



HOSENGROUP
LTD



GROWING
OUR **PRESENCE**
& **VALUE**

2016
ANNUAL
REPORT

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PROXY FORM

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

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

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CORPORATE PROFILE

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

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

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

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

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

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

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

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

Our Food Service Divisions in Singapore, Malaysia and China service customers including hotels, restaurants, airlines, clubs, caterers, cafes, ship-chandlers, bakeries and dessert chainstores. With the evolving changes in the businesses of these customer groups, we have, beyond product supplies and prompt services, 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 2010, the Company set foot into China through its Shanghai subsidiary, developing distribution networks in various cities and creating brand awareness of our house brands in the China market.

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

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

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



MESSAGE FROM CHAIRMAN AND CEO

DEAR SHAREHOLDERS,

It is our pleasure to present to you the Annual Report of Hosen Group Ltd and the Group's results for the financial year ended 31 December 2016 ("FY2016").


FY2016 was a challenging and exciting year. Under the uncertain global economic condition, our management team has made effort to maintain our competitiveness in the FMCG industry and scaled up the operational capabilities of our chocolate manufacturing plant.

Our wholly-owned subsidiary, Hosen Chocolate Sdn Bhd ("Hosen Chocolate") has in FY2016 obtained Halal Certification and Hazard Analysis Critical Control Point ("HACCP") Certification. Furthermore, it has become a manufacturing bonded warehouse with the Licensed Manufacturing Warehouse Certification. Hosen Chocolate has also produced an increased variety of chocolate products to cater different market segments in both consumer and industrial markets.

Affected by a decrease in sales to overseas markets and a lower sales after translating to reporting currency arising from the depreciation of Malaysia Ringgit against the Singapore Dollar, the Group has recorded lower revenue of S\$72.58 million in FY2016. Notwithstanding the aforesaid, the Group recorded a higher gross profit and a net profit of S\$1.07 million for the financial year, thanks to the contribution by major subsidiaries in Singapore and Malaysia.

Our house brands, including Hosen, Fortune, Highway, LaDiva and Sincero, are still the major income generators to the Group and it contributed more than 72% of the Group revenue in FY2016. During the year, we have added in two more house brands, namely Calbuco and Cocoa Grande to cater for different chocolate markets.

Our operating units in Singapore and Malaysia continued to generate revenue to the Group even in uncertain economic conditions. The subsidiary in China faced challenges in developing new markets in the financial year and will require more attention to reposition itself and re-develop the business.



The Group will focus on its marketing efforts to improve the awareness of our house brand chocolate products in the markets.

GOING FORWARD

The Group will remain cautious in facing the uncertain global economic market conditions. The Group will also continue to intensify its strategic efforts to explore new markets to strengthen its distribution network and focus on its marketing efforts to improve the awareness of our house brand chocolate products in the markets. Additionally, the Group will be launching more new consumer and industrial chocolate products.

APPRECIATION

On behalf of the Board, we would like to express our appreciation to our business partners, suppliers, customers, bankers and shareholders for their continuous support over the years and thank our management team and staff for their contributions to the Group. We further wish to extend our appreciation to our fellow Board members for their advice and guidance.

WEE PIEW

Non-Executive Independent Chairman

LIM HAI CHEOK

Chief Executive Officer

OPERATIONS REVIEW

BUSINESS REVIEW

Looking back at the business operation in uncertain economic conditions and stiff competition in the FMCG industry, the Group had experienced a challenging year in FY2016 but managed to turn the results into black again, thanks to the contributions from the major operating units in Singapore and Malaysia.

The chocolate products manufacturer, Hosen Chocolate Sdn Bhd, had launched new products in various contents and various kinds of packaging into the market. It is still on the way of being fully operational.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group registered a lower revenue of S\$72.58 million for the financial year ended 31 December 2016 ("FY2016") as compared to S\$75.77 million for the financial year ended 31 December 2015 ("FY2015"). The decrease of S\$3.19 million or 4.2% in group revenue was mainly due to the decrease in sales to overseas markets, and lower sales from translation to reporting currency arising from the depreciation of Malaysia Ringgit.

Gross profit increased by S\$0.63 million, or 5.0% to S\$13.19 million in FY2016 from S\$12.56 million in FY2015 mainly due to higher gross profit margin achieved by major subsidiaries in Singapore and Malaysia despite lower revenue recorded.

Selling and distribution expenses decreased by S\$0.35 million to S\$3.97 million in FY2016 from S\$4.32 million in FY2015 mainly due to lesser advertisement and promotion expenses incurred.

Other expenses decreased by S\$0.71 million to S\$2.22 million in FY2016 from S\$2.93 million in FY2015. The decrease was mainly a result of the absence of foreign exchange loss incurred in FY2015 and a lower write down of inventories in FY2016 as compared to FY2015.

The Group recorded a net profit of S\$1.07 million for FY2016 as compared to net loss of S\$0.95 million for FY2015. The profit was mainly attributable to lesser advertisement and promotion expenses incurred, absence of foreign exchange loss incurred in FY2015 and a lower write down of inventories in FY2016, partly offset by increase in salary expenses and presence of profit sharing by the directors in FY2016.



The Group recorded a net profit of S\$1.07 million for FY2016.



OPERATIONS REVIEW



FINANCIAL POSITION AND CASH FLOWS

As at 31 December 2016, the Group's net assets were S\$28.07 million compared to S\$26.98 million as at 31 December 2015. The increase of S\$1.09 million was due to the profit for the current financial year of S\$1.07 million and exchange differences on translating foreign operations of S\$0.12 million, offset by an increase in treasury shares of S\$0.10 million.

Property, plant and equipment as at 31 December 2016 was recorded at S\$12.99 million, decreased from S\$13.26 million as at 31 December 2015. The decrease of S\$0.27 million was mainly due to the depreciation charged for the year offset by the purchase of property, plant and equipment.

Inventories decreased by S\$1.12 million to S\$15.61 million as at 31 December 2016 from S\$16.73 million as at 31 December 2015 mainly due to lower inventory level maintained by the Group.

Trade and other receivables increased by S\$1.87 million to S\$14.92 million as at 31 December 2016 from S\$13.05 million as at 31 December 2015 mainly due to more sales towards the year end for the 2017 Chinese New Year.

Trade and other payables decreased by S\$0.86 million to S\$6.19 million as at 31 December 2016, in line with the lower inventory level mentioned above.

Bank borrowings in current liabilities decreased by S\$0.29 million to S\$9.01 million as at 31 December 2016 from S\$9.30 million as at 31 December 2015 mainly due to the repayment of trade facilities used for working capital during FY2016.

Bank borrowings in non-current liabilities decreased by S\$0.31 million to S\$3.35 million as at 31 December 2016 from S\$3.66 million as at 31 December 2015 mainly due to the repayment of term loans for the properties.

Cash and cash equivalents decreased by S\$0.91 million to S\$3.48 million as at 31 December 2016. Out of the cash and cash equivalents, S\$0.38 million was generated from operating activities, S\$0.35 million used in investing activities and S\$0.91 million used in financing activities.

The net cash generated from operating activities was mainly due to the reduction of both inventories of S\$0.62 million and trade payables of S\$0.51 million, offset by the increase in trade receivables of S\$1.98 million.

The net cash used in investing activities was mainly attributable to the purchase of property, plant and equipment of S\$0.53 million, offset by the sale proceeds from the disposal of plant and equipment of S\$0.16 million.

The net cash used in financing activities was mainly due to net repayment of bank borrowings, interest and purchase of treasury shares in FY2016.

During the year, we have added in two more brands, namely Calbuco and Cocoa Grande.

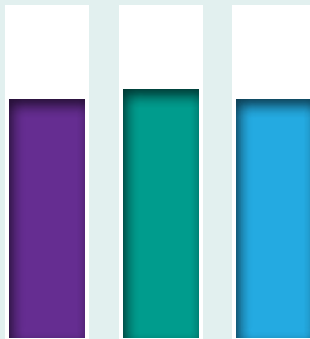


FINANCIAL HIGHLIGHTS

REVENUE

(\$'M)

72.6 75.8 72.6



2016

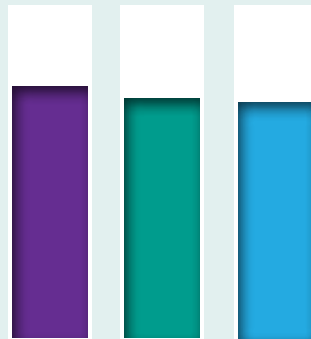
2015

2014

GROSS PROFIT

(\$'M)

13.2 12.6 12.4



2016

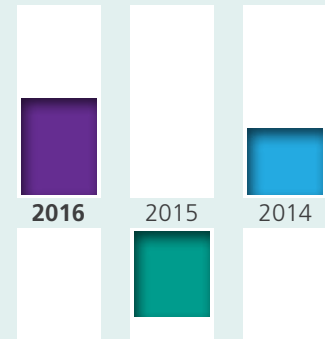
2015

2014

PROFIT FOR THE FINANCIAL YEAR

(\$'M)

1.07 (0.9) 0.7

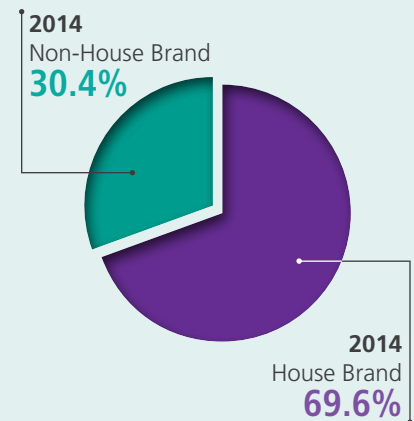
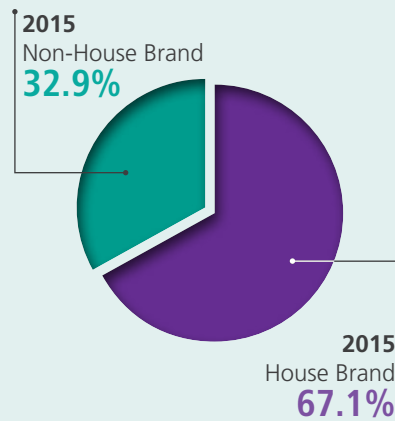
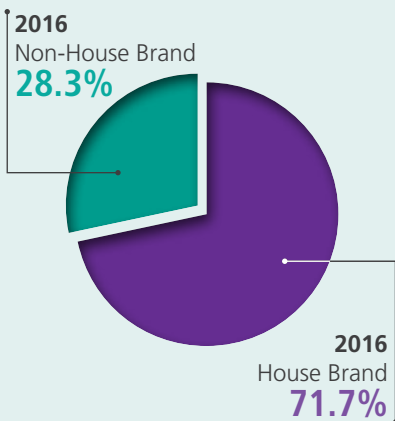


2016

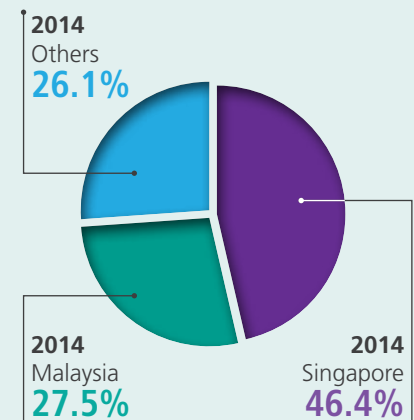
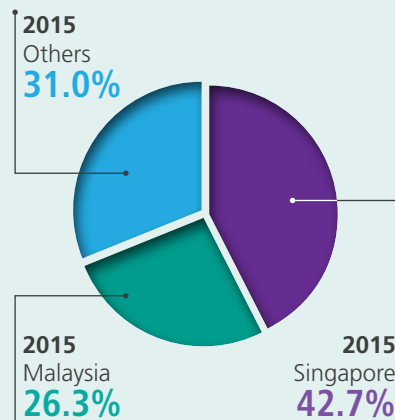
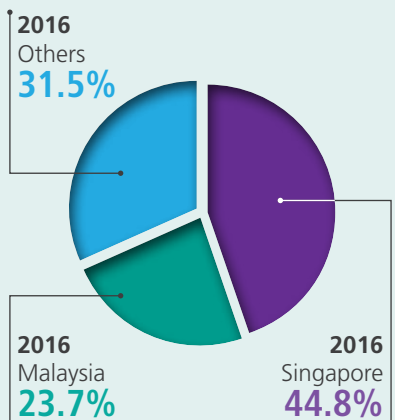
2015

2014

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

MR LIM HAI CHEOK

Executive Director and Chief Executive Officer

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

MADAM CHONG POH SOON

Executive Director

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

MS LIM KIM ENG SUSAN

Executive Director

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

MR LIM HOCK CHYE DANIEL

Executive Director

Mr Lim Hock Chye Daniel joined the Group in 1997 and was appointed Executive Director on 15 March 2004. Mr Lim is

responsible for the brand building, procurement, and international sales of the Group's portfolio of brands as well as the chocolate products development.

