HOSEN GROUP LTD

PACKED WITH GOODNESS

ANNUAL REPORT 2017

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

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

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

CORPORATE PROFILE

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

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

Hosen Group, through its 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 convenience stores. Our direct presence at retail stores enable us to launch new products and gather first-hand consumer response within a short period of time. This is a critical domain for us in this FMCG industry to create and innovate new products.

Our Food Service Divisions in Singapore, Malaysia and China service 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 Group recorded a higher profit before income tax of approximately S$1.1 million in FY2017.

MESSAGE FROM CHAIRMAN AND CEO

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

DEAR SHAREHOLDERS,

We are pleased to present you the Annual Report of Hosen Group Ltd and its Group's results for the financial year ended 31 December 2017 ("FY2017").

The Group recorded a higher profit before income tax of approximately S$1.1 million in FY2017, surged from S$0.9 million in FY2016. The Group's profit for FY2017 was S$0.8 million.

The revenue slipped by S$5.1 million to S$67.5 million in FY2017 from S$72.6 million in FY2016. Of the S$5.1 million drop, revenue from house brand decreased by S$3.3 million to S$48.8 million in FY2017 from S$52.1 million in FY2016 while revenue from non-house brand reduced by S$1.8 million to S$18.7 million in FY2017 from S$20.5 million in FY2016.

The business sector of our house brands, including Hosen, Fortune, Highway, LaDiva, Sincero, Calbuco, Cocoa Grande, Royal Select, Royal Orchid and others, contributed more than 72% to our revenue, marginally higher than that in FY2016.

Our manufacturing arm, Hosen Chocolate Sdn Bhd, which produces house brand consumer and industrial chocolate products, has since widened its range in both chocolate contents and kinds of packaging to cater different market segments in the world. Our chocolate products can now be seen not only in Singapore and Malaysia markets but in overseas markets, like U.S.A., Japan, Mongolia, Vietnam, China and United Arab Emirates.

GOING FORWARD

Notwithstanding the improving economic conditions, the Board sees that the business environment remains challenging for us in the FMCG industry. The Group will still face the volatility of the foreign exchange and the increase in the operating cost. The Group will continue to look for opportunities to explore new markets and promote our house brand canned foods and chocolate products.

DIVIDEND

A first and final one-tier tax exempt dividend of 0.1 cent per ordinary share in respect of the financial year ended 31 December 2017 has been recommended by the Board for approval by shareholders at the forthcoming Annual General Meeting to be held on 30 April 2018.

APPRECIATION

On behalf of the Board, we would like to extend our appreciation to our management team and staff for their dedication and contributions to the Group. We also wish to express our sincere thanks to our business partners, suppliers, customers, bankers and shareholders for your support and trust in us throughout the years. The Board would like to express our thankfulness to Mr Ngiam Zee Moey, who has resigned in January 2018 in order to spend more time to attend his personal matters, for his valuable contributions to the Board. We also thank 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

Under the current economic conditions, the Group operated in the situation with the volatility of the foreign exchange and the increase in the operating cost. With efforts in exploring new markets and promoting our house brand canned foods and chocolate products, the Group remained profitable in FY2017.

Our chocolate manufacturing arm, Hosen Chocolate Sdn Bhd, has launched a wider range of chocolate products, packed in different kinds of packaging to meet different consumers' needs.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group recorded a lower revenue of S$67.47 million for the financial year ended 31 December 2017 ("FY2017") as compared to S$72.58 million for the financial year ended 31 December 2016 ("FY2016"). The decrease of S$5.11 million or 7.0% in revenue was mainly due to lower sales generated from the markets of Singapore and Malaysia.

Gross profit decreased by S$0.20 million, or 1.5% to S$12.99 million in FY2017 from S$13.19 million in FY2016 mainly due to lower revenue for FY2017 despite marginally higher gross profit margin achieved by the Group.

Selling and distribution expenses decreased by S$0.45 million to S$3.52 million in FY2017 from S$3.97 million in FY2016 mainly due to lesser advertisement and promotion expenses incurred.

Other expenses increased by S$0.14 million to S$2.36 million in FY2017 from S$2.22 million in FY2016 mainly due to higher provision for doubtful debts in FY2017.

The Group recorded a net profit of S$0.75 million for FY2017 as compared to a net profit of S$1.07 million for FY2016. The decrease in profit was mainly attributable to lower revenue, increase in depreciation in FY2017, partially offset by decrease in salary expenses.


A first and final dividend of
0.1 cent per ordinary share
declared for FY2017.
財神
Fortune
小鮑魚
財神
Fortune
Abalone Sauce

OPERATIONS REVIEW

FINANCIAL POSITION AND CASH FLOWS

As at 31 December 2017, the Group's net assets were S$28.84 million compared to S$28.07 million as at 31 December 2016. The increase of S$0.77 million was mainly due to the profit for the current financial year of S$0.75 million and exchange differences on translation of foreign operations of S$0.03 million.

Property, plant and equipment as at 31 December 2017 was recorded at S$13.27 million, increased from S$12.99 million as at 31 December 2016. The increase of S$0.28 million was mainly due to the purchase of machineries and equipment, partially offset by depreciation.

Inventories increased by S$1.04 million to S$16.65 million as at 31 December 2017 from S$15.61 million as at 31 December 2016 mainly due to higher inventory level maintained by the Group for festive sales.

Trade and other receivables decreased by S$1.59 million to S$13.33 million as at 31 December 2017 from S$14.92 million as at 31 December 2016 due to lower sales revenue and higher provision made for doubtful debts in FY2017.

Trade and other payables increased by S$1.77 million to S$7.96 million as at 31 December 2017 from S$6.19 million as at 31 December 2016, which commensurate with the higher inventory level mentioned above.

Bank borrowings in current liabilities decreased by S$1.68 million to S$7.33 million as at 31 December 2017 from S$9.01 million as at 31 December 2016 mainly due to lower utilization of trade facilities and short-term loan.

Bank borrowings in non-current liabilities decreased by S$0.26 million to S$3.09 million as at 31 December 2017 from S$3.35 million as at 31 December 2016 mainly due to the repayment of term loans for the properties in Malaysia.

Cash and cash equivalents increased by S$1.13 million to S$4.61 million as at 31 December 2017 from S$3.48 million as at 31 December 2016. Out of the cash and cash equivalents, S$4.39 million was generated from operating activities, S$0.85 million used in investing activities and S$2.45 million used in financing activities.

The net cash generated from operating activities was mainly due to operating cash flows before working capital changes of S$2.93 million, reduction of trade and other receivables of S$1.32 million, increase in trade and other payables of S$1.57 million, partially offset by the increase in inventories of S$1.27 million.

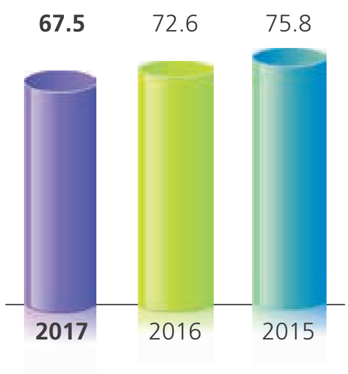
The net cash used in investing activities was mainly attributable to the purchase of property, plant and equipment of S$0.82 million, offset by the sale proceeds from the disposal of property, plant and equipment of S$0.07 million.

The net cash used in financing activities was mainly due to net repayment of bank borrowings in FY2017.

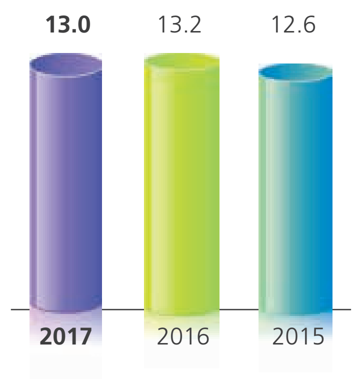
Cash and cash equivalents increased by S$1.13 million to S$4.61 million as at 31 December 2017.

