

HOSEN GROUP LTD.

(Incorporated in the Republic of Singapore)
Company Registration Number: 200403029E

DISPOSAL OF AN INDIRECT SUBSIDIARY

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Hosen Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Hock Seng Food Pte Ltd., (“**Hock Seng**”) has entered into Share Transfer Agreement (the “**SPA**”) dated 13 June 2024 to dispose of its entire 100% owned subsidiary, Hock Seng Food (Shanghai) Co. Ltd. (“**HSSCL**”) (the “**Assets**”) to an unrelated independent third party, 上海团螺企业管理咨询有限公司, Shanghai TuanLuo Management Consulting Co., Ltd (the “**Purchaser**”) (hereinafter referred to as the **Disposal**”).

Upon the completion of the Disposal, HSSCL will cease to be an indirect subsidiary of the Company.

2. INFORMATION ON THE PURCHASER AND HSSCL

The Purchaser is a private company limited by shares incorporated under the laws of the People’s Republic of China (“**PRC**”).

The Purchaser and its ultimate beneficial owner are independent third parties that does not fall under the definition of an interested person in accordance with the SGX-ST Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”). The Purchaser and its ultimate beneficial owner have no other business, commercial or trade dealings with the Group.

HSSCL is a private company limited by shares incorporated under the laws of the PRC. The registered share capital of HSSCL is USD150,000 comprising 150,000 shares and its principal activities is marketing office cum general wholesale of fast-moving consumer goods and frozen seafood.

Based on the audited financial statements of HSSCL for the financial year ended 31 December 2023 (“**FY2023**”), the book value and net tangible liabilities was S\$2.36 million as at 31 December 2023. There is no open market value for HSSCL as it is not publicly traded. No valuation on HSSCL has been carried out in connection with the Disposal.

HSSCL recorded a net profit of S\$102,000 for FY2023, that includes a write back of intercompany payable to Hock Seng of approximately S\$279,000 (“**Interco Payable**”). For avoidance of doubt, should the Interco Payable be excluded, HSSCL would have recorded a loss of S\$177,000 for FY2023.

3. PRINCIPAL TERMS OF THE DISPOSAL

Consideration

The consideration for the Disposal is RMB5.00 or approximately S\$1.00 in cash. The consideration was arrived at after arm’s length negotiations between Hock Seng and the Purchaser, on a “willing-buyer, willing-seller” basis after taking into consideration HSSCL’s net liability position of approximately S\$2.36 million as at 31 December 2023.

Transfer of Amounts Owing From

Hock Seng will transfer the amount due by HSSCL (amounting to approximately S\$2.66 million) to the Purchaser (the “**Transferred Amount**”). The Transferred Amount had been substantially provided in the Group’s financials for FY2023.

Completion

Subject to the terms and conditions of the SPA, completion of the Proposed Disposal shall take place within 60 days from SPA.

As a result of the Disposal, the Group will make a gain of approximately S\$207,000. The Disposal is not expected to have a material impact on the net tangible assets of the Group for the current financial year ending 31 December 2024.

4. RATIONALE FOR THE DISPOSAL

Due to the competitive market environment in PRC, HSSCL has been loss making. The Disposal is intended to streamline the Group’s businesses for better utilisation of available resources and optimise the Group’s management efforts and focus in existing business.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

The relative figures computed on the bases set out in Rule 1006 of the Catalist Rules in respect of the Disposal and based on the latest audited financial statements of the Group for FY2023 are as follows:

(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	0.87% ¹
(b)	Net profit attributable to the assets to be disposed of, compared with the Group’s net profits	10.54% ²
(c)	Aggregate value of the consideration received, compared to the Company’s market capitalisation as at 31 May 2024, being the last transacted market day preceding the date of the SPA	20.96% ³
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	No equity securities will be issued for the Disposal
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group’s proven and probable reserves	Not applicable to the Group’s industry

Notes:

¹ Computed based on the net asset value of the Group as at 31 December 2023 of approximately S\$33.75 million and the net liability value of HSSCL as at 31 December 2023 of approximately S\$2.36 million, adding the Transferred Amount amounting to S\$2.66 million.

² Computed based on the audited net profit of the Group for FY2023 of approximately S\$968,000 and the audited net profit HSSCL for FY2023 of approximately S\$102,000.

³ Computed based on the Purchase Consideration of S\$1.00 and the Transferred Amount of S\$2.66 million, against the Company’s market capitalisation of S\$12.67 million (being its issued ordinary share capital of 324.90 million Shares and based on the weighted average price of the Shares on Catalist of S\$0.039 on 31 May 2024, being the last transacted market day preceding the date of the SPA).

Based on the above figures, the relative figures computed under Rule 1006(b) exceeds 5% and is below 50%. As such, the Disposal constitutes a “discloseable transaction” under Chapter 10 of the Catalist Rules. Therefore, the Disposal does not require the approval of shareholders of the Company.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

For illustrative purposes only, the financial effects of the Disposal on the Group are as set out below (the “**Financial Effects**”). The Financial Effects do not necessarily reflect the exact future financial position and performance of the Group immediately after completion of the Disposal. No representation is made as to the actual financial position and/or results of the Company after completion of the Disposal. In accordance with Rule 1010 of the Catalist Rules, the Financial Effects have been calculated using the audited financial statements of the Group for FY2023.

Effects on net tangible assets (“NTA”)

Assuming that the Disposal had been completed on 31 December 2023, the effect of the Disposal on the NTA per Share of the Group is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	33,602	33,809
Number of Shares ('000)	324,901	324,901
NTA per Share (S\$ cents)	10.34	10.41

Effects on earnings per Share (“EPS”)

Assuming that the Disposal had been completed on 1 January 2023, the effect of the Disposal on the EPS of the Group is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to Shareholders (S\$'000)	986	1,193
Weighted average number of Shares ('000)	324,901	324,901
EPS – basic (S\$ cents)	0.30	0.37

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholder(s) of the Company have any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

8. DIRECTORS' SERVICE CONTRACTS

There are no persons who are proposed to be appointed as a director in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

10. CAUTION IN TRADING

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company and. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

BY ORDER OF THE BOARD

Daniel Lim
Chief Executive Officer

13 June 2024

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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