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

MR LIM HENG SENG

Non-Executive Independent Director

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

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

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

MR NGIAM ZEE MOEY

Non-Executive Independent Director

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

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

KEY MANAGEMENT

MR HO SIN YAM PATRICK

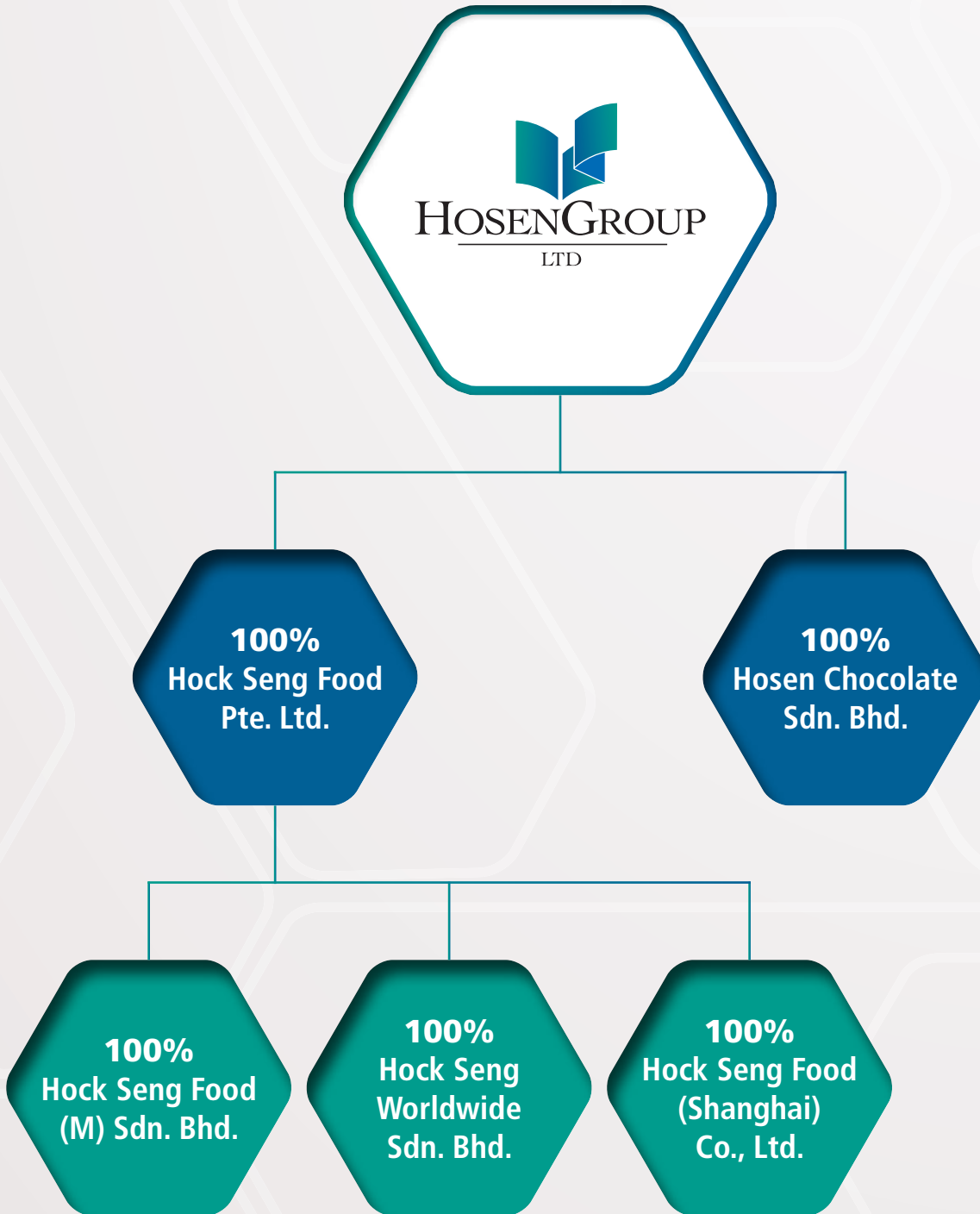
Chief Financial Officer

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



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



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 2016 (“**FY2016**”), 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 FY2016.

BOARD MATTERS

The Board’s Conduct of Affairs

1.1	What is the role of the Board?	The Board has seven (7) members and comprises the following: <table border="1" data-bbox="651 1634 1436 1989"> <thead> <tr> <th colspan="2">Table 1.1 – Composition of the Board</th> </tr> <tr> <th>Name of Director</th> <th>Designation</th> </tr> </thead> <tbody> <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> <tr> <td>Ngiam Zee Moey</td> <td>Non-Executive Independent Director</td> </tr> </tbody> </table>	Table 1.1 – Composition of the Board		Name of Director	Designation	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	Ngiam Zee Moey	Non-Executive Independent Director
Table 1.1 – Composition of the Board																				
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Chong Poh Soon	Executive Director																			
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Lim Hock Chye Daniel	Executive Director																			
Lim Heng Seng	Non-Executive Independent Director																			
Ngiam Zee Moey	Non-Executive Independent Director																			

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																				
1.1	What is the role of the Board?	<p>The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principle functions are:</p> <ul style="list-style-type: none"> • 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. 																				
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	<p>The Board has delegated certain responsibilities to the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC") (collectively, the "Board Committees"). The compositions of the Board Committees are as follows:</p> <table border="1"> <thead> <tr> <th colspan="4">Table 1.3 – Composition of the Board Committees</th> </tr> <tr> <th></th> <th>AC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <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>Ngiam Zee Moey</td> <td>Lim Hai Cheok</td> <td>Ngiam Zee Moey</td> </tr> </tbody> </table>	Table 1.3 – Composition of the Board Committees					AC	NC	RC	Chairman	Wee Piew	Lim Heng Seng	Wee Piew	Member	Lim Heng Seng	Wee Piew	Lim Heng Seng	Member	Ngiam Zee Moey	Lim Hai Cheok	Ngiam Zee Moey
Table 1.3 – Composition of the Board Committees																						
	AC	NC	RC																			
Chairman	Wee Piew	Lim Heng Seng	Wee Piew																			
Member	Lim Heng Seng	Wee Piew	Lim Heng Seng																			
Member	Ngiam Zee Moey	Lim Hai Cheok	Ngiam Zee Moey																			

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																		
1.4	Have the Board and Board Committees met in the last financial year?	<p>The Board meets on a half yearly basis, and as and when circumstances require. In FY2016, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.</p> <table border="1" data-bbox="655 591 1434 1023"> <caption data-bbox="655 591 1434 625">Table 1.4 – Board and Board Committee Meetings in FY2016</caption> <thead> <tr> <th data-bbox="655 632 979 666"></th> <th data-bbox="986 632 1091 666">Board</th> <th data-bbox="1098 632 1203 666">AC</th> <th data-bbox="1209 632 1315 666">NC</th> <th data-bbox="1321 632 1434 666">RC</th> </tr> </thead> <tbody> <tr> <td data-bbox="655 672 979 706">Number of Meetings Held</td> <td data-bbox="986 672 1091 706">4</td> <td data-bbox="1098 672 1203 706">3</td> <td data-bbox="1209 672 1315 706">2</td> <td data-bbox="1321 672 1434 706">1</td> </tr> <tr> <td data-bbox="655 712 979 746">Name of Director</td> <td colspan="4" data-bbox="986 712 1434 746">Number of Meetings Attended</td> </tr> <tr> <td data-bbox="655 753 979 787">Wee Piew</td> <td data-bbox="986 753 1091 787">4</td> <td data-bbox="1098 753 1203 787">3</td> <td data-bbox="1209 753 1315 787">2</td> <td data-bbox="1321 753 1434 787">1</td> </tr> <tr> <td data-bbox="655 793 979 827">Lim Hai Cheok</td> <td data-bbox="986 793 1091 827">4</td> <td data-bbox="1098 793 1203 827">3*</td> <td data-bbox="1209 793 1315 827">2</td> <td data-bbox="1321 793 1434 827">1*</td> </tr> <tr> <td data-bbox="655 834 979 868">Chong Poh Soon</td> <td data-bbox="986 834 1091 868">4</td> <td data-bbox="1098 834 1203 868">3*</td> <td data-bbox="1209 834 1315 868">2*</td> <td data-bbox="1321 834 1434 868">1*</td> </tr> <tr> <td data-bbox="655 874 979 908">Lim Kim Eng</td> <td data-bbox="986 874 1091 908">4</td> <td data-bbox="1098 874 1203 908">3*</td> <td data-bbox="1209 874 1315 908">2*</td> <td data-bbox="1321 874 1434 908">1*</td> </tr> <tr> <td data-bbox="655 915 979 949">Lim Hock Chye Daniel</td> <td data-bbox="986 915 1091 949">4</td> <td data-bbox="1098 915 1203 949">3*</td> <td data-bbox="1209 915 1315 949">2*</td> <td data-bbox="1321 915 1434 949">1*</td> </tr> <tr> <td data-bbox="655 955 979 989">Lim Heng Seng</td> <td data-bbox="986 955 1091 989">4</td> <td data-bbox="1098 955 1203 989">3</td> <td data-bbox="1209 955 1315 989">2</td> <td data-bbox="1321 955 1434 989">1</td> </tr> <tr> <td data-bbox="655 995 979 1029">Ngiam Zee Moey</td> <td data-bbox="986 995 1091 1029">4</td> <td data-bbox="1098 995 1203 1029">3</td> <td data-bbox="1209 995 1315 1029">2*</td> <td data-bbox="1321 995 1434 1029">1</td> </tr> </tbody> </table> <p data-bbox="655 1049 798 1070">* By invitation</p> <p data-bbox="655 1102 1441 1157">The Company's Articles of Association (the "Articles") allow for meetings to be held through telephone or video communication.</p>		Board	AC	NC	RC	Number of Meetings Held	4	3	2	1	Name of Director	Number of Meetings Attended				Wee Piew	4	3	2	1	Lim Hai Cheok	4	3*	2	1*	Chong Poh Soon	4	3*	2*	1*	Lim Kim Eng	4	3*	2*	1*	Lim Hock Chye Daniel	4	3*	2*	1*	Lim Heng Seng	4	3	2	1	Ngiam Zee Moey	4	3	2*	1
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1.5	What are the types of material transactions which require approval from the Board?	<p>Matters that require the Board's approval include, amongst others, the following:</p> <ul data-bbox="655 1272 1441 1655" style="list-style-type: none"> • 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. 																																																		

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1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director will be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. All newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore will be provided with relevant training in areas such as legal and accounting.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Briefings, updates and trainings for the Directors in FY2016 include: <ul style="list-style-type: none"> the external auditors ("EA") had briefed the AC on changes or amendments to accounting standards; and the Company Secretary had provided from time to time updates on changes in the relevant laws, regulations and listing rules.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	For FY2016, the Chairman of the Board (the " Chairman ") and the chief executive officer (or equivalent) (the " CEO ") is the same person. For good corporate governance, Mr Wee Piew has been re-designated from Non-Executive Independent Director to Non-Executive Independent Chairman, effective 3 April 2017. Following the re-designation, the duties of Chairman and CEO are segregated.
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.	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.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	

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2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	<p>Notwithstanding that Mr Lim Heng Seng and Mr Wee Piew, had served beyond nine years since the date of their first appointment on 5 July 2004, the Board is of the view that Mr Lim and Mr Wee are independent as they:</p> <ul style="list-style-type: none"> • over the years, have actively participated in the proceedings and decision making process of Board meetings; • constructively challenged and helped develop proposals on strategy and reviewed the performance of Management in achieving agreed goals; • provided overall guidance to Management and in protecting the Company's assets and shareholders' best interests; and • will continue to value add to the Board. 																											
2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(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.</p>	<p>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.</p> <p>The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:</p> <table border="1"> <thead> <tr> <th colspan="3">Table 2.6 – Balance and Diversity of the Board</th> </tr> <tr> <th></th> <th>Number of Directors</th> <th>Proportion of Board</th> </tr> </thead> <tbody> <tr> <td colspan="3">Core Competencies</td> </tr> <tr> <td>– Accounting or finance</td> <td>2</td> <td>28.6%</td> </tr> <tr> <td>– Human Resource management</td> <td>1</td> <td>14.3%</td> </tr> <tr> <td>– Relevant industry knowledge or experience</td> <td>4</td> <td>57.1%</td> </tr> <tr> <td colspan="3">Gender</td> </tr> <tr> <td>– Male</td> <td>5</td> <td>71.4%</td> </tr> <tr> <td>– Female</td> <td>2</td> <td>28.6%</td> </tr> </tbody> </table>	Table 2.6 – Balance and Diversity of the Board				Number of Directors	Proportion of Board	Core Competencies			– Accounting or finance	2	28.6%	– Human Resource management	1	14.3%	– Relevant industry knowledge or experience	4	57.1%	Gender			– Male	5	71.4%	– Female	2	28.6%
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	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	<p>The Board has taken the following steps to maintain or enhance its balance and diversity:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>																											