FINANCIAL HIGHLIGHTS

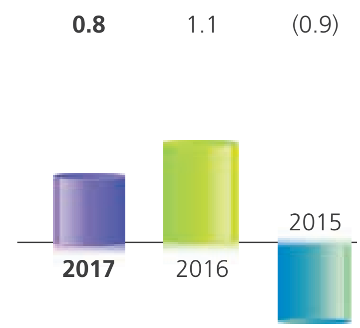
REVENUE
(S$'M)



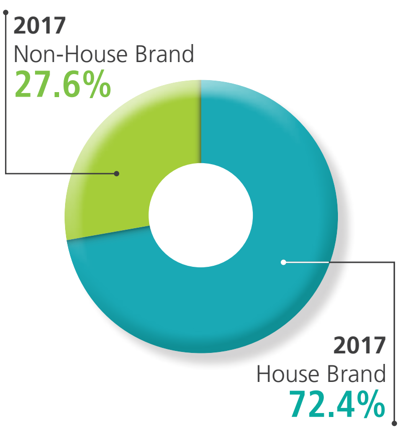
GROSS PROFIT
(S$'M)

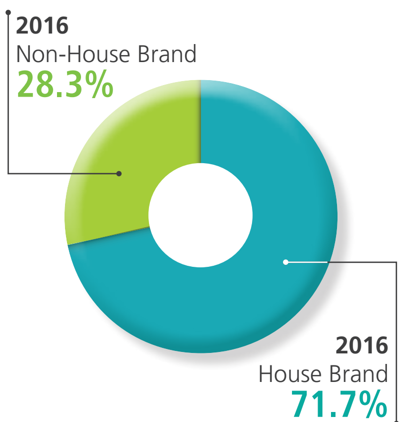


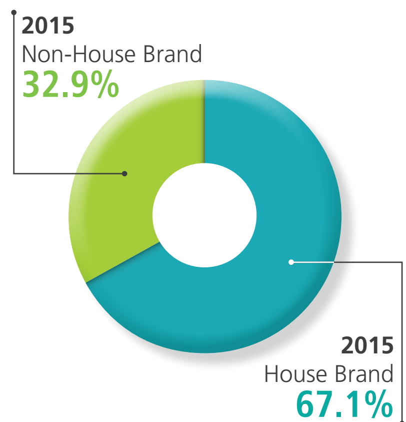
PROFIT/(LOSS) FOR THE FINANCIAL YEAR
(S$'M)



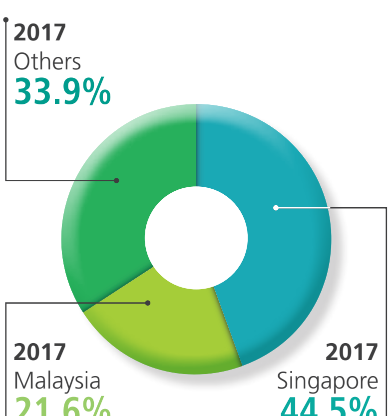
REVENUE BY OPERATING SEGMENT

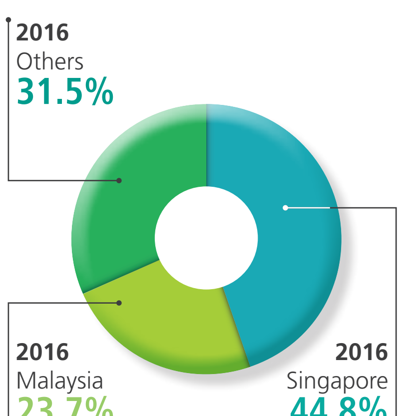


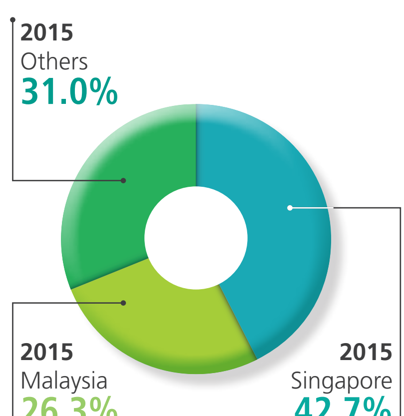




REVENUE BY GEOGRAPHICAL SEGMENT







BOARD OF DIRECTORS

MR WEE PIEW

Non-Executive Independent Chairman

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

Mr Wee is currently a Non-Executive Independent Director of Beijing Gas Blue Sky Holdings Limited and Miyoshi Limited. He 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 was a Fellow of the Institute of Singapore Chartered Accountants from 2004 to 2017.

MR LIM HAI CHEOK

Executive Director and Chief Executive Officer

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

MADAM CHONG POH SOON

Executive Director

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

MS LIM KIM ENG

Executive Director

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

MR LIM HOCK CHYE DANIEL

Executive Director

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

MR LIM HENG SENG

Non-Executive Independent Director

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

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

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

KEY MANAGEMENT

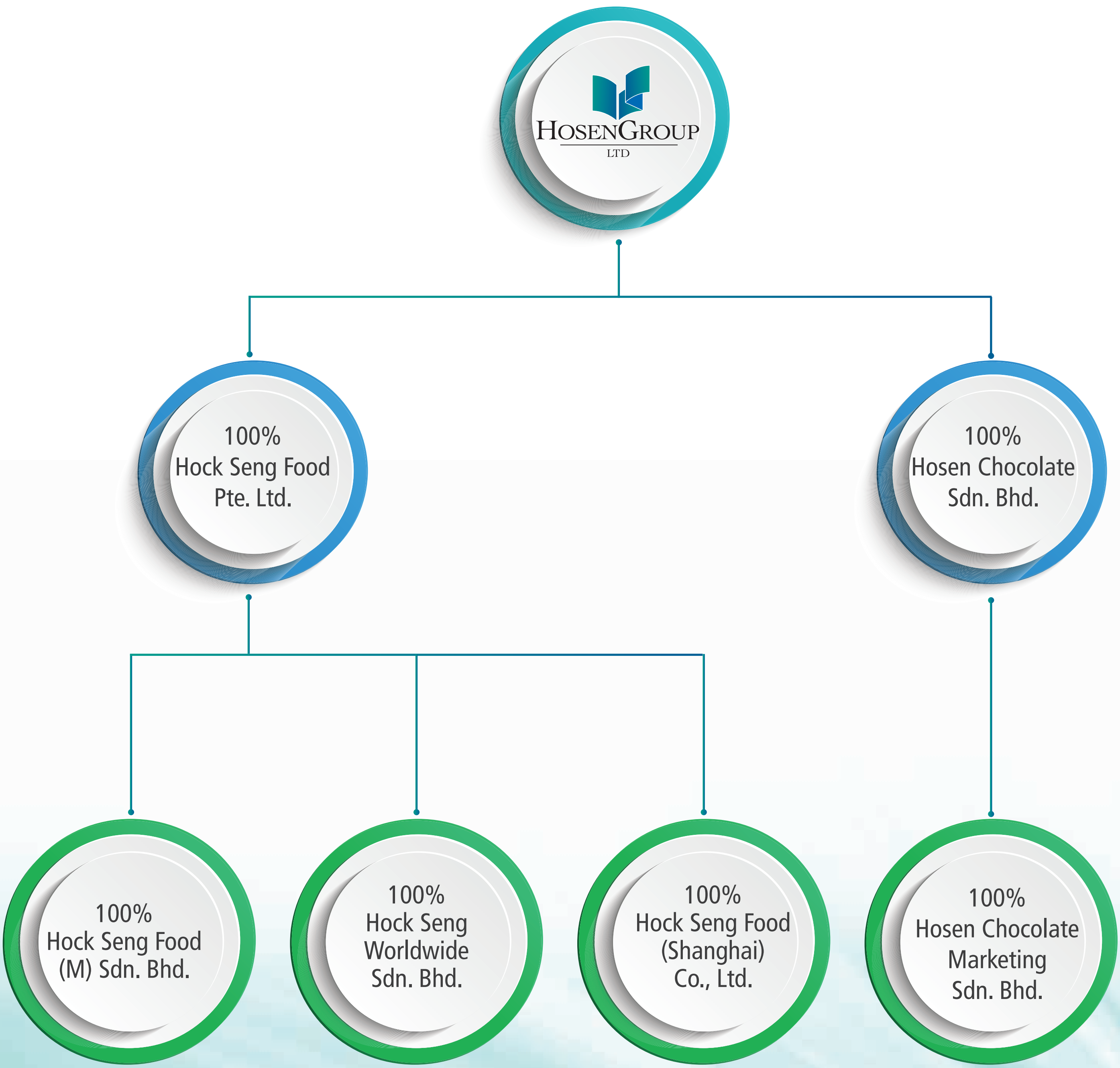
MR HO SIN YAM PATRICK

Chief Financial Officer

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

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

GROUP
STRUCTURE



Bank borrowings in current liabilities decreased by S$1.68 million to S$7.33 million as at 31 December 2017.

