated assets	4,657
Consolidated total assets	48,730
Liabilities	
Segment liabilities	18,977
Other unallocated liabilities	1,018
Consolidated total liabilities	19,995

Geographical information

Revenue from external customers and location of non-current assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

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

	Total	
	2018	**2017**
	$'000	**$'000**
Total revenue from external customers		
Singapore	**25,534**	29,272
Malaysia	**21,184**	14,551
Others*	**21,593**	22,892
	68,311	66,715
Non-current assets		
Singapore	**7,136**	7,169
Malaysia	**6,264**	6,187
Others*	**6**	1
	13,406	13,357

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

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

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

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

32.1 Credit risks

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

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for amount due from subsidiaries amounting to approximately $16,641,000 (31 December 2017: $16,343,000, 1 January 2017: $15,445,000) representing 99% (31 December 2017: 99%, 1 January 2017: 99%) of the total trade and other receivables as at the end of each reporting date.

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

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

For amount due from subsidiaries (Note 8), Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitor and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their financial performance and any default in external debt. The risk of default is minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.1 Credit risks (Continued)

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

32.2 Market risks

Foreign currency risks

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Foreign currency risks (Continued)

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

	SGD $'000	USD $'000	RM $'000	EUR $'000	RMB $'000	Total $'000
Group						
31 December 2018						
Total financial assets	**29,284**	**5,671**	**6,858**	**302**	**1,238**	**43,353**
Total financial liabilities	**(29,247)**	**(6,235)**	**(8,017)**	**(197)**	**(794)**	**(44,490)**
	37	**(564)**	**(1,159)**	**105**	**444**	**(1,137)**
(Less)/Add:						
Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	**(10,021)**	**–**	**1,543**	**–**	**226**	**(8,252)**
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**(9,984)**	**(564)**	**384**	**105**	**670**	**(9,389)**
31 December 2017						
Total financial assets	25,767	3,718	6,343	422	1,064	37,314
Total financial liabilities	(21,540)	(6,052)	(7,207)	(314)	(775)	(35,888)
	4,227	(2,334)	(864)	108	289	1,426
(Less)/Add:						
Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(4,704)	–	1,462	–	414	(2,828)
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(477)	(2,334)	598	108	703	(1,402)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Foreign currency risks (Continued)

	SGD $'000	USD $'000	RM $'000	EUR $'000	RMB $'000	Total $'000
Group						
1 January 2017						
Total financial assets	27,443	3,197	6,335	57	1,240	38,272
Total financial liabilities	(28,228)	(6,303)	(7,923)	(62)	(877)	(43,393)
	(785)	(3,106)	(1,588)	(5)	363	(5,121)
Less:						
Net financial assets denominated in the respective entities' functional currencies	(785)	–	(1,969)	–	(266)	(3,020)
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	–	(3,106)	381	(5)	629	(2,101)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (31 December 2017: 10%, 1 January 2017: 10%) change in SGD, USD, RM, EUR and RMB against the functional currency of the entities within the Group. The sensitivity analysis assumes an instantaneous 10% (31 December 2017: 10%, 1 January 2017: 10%) change in the foreign currency exchange rates from the end of the reporting date, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD, USD, RM, EUR and RMB are included in the analysis.

	(Decrease)/Increase Profit or loss		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Group			
Singapore dollar			
Strengthened against Ringgit Malaysia	(998)	(48)	–
Weakened against Ringgit Malaysia	998	48	–
United States dollar			
Strengthened against the respective entities' functional currency	(56)	(233)	(311)
Weakened against the respective entities' functional currency	56	233	311
Ringgit Malaysia			
Strengthened against the respective entities' functional currency	38	60	38
Weakened against the respective entities' functional currency	(38)	(60)	(38)
Euro			
Strengthened against the respective entities' functional currency	11	11	–
Weakened against the respective entities' functional currency	(11)	(11)	–
Chinese Renminbi			
Strengthened against the respective entities' functional currency	67	70	63
Weakened against the respective entities' functional currency	(67)	(70)	(63)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 Market risks (Continued)

Interest rate risk

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

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

The sensitivity analysis below have been determined based on the exposure to interest rates at the end of the reporting date and the stipulated change taking place at the beginning of each reporting period and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis points (31 December 2017: 50 basis points, 1 January 2017: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points (31 December 2017: 50 basis points, 1 January 2017: 50 basis points) higher or lower and all other variables were held constant, the Group's profit for the financial year ended 31 December 2018 would decrease/increase by approximately $49,000 (31 December 2017: $52,000, 1 January 2017: $62,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Equity price risk