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors have met in the absence of key management personnel in FY2016.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	<p>During FY2016, Mr Lim Hai Cheok assumes the role of the Chairman and CEO as the Company believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters.</p> <p>However, for purposes of good corporate governance, Mr Wee Piew has been re-designated from Non-Executive Independent Director to Non-Executive Independent Chairman, effective 3 April 2017. Following the re-designation, the duties of Chairman and CEO are segregated.</p>
3.4	Have the Independent Directors met in the absence of key management personnel?	The Independent Directors have met in the absence of key management personnel in FY2016.
Board Membership		
4.1	What are the duties of the NC?	<p>The NC is guided by key terms of reference as follows:</p> <ul style="list-style-type: none"> • 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.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has set the maximum number of listed company board representations as six (6). Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters while 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: <ul style="list-style-type: none"> • Expected and/or competing time commitments of Directors; • Contributions by the Directors; • Geographical location of Directors; • Size and composition of the Board; and • Nature and scope of the Group's operations and size.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2016.
4.5	Are there alternate Directors?	The Company does not have any alternate Directors.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation		
4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Table 4.6(a) – Process for the Selection and Appointment of New Directors		
		1.	Determination of selection criteria	<ul style="list-style-type: none"> The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience, and knowledge to complement and strengthen the Board.
		2.	Search for suitable candidates	<ul style="list-style-type: none"> The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.
		3.	Assessment of shortlisted candidates	<ul style="list-style-type: none"> The NC would meet and interview the shortlisted candidates to assess their suitability.
		4.	Appointment of director	<ul style="list-style-type: none"> The NC would recommend the selected candidate to the Board for consideration and approval.
		Table 4.6(b) – Process for the Re-electing Incumbent Directors		
		1.	Assessment of director	<ul style="list-style-type: none"> The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and The NC would also consider the current needs of the Board.
		2.	Re-appointment of director	<ul style="list-style-type: none"> 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.
		Table 4.6(c) – Re-election of Directors retiring at the forthcoming AGM		
		Name	Designation	Pursuant to Article
		Lim Kim Eng	Executive Director	104
		Wee Piew	Non-Executive Independent Chairman	104
		Ngiam Zee Moey	Non-Executive Independent Director	104

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4.7	Please provide Directors' key information.	<p>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.</p> <table border="1"> <caption>Table 4.7 – Last Re-election Dates of Directors</caption> <thead> <tr> <th>Name</th> <th>Designation</th> <th>Last Re-election Date</th> </tr> </thead> <tbody> <tr> <td>Wee Piew</td> <td>Non-Executive Independent Chairman</td> <td>29 April 2014</td> </tr> <tr> <td>Lim Hai Cheok</td> <td>Executive Director and Chief Executive Officer</td> <td>25 April 2015</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>29 April 2014</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>25 April 2015</td> </tr> <tr> <td>Ngiam Zee Moey</td> <td>Non-Executive Independent Director</td> <td>29 April 2014</td> </tr> </tbody> </table>	Name	Designation	Last Re-election Date	Wee Piew	Non-Executive Independent Chairman	29 April 2014	Lim Hai Cheok	Executive Director and Chief Executive Officer	25 April 2015	Chong Poh Soon	Executive Director	29 April 2016	Lim Kim Eng	Executive Director	29 April 2014	Lim Hock Chye Daniel	Executive Director	29 April 2016	Lim Heng Seng	Non-Executive Independent Director	25 April 2015	Ngiam Zee Moey	Non-Executive Independent Director	29 April 2014
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Board Performance																										
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	<p>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:</p> <table border="1"> <caption>Table 5 – Performance Criteria to Evaluate Effectiveness of Board</caption> <thead> <tr> <th>Performance Criteria</th> <th>Board and Board Committees</th> <th>Individual Directors</th> </tr> </thead> <tbody> <tr> <td>Qualitative</td> <td> <ol style="list-style-type: none"> Access to information Board processes Strategic planning Board accountability Risk management Succession planning </td> <td> <ol style="list-style-type: none"> Commitment of time Knowledge and abilities Teamwork Independence (if applicable) Overall effectiveness </td> </tr> <tr> <td>Quantitative</td> <td> <ol style="list-style-type: none"> Size and composition </td> <td> <ol style="list-style-type: none"> Attendance at Board and Board Committee meetings </td> </tr> </tbody> </table>	Performance Criteria	Board and Board Committees	Individual Directors	Qualitative	<ol style="list-style-type: none"> Access to information Board processes Strategic planning Board accountability Risk management Succession planning 	<ol style="list-style-type: none"> Commitment of time Knowledge and abilities Teamwork Independence (if applicable) Overall effectiveness 	Quantitative	<ol style="list-style-type: none"> Size and composition 	<ol style="list-style-type: none"> Attendance at Board and Board Committee meetings 															
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	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	<p>The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.</p> <p>For FY2016, the review process was as follows:</p> <ol style="list-style-type: none"> 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5; 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. <p>All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.</p> <p>No external facilitator was engaged in the evaluation process.</p>
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.

Access to Information

6.1 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Table 6 – Types of information provided by key management personnel to Independent Directors		
			Information	Frequency
		1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Whenever Available
		2.	Budgets and forecasts (with variance analysis)	Annually
		3.	Reports on on-going or planned corporate actions	Whenever Available
4.	EA and internal auditors' ("IA") reports	Annually		
		Key management personnel will also provide any additional material or information, including monthly management accounts, potential acquisition and disposal of assets, that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.		

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6.3	What is the role of the Company Secretary?	<p>The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows:</p> <ul style="list-style-type: none"> • ensuring that Board procedures are observed and that the Company's Memorandum and Articles, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules"), are complied with; • assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • assists the Chairman to ensure good information flows within the Board and its committees and key management personnel; • facilitating orientation and assisting with professional development as required; • training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • attends and prepares minutes for Board and Board Committee meetings; • scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations; • as secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; • reviews key proposals before they are presented to the Board for consideration; 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.

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REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	<p>The RC is guided by key terms of reference as follows:</p> <ul style="list-style-type: none"> reviews and recommends to the Board a framework of remuneration for each Director and key management personnel that are competitive and appropriate to attract, retain and motivate Directors and key management personnel of the required quality to run the Company successfully; reviews and recommends to the Board on the implementation of any long term incentive schemes for the Directors and employees of the Group, as appropriate; reviews and determines the specific remuneration packages and terms of employment for each Director and key management personnel; reviews and recommends fees for Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM; and reviews and recommends fees for Executive Directors.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2016.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

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9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	<p>The breakdown for the remuneration of the Directors for FY2016 is as follows:</p> <table border="1" data-bbox="655 561 1441 1076"> <thead> <tr> <th colspan="6" data-bbox="655 561 1441 597">Table 9 – Directors' Remuneration</th> </tr> <tr> <th data-bbox="655 602 927 725">Name</th> <th data-bbox="930 602 1034 725">Directors Fees (%)</th> <th data-bbox="1037 602 1125 725">Salary (%)</th> <th data-bbox="1128 602 1216 725">Variable and Bonus (%)</th> <th data-bbox="1219 602 1307 725">Allowance and Others (%)</th> <th data-bbox="1310 602 1441 725">Total (%)</th> </tr> </thead> <tbody> <tr> <td colspan="6" data-bbox="655 729 1441 757">\$S250,000 to \$S499,999</td> </tr> <tr> <td data-bbox="655 761 927 789">Lim Hai Cheok</td> <td data-bbox="930 761 1034 789">–</td> <td data-bbox="1037 761 1125 789">70</td> <td data-bbox="1128 761 1216 789">26</td> <td data-bbox="1219 761 1307 789">4</td> <td data-bbox="1310 761 1441 789">100</td> </tr> <tr> <td data-bbox="655 793 927 821">Lim Kim Eng</td> <td data-bbox="930 793 1034 821">–</td> <td data-bbox="1037 793 1125 821">73</td> <td data-bbox="1128 793 1216 821">23</td> <td data-bbox="1219 793 1307 821">4</td> <td data-bbox="1310 793 1441 821">100</td> </tr> <tr> <td colspan="6" data-bbox="655 846 1441 874">Below \$S250,000</td> </tr> <tr> <td data-bbox="655 878 927 906">Chong Poh Soon</td> <td data-bbox="930 878 1034 906">–</td> <td data-bbox="1037 878 1125 906">72</td> <td data-bbox="1128 878 1216 906">28</td> <td data-bbox="1219 878 1307 906">–</td> <td data-bbox="1310 878 1441 906">100</td> </tr> <tr> <td data-bbox="655 910 927 938">Lim Hock Chye Daniel</td> <td data-bbox="930 910 1034 938">–</td> <td data-bbox="1037 910 1125 938">68</td> <td data-bbox="1128 910 1216 938">28</td> <td data-bbox="1219 910 1307 938">4</td> <td data-bbox="1310 910 1441 938">100</td> </tr> <tr> <td data-bbox="655 942 927 970">Lim Heng Seng</td> <td data-bbox="930 942 1034 970">100</td> <td data-bbox="1037 942 1125 970">–</td> <td data-bbox="1128 942 1216 970">–</td> <td data-bbox="1219 942 1307 970">–</td> <td data-bbox="1310 942 1441 970">100</td> </tr> <tr> <td data-bbox="655 974 927 1002">Wee Piew</td> <td data-bbox="930 974 1034 1002">100</td> <td data-bbox="1037 974 1125 1002">–</td> <td data-bbox="1128 974 1216 1002">–</td> <td data-bbox="1219 974 1307 1002">–</td> <td data-bbox="1310 974 1441 1002">100</td> </tr> <tr> <td data-bbox="655 1006 927 1034">Ngiam Zee Moey</td> <td data-bbox="930 1006 1034 1034">100</td> <td data-bbox="1037 1006 1125 1034">–</td> <td data-bbox="1128 1006 1216 1034">–</td> <td data-bbox="1219 1006 1307 1034">–</td> <td data-bbox="1310 1006 1441 1034">100</td> </tr> </tbody> </table> <p data-bbox="655 1108 1441 1136"><i>(All the above remuneration excludes employer's CPF contribution portion.)</i></p> <p data-bbox="655 1166 1441 1353">After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. The names of key management personnel are not disclosed to avoid from any possible poaching.</p> <p data-bbox="655 1383 1441 1444">There were no termination, retirement and post-termination benefits given to Directors and key management personnel for the financial year in review.</p>	Table 9 – Directors' Remuneration						Name	Directors Fees (%)	Salary (%)	Variable and Bonus (%)	Allowance and Others (%)	Total (%)	\$S250,000 to \$S499,999						Lim Hai Cheok	–	70	26	4	100	Lim Kim Eng	–	73	23	4	100	Below \$S250,000						Chong Poh Soon	–	72	28	–	100	Lim Hock Chye Daniel	–	68	28	4	100	Lim Heng Seng	100	–	–	–	100	Wee Piew	100	–	–	–	100	Ngiam Zee Moey	100	–	–	–	100
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CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																								
9.3	<p>(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?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</p>	<p>The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2016 is as follows:</p> <table border="1"> <thead> <tr> <th colspan="5">Table 9.3 – Remuneration of Key Management Personnel</th> </tr> <tr> <th>Key management personnel</th> <th>Salary (%)</th> <th>Variable and Bonus (%)</th> <th>Allowance and Others (%)</th> <th>Total (%)</th> </tr> </thead> <tbody> <tr> <td colspan="5">Below S\$250,000</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>77</td> <td>11</td> <td>12</td> <td>100</td> </tr> <tr> <td>1 executive</td> <td>56</td> <td>40</td> <td>4</td> <td>100</td> </tr> <tr> <td>1 executive</td> <td>56</td> <td>40</td> <td>4</td> <td>100</td> </tr> <tr> <td>1 executive</td> <td>87</td> <td>13</td> <td>–</td> <td>100</td> </tr> </tbody> </table> <p><i>(All the above remuneration excludes employer's CPF/EPF contribution portion.)</i></p> <p>The total remuneration paid to the top 5 key management personnel for FY2016 was approximately S\$538,000.</p>	Table 9.3 – Remuneration of Key Management Personnel					Key management personnel	Salary (%)	Variable and Bonus (%)	Allowance and Others (%)	Total (%)	Below S\$250,000					1 executive	89	11	–	100	1 executive	77	11	12	100	1 executive	56	40	4	100	1 executive	56	40	4	100	1 executive	87	13	–	100
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9.4	<p>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.</p>	<p>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 FY2016.</p>																																								
9.5	<p>Please provide details of the employee share scheme(s).</p>	<p>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.</p>																																								