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 2017 ("**FY2017**"), 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?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	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 FY2017.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
BOARD MATTERS		
The Board's Conduct of Affairs		
1.1	What is the role of the Board?	The Board has seven (7) members in FY2017 and comprises the following:

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[1]	Non-Executive Independent Director

[1] *Mr Ngiam Zee Moey resigned as a Non-Executive Independent Director on 15 January 2018. Following the resignation of Mr Ngiam, the Board comprises six (6) members. Please also refer to the Company's announcement released via SGXNet on 29 March 2018.*

The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principle functions are:

- supervising the management of the business and affairs of the Group;
- reviewing the financial performance of the Group;
- approving corporate and strategic directions;
- setting up the broad policies and financial objectives of the Group;
- overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- approving the appointments to the Board, various Board committees and key management personnel;
- reviewing merger, acquisition and disposal transactions;
- approving annual budgets and major funding proposals;
- assuming responsibility for corporate governance; and
- reviewing the performance of the Management.

CORPORATE
GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has delegated certain responsibilities to the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC") (collectively, the "Board Committees"). The compositions of the Board Committees in FY2017 are as follows:

<table>
<tr><th colspan="4">Table 1.3 – Composition of the Board Committees</th></tr>
<tr><th colspan="4">In FY2017 and up to 15 January 2018</th></tr>
<tr><td></td><td>AC</td><td>NC</td><td>RC</td></tr>
<tr><td>Chairman</td><td>Wee Piew</td><td>Lim Heng Seng</td><td>Wee Piew</td></tr>
<tr><td>Member</td><td>Lim Heng Seng</td><td>Wee Piew</td><td>Lim Heng Seng</td></tr>
<tr><td>Member</td><td>Ngiam Zee Moey</td><td>Lim Hai Cheok</td><td>Ngiam Zee Moey</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><th colspan="4">From 29 March 2018 onwards</th></tr>
<tr><td></td><td>AC</td><td>NC</td><td>RC</td></tr>
<tr><td>Chairman</td><td>Wee Piew</td><td>Lim Heng Seng</td><td>Wee Piew</td></tr>
<tr><td>Member</td><td>Lim Heng Seng</td><td>Wee Piew</td><td>Lim Heng Seng</td></tr>
<tr><td>Member</td><td>Lim Hai Cheok</td><td>Lim Hai Cheok</td><td>Lim Hai Cheok</td></tr>
</table>

Following the resignation of Mr Ngiam, the Board has on 29 March 2018 appointed Mr Lim Hai Cheok, an Executive Director and the Chief Executive Officer, as a member of the AC and the RC in replacing Mr Ngiam. Please refer to the Company's announcement released via SGXNet on 29 March 2018.

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

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a half yearly basis, and as and when circumstances require. In FY2017, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.
<table>
<tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2017</th></tr>
<tr><th>Board</th><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Number of Meetings Held</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
<tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr>
<tr><td>Wee Piew</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
<tr><td>Lim Hai Cheok</td><td>3</td><td>3*</td><td>1</td><td>1*</td></tr>
<tr><td>Chong Poh Soon</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Kim Eng</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Lim Heng Seng</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
<tr><td>Ngiam Zee Moey</td><td>3</td><td>3</td><td>1*</td><td>1</td></tr>
</table>
* By invitation

The Company's Articles of Association (the "Articles") allow for meetings to be held through telephone or video communication.</td></tr>
<tr><td>1.5</td><td>What are the types of material transactions which require approval from the Board?</td><td>Matters that require the Board's approval include, amongst others, the following:

corporate strategy and business plans;
material acquisitions and disposals;
share issuance, dividend release or changes in capital;
announcement publication;
budgets, financial results announcements, annual report and audited financial statements;
convening of general meetings; and
material interested person transactions.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director will be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. All newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore will be provided with relevant training in areas such as legal and accounting.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Briefings, updates and trainings for the Directors in FY2017 include: • the external auditor ("**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.	The Chairman of the Board (the "**Chairman**") is a Non-Executive Independent Director and the chief executive officer (the "**CEO**") is an Executive Director. The Chairman and CEO are separate persons. The Board currently consists of two (2) non-executive independent directors and four (4) executive directors and therefore the independent directors had made up to one-third of the Board.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.4</td><td>Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.</td><td>Notwithstanding that Mr Lim Heng Seng and Mr Wee Piew, had served beyond nine years since the date of their first appointment on 5 July 2004, the Board is of the view that Mr Lim and Mr Wee are independent as they:
• 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.</td></tr>
<tr><td>2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?

(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board in FY2017</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>2</td><td>28.6%</td></tr>
<tr><td>– Human Resource management</td><td>1</td><td>14.3%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>4</td><td>57.1%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>– Male</td><td>5</td><td>71.4%</td></tr>
<tr><td>– Female</td><td>2</td><td>28.6%</td></tr>
</table></td></tr>
<tr><td></td><td>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</td><td>The Board has taken the following steps to maintain or enhance its balance and diversity:
• Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
• Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

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 FY2017.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The duties of Chairman and CEO are segregated. In brief, the Chairman would lead the Board to ensure its effectiveness on all aspects of its role and ensure that the Directors receive complete, adequate and timely information and ensure effective communication with shareholders while the CEO would carry out the day-to-day overall management and execute the decisions made by the Board.
3.4	Have the Independent Directors met in the absence of key management personnel?	The Independent Directors have met in the absence of key management personnel in FY2017.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: • makes recommendations to the Board on all Board appointments and re-appointments having regard to each individual Director's contribution and performance; • reviews the structure, size and composition of the Board and to make recommendations to the Board with regards to any adjustment that are deemed necessary; • determines the criteria for identifying candidates and to assess nominations for new appointments; • determines the independence of each Director annually in accordance with Code's definition of independence; • reviews Board's succession plans for Directors; • determines and proposes the objective performance criteria for the Board's approval and to review the Board's performance in terms of the performance criteria, assess the effectiveness of the Board as a whole; and • decides whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when the Director has multiple Board representations.

CORPORATE GOVERNANCE REPORT

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 being able to dedicate sufficient time and attention to the Board, hence ultimately benefitting the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not Applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors; • Contributions by the Directors; • Geographical location of Directors; • Size and composition of the Board; and • Nature and scope of the Group's operations and size.
	(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 FY2017.
4.5	Are there alternate directors?	The Company does not have any alternate directors.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.6</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td><td>
<table>
<tr><th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience, and knowledge to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-electing Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and
• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(c) – Re-election of Directors retiring at the forthcoming AGM</th></tr>
<tr><th>Name</th><th>Designation</th><th>Pursuant to Article</th></tr>
<tr><td>Lim Hai Cheok</td><td>Executive Director and CEO</td><td>104</td></tr>
<tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td><td>104</td></tr>
</table>
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out in the section entitled "Board of Directors" in this annual report.
<table>
<tr><th colspan="3">Table 4.7 – Last Re-election Dates of Directors</th></tr>
<tr><th>Name</th><th>Designation</th><th>Last Re-election Date</th></tr>
<tr><td>Wee Piew</td><td>Non-Executive Independent Chairman</td><td>28 April 2017</td></tr>
<tr><td>Lim Hai Cheok</td><td>Executive Director and Chief Executive Officer</td><td>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>28 April 2017</td></tr>
<tr><td>Lim Hock Chye Daniel</td><td>Executive Director</td><td>29 April 2016</td></tr>
<tr><td>Lim Heng Seng</td><td>Non-Executive Independent Director</td><td>25 April 2015</td></tr>
<tr><td>Ngiam Zee Moey[1]</td><td>Non-Executive Independent Director</td><td>28 April 2017</td></tr>
</table>
[1] *Mr Ngiam Zee Moey resigned as a Non-Executive Independent Director on 15 January 2018.*</td></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><th colspan="3">Table 5 – Performance Criteria to Evaluate Effectiveness of Board</th></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Access to information
2. Board processes
3. Strategic planning
4. Board accountability
5. Risk management
6. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Size and composition</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table></td></tr>
</table>