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

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

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

32.3 Liquidity risks

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.3 Liquidity risks (Continued)

Contractual maturity analysis

	Effective interest rate %	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000	Total $'000
Group					
31 December 2018					
Financial liabilities					
Non-interest bearing					
Trade and other payables*		**7,670**	**–**	**–**	**7,670**
Interest bearing					
Bank borrowings	2.41 – 4.48	**7,075**	**1,530**	**1,796**	**10,401**
Finance lease payables	4.68 – 8.07	**119**	**227**	**–**	**346**
		14,864	**1,757**	**1,796**	**18,417**
31 December 2017					
Financial liabilities					
Non-interest bearing					
Trade and other payables*		6,931	–	–	6,931
Interest bearing					
Bank borrowings	1.61 – 3.85	7,483	1,766	1,919	11,168
Finance lease payables	4.68 – 8.74	106	272	–	378
		14,520	2,038	1,919	18,447
1 January 2017					
Financial liabilities					
Non-interest bearing					
Trade and other payables*		4,739	–	–	4,739
Interest bearing					
Bank borrowings	1.66 – 3.80	9,314	1,203	2,267	12,784
Finance lease payables	4.68 – 12.59	60	184	–	244
		14,113	1,387	2,267	17,767

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Within 1 year $'000
Company	
31 December 2018	
Financial liabilities	
Trade and other payables*	**165**
Financial guarantee contracts	**6,078**
31 December 2017	
Financial liabilities	
Trade and other payables*	163
Financial guarantee contracts	6,956
1 January 2017	
Financial liabilities	
Trade and other payables*	175
Financial guarantee contracts	8,448

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments whose carrying amount approximates fair value

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

Financial instruments carried at fair value

Fair value hierarchy

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

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

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

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

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

There were no transfers between levels during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

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

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

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

35. CONVERGENCE TO SFRS(I)s

The Group has transited to SFRS(I)s on 1 January 2018. In transiting to SFRS(I)s, the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).*

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

(a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

<u>Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*</u>

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement.* The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

<u>Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*</u>

On 1 January 2017, the Group has elected to apply the transitional provisions under SFRS(I) 1:D34 and has used the following practical expedients:

- the Group did not restate contracts that (i) completed prior to or on 1 January 2017 and (ii) begin and end within the same financial year; and

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CONVERGENCE TO SFRS(I)s (CONTINUED)

(b) Reconciliation of the Group's and the Company's equity reported in accordance with FRSs to SFRS(I)s

	Note	Reported under FRSs 1.1.2017 $'000	Group Effects of applying SFRS(I) 15 $'000	Reported under SFRS(I)s 1.1.2017 $'000
Non-current assets				
Property, plant and equipment		12,991	–	12,991
Investments in subsidiaries		–	–	–
Available-for-sales financial assets		–	–	–
Intangible asset		57	–	57
Other receivables		–	–	–
		13,048	–	13,048
Current assets				
Inventories		15,607	–	15,607
Trade and other receivables		14,915	–	14,915
Other current assets	i	–	958	958
Financial assets at fair value through profit or loss		7	–	7
Income tax recoverable		131	–	131
Fixed deposits		49	–	49
Cash and bank balances		3,475	–	3,475
		34,184	958	35,142
Less:				
Current liabilities				
Trade and other payables	i	6,188	(387)	5,801
Refund liabilties	i	–	1,459	1,459
Current income tax payable		140	–	140
Finance lease payables		50	–	50
Bank borrowings		9,005	–	9,005
		15,383	1,072	16,455
Net current assets		18,801	(114)	18,687
Less:				
Non-current liabilities				
Finance lease payables		167	–	167
Bank borrowings		3,350	–	3,350
Deferred tax liabilities	*	267	–	267
		3,784	–	3,784
Net assets		28,065	(114)	27,951
Equity				
Share capital		28,431	–	28,431
Treasury shares		(3,654)	–	(3,654)
Foreign currency translation account		(419)	–	(419)
Retained earnings	i	3,707	(114)	3,593
Total equity		28,065	(114)	27,951

** The net effect of tax adjustments on transition is immaterial.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CONVERGENCE TO SFRS(I)s (CONTINUED)

(b) Reconciliation of the Group's and the Company's equity reported in accordance with FRSs to SFRS(I)s (Continued)