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation											
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	<p>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 FY2016.</p> <p>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 employee share option scheme adopted/to be adopted by the Company.</p>											
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	<p>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:</p> <table border="1" data-bbox="655 927 1441 1315"> <thead> <tr> <th colspan="3" data-bbox="655 927 1441 966">Table 9.6(b) – Performance Conditions for Entitlement to Incentives</th> </tr> <tr> <th data-bbox="655 976 826 1029">Performance Conditions</th> <th data-bbox="834 976 1142 1029">Short-term Incentives (such as performance bonus)</th> <th data-bbox="1150 976 1441 1087">Long-term Incentives (such as the Hosen Employee Share Option Scheme)</th> </tr> </thead> <tbody> <tr> <td data-bbox="655 1098 826 1242">Qualitative</td> <td data-bbox="834 1098 1142 1242"> <ol style="list-style-type: none"> 1. Leadership 2. Commitment 3. Teamwork 4. Macro-economic factors </td> <td data-bbox="1150 1098 1441 1242"> <ol style="list-style-type: none"> 1. Current market and industry practices 2. Rank 3. Years of Service </td> </tr> <tr> <td data-bbox="655 1253 826 1315">Quantitative</td> <td data-bbox="834 1253 1142 1315"></td> <td data-bbox="1150 1253 1441 1315"> <ol style="list-style-type: none"> 1. Performance of the Group </td> </tr> </tbody> </table>	Table 9.6(b) – Performance Conditions for Entitlement to Incentives			Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the Hosen Employee Share Option Scheme)	Qualitative	<ol style="list-style-type: none"> 1. Leadership 2. Commitment 3. Teamwork 4. Macro-economic factors 	<ol style="list-style-type: none"> 1. Current market and industry practices 2. Rank 3. Years of Service 	Quantitative	
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Qualitative	<ol style="list-style-type: none"> 1. Leadership 2. Commitment 3. Teamwork 4. Macro-economic factors 	<ol style="list-style-type: none"> 1. Current market and industry practices 2. Rank 3. Years of Service 											
Quantitative		<ol style="list-style-type: none"> 1. Performance of the Group 											
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2016.											

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	<p>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 FY2016.</p> <p>The bases for the Board's view are as follows:</p> <ol style="list-style-type: none"> 1. Assurance has been received from the CEO and CFO (refer to Section 11.3(b) below); 2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; and 4. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns. <p>The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.</p>
	(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?	<p>Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2016.</p> <p>The Board has additionally relied on the IA's report issued to the Company in FY2016 to assure that the Company's risk management and internal controls are adequate and effective.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Audit Committee		
12.1 12.4	What is the role of the AC?	<p>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.</p> <p>The AC is guided by the following key terms of reference:</p> <ul style="list-style-type: none"> • reviews the audit plans of the external auditors, the audit reports and management letters issued by the external auditors and the co-operation given by the Company's Management to the 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; • makes recommendations to the Board on the appointment, re-appointment and removal of external auditors, and to review the remuneration and terms of engagement of the EA; • reviews the financial reports so as to ensure the integrity of the financial statements of the Company and focus, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit and compliance with financial reporting standards; • reviews announcements of the Company's half-year and full-year results before submission to the Board for approval for release to the SGX-ST; • undertakes such other functions, duties, reviews and projects as may be requested by the Board or as may be required by statutes or the Catalist Rules; • reviews effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management policies and reviews the findings of the IA; • meets with the EA and with IA, separately without the presence of the Management; and • reviews interested person transactions in accordance with the requirements as defined in the Catalist Rules.
12.5	Has the AC met with the auditors in the absence of key management personnel?	Yes, the AC has met with the EA and the IA in the absence of key management personnel in FY2016.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation															
12.6	Has the AC reviewed the independence of the EA?	The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.															
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	<table border="1"> <thead> <tr> <th colspan="3">Table 12.6(a) – Fees Paid/Payable to the EA for FY2016</th> </tr> <tr> <th></th> <th>S\$</th> <th>% of total</th> </tr> </thead> <tbody> <tr> <td>Audit fees</td> <td>68,000</td> <td>85</td> </tr> <tr> <td>Non-audit fees – tax compliance</td> <td>12,000</td> <td>15</td> </tr> <tr> <td>Total</td> <td>80,000</td> <td>100</td> </tr> </tbody> </table>	Table 12.6(a) – Fees Paid/Payable to the EA for FY2016				S\$	% of total	Audit fees	68,000	85	Non-audit fees – tax compliance	12,000	15	Total	80,000	100
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Non-audit fees – tax compliance	12,000	15															
Total	80,000	100															
	(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.	The AC has reviewed and is of the opinion that the non-audit services rendered during FY2016 were not substantial and the nature and extent of such services would not prejudice the independence of the EA, and thus recommended the re-appointment of the EA of the forthcoming AGM.															
12.7	Does the Company have a whistle-blowing policy?	Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the Chairman of AC via ac.hockseng@gmail.com . To facilitate participation by external parties, the policy is also available on the Company's website at http://www.hosengroup.com/contact.php .															
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	In FY2016, the AC was updated by the EA with respect to revisions to the accounting standards.															
Internal Audit																	
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	In FY2016, the Company's internal audit function is outsourced to HLS Risk Advisory Services Pte Ltd that reports directly to the AC Chairman and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that HLS Risk Advisory Services Pte Ltd is adequately qualified (given, <i>inter alia</i> , its adherence to standards set by nationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.															

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.1	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? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Company solicits feedback from and addresses the concerns of shareholders through the in-house investor relations team as well as their website contact portal at http://www.hosengroup.com/contact.php .
	(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 .
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, <i>inter alia</i> , the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board did not propose any dividend for FY2016 in order to conserve the Group's financial resources.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company has adopted poll voting for its upcoming 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 meeting. All minutes of general meetings will made available to shareholders upon their written request within 1 month after the general meeting.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	<p>The Board and the AC are of the opinion that the internal controls are adequate to address the financial, operational and compliance risks based on the following:</p> <ul style="list-style-type: none"> • 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.
1204(17)	Interested Persons Transaction ("IPT")	<p>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.</p> <p>There were no IPTs with value more than S\$100,000 transacted during FY2016.</p>
1204(19)	Dealing in Securities	<p>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.</p> <p>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.</p> <p>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.</p>
1204(21)	Non-sponsor fees	No non-sponsor fee was paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2016.

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 2016, the statement of financial position of the Company as at 31 December 2016 and the statement of changes in equity of the Company for the financial year then ended.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

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

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
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	3,204,000	3,204,000	–	–

DIRECTORS' STATEMENT

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

By virtue of Section 7 of the Act, Mr. Lim Hai Cheok and Mdm. Chong Poh Soon are deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

5. SHARE OPTIONS

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

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

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

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

6. AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Wee Piew, an independent Director, and includes Lim Heng Seng and Ngiam Zee Moey, who are both independent Directors. The Audit Committee has met three times since the last Annual General Meeting (AGM) and has carried out its functions in accordance with section 201B(5), including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (d) the half-yearly and 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.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

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

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

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

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Lim Hai Cheok
Director

Chong Poh Soon
Director

28 March 2017

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 page 41 to 101, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the 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 and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") 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 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the 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.

1 Assessment of impairment of investment in a subsidiary and property, plant and equipment

Key Audit Matter

In the previous financial year, the Group established a manufacturing arm by setting up a subsidiary, Hosen Chocolate Sdn. Bhd. ("Hosen Choc") to expand its distribution network, develop new chocolate products for both house brand and industrial chocolate and to explore new business opportunities to achieve growth of the core business of the Group. Hosen Choc was in its initial start-up phase in the last quarter of financial year ended 31 December 2015. In the current financial year, Hosen Choc has begun its transition to be fully operational and started generating more revenue. Notwithstanding this, Hosen Choc has incurred significant losses for the financial year ended 31 December 2016.

As at 31 December 2016, the carrying amount of the Company's investment in Hosen Choc amounted to approximately \$368,000, and in the Group's consolidated statement of financial position, the carrying amount of property, plant and equipment pertaining to Hosen Choc amounted to \$2.96 million. As there are indications of potential impairment, accounting standards require an assessment of the recoverable amount.

The management has carried out an assessment of the recoverable amount of Hosen Choc as a cash-generating unit ("CGU") relying on estimates of value-in-use ("VIU") calculations based on projected cash flows. Based on management's assessment, there is no impairment required on the investment in Hosen Choc and the related property, plant and equipment.

We focused on the impairment assessment of Hosen Choc as the cash flow projection involved significant management judgement, and is based on key assumptions including growth rates and discount rates that are affected by expected future market and economic conditions.

Related Disclosures

Refer to Note 2.6, 3.2(i), 3.2(iii), 4 and 5 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- We evaluated the reasonableness of the key assumptions and estimates used to determine the CGU's VIU calculations, including those relating to projected revenue growth rate and discount rate by corroborating the key assumptions to externally available economic and historical financial data;
- We checked the computation of the projected cash flow model; and
- We performed sensitivity analysis on the assumptions used by analysing the impact on the recoverable amount from changes in growth rates and discount rates.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

2 Revenue recognition

Key Audit Matter

The Group is primarily engaged in importation, exportation and distribution of fast-moving consumer goods. The Group's revenue from the sale of goods for the financial year ended 31 December 2016 of approximately \$72.6 million is recognised in accordance with FRS 18 *Revenue*, when the Group has transferred the significant risks and rewards of ownership of the goods based on the acknowledgment of delivery of goods for local sales and the terms and conditions of shipping incoterms for overseas sales; less rebates and returns, and it is probable that the agreed consideration will be received.

We have considered revenue recognition as a key audit matter due to the significance of revenue to the users of the financial statements as a measure of the Group's financial performance, the volume of transactions, and because we placed significant attention and efforts on this area as part of our audit approach.

Related Disclosures

Refer to Note 2.10 and 20 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Performed internal control testing procedures on the key controls identified in the revenue and receipts cycle;
- Performed substantive procedures such as detailed testing on the sales transactions to ensure the existence and accuracy of the revenue recognition;
- Performed cut-off procedures by checking to the relevant documents such as delivery orders/shipping documents and supporting invoices to the accounting records to obtain reasonable assurance that the revenue was recorded in the correct financial period; and
- Assessed the reasonableness of the management's estimation of sales rebates and sales returns.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

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 FRSs, 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 director's 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

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

- 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.