CORPORATE GOVERNANCE REPORT

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

For FY2017, the review process was as follows:

1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5;

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

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

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

No external facilitator was engaged in the evaluation process.</td></tr>
<tr><td></td><td>(b) Has the Board met its performance objectives?</td><td>Yes, the Board has met its performance objectives.</td></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
10.3</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td><table>
<tr><th colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</th></tr>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Whenever Available</td></tr>
<tr><td>2.</td><td>Budgets and forecasts (with variance analysis)</td><td>Annually</td></tr>
<tr><td>3.</td><td>Reports on on-going or planned corporate actions</td><td>Whenever Available</td></tr>
<tr><td>4.</td><td>EA and internal auditors’ (“IA”) reports</td><td>Annually</td></tr>
</table>
Key management personnel will also provide any additional material or information, including monthly management accounts, potential acquisition and disposal of assets, that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group’s performance, position and prospects.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3	What is the role of the Company Secretary?	The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: • ensuring that Board procedures are observed and that the Company's 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.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: • reviews and recommends to the Board a framework of remuneration for each Executive Director and key management personnel that are competitive and appropriate to attract, retain and motivate Directors and key management personnel of the required quality to run the Company successfully; • reviews and recommends to the Board on the implementation of any long term incentive schemes for the Directors and employees of the Group, as appropriate; • reviews and determines the specific remuneration packages and terms of employment for each Director and key management personnel; and • reviews and recommends fees for Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2017.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Directors for FY2017 is as follows:

Table 9 – Directors' Remuneration

Name	Directors Fees (%)	Salary (%)	Variable and Bonus (%)	Allowance and Others (%)	Total (%)
S$250,000 to S$499,999					
Lim Hai Cheok	–	67	28	5	100
Lim Kim Eng	–	71	26	3	100
Below S$250,000					
Chong Poh Soon	–	69	31	–	100
Lim Hock Chye Daniel	–	65	30	5	100
Lim Heng Seng	100	–	–	–	100
Wee Piew	100	–	–	–	100
Ngiam Zee Moey[1]	100	–	–	–	100

(All the above remuneration excludes employer's CPF contribution portion.)

[1] *Mr Ngiam Zee Moey resigned as a Non-Executive Independent Director on 15 January 2018.*

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

There were no termination, retirement and post-termination benefits given to Directors and key management personnel for the financial year in review.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2017 is as follows:
<table>
<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>
<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>78</td><td>10</td><td>12</td><td>100</td></tr>
<tr><td>1 executive</td><td>53</td><td>43</td><td>4</td><td>100</td></tr>
<tr><td>1 executive</td><td>53</td><td>43</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>
</table></td></tr>
<tr><td></td><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid/payable to the top 5 key management personnel for FY2017 was approximately S$550,000.

(All the above remuneration excludes employer's CPF/EPF contribution portion.)</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>In FY2017, Lai Ginn Keow, Procurement Executive, who is the wife of Lim Hock Chye Daniel, Executive Director, has received an annual remuneration of between S$50,000 and S$100,000.

Save as disclosed above, there was no employee of the Group who was an immediate family member of a Director or the CEO, whose remuneration exceeded S$50,000 in FY2017.

(All the above remuneration excludes employer's CPF/EPF contribution portion.)</td></tr>
<tr><td>9.5</td><td>Please provide details of the employee share scheme(s).</td><td>Information on the Company's Hosen Employee Share Option Scheme is set out in the Directors' Statement of this Annual Report. The Hosen Employee Share Option Scheme is administrated by the RC. There was no share option granted to any employee in FY2017.</td></tr>
</table>

CORPORATE
GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2017.

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.</td></tr>
<tr><td></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><th colspan="3">Table 9.6(b) – Performance Conditions for Entitlement to Incentives</th></tr>
<tr><th>Performance Conditions</th><th>Short-term Incentives
(such as performance bonus)</th><th>Long-term Incentives
(such as the Hosen Employee Share Option Scheme)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. Commitment
3. Teamwork
4. Macro-economic factors</td><td>1. Current market and industry practices
2. Rank
3. Years of Service</td></tr>
<tr><td>Quantitative</td><td></td><td>1. Performance of the Group</td></tr>
</table>
</td></tr>
<tr><td></td><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2017.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	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 FY2017. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and CFO (refer to Section 11.3(b) below); 2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; and 4. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2017. The Board has additionally relied on the IA's report issued to the Company in FY2017 to assure that the Company's risk management and internal controls are adequate and effective.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Audit Committee		
12.1 12.4	What is the role of the AC?	None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm. The AC is guided by the following key terms of reference: • reviews the audit plans of the external auditor, the audit reports and management letters issued by the EA and the co-operation given by the Company's Management to the EA; • reviews the nature and extent of non-audit services provided by the EA; • reviews cost effectiveness and the independence and objectivity of the EA; • makes recommendations to the Board on the appointment, re-appointment and removal of EA, 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 annually; 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 FY2017.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>12.6</td><td>Has the AC reviewed the independence of the EA?</td><td>The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td><table>
<tr><th colspan="3">Table 12.6(a) – Fees Paid/Payable to the EA for FY2017</th></tr>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>71,000</td><td>87</td></tr>
<tr><td>Non-audit fees
– tax compliance</td><td>10,600</td><td>13</td></tr>
<tr><td>Total</td><td>81,600</td><td>100</td></tr>
</table></td></tr>
<tr><td></td><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.</td><td>The AC has reviewed and is of the opinion that the non-audit services rendered during FY2017 were not substantial and the nature and extent of such services would not prejudice the independence of the EA, and thus recommended the re-appointment of the EA of the forthcoming AGM.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the Chairman of AC via ac.hockseng@gmail.com. To facilitate participation by external parties, the policy is also available on the Company's website at http://www.hosengroup.com/contact.php.

There are no reported incidents pertaining to whistle-blowing for FY2017.</td></tr>
<tr><td>12.8</td><td>What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?</td><td>In FY2017, the AC was updated by the EA with respect to revisions to the accounting standards.</td></tr>
<tr><td colspan="3"><u>Internal Audit</u></td></tr>
<tr><td>13.1
13.2
13.3
13.4
13.5</td><td>Please provide details of the Company's internal audit function, if any.</td><td>In FY2017, 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, inter alia, its adherence to standards set by nationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.</td></tr>
</table>

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 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, the management will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board had proposed a first and final 1-tier tax-exempt dividend of 0.10 Singapore cent per ordinary share for FY2017 which will be subject to shareholders' approval at the forthcoming AGM.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company has adopted poll voting for its general meetings of shareholders. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meetings. All minutes of general meetings will made available to shareholders upon their written request within 1 month after the general meetings.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
711	Sustainability Report	The Company has started its preparation of the Sustainability Reporting and will issue the Sustainability Reporting by 31 December 2018.
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 FY2017 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the internal controls are adequate to address the financial, operational and compliance risks based on the following: • internal controls and the risk management system established by the Company; • work performed by the IA; • assurance from the CEO and CFO; and • reviews done by the various Board Committees and key management personnel.
1204(17)	Interested Persons Transaction ("**IPT**")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no IPTs with value more than S$100,000 transacted during FY2017.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and key officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and key officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the following day after the announcement of the relevant results. The guidelines on share buyback under the Share Buyback Mandate, to be renewed at the Company's forthcoming AGM also provides that the Company will not effect any purchases of shares on the SGX-ST during the period of one month immediately preceding the announcement of the Company's half year results and full year results.
1204(21)	Non-sponsor fees	No non-sponsor fee was paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2017.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Directors of Hosen Group Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2017, the statement of financial position of the Company as at 31 December 2017 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 2017, 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	(Executive Director and Chief Executive Officer)
Chong Poh Soon	(Executive Director)
Lim Kim Eng	(Executive Director)
Lim Hock Chye Daniel	(Executive Director)
Lim Heng Seng	(Non-Executive Independent Director)
Wee Piew	(Non-Executive Independent Chairman)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

Name of Directors 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	At end of year	At beginning of year	At end of year
Company:				
Hosen Group Ltd.				
(No. of ordinary shares)				
Lim Hai Cheok	65,000,000	65,000,000	64,843,750	64,843,750
Chong Poh Soon	64,843,750	64,843,750	65,000,000	65,000,000
Lim Kim Eng	17,812,500	17,812,500	–	–
Lim Hock Chye Daniel	3,204,000	5,447,000	–	–

By virtue of Section 7 of the Act, Mr. Lim Hai Cheok and Mdm. Chong Poh Soon are deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2018 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2017.