	Note	Reported under FRSs 31.12.2017 $'000	Effects of applying SFRS(I) 15 $'000	Group Reported under SFRS(I)s 1.1.2018 $'000	Effects of applying SFRS(I) 9 $'000	Reported under SFRS(I)s 1.1.2018 S'000
Non-current assets						
Property, plant and equipment		13,270	–	**13,270**	–	**13,270**
Investments in subsidiaries		–	–	–	–	–
Available-for-sale financial asset		–	–	–	–	–
Financial assets at FVOCI		–	–	–	–	–
Intangible asset		87	–	**87**	–	**87**
Other receivables		–	–	–	–	–
		13,357	–	**13,357**	–	**13,357**
Current assets						
Inventories		16,654	–	**16,654**	–	**16,654**
Trade and other receivables		13,328	–	**13,328**	–	**13,328**
Other current assets	i	–	741	**741**	–	**741**
Financial assets at fair value through profit or loss		6	–	**6**	–	**6**
Income tax recoverable		–	–	–	–	–
Fixed deposits		30	–	**30**	–	**30**
Cash and bank balances		4,614	–	**4,614**	–	**4,614**
		34,632	741	**35,373**	–	**35,373**
Less:						
Current liabilities						
Trade and other payables	i	7,963	(284)	**7,679**	–	**7,679**
Refund liabilities	i	–	1,133	**1,133**	–	**1,133**
Current income tax payable		161	–	**161**	–	**161**
Finance lease payables		94	–	**94**	–	**94**
Bank borrowings		7,326	–	**7,326**	–	**7,326**
		15,544	849	**16,393**	–	**16,393**
Net current assets		19,088	(108)	**18,980**	–	**18,980**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CONVERGENCE TO SFRS(I)s (CONTINUED)

(b) Reconciliation of the Group's and the Company's equity reported in accordance with FRSs to SFRS(I)s (Continued)

				Group		
	Note	**Reported under FRSs 31.12.2017 $'000**	**Effects of applying SFRS(I) 15 $'000**	**Reported under SFRS(I)s 1.1.2018 $'000**	**Effects of applying SFRS(I) 9 $'000**	**Reported under SFRS(I)s 1.1.2018 S'000**
Less:						
Non-current liabilities						
Finance lease payables		243	–	**243**	**–**	**243**
Bank borrowings		3,092	–	**3,092**	**–**	**3,092**
Deferred tax liabilities	*	267	–	**267**	**–**	**267**
		3,602	–	**3,602**	**–**	**3,602**
Net assets		28,843	(108)	**28,735**	**–**	**28,735**
Equity						
Share capital		28,431	–	**28,431**	**–**	**28,431**
Treasury shares		(3,654)	–	**(3,654)**	**–**	**(3,654)**
Foreign currency translation account		(392)	–	**(392)**	**–**	**(392)**
Fair value reserve	iii	–	–	**–**	**(49)**	**(49)**
Retained earnings	i,iii	4,458	(108)	**4,350**	**49**	**4,399**
Total equity		28,843	(108)	**28,735**	**–**	**28,735**

** The net effect of tax adjustments on transition is immaterial.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CONVERGENCE TO SFRS(I)s (CONTINUED)

(b) Reconciliation of the Group's and the Company's equity reported in accordance with FRSs to SFRS(I)s (Continued)

		Company				
		31.12.2017			1.1.2018	
	Note	Reported under FRSs 31.12.2017 $'000	Effects of applying SFRS(I) 15 $'000	Reported under SFRS(I)s 1.1.2018 $'000	Effects of applying SFRS(I) 9 $'000	Reported under SFRS(I)s 1.1.2018 S'000
Non-current assets						
Investments in subsidiaries		9,836	–	**9,836**	**–**	**9,836**
Other receivables		14,194	–	**14,194**	**440**	**14,634**
		24,030	–	**24,030**	**440**	**24,470**
Current assets						
Trade and other receivables		2,156	–	**2,156**	**–**	**2,156**
Cash and bank balances		58	–	**58**	**–**	**58**
		2,214	–	**2,214**	**–**	**2,214**
Less:						
Current liabilities						
Trade and other payables		163	–	**163**	**–**	**163**
Current income tax payable		13	–	**13**	**–**	**13**
		176	–	**176**	**–**	**176**
Net current assets		2,038	–	**2,038**	**–**	**2,038**
Net assets		26,068	–	**26,068**	**440**	**26,508**
Equity						
Share capital		28,431	–	**28,431**	**–**	**28,431**
Treasury shares		(3,654)	–	**(3,654)**	**–**	**(3,654)**
Retained earnings	iv	1,291	–	**1,291**	**440**	**1,731**
Total equity		26,068	–	**26,068**	**440**	**26,508**