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 Koh Yen Ling.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current assets					
Property, plant and equipment	4	12,991	13,257	–	–
Investments in subsidiaries	5	–	–	9,836	9,836
Available-for-sale financial asset	6	–	–	–	–
Intangible asset	7	57	152	–	–
Other receivables	9	–	–	12,000	12,000
		13,048	13,409	21,836	21,836
Current assets					
Inventories	8	15,607	16,732	–	–
Trade and other receivables	9	14,915	13,054	3,452	3,484
Held-for-trading financial assets	10	7	8	–	–
Income tax recoverable		131	22	–	–
Fixed deposits	11	49	49	–	–
Cash and bank balances	12	3,475	4,389	31	9
		34,184	34,254	3,483	3,493
Current liabilities					
Trade and other payables	13	6,188	7,045	175	248
Current income tax payable		140	200	17	8
Finance lease payables	14	50	19	–	–
Bank borrowings	15	9,005	9,296	–	–
		15,383	16,560	192	256
Net current assets		18,801	17,694	3,291	3,237
Non-current liabilities					
Finance lease payables	14	167	37	–	–
Bank borrowings	15	3,350	3,662	–	–
Deferred tax liabilities	16	267	427	–	–
		3,784	4,126	–	–
Net assets		28,065	26,977	25,127	25,073
Equity					
Share capital	17	28,431	28,431	28,431	28,431
Treasury shares	18	(3,654)	(3,557)	(3,654)	(3,557)
Foreign currency translation account	19	(419)	(535)	–	–
Accumulated profits		3,707	2,638	350	199
		28,065	26,977	25,127	25,073

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Revenue	20	72,580	75,767
Cost of sales		(59,387)	(63,207)
Gross profit		13,193	12,560
Other income	21	418	222
Selling and distribution expenses		(3,968)	(4,324)
Administrative expenses		(6,156)	(5,898)
Other expenses		(2,219)	(2,926)
Finance costs	22	(372)	(350)
Profit/(loss) before income tax	23	896	(716)
Income tax credit/(expense)	24	173	(230)
Profit/(loss) for the financial year		1,069	(946)
Other comprehensive income for the financial year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	19	116	(248)
Income tax relating to items that may be reclassified		–	–
Other comprehensive income for the financial year, net of tax		116	(248)
Total comprehensive income for the financial year attributable to owners of the parent		1,185	(1,194)
Earnings per share			
– Basic and diluted (in cents)	25	0.33	(0.29)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Equity attributable to owners of the parent				
		Share capital	Treasury shares	Foreign currency translation account	Accumulated profits	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016		28,431	(3,557)	(535)	2,638	26,977
Profit for the financial year		-	-	-	1,069	1,069
Exchange differences arising from translation of foreign operations	19	-	-	116	-	116
Total comprehensive income for the financial year		-	-	116	1,069	1,185
Transactions with owners:						
Purchase of treasury shares	18	-	(97)	-	-	(97)
Total transactions with owners of the parent		-	(97)	-	-	(97)
Balance at 31 December 2016		<u>28,431</u>	<u>(3,654)</u>	<u>(419)</u>	<u>3,707</u>	<u>28,065</u>
Balance at 1 January 2015		28,431	(3,557)	(287)	3,911	28,498
Loss for the financial year		-	-	-	(946)	(946)
Exchange differences arising from translation of foreign operations	19	-	-	(248)	-	(248)
Total comprehensive income for the financial year		-	-	(248)	(946)	(1,194)
Transactions with owners:						
Dividends	26	-	-	-	(327)	(327)
Total transactions with owners of the parent		-	-	-	(327)	(327)
Balance at 31 December 2015		<u>28,431</u>	<u>(3,557)</u>	<u>(535)</u>	<u>2,638</u>	<u>26,977</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Note	Share capital \$'000	Treasury shares \$'000	Accumulated profits \$'000	Total \$'000
Balance at 1 January 2016		28,431	(3,557)	199	25,073
Profit for the financial year		–	–	151	151
Total comprehensive income for the financial year		–	–	151	151
Transactions with owners:					
Purchase of treasury shares	18	–	(97)	–	(97)
Total transactions with owners		–	(97)	–	(97)
Balance at 31 December 2016		<u>28,431</u>	<u>(3,654)</u>	<u>350</u>	<u>25,127</u>
Balance at 1 January 2015		28,431	(3,557)	598	25,472
Loss for the financial year		–	–	(72)	(72)
Total comprehensive income for the financial year		–	–	(72)	(72)
Transactions with owners:					
Dividends	26	–	–	(327)	(327)
Total transactions with owners		–	–	(327)	(327)
Balance at 31 December 2015		<u>28,431</u>	<u>(3,557)</u>	<u>199</u>	<u>25,073</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Operating activities			
Profit/(loss) before income tax		896	(716)
Adjustments for:			
Allowance for doubtful third party trade receivables	23	46	125
Allowance for doubtful trade receivables written back	9	(39)	(41)
Write down of inventories	23	365	536
Amortisation of intangible asset	7	82	82
Depreciation of property, plant and equipment	4	785	699
Property, plant and equipment written off		1	–
Fair value loss/(gain) arising from held-for-trading financial assets	23	1	(1)
Gain on disposal of property, plant and equipment	21	(97)	(11)
Interest expense	22	372	350
Interest income	21	(2)	(4)
Operating cash flows before working capital changes		<u>2,410</u>	1,019
Working capital changes:			
Inventories		624	1,374
Trade and other receivables		(1,984)	2,335
Trade and other payables		<u>(508)</u>	<u>(432)</u>
Cash generated from operations		542	4,296
Income tax paid		(160)	(156)
Interest received		<u>2</u>	<u>4</u>
Net cash generated from operating activities		<u>384</u>	<u>4,144</u>
Investing activities			
Proceeds from disposal of property, plant and equipment		157	11
Purchases of property, plant and equipment	4	(525)	(3,745)
Purchase of intangible asset	7	(30)	(44)
Proceeds from disposal of intangible asset		<u>44</u>	<u>–</u>
Net cash used in investing activities		<u>(354)</u>	<u>(3,778)</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Financing activities			
Repayment of finance lease payables		(25)	(31)
Dividends paid	26	–	(327)
Purchase of treasury shares	18	(97)	–
Fixed deposits		–	(1)
Interest paid		(372)	(350)
Proceeds from bank borrowings		24,807	35,650
Repayment of bank borrowings		(25,221)	(37,450)
Net cash used in financing activities		(908)	(2,509)
Net change in cash and cash equivalents		(878)	(2,143)
Cash and cash equivalents at beginning of financial year		4,389	6,675
Net effect of exchange rate changes on cash and cash equivalents		(36)	(143)
Cash and cash equivalents at end of financial year	12	3,475	4,389

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. GENERAL

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 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.

Related corporations in this financial statements refer to members of Hosen Group Ltd. The ultimate controlling party is Lim Hai Cheok.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: <i>Disclosure Initiative</i>	1 January 2017
FRS 12 (Amendments)	: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 109	: <i>Financial Instruments</i>	1 January 2018
FRS 115	: <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 115 (Amendments)	: <i>Clarification to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
FRS 116	: <i>Leases</i>	1 January 2019
INT FRS 122	: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

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

Except as disclosed below, the management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 7 (Amendments) *Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

FRS 109 *Financial Instruments*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

FRS 109 Financial Instruments (Continued)

Classification and measurement

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

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

The Group currently measures its available-for-sale investment in unquoted equity security at cost less impairment loss, as disclosed in Note 6 to the financial statements. On adoption of FRS 109, the Group will be required to measure such investment in unquoted equity securities at fair value, with any difference between the previous carrying value and the fair value recognised in the opening balance of retained earnings at the date of initial application.

Impairment

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

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

FRS 109 Financial Instruments (Continued)

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year. The Group does not expect a significant adjustment arising from the adoption of FRS 109, except for the effects of applying the impairment requirements of FRS 109. The Group is gathering data to quantify the potential impact arising from adoption.

FRS 109 also requires additional financial statements disclosures which the Group will include in its financial statements in the financial year when FRS 109 is adopted.

FRS 115 Revenue from Contracts with Customers

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

On initial adoption of FRS 115, there may be an impact on the timing and profile of revenue recognition of the Group. The Group has sales contracts with certain customers, offering them a fixed percentage of rebate on sales made and a return goods policy on damaged goods. On adoption of FRS 115, the Group will be required to include an estimate of such variable considerations in determining the transaction price, which will be the amount recognised as revenue based on the actual quantity sold as at the end of the financial year. The difference between the estimated transaction price and the contracted price of the goods sold will be recognised as a liability on the Group's statement of financial position. The Group is in the process of qualifying the impact and assessing in further detail on any other potential impact on the adoption of FRS 115.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

FRS 116 Leases

FRS 116 supersedes FRS 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 FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premises on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. 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 will include the required additional disclosures in its financial statements for that financial year.

Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on SGX-ST are required to apply new financial reporting framework identical to IFRS in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed above, as well as other transitional adjustments that may be required or elected under IFRS 1.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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

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

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

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

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

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

2.3 Business combinations

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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

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

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

2.4 Property, plant and equipment

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. All other costs of servicing are recognised in profit or loss when incurred.

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

Depreciation is charged so as to write off the costs of assets over their estimated useful lives, using the straight-line method, on the following bases:

	<u>In Years</u>
Freehold building	33
Leasehold land and building	50 – 60
Plant and machineries	5 – 10
Motor vehicles	3 – 5
Office equipment and furnishings	3 – 10
Computers	3 – 5
Container cabins	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

Freehold land has indefinite useful life and is not depreciated.

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

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

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

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

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

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 expenses 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 write off the costs of the computer software over their estimated useful lives of three to five years.

2.6 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets (Continued)

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.

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.

2.7 Financial instruments

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

Effective interest method

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

Financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

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

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 asset 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 and prepayments), 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 are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interests 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

Derecognition of financial assets

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

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

Other financial liabilities

Trade and other payables

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

Borrowings

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 (Note 2.14).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts (Continued)

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the 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.

Derivative financial instruments and hedging activities

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

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

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

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated costs to be incurred in marketing, selling and distribution. 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 statement 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 statement of cash flow, cash and cash equivalents excludes fixed deposit with a tenure of more than 3 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Revenue recognition

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

Sale of goods

This refers to the sale of fast moving consumer goods to whole-sale distributors and retailers.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and it is probable that the agreed consideration will be received. Normally these criteria are considered to be met when the goods are delivered to and accepted by the buyer.

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

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 or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.14).

Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 6 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.14 Borrowing costs

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

2.15 Taxes

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

Current income tax

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

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

Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxes (Continued)

Deferred tax (Continued)

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 financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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 financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On disposal of a foreign operation, the accumulated foreign currency translation account 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

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.

Provisions relate to provision for unutilised leave (Note 2.13), provision for sales rebates, returns and promotional marketing allowances arising from the Company's present contractual obligations with its customers.

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 2016

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

In the process of applying the accounting policies, the management is of the opinion that there are no critical judgements that has a significant effect on the amounts recognised in the financial statements.

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. The management's assessment is based on estimation of the value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period up to 5 years and projections to terminal year, using a suitable discount rate in order to calculate present value of those cash flows. Key assumptions and estimates used to determine the value-in-use of the CGU includes those relating to projected revenue growth rate and discount rate. The Company's carrying amount of investments in subsidiaries as at 31 December 2016 was \$9,836,000 (2015: \$9,836,000) (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 was approximately \$12,991,000 (2015: \$13,257,000) (Note 4).

(iii) 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.

An impairment exists when the carrying value of property, plant and equipment exceed their recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The recoverable amount of property, plant and equipment is determined based on value-in-use, by discounting the expected future cash flows for each cash generating units ("CGU").

The management's assessment is based on estimation of the value-in-use of the cash generating unit ("CGU") by forecasting the expected future cash flows for a period up to 5 years and projections to terminal year, using a suitable discount rate in order to calculate present value of those cash flows. Key assumptions and estimations used to determine the value-in-use of the CGU includes those relating to projected revenue growth rate and discount rate. Based on this, management estimated that the recoverable amount of property, plant and equipment are in excess of its carrying value and accordingly no allowance for impairment was deemed necessary for property, plant and equipment as at 31 December 2016. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 was approximately \$12,991,000 (2015: \$13,257,000) (Note 4).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Inventory valuation method

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the weighted average method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical sales activities, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2016 was approximately \$15,607,000 (2015: \$16,732,000) (Note 8).

(v) Allowance for impairment of trade and other receivables

The Group and the Company establish allowance for impairment of trade and other receivables on a case-by-case basis when it believes the payment of amounts owed is unlikely to occur. In establishing these allowances, the Group and the Company consider its historical experience and changes to its customers' financial position. If the financial conditions of debtors were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables (excluding advance payments to suppliers and prepayment) as at 31 December 2016 were approximately \$13,159,000 (2015: \$11,420,000) and \$15,445,000 (2015: \$15,477,000) respectively (Note 9).