5. SHARE OPTIONS

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

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

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

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

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Wee Piew, a non-executive independent Chairman, and includes Lim Heng Seng and Ngiam Zee Moey (resigned on 15 January 2018), 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.

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

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

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

DIRECTORS' STATEMENT

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

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

27 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSEN GROUP LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hosen Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 44 to 111, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017;
- 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 2017, 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 property, plant and equipment and the Company's investment in and amount due from a subsidiary

Key Audit Matter

In 2015, the Group established a manufacturing arm by setting up a subsidiary, Hosen Chocolate Sdn. Bhd. ("Hosen Choc"), to expand its distribution network, to develop new chocolate products and to explore new business opportunities so as to achieve growth of the Group's core business. As at 31 December 2017, Hosen Choc was in a net liabilities position and had incurred significant losses for the financial year then ended.

As at 31 December 2017, the carrying amounts of the Company's investment in and amount due from Hosen Choc amounted to approximately $0.37 million and $2.19 million respectively, and in the consolidated statement of financial position, the carrying amount of property, plant and equipment ("PPE") pertaining to Hosen Choc amounted to $3.07 million. As there are indications or objective evidence of impairment of these assets, an impairment assessment was performed by management.

Management has prepared cash flow projections to:

(1) Assess the recoverable amounts of investment in, and PPE of Hosen Choc to estimate the respective value-in-use ("VIU"); and

(2) Determine the ability of Hosen Choc to repay in accordance with the restructured repayment plan as disclosed in Note 8 to the financial statements, and estimate the present value of expected future cash flows ("PVFCF") from Hosen Choc.

Based on management's assessment, there is no impairment required on the PPE of Hosen Choc and the Company's investment in and amount due from Hosen Choc.

We focused on the impairment assessment of the Group's and the Company's assets pertaining to Hosen Choc as the cash flow projections involved significant management judgement, and is based on key assumptions including growth rates, gross profit margin and relevant discount rates or effective interest rate that are affected by expected future market and economic conditions.

Related Disclosures

Refer to Notes 2.6, 2.7, 3.2(i), 3.2(ii), 3.2(iii), 4, 5 and 8 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- We discussed and evaluated the reasonableness of the key assumptions and estimates used in the VIU and PVFCF calculations, including the terminal growth rates used to project the cash flows to the end of the PPE's useful lives and into perpetuity for the cost of investment, projected revenue growth rate, gross profit margin and relevant discount rates or effective interest rate by corroborating against externally available economic and historical financial data;

- We checked the computation of the cash flow projections; and

- We performed sensitivity analysis on the key assumptions used in the cash flow projections such as the respective terminal growth rate, revenue growth rate, gross profit margin and relevant discount rate.

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 2017 of approximately $67.5 million was recognised, when the Group has transferred the significant risks and rewards of ownership of the goods based on customer acknowledgment of delivery of goods for local sales and the terms and conditions of shipping incoterms for overseas sales; less expected rebates, estimated customer returns and other similar allowances, sales related taxes and it is probable that the agreed consideration will be received.

We have determined 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 Notes 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 cycle;
- Performed cut-off procedures, for a sample of transaction, before and after the financial year, by examining relevant supporting documents such as delivery orders/shipping documents and invoices to check that the revenue was recognised in the appropriate financial year;
- Performed detailed testing on the sales transactions, on a sample basis, by examining relevant supporting documents such as delivery orders/shipping documents and invoices to check that the revenue was appropriately recognised; and
- Assessed the reasonableness of 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 Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- 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
27 March 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	**13,270**	12,991	**–**	–
Investments in subsidiaries	5	**–**	–	**9,836**	9,836
Available-for-sale financial asset	6	**–**	–	**–**	–
Intangible asset	7	**87**	57	**–**	–
Other receivables	8	**–**	–	**14,194**	12,000
		13,357	13,048	**24,030**	21,836
Current assets					
Inventories	9	**16,654**	15,607	**–**	–
Trade and other receivables	8	**13,328**	14,915	**2,156**	3,452
Held-for-trading financial assets	10	**6**	7	**–**	–
Income tax recoverable		**–**	131	**–**	–
Fixed deposits	11	**30**	49	**–**	–
Cash and bank balances	12	**4,614**	3,475	**58**	31
		34,632	34,184	**2,214**	3,483
Less:					
Current liabilities					
Trade and other payables	13	**7,963**	6,188	**163**	175
Current income tax payable		**161**	140	**13**	17
Finance lease payables	14	**94**	50	**–**	–
Bank borrowings	15	**7,326**	9,005	**–**	–
		15,544	15,383	**176**	192
Net current assets		**19,088**	18,801	**2,038**	3,291
Less:					
Non-current liabilities					
Finance lease payables	14	**243**	167	**–**	–
Bank borrowings	15	**3,092**	3,350	**–**	–
Deferred tax liabilities	16	**267**	267	**–**	–
		3,602	3,784	**–**	–
Net assets		**28,843**	28,065	**26,068**	25,127
Equity					
Share capital	17	**28,431**	28,431	**28,431**	28,431
Treasury shares	18	**(3,654)**	(3,654)	**(3,654)**	(3,654)
Foreign currency translation account	19	**(392)**	(419)	**–**	–
Accumulated profits		**4,458**	3,707	**1,291**	350
		28,843	28,065	**26,068**	25,127

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue	20	**67,474**	72,580
Cost of sales		**(54,481)**	(59,387)
Gross profit		**12,993**	13,193
Other income	21	**365**	418
Selling and distribution expenses		**(3,519)**	(3,968)
Administrative expenses		**(6,058)**	(6,156)
Other expenses		**(2,362)**	(2,219)
Finance costs	22	**(345)**	(372)
Profit before income tax	23	**1,074**	896
Income tax (expense)/credit	24	**(323)**	173
Profit for the financial year		**751**	1,069
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	**27**	116
Other comprehensive income for the financial year, net of tax		**27**	116
Total comprehensive income for the financial year attributable to owners of the parent		**778**	1,185
Earnings per share			
– Basic and diluted (in cents)	25	**0.23**	0.33

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Equity attributable to owners of the parent				
		Share capital $'000	Treasury shares $'000	Foreign currency translation account $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2017		**28,431**	**(3,654)**	**(419)**	**3,707**	**28,065**
Profit for the financial year		**–**	**–**	**–**	**751**	**751**
Exchange differences arising from translation of foreign operations	19	**–**	**–**	**27**	**–**	**27**
Total comprehensive income for the financial year		**–**	**–**	**27**	**751**	**778**
Balance at 31 December 2017		**28,431**	**(3,654)**	**(392)**	**4,458**	**28,843**
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		28,431	(3,654)	(419)	3,707	28,065

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Share capital $'000	Treasury shares $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2017		**28,431**	**(3,654)**	**350**	**25,127**
Profit for the financial year		**–**	**–**	**941**	**941**
Total comprehensive income for the financial year		**–**	**–**	**941**	**941**
Balance at 31 December 2017		**28,431**	**(3,654)**	**1,291**	**26,068**
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		28,431	(3,654)	350	25,127