** The net effect of tax adjustments on transition is immaterial.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CONVERGENCE TO SFRS(I)s (CONTINUED)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with FRSs to SFRS(I)s

		Group 2017			
	Note	**Reported under FRSs $'000**	**Effects of applying SFRS(I) 15 $'000**	**Effects of applying SFRS(I) 1-1 $'000**	**Reported under SFRS(I)s S'000**
Revenue	i,ii	67,474	(759)	–	66,715
Cost of sales	ii	(54,481)	420	–	(54,061)
Gross profit		12,993	(339)	–	12,654
Other income		365	–	(9)	356
Selling and distribution expenses	ii	(3,519)	345	–	(3,174)
Administrative expenses		(6,058)	–	–	(6,058)
Other expenses		(2,362)	–	320	(2,042)
Loss allowance made for third party trade receivables		–	–	(311)	(311)
Finance costs		(345)	–	–	(345)
Profit before income tax		1,074	6	–	1,080
Income tax expense	*	(323)	–	–	(323)
Profit for the financial year		751	6	–	757
Other comprehensive income for the financial year					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		27	–	–	27
Other comprehensive income for the financial year, net of tax		27	–	–	27
Total comprehensive income for the financial year attributable to owners of the parent		778	6	–	784

** The net effect of tax adjustments on transition is immaterial.*

(d) Reconciliation to Group's statement of cash flows under FRSs to SFRS(I)s

There were no material adjustments to the Group's statement of cash flows arising from the transition from FRSs to SFRS(I)s.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CONVERGENCE TO SFRS(I)s (CONTINUED)

Explanatory notes to reconciliation

The effects of transition to SFRS(I)s mainly arises from the adoption of SFRS(I) 15 and SFRS(I) 9.

Adoption of SFRS(I) 15

In accordance with requirements of SFRS(I) 1, the Group has adopted SFRS(I) 15 retrospectively. As disclosed in (a), the Group has elected to apply the transition provisions in accordance with SFRS(I) 15:C5. The adoption of SFRS(I) 15 has resulted in adjustments to the previously reported financial statements due to the following:

(i) Revenue contracts with variable consideration

The Group's business model includes importers, exporters and distributors of fast moving consumer goods ("FMCG"), specialising in processed food. Under the Group's standard contract terms for sales, certain customers enjoy sales rebates and the Group accepts return of goods from customers arising from customary business practices. At each reporting date, an estimate is made for refund liabilities in respect of expected sales returns and rebates, with corresponding adjustment to revenue. At the same time, the Group has a right to recover the product from customers when customers exercise their right of return. Consequently, the Group recognises a right to the recovered goods asset under "Other current assets" and a corresponding adjustment to the cost of inventories recognised in profit or loss. In addition, the Group has reclassified those related provision previously recorded under "Trade and other payables" to a separate account in Note 14 to better reflect the nature of transactions.

(ii) Accounting for contracts with multiple performance obligations

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

Adoption of SFRS(I) 9

As disclosed above in (a), the Group has elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. The relevant accounting policy for financial instruments is disclosed in Note 2.7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CONVERGENCE TO SFRS(I)s (CONTINUED)

Adoption of SFRS(I) 9 (Continued)

(iii) Classification and measurement of financial assets

Based on the requirements of SFRS(I) 9, the Group has assessed the business model of financial assets held as at 1 January 2018 and classified them into the relevant categories under SFRS(I) 9.

The Group elected to measure unlisted equity investment not held for trading as FVOCI as at 1 January 2018 (Note 6). This unlisted equity investment was previously classified as available-for-sale financial assets and was fully impaired in accordance with FRS 39. As a result, the previously recognised impairment loss of $49,000 was reclassified from retained earnings to fair value reserve on 1 January 2018.

(iv) Impairment of financial assets

SFRS(I) 9 introduces a new-forward looking impairment model based on expected credit losses to replace incurred loss model. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk from initial recognition.