(vi) Income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax expense and deferred tax provision in the period in which such determination is made. The carrying amounts of the Group's and the Company's current income tax payable as at 31 December 2016 were approximately \$140,000 (2015: \$200,000) and \$17,000 (2015: \$8,000) respectively. The carrying amount of the Group's deferred tax liabilities as at 31 December 2016 was approximately \$267,000 (2015: \$427,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Freehold building \$'000	Leasehold land \$'000	Leasehold building \$'000	Plant and machineries \$'000	Motor vehicles \$'000	Office equipment and furnishings \$'000	Computers \$'000	Container cabins \$'000	Total \$'000
Cost										
Balance at 1 January 2016	801	959	1,104	10,504	1,847	1,965	1,359	256	8	18,803
Additions	-	-	-	-	107	546	47	12	-	712
Disposals	-	-	-	-	-	(436)	(11)	-	-	(447)
Write off	-	-	-	-	-	(1)	(3)	(10)	-	(14)
Currency translation adjustment	(17)	(22)	-	(81)	(32)	(6)	(10)	6	(2)	(164)
Balance at 31 December 2016	784	937	1,104	10,423	1,922	2,068	1,382	264	6	18,890
Accumulated depreciation										
Balance at 1 January 2016	-	18	511	1,830	359	1,564	1,048	208	8	5,546
Depreciation charge for the year	-	32	18	244	196	169	102	24	-	785
Disposals	-	-	-	-	-	(376)	(11)	-	-	(387)
Write off	-	-	-	-	-	(1)	(2)	(10)	-	(13)
Currency translation adjustment	-	(1)	-	(22)	(5)	(2)	(1)	1	(2)	(32)
Balance at 31 December 2016	-	49	529	2,052	550	1,354	1,136	223	6	5,899
Carrying amount										
At 31 December 2016	784	888	575	8,371	1,372	714	246	41	-	12,991

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2015	-	-	1,104	10,883	491	1,882	1,265	228	8	15,861
Additions	865	1,035	-	86	1,462	155	122	37	-	3,762
Disposals	-	-	-	-	-	(49)	(10)	-	-	(59)
Write off	-	-	-	-	-	-	(7)	(5)	-	(12)
Currency translation adjustment	(64)	(76)	-	(465)	(106)	(23)	(11)	(4)	-	(749)
Balance at 31 December 2015	801	959	1,104	10,504	1,847	1,965	1,359	256	8	18,803
Accumulated depreciation										
Balance at 1 January 2015	-	-	494	1,598	271	1,420	957	191	8	4,939
Depreciation charge for the year	-	19	17	243	88	202	108	22	-	699
Disposals	-	-	-	-	-	(49)	(10)	-	-	(59)
Write off	-	-	-	-	-	-	(7)	(5)	-	(12)
Currency translation adjustment	-	(1)	-	(11)	-*	(9)	-*	-*	-	(21)
Balance at 31 December 2015	-	18	511	1,830	359	1,564	1,048	208	8	5,546
Carrying amount										
At 31 December 2015	801	941	593	8,674	1,488	401	311	48	-	13,257

* denotes figure less than \$1,000.

Included in total depreciation expense is an amount of \$8,000 (2015: Nil) which has been included in "cost of sales". The remaining depreciation expenses of \$777,000 (2015: \$699,000) has been included in "other expenses".

Motor vehicles and an office equipment with carrying amount of approximately \$410,000 (2015: \$107,000) were acquired under finance lease agreements (Note 14).

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

The Group's property, plant and equipment with carrying amount of approximately \$4,608,000 as at 31 December 2016 (2015: \$4,815,000) was pledged as a security for the bank loans as disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2016 \$'000	2015 \$'000
Additions to property, plant and equipment	712	3,762
Acquired under finance lease agreements	(187)	(17)
Cash payments to acquire property, plant and equipment	525	3,745

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 build-up area of 8,346 sq metres	60 years from 1 October 1989
No 8 Jalan Utarid U5/12 Seksyen U5, Shah Alam, Selangor Darul Ehsan, Malaysia	Single-storey warehouse attached with 2 storey office, measuring approximately 27,918 sq feet	50 years from 23 April 2014
No 19 & 20 Jalan Murni 3, Taman Perindustrian Murni Senai, 81400 Senai, Johor, Malaysia	One and a half storey Semi-detached factory, measuring approximately 24,692 sq feet	Freehold

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	9,836	10,336
Allowance for impairment loss	-	(500)
Balance at end of financial year	9,836	9,836

Movement in the allowance for impairment loss are as follows:

	Company	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	500	500
Write off of impairment loss during the year	(500)	-
Balance at end of financial year	-	500

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follow:

Name of subsidiary (Country of incorporation and principal place of business)	Principal activities	Effective Equity interest held by the Group	
		2016 %	2015 %
<i>Held by the Company</i>			
Hock Seng Food Pte Ltd ⁽¹⁾ (Singapore)	Import, distribution, wholesale of fast-moving consumer goods	100	100
Hosen Chocolate Sdn Bhd ⁽²⁾ (Malaysia)	Develop, process, trade and distribute house brand and new chocolate products	100	100
Arenas Seafood Pte Ltd ⁽³⁾ (Singapore)	Processing of fish and seafood and wholesale of frozen livestock and seafood	100	100
LaDiva Fine Foods B.V. ⁽⁴⁾ (Netherlands)	Marketing office, agency and distribution of fast-moving consumer goods	–	100
<i>Held by Hock Seng Food Pte Ltd</i>			
Hock Seng Food (M) Sdn Bhd ⁽²⁾ (Malaysia)	Import, distribution, wholesale of fast-moving consumer goods	100	100
Hock Seng Worldwide Sdn Bhd ⁽²⁾ (Malaysia)	Investment holding company	100	100
Hock Seng Food (Shanghai) Co., Ltd ⁽⁵⁾ (People's Republic of China)	Marketing office cum general wholesale of fast-moving consumer goods	100	100

(1) Audited by BDO LLP, Singapore.

(2) Audited by overseas member firm of the BDO Network in Malaysia.

(3) In the process of striking off as at the end of the financial year.

(4) The subsidiary completed member's voluntary liquidation during the financial year.

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

Significant restrictions

Cash and bank balances of \$410,000 (2015: \$358,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Establishment of a subsidiary

In previous financial year, the Company established a wholly-owned subsidiary in Malaysia, Hosen Chocolate Sdn Bhd, with an authorised and paid-up capital of RM1,000,000 (equivalent to \$368,000).

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

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. Arenas Seafood Pte Ltd was officially struck off from the Company Register on 9 January 2017. The Company had made an impairment loss of \$500,000 relating to investment in Arenas Seafood Pte Ltd in the previous financial years. The related impairment loss has been written off during the financial year.

6. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2016 \$'000	2015 \$'000
Unquoted equity securities, at cost	49	49
Allowance for impairment loss	(49)	(49)
	—	—

The investment in unquoted equity securities which is denominated in Singapore dollar, is stated at cost less impairment loss, as the investment does not have a quoted market price in an active market and there are no other available methods and not practicable to determine the fair value of the unquoted investment with sufficient reliability. The Group does not have intention to dispose the unquoted equity securities in the near future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. INTANGIBLE ASSET

Computer software

	Group	
	2016 \$'000	2015 \$'000
Cost		
Balance at beginning of financial year	385	357
Additions	30	44
Disposal	(44)	–
Write off	–	(14)
Currency translation adjustment	1	(2)
Balance at end of financial year	<u>372</u>	<u>385</u>
Accumulated amortisation		
Balance at beginning of financial year	233	167
Amortisation for the financial year	82	82
Write off	–	(14)
Currency translation adjustment	–	(2)
Balance at end of financial year	<u>315</u>	<u>233</u>
Carrying amount		
Balance at end of financial year	<u>57</u>	<u>152</u>

The remaining useful life of the computer software is 2 to 5 years (2015: 1 to 3 years).

8. INVENTORIES

	Group	
	2016 \$'000	2015 \$'000
Raw materials	410	103
Work-in-progress	60	72
Finished goods and goods for resale	13,737	13,031
Goods-in-transit	1,400	3,526
	<u>15,607</u>	<u>16,732</u>

The cost of inventories recognised as an expense in profit or loss and included in “cost of sales” line item amounted to \$59,336,000 (2015: \$63,091,000).

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 of approximately \$365,000 (2015: \$536,000) recognised in “other expenses” in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. TRADE AND OTHER RECEIVABLES

(a) Other receivables – non-current

	Company	
	2016 \$'000	2015 \$'000
Other receivables		
– loan to a subsidiary	12,000	12,000

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

The loan bears floating interest rates of 2.8% (2015: same) per annum, unsecured and denominated in Singapore dollar. The carrying amounts approximate its fair values.

(b) Trade and other receivables – current

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables				
– Third parties	13,197	11,438	–	–
– Related party (Note 28)	–	98	–	–
Allowance for doubtful third party trade receivables	(279)	(377)	–	–
	12,918	11,159	–	–
Other receivables				
– Third parties	142	132	–	1
– Advance payments to suppliers	1,580	1,509	–	–
– Loans to subsidiaries (Note 28)	–	–	3,885	3,516
– Dividend receivable from a subsidiary (Note 28)	–	–	–	400
Allowance for impairment of loan to a subsidiary	–	–	(440)	(440)
	14,640	12,800	3,445	3,477
Deposits	99	129	–	–
Prepayments	176	125	7	7
Total trade and other receivables	14,915	13,054	3,452	3,484
Less:				
– Advance payments to suppliers	(1,580)	(1,509)	–	–
– Prepayments	(176)	(125)	(7)	(7)
	13,159	11,420	3,445	3,477
Add:				
– Loan to a subsidiary (Note 9(a))	–	–	12,000	12,000
– Fixed deposits (Note 11)	49	49	–	–
– Cash and bank balances (Note 12)	3,475	4,389	31	9
Total loans and receivables	16,683	15,858	15,476	15,486

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Movements in allowance for doubtful third party trade receivables:

	Group	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	377	300
Allowance made during the financial year	46	125
Allowance written off during the financial year	(94)	–
Write-back of allowance no longer required	(39)	(41)
Exchange difference	(11)	(7)
Balance at end of financial year	<u>279</u>	<u>377</u>

Movements in allowance for impairment of loan to a subsidiary:

	Company	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	440	–
Allowance made during the financial year	–	440
Balance at end of financial year	<u>440</u>	<u>440</u>

The trade amounts due from third parties and a related party are unsecured, interest-free and repayable within the normal credit terms of 30 to 90 days (2015: same terms), in cash.

The loans to subsidiaries within other receivables are unsecured, interest-bearing of 2.8% to 3.0% per annum (2015: same terms), repayable on demand and are to be settled in cash.

The currency profiles of the Group's and Company's trade and other receivables (excluding advance payments to suppliers and prepayments) as at 31 December are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	6,201	5,266	3,445	3,432
United States dollar	2,598	2,477	–	–
Ringgit Malaysia	4,192	3,592	–	–
Euro	55	–	–	45
Chinese Renminbi	113	85	–	–
	<u>13,159</u>	<u>11,420</u>	<u>3,445</u>	<u>3,477</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. HELD-FOR-TRADING FINANCIAL ASSETS

	Group	
	2016 \$'000	2015 \$'000
Quoted equity securities, at fair value	7	8

The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The quoted equity securities are denominated in Singapore dollar.

11. FIXED DEPOSITS

Fixed deposits earn interests between 0.25% to 3.45% (2015: 0.25% to 3.20%) per annum and are for a tenure of approximately 365 days (2015: same).

As at the end of the financial year, fixed deposit amounting to approximately \$28,000 (2015: same) is pledged to a bank as security for unpaid stamp duty in Malaysia.

The currency profiles of the Group's fixed deposits as at 31 December are as follows:

	Group	
	2016 \$'000	2015 \$'000
Singapore dollar	21	21
Ringgit Malaysia	28	28
	49	49

12. CASH AND BANK BALANCES

The currency profiles of the Group's and Company's cash and bank balances as at 31 December are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	1,475	1,614	23	6
United States dollar	160	1,177	8	3
Ringgit Malaysia	1,460	1,263	-	-
Euro	1	8	-	-
Chinese Renminbi	379	327	-	-
	3,475	4,389	31	9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables				
– Third parties	2,329	3,717	–	–
– Goods and services tax payables	417	419	–	–
– Related parties (Note 28)	3	33	–	–
– Advance receipts from customers	645	294	–	–
Other payables				
– Directors' fees (Note 28)	105	105	105	105
– Third parties	320	544	33	–
– Accrued expenses	1,426	1,032	37	143
– Provisions	943	901	–	–
Total trade and other payables	6,188	7,045	175	248
Less:				
– Goods and services tax payables	(417)	(419)	–	–
– Advance receipts from customers	(645)	(294)	–	–
– Provisions	(943)	(901)	–	–
	4,183	5,431	175	248
Add:				
– Finance lease payables (Note 14)	217	56	–	–
– Bank borrowings (Note 15)	12,355	12,958	–	–
Total financial liabilities carried at amortised cost	16,755	18,445	175	248

The average credit period on purchases on goods is 30 to 90 days (2015: same).

Provisions relate to provision for unutilised leave, sales rebates, returns and promotional marketing allowances arising from the Group's present contractual obligations with its customers.

The currency profiles of the Group's and Company's trade and other payables (excluding goods and services tax payables, advances receipts from customers and provisions) as at 31 December are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	1,518	1,553	175	248
United States dollar	1,367	3,744	–	–
Ringgit Malaysia	1,108	–	–	–
Euro	62	92	–	–
Chinese Renminbi	128	42	–	–
	4,183	5,431	175	248

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. FINANCE LEASE PAYABLES

	Minimum lease payments \$'000	Group Future finance charges \$'000	Present value of minimum lease payments \$'000
2016			
Within one year	60	(10)	50
After one year but within five years	184	(17)	167
	<u>244</u>	<u>(27)</u>	<u>217</u>
2015			
Within one year	22	(3)	19
After one year but within five years	42	(5)	37
	<u>64</u>	<u>(8)</u>	<u>56</u>

The finance lease term is 3 to 5 years (2015: same).