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Operating activities			
Profit before income tax		**1,074**	896
Adjustments for:			
Allowance for doubtful third party trade receivables	23	**320**	46
Allowance for doubtful trade receivables written back	21	**(9)**	(39)
Bad debts written off - trade	23	**22**	–
Write-down of inventories	23	**345**	365
Reversal of inventories written down	21	**(27)**	–
Amortisation of intangible asset	7	**69**	82
Depreciation of property, plant and equipment	4	**863**	785
Property, plant and equipment written off		**–**	1
Fair value loss arising from held-for-trading financial assets	23	**1**	1
Gain on disposal of property, plant and equipment	21	**(72)**	(97)
Interest expense	22	**345**	372
Interest income	21	**(3)**	(2)
Operating cash flows before working capital changes		**2,928**	2,410
Working capital changes:			
Inventories		**(1,265)**	624
Trade and other receivables		**1,319**	(1,984)
Trade and other payables		**1,573**	(508)
Cash generated from operations		**4,555**	542
Income tax paid		**(171)**	(160)
Interest received		**3**	2
Net cash generated from operating activities		**4,387**	384
Investing activities			
Proceeds from disposal of property, plant and equipment		**73**	157
Purchase of property, plant and equipment	4	**(819)**	(525)
Purchase of intangible asset	7	**(99)**	(30)
Proceeds from disposal of intangible asset		**–**	44
Net cash used in investing activities		**(845)**	(354)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Financing activities			
Repayment of finance lease payables	A	**(73)**	(25)
Purchase of treasury shares	18	**–**	(97)
Fixed deposits		**19**	–
Interest paid		**(345)**	(372)
Repayment of bank borrowings	A	**(2,055)**	(414)
Net cash used in financing activities		**(2,454)**	(908)
Net change in cash and cash equivalents		**1,088**	(878)
Cash and cash equivalents at beginning of financial year		**3,475**	4,389
Net effect of exchange rate changes on cash and cash equivalents		**51**	(36)
Cash and cash equivalents at end of financial year	12	**4,614**	3,475

Note A: Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

			Non cash changes		
	1 January 2017 $'000	Financing cash flows $'000	Additions of property, plant and equipment under finance leases (Note 4) $'000	Foreign exchange movement $'000	31 December 2017 $'000
Bank borrowings (Note 15)	12,355	(2,055)	–	118	10,418
Finance lease payables (Note 14)	217	(73)	192	1	337
	12,572	(2,128)	192	119	10,755

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

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

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

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 ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

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

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and 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, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require an entity to provide disclosures that 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's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in the consolidated statement of cash flows. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in the consolidated statement of cash flows, the application of these amendments has had no impact on the Group's consolidated financial statements.

Full IFRS convergence

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The new framework is referred to as Singapore Financial Reporting Standards (International) ("SFRS(I)s"). The Group will adopt the new framework on 1 January 2018 and will apply SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) 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 has completed its assessment of the impact of transition and anticipates that the adoption of the new framework on 1 January 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 December 2018, other than the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below. The Group is currently finalising the transitional adjustments that are required or elected under SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 109	: *Financial Instruments*	1 January 2018
FRS 115	: *Revenue from Contracts with Customers*	1 January 2018
FRS 115 (Amendments)	: *Clarification to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116	: *Leases*	1 January 2019
INT FRS 122	: *Foreign Currency Transactions and Advance Consideration*	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 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 2017

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 has completed its preliminary assessment of the classification and measurement of its financial assets and financial liabilities and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost and at fair value through profit or loss.

The Group currently measures its available-for-sale investment in unquoted equity securities 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 through other comprehensive income, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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)

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.

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 will include additional disclosures in the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

FRS 115 *Revenue from Contracts with Customers* (Continued)

On initial adoption of FRS 115, there will be 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 has assessed and does not expect significant adjustment 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

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

Subsidiaries are consolidated from the date on which control is 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible asset

Computer software

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

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

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

2.6 Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

The Group's loans and receivables in the statements of financial position comprise trade and other receivables (excluding advance payments to suppliers, prepayments and goods and services tax receivables), 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.

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 and other 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

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, advance receipts 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 2017

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (Continued)

Operating leases

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

2.12 Retirement benefit costs

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

2.13 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxes (Continued)

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Taxes (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign currency transactions and translation (Continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

Provisions relate to provision for unutilised leave (Note 2.13), provision for sales rebates, returns and promotional marketing allowances arising from the Group'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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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, gross profit margin and discount rate. During the financial year, management carried out an impairment assessment on the cost of investment in Hosen Choc of $368,000. In the view of management, there are no such reasonably possible change to key assumptions on which management has based its determination of the recoverable amount of investment in Hosen Choc that would cause the carrying amount to exceed its recoverable amount. The Company's carrying amount of investments in subsidiaries as at 31 December 2017 was $9,836,000 (2016: $9,836,000) (Note 5).

(ii) Impairment of property, plant and equipment

At the end of each financial year, an assessment is made on whether there is indication that the property, plant and equipment are impaired. The recoverable amount of property, plant and equipment is determined based on value-in-use, by discounting the expected future cash flows for each CGU.

The management's assessment is based on estimation of the value-in-use of the CGU by forecasting the expected future cash flows from the CGU using their estimated useful lives with 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, gross profit margin and discount rate. During the financial year, management carried out an impairment assessment on the property, plant and equipment of Hosen Choc of $3,070,000. In the view of management, there are no such reasonably possible change to key assumptions on which management has based its determination of the value-in-use of property, plant and equipment of Hosen Choc that would cause the carrying amount to exceed its recoverable amount. The carrying amount of the Group's property, plant and equipment as at 31 December 2017 was approximately $13,270,000 (2016: $12,991,000) (Note 4).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

3.2 Key sources of estimation uncertainty (Continued)

(iii) 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 prepayments and goods and services tax receivables) as at 31 December 2017 were approximately $13,083,000 (2016: $14,739,000) and $16,343,000 (2016: $15,445,000) respectively (Note 8).

(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 obsolete inventories based on historical sales activities, estimated future demand, related pricing and their expiry date. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2017 was approximately $16,654,000 (2016: $15,607,000) (Note 9).

(v) 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 2017 were approximately $161,000 (2016: $140,000) and $13,000 (2016: $17,000) respectively. The carrying amount of the Group's deferred tax liabilities as at 31 December 2017 was approximately $267,000 (2016: $267,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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 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 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in total depreciation expense is an amount of $Nil (2016: $8,000) which has been included in "cost of sales". The remaining depreciation expense of $863,000 (2016: $777,000) has been included in "other expenses".

Motor vehicles and an office equipment with carrying amount of approximately $609,000 (2016: $410,000) were acquired under finance lease arrangements (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 $4,661,000 as at 31 December 2017 (2016: $4,608,000) was pledged as a security for the bank loans as disclosed in Note 15 to the financial statements.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Additions to property, plant and equipment	**1,011**	712
Acquired under finance lease agreements	**(192)**	(187)
Cash payments to acquire property, plant and equipment	**819**	525

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENTS IN SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Unquoted equity shares, at cost	**9,836**	9,836

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %
Held by the Company			
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
Held by Hock Seng Food Pte Ltd			
Hock Seng Food (M) Sdn Bhd[2] (Malaysia)	Import, distribution, wholesale of fast-moving consumer goods	**100**	100
Hock Seng Worldwide Sdn Bhd[2] (Malaysia)	Investment holding company	**100**	100
Hock Seng Food (Shanghai) Co., Ltd[4] (People's Republic of China)	Marketing office cum general wholesale of fast-moving consumer goods	**100**	100
Held by Hosen Chocolate Sdn Bhd			
Hosen Chocolate Marketing Sdn Bhd[2] (Malaysia)	Trading and retailing of foods products and other fast-moving consumer goods	**100**	–

(1) Audited by BDO LLP, Singapore.
(2) Audited by overseas member firm of the BDO Network in Malaysia.
(3) Struck off during the financial year.
(4) Audited by Shanghai Willfly Certified Public Accountants Co., Ltd, People's Republic of China

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restrictions

Cash and bank balances of $235,000 (2016: $410,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

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 impairment loss of $500,000 in relation to Arenas Seafood Pte Ltd was written off in the previous financial years.

Incorporation of a subsidiary

During the financial year, the Company's wholly-owned subsidiary, Hosen Chocolate Sdn Bhd incorporated a wholly-owned subsidiary in Malaysia, Hosen Chocolate Marketing Sdn Bhd, with an issued and paid-up capital of RM2 (equivalent to approximately $0.64).