- Amount due from subsidiaries

  The Company adopted the general approach of expected credit loss for amount due from subsidiaries. On the date of initial application, management determined and considered all possible recovery strategies. As a result, previously recognised impairment loss of $440,000 was reversed on 1 January 2018.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	24	2.51	715	0.00
100 – 1,000	147	15.38	62,478	0.02
1,001 – 10,000	233	24.37	1,401,026	0.43
10,001 – 1,000,000	520	54.39	54,408,947	16.75
1,000,001 & ABOVE	32	3.35	269,027,680	82.80
TOTAL	**956**	**100.00**	**324,900,846**	**100.00**

TOP TWENTY SHAREHOLDERS AS AT 20 MARCH 2019

		NO. OF SHARES	%
1	LIM HAI CHEOK	65,000,000	20.00
2	CHONG POH SOON	64,843,750	19.96
3	RAFFLES NOMINEES (PTE) LIMITED	32,936,800	10.14
4	LIM KIM ENG	17,812,500	5.48
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	15,193,500	4.68
6	DBS NOMINEES PTE LTD	6,236,000	1.92
7	LIM HOCK CHYE DANIEL	5,447,000	1.68
8	CITIBANK NOMINEES SINGAPORE PTE LTD	4,486,000	1.38
9	LIM MEI YAN JANE	4,293,000	1.32
10	HONG LEONG FINANCE NOMINEES PTE LTD	3,816,200	1.17
11	WANG LILING	3,664,452	1.13
12	YE MEIYING	3,610,000	1.11
13	KONG AI LIAN MABELINE (KANG AILIAN MABELINE)	3,190,500	0.98
14	JAMES ALVIN LOW YIEW HOCK	3,026,000	0.93
15	GOH CHIN KEOW	3,014,000	0.93
16	NOMURA SINGAPORE LIMITED	3,000,000	0.92
17	PHILLIP SECURITIES PTE LTD	2,913,995	0.90
18	OCBC SECURITIES PRIVATE LTD	2,718,200	0.84
19	CHIA GEK HOONG ANGELINE	2,516,000	0.77
20	CHEW THYE CHUAN OR TAN SEW MAI	2,402,400	0.74
		250,120,297	**76.98**

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

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

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

Percentage of Shareholding in the Hands of the Public

As at 20 March 2019, approximately 49.72% of the Company's shares (excluding treasury shares and subsidiary holdings) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules of the Singapore Exchange Securities Trading Limited.

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 2019, 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 2018 together with the Independent Auditor’s 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)**

   Both Mdm Chong Poh Soon and Mr Lim Hock Chye Daniel, upon re-election as Directors of the Company, will remain as Executive Directors. Information of Mdm Chong Poh Soon and Mr Lim Hock Chye Daniel can be found on page 9 of the Annual Report and on page 23 of the Appendix. Save as disclosed, both of them do not have any relationships including immediate family relationships between themselves and the Directors, the Company and the substantial shareholders.

3. To approve the payment of Directors’ fees of S$82,500 for the year ended 31 December 2018 (2017: S$112,500). **(Resolution 4)**

4. To re-appoint BDO LLP as the Company’s Auditor 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 allot and 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 (notwithstanding that this authority may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this authority was in force, 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 and subsidiary holdings) 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 and subsidiary holdings) 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 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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, 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 allot and 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 and subsidiary holdings) 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 through the SGX-ST's trading system and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; 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 all other laws and regulations, including but not limited to, the applicable provisions of the Companies Act, the Articles of Association of the Company and the Catalist Rules as may for the time being applicable, 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;

("Relevant Period")

(c) in this Resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the total number of Shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings 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, 11 April 2019

NOTICE OF ANNUAL GENERAL MEETING

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 per cent. (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per cent. (50%) may be issued other than on a pro-rata basis to shareholders.

(ii) Ordinary Resolution 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 and subsidiary holdings) in the capital of the Company from time to time.

(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 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 On-market purchases or Off-market purchases of up to ten per cent. (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company up to the Maximum Price. Information relating to this proposed Resolution are set out in the Appendix accompanying the Annual Report.

Notes:

1. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the Annual General Meeting.

2. Where a member appoints more than one (1) 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 the CPF investors.

   You are entitled to **appoint one (1) 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.

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 on the back of this proxy form.

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			

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 Monday, 29 April 2019 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 2018		
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 Auditor		
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 ________________ 2019

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

____

Signature of Shareholder(s)
or 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 two (2) proxies to attend, speak and vote on his behalf at the annual general meeting.

3. Where a member appoints more than one (1) 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; and

   (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 (1) 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 forty-eight (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.

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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CORPORATE INFORMATION

BOARD OF DIRECTORS:

WEE PIEW	Non-Executive Independent Chairman
LIM HAI CHEOK	Executive Director and Chief Executive Officer
CHONG POH SOON	Executive Director
LIM KIM ENG	Executive Director
LIM HOCK CHYE DANIEL	Executive Director
LIM HENG SENG	Non-Executive Independent Director

SECRETARY
LAI FOON KUEN

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

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

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

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

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

REGISTERED PROFESSIONAL
LING YUET SHAN

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

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www.hosengroup.com