The average effective interest rate for the finance lease payables are 4.68% to 12.59% (2015: 2.64% 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, which will revert to the lessors in the event of default by the Group.

The currency profile of the Group's finance lease payables as at 31 December are as follows:

	Group	
	2016 \$'000	2015 \$'000
Singapore dollar	181	4
Ringgit Malaysia	36	52
	<u>217</u>	<u>56</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. BANK BORROWINGS

	Group	
	2016	2015
	\$'000	\$'000
Current		
<i>Secured:</i>		
Bank loans	281	278
<i>Unsecured:</i>		
Short-term bank loans	1,500	2,800
Trust receipts	7,224	6,218
	<u>9,005</u>	<u>9,296</u>
Non-current		
<i>Secured:</i>		
Bank loans	3,350	3,662
Total bank borrowings	<u>12,355</u>	<u>12,958</u>

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

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

	Group	
	2016	2015
	%	%
Short-term bank loans	1.66	2.00
Long-term bank loans	3.58	3.38
Trust receipts	<u>3.80</u>	<u>4.11</u>

Trust receipts are repayable within 30 to 150 days (2015: 30 to 120 days).

The Group's short-term loans are repayable within 1 to 2 months (2015: same terms) and are due by January 2017 (2015: February 2016).

The subsidiaries' short-term loans and trust receipts facilities are supported by corporate guarantees given by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. BANK BORROWINGS (CONTINUED)

The currency profile of bank borrowings of the Group's as at 31 December are as follows:

	Group	
	2016 \$'000	2015 \$'000
Singapore dollar	3,745	5,252
United States dollar	2,324	1,609
Ringgit Malaysia	6,286	5,976
Euro	–	121
	<u>12,355</u>	<u>12,958</u>

The carrying amount of non-current bank borrowings approximately their fair value as at the end of the financial year as the interest rates are re-priced frequently.

16. DEFERRED TAX LIABILITIES

	Group	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	427	427
Credit to profit or loss	(160)	–
Balance at end of financial year	<u>267</u>	<u>427</u>

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

17. SHARE CAPITAL

	Group and Company	
	2016 \$'000	2015 \$'000
Issued and paid up:		
357,178,846 ordinary shares at beginning and end of financial year	<u>28,431</u>	<u>28,431</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. TREASURY SHARES

	Group and Company		2015 \$'000
	2016 Number of ordinary shares	2015 \$'000	
Balance at beginning of financial year	29,868,000	29,868,000	3,557
Acquired during the year	2,410,000	–	–
Balance at end of financial year	32,278,000	29,868,000	3,557

The Company acquired 2,410,000 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was approximately \$97,000 and has been deducted from shareholders' equity.

19. 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	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	(535)	(287)
Exchange differences arising on translation of foreign operations	116	(248)
Balance at end of financial year	(419)	(535)

20. REVENUE

Revenue represents invoiced value of goods sold net of estimated customer returns, rebates and other similar allowances and sales related taxes.

21. OTHER INCOME

	Group	
	2016 \$'000	2015 \$'000
Allowance for doubtful third party trade receivables written back	39	41
Gain on disposal of property, plant and equipment	97	11
Gain on foreign exchange, net	90	–
Government incentives	106	79
Interest income	2	4
Others	84	87
	418	222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. FINANCE COSTS

	Group	
	2016 \$'000	2015 \$'000
Interest expense on:		
– Trust receipts	208	228
– Bank overdraft	1	1
– Term loans	159	118
– Finance leases	4	3
	372	350

23. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Group	
	2016 \$'000	2015 \$'000
<i>Selling and distribution expenses</i>		
Advertisements	174	332
Delivery outwards	300	279
Freight outwards	660	732
Promotions	1,429	1,598
Transports and travelling	364	444
Staff costs		
– other short term benefits	624	577
<i>Administrative expenses</i>		
Audit fees		
– auditors of the Company	68	80
– other auditors	17	17
Non-audit fees		
– auditors of the Company	12	7
– other auditors	3	5
Directors' fees [†]	108	108
Directors' remuneration		
– Directors of the Company	1,101	880
– Directors of subsidiaries	231	189
Staff costs		
– salaries, bonuses and other short-term benefits	3,492	3,476
– employer's contributions to defined contribution plan	503	498

[†] Included in the Directors' fees are fees declared by a subsidiary to the Directors in their capacity as Directors of the subsidiary of \$3,000 (2015: same).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. PROFIT/(LOSS) BEFORE INCOME TAX (CONTINUED)

The staff costs includes other key management personnel remuneration as disclosed in Note 28 to financial statements.

	Group	
	2016 \$'000	2015 \$'000
<i>Other expenses</i>		
Allowance for doubtful third party trade receivables	46	125
Write down of inventories	365	536
Amortisation of intangible asset (Note 7)	82	82
Depreciation of property, plant and equipment (Note 4)	777	699
Fair value loss/(gain) arising from held-for-trading financial assets (Note 10)	1	(1)
Operating leases – rental of premises	161	200
Loss on foreign exchange, net	–	594

24. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2016 \$'000	2015 \$'000
Current income tax		
– current year	257	267
– over-provision in prior years	(270)	(37)
	(13)	230
Deferred tax		
– over-provision in prior years	(160)	–
	(160)	–
Total income tax (credit)/expense	(173)	230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% (2015: same) to profit/(loss) before income tax as a result of the following differences:

	Group	
	2016 \$'000	2015 \$'000
Profit/(loss) before income tax	896	(716)
Income tax calculated at Singapore statutory tax rate of 17%	152	(122)
Tax effect of:		
– expenses not deductible for income tax purposes	152	388
– income not subject to income tax	(77)	(93)
– income tax exemption	(55)	(47)
Deferred tax benefits not recognised	330	288
Utilisation of deferred tax benefits not recognised	(114)	(15)
Over-provision in prior financial years		
– current income tax	(270)	(37)
– deferred tax	(160)	–
Effect of different income tax rate of subsidiary operating in another jurisdiction	(88)	(145)
Tax effect of tax incentive under Productivity and Innovation Credit	(22)	(11)
Corporate Income Tax rebate	(34)	(36)
Other items	13	60
	(173)	230

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

	Group	
	2016 \$'000	2015 \$'000
Estimated unutilised tax losses	2,788	2,723
Property, plant and equipment	(50)	(399)
Provisions	422	502

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 of the Group in accordance with the accounting policy in Note 2.15 to the financial statements and do not expire under the current tax legislation except for:

	Group	
	2016 \$'000	2015 \$'000
<u>Unutilised tax losses expired in financial year ended</u>		
31 December 2017	568	591
31 December 2018	372	386
31 December 2019	297	309
31 December 2020	376	499
31 December 2021	327	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. EARNINGS PER SHARE

The calculation of the earnings per share is based on:

	Group	
	2016	2015
Profit/(loss) after income tax attributable to owners of the parent (\$'000)	<u>1,069</u>	<u>(946)</u>
Weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year applicable to basic and diluted earnings per share	327,047,841	327,310,846
Basic and diluted earnings per share (in cents)	<u>0.33</u>	<u>(0.29)</u>

The calculations for basic earnings per share for the relevant periods are based on the profit/(loss) attributable to owners for the financial years ended 31 December 2016 and 2015 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.

26. DIVIDENDS

	Group and Company	
	2016	2015
	\$'000	\$'000
Final tax-exempt dividend in respect of financial year ended 31 December 2014	<u>–</u>	<u>327</u>

In the previous financial year, the Directors of the Company declared a final tax-exempt dividend of 0.10 cents per share in respect of the results for the financial year ended 31 December 2014. This final dividend has not been recognised as a liability at the end of the financial year as it is subject to approval at the Annual General Meeting of the Company. The book closure date was determined upon approval of the dividend at the Annual General Meeting of the Company. The Company did not recommend any dividends in respect of the financial year ended 31 December 2016 and 31 December 2015.

27. CONTINGENT LIABILITIES AND COMMITMENTS

27.1 Operating lease commitments

When the Group is a lessee

	Group	
	2016	2015
	\$'000	\$'000
Operating leases included in profit or loss	<u>161</u>	<u>200</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

27.1 Operating lease commitments (Continued)

When the Group is a lessee (Continued)

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

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

	Group	
	2016 \$'000	2015 \$'000
Future minimum lease payments payable:		
Within one year	157	193
After one year but within five years	434	416
After five years	<u>2,954</u>	<u>3,008</u>
	<u><u>3,545</u></u>	<u><u>3,617</u></u>

The operating lease commitments are based on existing rates. The lease agreements provide a periodic revision of such rates in the future.

There are no contingent rentals.

27.2 Forward foreign exchange contracts

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

	2015		
	Notional amount	SGD equivalent	Settlement date
United States dollar	USD200,000	SGD 283,600	4 January 2016
Ringgit Malaysia	<u>MYR 240,912</u>	<u>SGD 79,720</u>	4 January 2016
		<u><u>SGD 363,320</u></u>	

Fair value gain arising from the derivative financial instrument of approximately \$2,000 was not recognised in the financial statements due to its immateriality. It was measured at level 2 of the fair value hierarchy.

As at the 31 December 2016, the Group has no outstanding forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

27.3 Corporate guarantees

As at 31 December 2016, the Company had given guarantees amounting to \$42,344,000 (2015: \$42,375,000) to certain banks in respect of banking facilities granted to the subsidiaries.

As at the end of the financial year, the total amount of loans outstanding covered by the guarantees is \$12,355,000 (2015: \$12,958,000) (Note 15). 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.

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

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2016 \$'000	2015 \$'000
With related parties		
Sales to related parties	4	6
Purchases from related parties	85	132
	<u>85</u>	<u>132</u>
	Company	
	2016 \$'000	2015 \$'000
With subsidiaries		
Loan to subsidiaries	950	512
Repayment of loan to subsidiaries	964	1,448
Interest income from subsidiaries	448	352
Dividend income receivable from a subsidiary	–	400
Waiver of debts owing from a subsidiary	96	–
	<u>96</u>	<u>–</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. 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	
	2016	2015
	\$'000	\$'000
Salaries, bonuses and other short-term benefits	1,599	1,432
Employer's contributions to defined contribution plan	99	74
Directors' fees to Directors of the Company	105	105
Directors' fees to Directors of a subsidiary	3	3
	<u>1,806</u>	<u>1,614</u>
Analysed into:		
– Directors of the Company	1,206	985
– Directors of subsidiaries	234	192
– other key management personnel	366	437
	<u>1,806</u>	<u>1,614</u>

The outstanding balances as at 31 December with related parties are disclosed in Note 9 and 13 and are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated. The outstanding balances with key management personnel are disclosed in Note 13 of the financial statements.

29. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.18). 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. SEGMENT INFORMATION (CONTINUED)

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

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

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

Segment results 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.

	House brands \$'000	Non-house brands \$'000	Total \$'000
2016			
External revenue	52,054	20,526	72,580
Inter-segment revenue	3,964	781	4,745
Total revenue	<u>56,018</u>	<u>21,307</u>	<u>77,325</u>
Interest income	2	–	2
Interest expense	(187)	(185)	(372)
Depreciation of property, plant and equipment	(615)	(170)	(785)
Amortisation of intangible assets	(54)	(28)	(82)
Other non-cash items:			
Allowance for doubtful third party trade receivables	42	4	46
Allowance for doubtful third party trade receivables written back	(25)	(14)	(39)
Write down of inventories	326	39	365
Segment profit	1,222	94	1,316
Assets			
Segment assets	35,050	8,644	43,694
Capital expenditure	504	208	712
Liabilities			
Segment liabilities	<u>11,147</u>	<u>2,484</u>	<u>13,631</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. SEGMENT INFORMATION (CONTINUED)

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

	Total \$'000
2016	
Revenues	
Total revenues for reportable segments	77,325
Elimination of inter-segment revenues	(4,745)
Consolidated revenues	<u>72,580</u>
Profit or loss	
Total segment profit	1,316
Unallocated corporate expenses	(281)
Other income/Other expenses	(139)
Consolidated profit before income tax	<u>896</u>
Assets	
Segment assets	43,694
Other unallocated assets	3,538
Consolidated total assets	<u>47,232</u>
Liabilities	
Segment liabilities	13,631
Other unallocated liabilities	5,536
Consolidated total liabilities	<u>19,167</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. SEGMENT INFORMATION (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenues from external customers and location of non-current assets

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

	Total	
	2016	2015
	\$'000	\$'000
Total revenue from external customers		
Singapore	32,546	32,338
Malaysia	17,163	19,957
Others*	22,871	23,472
	72,580	75,767
Non-current assets		
Singapore	7,026	7,056
Malaysia	6,020	6,351
Others*	2	2
	13,048	13,409

*"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 whole-sale distributors and retailers. Due the diverse base of customers to whom the Group sells products in each of the reporting period, the Group is not reliant on any customer for its sales and no one single customer accounted for 10% or more of the Group's total revenue for each of the reporting period.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.1 Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require 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 loans to subsidiaries amounting to approximately \$15,445,000 (2015: \$15,076,000) and dividend receivable from a subsidiary amounting to approximately \$Nil (2015: \$400,000) representing 99% (2015: same) of the total trade and other receivables as at the end of the financial year.