The Group established Hosen Chocolate Marketing Sdn Bhd to continue to expand its distribution network and explore new business opportunities to achieve growth of the core business of the Group.

6. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2017	**2016**
	$'000	**$'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 2017

7. INTANGIBLE ASSET

Computer software

	Group	
	2017	2016
	$'000	$'000
Cost		
Balance at beginning of financial year	**372**	385
Additions	**99**	30
Disposal	**–**	(44)
Currency translation adjustment	**–**	1
Balance at end of financial year	**471**	372
Accumulated amortisation		
Balance at beginning of financial year	**315**	233
Amortisation for the financial year	**69**	82
Balance at end of financial year	**384**	315
Carrying amount		
Balance at end of financial year	**87**	57

The remaining useful life of the computer software is 2 to 5 years (2016: 2 to 5 years).

8. TRADE AND OTHER RECEIVABLES

(a) Other receivables – non-current

	Company	
	2017	2016
	$'000	$'000
Other receivables		
– loan to subsidiaries	**14,634**	12,000
Allowance for impairment of loan to a subsidiary	**(440)**	–
	14,194	12,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Trade and other receivables – current

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables				
– Third parties	**11,334**	13,197	**–**	–
Allowance for doubtful third party trade receivables	**(581)**	(279)	**–**	–
	10,753	12,918	**–**	–
Other receivables				
– Third parties	**13**	142	**–**	–
– Loans to subsidiaries	**–**	–	**1,349**	3,885
– Dividend receivable from a subsidiary	**–**	–	**800**	–
Allowance for impairment of loan to a subsidiary	**–**	–	**–**	(440)
	10,766	13,060	**2,149**	3,445
Advance payments to suppliers	**2,270**	1,580	**–**	–
Deposits	**72**	99	**–**	–
Prepayments	**220**	176	**7**	7
Total trade and other receivables – current	**13,328**	14,915	**2,156**	3,452
Add: Other receivables – non-current (Note 8(a))	**–**	–	**14,194**	12,000
	13,328	14,915	**16,350**	15,452
Less:				
– Advance payments to suppliers	**(2,270)**	(1,580)	**–**	–
– Goods and services tax receivables	**(25)**	–	**–**	–
– Prepayments	**(220)**	(176)	**(7)**	(7)
	10,813	13,159	**16,343**	15,445
Add:				
– Fixed deposits (Note 11)	**30**	49	**–**	–
– Cash and bank balances (Note 12)	**4,614**	3,475	**58**	31
Total loans and receivables	**15,457**	16,683	**16,401**	15,476

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance for doubtful third party trade receivables:

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	**279**	377
Allowance made during the financial year	**320**	46
Allowance written off during the financial year	**–**	(94)
Write-back of allowance no longer required	**(9)**	(39)
Currency translation difference	**(9)**	(11)
Balance at end of financial year	**581**	279

Movements in allowance for impairment of loan to a subsidiary:

	Company	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year and end of financial year	**440**	440

The trade amounts due from third parties are unsecured, interest-free and repayable within the normal credit terms of 14 to 90 days (2016: same terms), in cash.

The current portion of the loan to subsidiaries are unsecured, interest-bearing of 2.8% per annum and repayable within 1 year (2016: 2.8% per annum, repayable within 1 year), in cash.

As at 31 December 2017, management entered into a restructured repayment plan with the subsidiary such that the settlement of loan to a subsidiary with carrying amount of $2,194,000 which is unsecured and interest-bearing at rate of 3% per annum, is to be repaid by part or in full over 30 years between 2022 and 2051. The effective interest rate of the restructured repayment plan is 5.4% per annum. Accordingly, the amount was re-classified as non-current assets from current assets.

The non-current portion of a loan to subsidiary of $12,000,000 is expected to be repaid from 2023 onwards and bears interest at 2.8% (2016: 2.8%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency profiles of trade and other receivables (excluding advance payments to suppliers, prepayments and goods and services tax receivables) as at 31 December are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**4,585**	6,201	**16,343**	15,445
United States dollar	**2,863**	2,598	**–**	–
Ringgit Malaysia	**2,954**	4,192	**–**	–
Euro	**314**	55	**–**	–
Chinese Renminbi	**97**	113	**–**	–
	10,813	13,159	**16,343**	15,445

9. INVENTORIES

	Group	
	2017	**2016**
	$'000	**$'000**
Raw materials	**501**	410
Work-in-progress	**47**	60
Finished goods and goods for resale	**12,612**	13,737
Goods-in-transit	**3,494**	1,400
	16,654	15,607

The cost of inventories recognised as an expense in profit or loss and included in "cost of sales" line item amounted to $54,477,000 (2016: $59,336,000).

During the financial year, the Group carried out a review of the net realisable value of its inventories which led to the write-down of inventories by approximately $345,000 (2016: $365,000) recognised in "other expenses" in the profit or loss.

The Group has recognised a reversal of $27,000 (2016: Nil), being part of an inventory write-down made in the previous financial years, as the inventories were sold above the carrying amounts in 2017.

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10. HELD-FOR-TRADING FINANCIAL ASSETS

	Group	
	2017	**2016**
	$'000	**$'000**
Quoted equity securities, at fair value	**6**	7

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

The quoted equity securities are denominated in Singapore dollar.

11. FIXED DEPOSITS

Fixed deposits earn interests 3.15% (2016: 0.25% to 3.45%) per annum and are for a tenure of approximately 365 days (2016: same).

As at the end of the financial year, fixed deposit amounting to approximately $30,000 (2016: $28,000) is pledged to a bank as security for unpaid stamp duty on credit facility granted in Malaysia.

The currency profiles of fixed deposits as at 31 December are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Singapore dollar	**–**	21
Ringgit Malaysia	**30**	28
	30	49

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12. CASH AND BANK BALANCES

The currency profiles of cash and bank balances as at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Singapore dollar	**1,028**	1,475	**51**	23
United States dollar	**619**	160	**7**	8
Ringgit Malaysia	**2,624**	1,460	**–**	–
Euro	**108**	1	**–**	–
Chinese Renminbi	**235**	379	**–**	–
	4,614	3,475	**58**	31

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade payables				
– Third parties	**4,795**	2,329	**–**	–
– Goods and services tax payables	**376**	417	**–**	–
– Related parties (Note 28)	**13**	3	**–**	–
– Advance receipts from customers	**372**	645	**–**	–
Other payables				
– Directors' fees (Note 28)	**113**	105	**113**	105
– Third parties	**288**	320	**10**	33
– Accrued expenses	**1,415**	1,426	**40**	37
– Provisions	**591**	943	**–**	–
Total trade and other payables	**7,963**	6,188	**163**	175
Less:				
– Goods and services tax payables	**(376)**	(417)	**–**	–
– Advance receipts from customers	**(372)**	(645)	**–**	–
– Provisions	**(591)**	(943)	**–**	–
	6,624	4,183	**163**	175
Add:				
– Finance lease payables (Note 14)	**337**	217	**–**	–
– Bank borrowings (Note 15)	**10,418**	12,355	**–**	–
Total financial liabilities carried at amortised cost	**17,379**	16,755	**163**	175

The average credit period on purchases on goods is 30 to 90 days (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. TRADE AND OTHER PAYABLES (CONTINUED)

The currency profiles of trade and other payables (excluding goods and services tax payables, advance receipts from customers and provisions) as at 31 December are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**2,071**	1,518	**163**	175
United States dollar	**3,539**	1,367	**–**	–
Ringgit Malaysia	**644**	1,108	**–**	–
Euro	**314**	62	**–**	–
Chinese Renminbi	**56**	128	**–**	–
	6,624	4,183	**163**	175

14. FINANCE LEASE PAYABLES

	Group		
	Minimum lease payments	**Future finance charges**	**Present value of minimum lease payments**
	$'000	**$'000**	**$'000**
2017			
Within one year	**106**	**(12)**	**94**
After one year but within five years	**272**	**(29)**	**243**
	378	**(41)**	**337**
2016			
Within one year	60	(10)	50
After one year but within five years	184	(17)	167
	244	(27)	217

The finance lease term is 3 to 5 years (2016: same).