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

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

Bank deposits are deposits placed with banks with high credit ratings assigned by international credit rating agencies.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Analysis of trade receivables:

	Group	
	2016	2015
	\$'000	\$'000
Not past due	7,836	5,537
Past due*	5,361	5,999
	13,197	11,536
Impaired receivables – individually assessed**		
– Past due more than 12 months and no response to repayment demands	(279)	(377)
Total trade receivables	12,918	11,159

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

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

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.1 Credit risks (Continued)

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

	Group	
	2016 \$'000	2015 \$'000
Past due less than 3 months	3,860	3,901
Past due 3 months to 6 months	1,222	1,602
Past due 6 months to 12 months	-	119
	5,082	5,622

The Group is of the view that no impairment loss is required to be made in respect of third parties trade receivables past due amounting to approximately \$5,082,000 (2015: \$5,622,000) as these trade receivables are mainly relating to customers that have good collection track record with the Group.

Financial guarantee

The Company has given guarantees amounting to \$42,344,000 (2015: \$42,375,000) to certain banks in respect of banking facilities granted to subsidiaries. Hence, the Company is exposed to credit risks in connection with such financial guarantees issued. The credit risk represents the loss that would be recognised upon a default by the subsidiaries to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the subsidiary it is providing the guarantees on behalf of. In the event of a default of repayment by its subsidiaries, the maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date amounts to \$12,355,000 (2015: \$12,958,000).

There are no terms and conditions attached to the guarantee agreements that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

30.2 Market risks

Foreign currency risks

Foreign currency risk arises from transactions and balances that are denominated in currencies other than the functional currency of the entities within the Group. The currencies giving rise to this risk are primarily United States dollar (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 2016

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.2 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:

	<u>USD</u> <u>\$'000</u>	<u>RM</u> <u>\$'000</u>	<u>EUR</u> <u>\$'000</u>	<u>RMB</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Group					
2016					
Total financial assets	3,197	6,335	57	1,240	10,829
Total financial liabilities	<u>(6,303)</u>	<u>(7,880)</u>	<u>(62)</u>	<u>(877)</u>	<u>(15,122)</u>
	(3,106)	(1,545)	(5)	363	(4,293)
Less:					
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	<u>–</u>	<u>(1,926)</u>	<u>–</u>	<u>(266)</u>	<u>(2,192)</u>
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	<u>(3,106)</u>	<u>381</u>	<u>(5)</u>	<u>629</u>	<u>(2,101)</u>
2015					
Total financial assets	4,046	6,510	53	413	11,022
Total financial liabilities	<u>(7,668)</u>	<u>(11,317)</u>	<u>(257)</u>	<u>(828)</u>	<u>(20,070)</u>
	(3,622)	(4,807)	(204)	(415)	(9,048)
Less:					
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	<u>–</u>	<u>(6,395)</u>	<u>(48)</u>	<u>(385)</u>	<u>(6,828)</u>
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	<u>(3,622)</u>	<u>1,588</u>	<u>(156)</u>	<u>(30)</u>	<u>(2,220)</u>

As at the end of the financial year, 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

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.2 Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2015: same) change in USD, RM, EUR and RMB against the functional currency of the entities within the Group. The sensitivity analysis assumes an instantaneous 10% (2015: same) change in the foreign currency exchange rates from the end of the financial year, 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 USD, RM, EUR and RMB are included in the analysis.

	(Decrease)/Increase profit or loss	
	2016 \$'000	2015 \$'000
Group		
<u>United States dollar</u>		
Strengthened against Singapore dollar	(311)	(362)
Weakened against Singapore dollar	311	362
	311	362
<u>Ringgit Malaysia</u>		
Strengthened against Singapore dollar	38	159
Weakened against Singapore dollar	(38)	(159)
	38	159
<u>Euro</u>		
Strengthened against Singapore dollar	–	(16)
Weakened against Singapore dollar	–	16
	–	16
<u>Chinese Renminbi</u>		
Strengthened against Singapore dollar	63	(3)
Weakened against Singapore dollar	(63)	3
	(63)	3

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 15 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 period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point (2015: same) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.2 Market risks (Continued)

Interest rate risk (Continued)

If interest rate had been 50 basis points (2015: same) higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by approximately \$62,000 (2015: \$65,000). 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 risks arising from equity investments classified as held-for-trading financial assets.

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.

30.3 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. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.3 Liquidity risks (Continued)

Contractual maturity analysis

	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000	Adjustment \$'000	Total \$'000
Group					
2016					
Financial liabilities					
Trade and other payables*	4,183	–	–	–	4,183
Bank borrowings	9,314	1,203	2,267	(429)	12,355
Finance leases payables	60	184	–	(27)	217
	<u>13,557</u>	<u>1,387</u>	<u>2,267</u>	<u>(456)</u>	<u>16,755</u>
Group					
2015					
Financial liabilities					
Trade and other payables*	5,431	–	–	–	5,431
Bank borrowings	9,617	1,190	2,595	(444)	12,958
Finance leases payables	22	42	–	(8)	56
	<u>15,070</u>	<u>1,232</u>	<u>2,595</u>	<u>(452)</u>	<u>18,445</u>
				On demand or within 1 year \$'000	
Company					
2016					
Financial liabilities					
Trade and other payables*				<u>175</u>	
Financial guarantee contracts				<u>42,344</u>	
2015					
Financial liabilities					
Trade and other payables*				<u>248</u>	
Financial guarantee contracts				<u>42,375</u>	

* Excludes goods and services tax payables, advance receipts from customers and provisions.

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be called upon in the contracted maturity analysis.

The Group's operations are financed mainly through equity, accumulated profits, 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 financial lease payables and bank borrowings are disclosed in Note 14 and 15 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. 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 a subsidiary 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).

	Fair value measurement	
	using Level 1	Total
	\$'000	\$'000
Group		
2016		
Held-for-trading financial assets	<u>7</u>	<u>7</u>
2015		
Held-for-trading financial assets	<u>8</u>	<u>8</u>

There were no transfers between levels during the financial year.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. 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 maintains an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital (Note 17), foreign currency translation account (Note 19) and accumulated profits as disclosed in the consolidated statement of changes in equity.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

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

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.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net debt	14,868	15,251	144	239
Total equity	28,065	26,977	25,127	25,073
Total capital	42,933	42,228	25,271	25,312
Gearing ratio	35%	36%	*	*

* Not meaningful

33. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statement of the Group and the statement of financial position of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 28 March 2017.

ANALYSIS OF SHAREHOLDINGS

AS AT 22 MARCH 2017

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	23	2.36	632	0.00
100 – 1,000	153	15.71	64,124	0.02
1,001 – 10,000	247	25.36	1,450,238	0.45
10,001 – 1,000,000	524	53.80	54,552,382	16.79
1,000,001 & ABOVE	27	2.77	268,833,470	82.74
TOTAL	974	100.00	324,900,846	100.00

TOP TWENTY SHAREHOLDERS AS AT 22 MARCH 2017

		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) LTD	33,409,000	10.28
4	HONG LEONG FINANCE NOMINEES PTE LTD	19,051,000	5.86
5	LIM KIM ENG	17,812,500	5.48
6	MAYBANK KIM ENG SECURITIES PTE LTD	15,312,400	4.71
7	LEE SAU LEUNG	4,500,000	1.39
8	LIM MEI YAN JANE	4,293,000	1.32
9	WANG LILING	3,664,452	1.13
10	YE MEIYING	3,610,000	1.11
11	LIM HOCK CHYE DANIEL	3,204,000	0.99
12	KONG AI LIAN MABELINE (KANG AILIAN MABELINE)	3,190,500	0.98
13	CITIBANK NOMINEES SINGAPORE PTE LTD	3,040,000	0.94
14	GOH CHIN KEOW	3,014,000	0.93
15	NOMURA SINGAPORE LIMITED	3,000,000	0.92
16	CHIA GEK HOONG ANGELINE	2,516,000	0.77
17	CHEW THYE CHUAN	2,402,400	0.74
18	OCBC SECURITIES PRIVATE LTD	2,335,345	0.72
19	CHEE SIN KONG	2,243,000	0.69
20	STEVEN CHONG KING PECK	2,025,500	0.62
		258,466,847	79.54

ANALYSIS OF SHAREHOLDINGS

AS AT 22 MARCH 2017

SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2017

(As recorded in the Register of Substantial Shareholders)

	<u>Direct Interest</u>	<u>%</u>	<u>Deemed Interest</u>	<u>%</u>
LIM HAI CHEOK	65,000,000	20.00	64,843,750	19.96
CHONG POH SOON	64,843,750	19.96	65,000,000	20.00
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 Public's Hands

As at 22 March 2017, approximately 50.41% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HOSEN GROUP LTD. (the "Company") will be held at 267 Pandan Loop, Singapore 128439 on 28 April 2017, 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 2016 together with the Auditors' Independent 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:

Ms Lim Kim Eng

(Resolution 2)

Mr Wee Piew

(Resolution 3)

Mr Ngiam Zee Moey

(Resolution 4)

Mr Wee Piew, upon re-election as Director of the Company, will remain as the Non-Executive Independent Chairman, Chairman of the Audit and Remuneration Committees and a member of the Nominating Committee. He will be considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited. Information of Mr Wee Piew can be found on page 9 of the Annual Report.

Mr Ngiam Zee Moey, upon re-election as Director of the Company, will remain as a member of the Audit and Remuneration Committees. He will be considered independent for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited. Information of Mr Ngiam Zee Moey can be found on page 9 of the Annual Report.

3. To approve the payment of Directors' fees of S\$105,000 for the year ended 31 December 2016 (2015: S\$105,000). **(Resolution 5)**

4. To re-appoint BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

6. Share Issue Mandate

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

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below) at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, the Articles of Association of the Company; and
- (d) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (i)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

[See Explanatory Note (ii)]

(Resolution 8)

8. Renewal of Share Buy-Back Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company:
 - (1) to purchase or otherwise acquire issued ordinary shares ("Share Buy-Backs") in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) on-market Share Buy-Backs (each an "On-market Share Buy-Back") transacted on the SGX-ST; and/or
 - (ii) off-market Share Buy-Backs (each an "Off-market Share Buy-Back") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

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

NOTICE OF ANNUAL GENERAL MEETING

- (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 as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

[See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Lai Foon Kuen
Company Secretary

Singapore, 12 April 2017

Explanatory Notes:

- (i) Ordinary Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and convertible securities in the Company up to a number not exceeding, in total, one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per cent. (50%) may be issued other than on a *pro-rata* basis to shareholders.
- (ii) Ordinary Resolution 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iii) Ordinary Resolution 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or the date on which purchases and acquisitions of shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated, whichever is earlier, to repurchase ordinary shares of the Company by way of On-market Share Buy-Back or Off-market Share Buy-Back of up to ten per cent. (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company up to the Maximum Price. Information relating to this proposed Resolution are set out in the Appendix attached.

Notes:

1. A member who is not a relevant intermediary is entitled to appoint not more than 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.

NOTICE OF ANNUAL GENERAL MEETING

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.

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HOSEN GROUP LTD.

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

IMPORTANT:

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

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out 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 28 April 2017 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 2016		
2	Re-election of Ms Lim Kim Eng as a Director		
3	Re-election of Mr Wee Piew as a Director		
4	Re-election of Mr Ngiam Zee Moey as a Director		
5	Approval of Directors' fees		
6	Re-appointment of BDO LLP as Auditors		
7	Share Issue Mandate		
8	Authority to issue shares under the Hosen Employee Share Option Scheme 2014		
9	Renewal of Share Buy-Back Mandate		

*Delete where inapplicable

Dated this _____ day of _____ 2017

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.

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
NGIAM ZEE MOEY Non-Executive Independent Director

SECRETARY:

LAI FOON KUEN

REGISTERED OFFICE:

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

SHARE REGISTRAR:

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

AUDITORS:

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

PARTNER-IN-CHARGE:

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

SPONSORS:

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

REGISTERED PROFESSIONAL:

Thomas Lam

PRINCIPAL BANKERS:

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



HOSENGROUP
LTD

HOSENGROUP LTD

Company Registration No.: 200403029E

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