The average effective interest rate for the finance lease payables are 4.68% to 12.59% (2016: 4.68% to 12.59%) per annum. Interest rates are fixed at the contract date, and thus do not expose the Group to interest rate risk. At the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. FINANCE LEASE PAYABLES (CONTINUED)

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 finance lease payables as at 31 December are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Singapore dollar	**283**	181
Ringgit Malaysia	**54**	36
	337	217

15. BANK BORROWINGS

	Group	
	2017	**2016**
	$'000	**$'000**
Current		
Secured:		
Bank loans	**292**	281
Unsecured:		
Short-term bank loans	**500**	1,500
Bills payable	**6,534**	7,224
	7,326	9,005
Non-current		
Secured:		
Bank loans	**3,092**	3,350
Total bank borrowings	**10,418**	12,355

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. BANK BORROWINGS (CONTINUED)

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

	Group	
	2017	**2016**
	%	**%**
Short-term bank loans	**1.61**	1.66
Long-term bank loans	**3.46**	3.58
Bills payable	**3.85**	3.80

Bills payable are repayable within 30 to 150 days (2016: same terms).

The Group's short-term loans are repayable within 1 to 2 months (2016: same terms) and are due by January 2018 (2016: January 2017).

The Group has two principal bank loans:

a. A loan of $2,039,000 (2016: $2,245,000) was drawn down on April 2014. Repayment commenced on May 2014 and will continue until April 2029.

b. A loan of $1,345,000 (2016: $1,386,000) was drawn down on September 2015. Repayments commenced on October 2015 and will continue until September 2030.

The Group's short-term loans and bills payable facilities are supported by corporate guarantees given by the Company.

The currency profile of bank borrowings as at 31 December are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Singapore dollar	**4,516**	6,069
Ringgit Malaysia	**5,902**	6,286
	10,418	12,355

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. DEFERRED TAX LIABILITIES

	Group	
	2017	2016
	$'000	$'000
Balance at beginning of financial year	**267**	427
Credit to profit or loss	**–**	(160)
Balance at end of financial year	**267**	267

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

17. SHARE CAPITAL

	Group and Company	
	2017	2016
	$'000	$'000
Issued and paid up:		
357,178,846 ordinary shares at beginning and end of financial year	**28,431**	28,431

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

18. TREASURY SHARES

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares		$'000	$'000
Balance at beginning of financial year	**32,278,000**	29,868,000	**3,654**	3,557
Acquired during the financial year	**–**	2,410,000	**–**	97
Balance at end of financial year	**32,278,000**	32,278,000	**3,654**	3,654

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	**(419)**	(535)
Exchange differences arising on translation of foreign operations	**27**	116
Balance at end of financial year	**(392)**	(419)

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	
	2017	**2016**
	$'000	**$'000**
Allowance for doubtful third party trade receivables written back	**9**	39
Gain on disposal of property, plant and equipment	**72**	97
Gain on foreign exchange, net	**35**	90
Government incentives	**144**	106
Interest income	**3**	2
Reversal of inventories written down	**27**	–
Others	**75**	84
	365	418

22. FINANCE COSTS

	Group	
	2017	**2016**
	$'000	**$'000**
Interest expenses on:		
– Bills payable	**198**	208
– Bank overdraft	**–**	1
– Term loans	**138**	159
– Finance leases	**9**	4
	345	372

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. PROFIT BEFORE INCOME TAX

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

	Group	
	2017	**2016**
	$'000	**$'000**
Selling and distribution expenses		
Advertisements	**898**	174
Delivery outwards	**282**	300
Freight outwards	**502**	660
Promotions	**389**	1,429
Transports and travelling	**361**	364
Staff costs		
– other short term benefits	**616**	624
Administrative expenses		
Audit fees		
– auditors of the Company	**83**	68
– other auditors	**18**	17
Non-audit fees		
– auditors of the Company	**11**	12
– other auditors	**2**	3
Directors' fees+	**116**	108
Directors' remuneration		
– Directors of the Company	**1,102**	1,101
– Directors of subsidiaries	**225**	231
Staff costs		
– salaries, bonuses and other short-term benefits	**3,520**	3,492
– employer's contributions to defined contribution plan	**470**	503

\+ 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 (2016: $3,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. PROFIT BEFORE INCOME TAX (CONTINUED)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Other expenses		
Allowance for doubtful third party trade receivables	**320**	46
Bad debts written off – trade	**22**	–
Write down of inventories	**345**	365
Amortisation of intangible asset (Note 7)	**69**	82
Depreciation of property, plant and equipment (Note 4)	**863**	785
Fair value loss arising from held-for-trading financial assets (Note 10)	**1**	1
Operating leases – rental of premises and leasehold land	**170**	161

24. INCOME TAX EXPENSES/(CREDIT)

	Group	
	2017	**2016**
	$'000	**$'000**
Current income tax		
– current year	**326**	257
– over-provision in prior years	**(3)**	(270)
	323	(13)
Deferred tax		
– over-provision in prior years	**–**	(160)
	–	(160)
Total income tax expenses/(credit)	**323**	(173)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

The income tax expense varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% (2016: same) to profit before income tax as a result of the following differences:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit before income tax	**1,074**	896
Income tax calculated at Singapore statutory tax rate of 17%	**183**	152
Effect of different income tax rate of subsidiaries operating in another jurisdiction	**4**	(88)
Tax effect of:		
– expenses not deductible for income tax purposes	**179**	152
– income not subject to income tax	**(68)**	(77)
– income tax exemption	**(52)**	(55)
– tax incentive under Productivity and Innovation Credit	**(61)**	(22)
Deferred tax benefits not recognised	**128**	330
Utilisation of deferred tax benefits not recognised	**–**	(114)
Over-provision in prior financial years		
– current income tax	**(3)**	(270)
– deferred tax	**–**	(160)
Corporate income tax rebate	**(20)**	(34)
Other items	**33**	13
	323	(173)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Estimated unutilised tax losses	**2,478**	1,977
Property, plant and equipment	**387**	225
Provisions	**244**	174

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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	
	2017	**2016**
	$'000	**$'000**
Unutilised tax losses to be expired in financial year ended		
31 December 2018	**366**	372
31 December 2019	**292**	297
31 December 2020	**370**	376
31 December 2021	**144**	146

25. EARNINGS PER SHARE

The calculation of the earnings per share is based on:

	Group	
	2017	**2016**
Profit after income tax attributable to owners of the parent ($'000)	**751**	1,069
Weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year applicable to basic and diluted earnings per share	**324,900,846**	327,047,841
Basic and diluted earnings per share (in cents)	**0.23**	0.33

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners for the financial years ended 31 December 2017 and 2016 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.

NOTES TO THE FINANCIAL STATEMENTS
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26. DIVIDENDS

In respect of the current financial year, the Directors propose that a first and final first-tier tax exempt dividend of 0.10 cents per share to be paid to shareholders on 25 May 2018. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 15 May 2018. The total estimated dividend to be paid is $325,000.

The Company did not recommend or pay any dividend in respect of the financial year ended 31 December 2016.

27. CONTINGENT LIABILITIES AND COMMITMENTS

27.1 Operating lease commitments

When the Group is a lessee

	Group	
	2017	**2016**
	$'000	**$'000**
Operating leases included in profit or loss	**170**	161

The Group leases office premises and leasehold land 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 and leasehold land are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Future minimum lease payments payable:		
Within one year	**225**	157
After one year but within five years	**385**	434
After five years	**2,578**	2,954
	3,188	3,545

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

There are no contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

27.2 Corporate guarantees

As at 31 December 2017, the Company had given guarantees amounting to $47,530,000 (2016: $42,344,000) 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 $10,418,000 (2016: $12,355,000) (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 financial 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	
	2017	**2016**
	$'000	**$'000**
With related parties		
Sales to related parties	**5**	4
Purchases from related parties	**92**	85

	Company	
	2017	**2016**
	$'000	**$'000**
With subsidiaries		
Loan to subsidiaries	**1,075**	950
Repayment of loan to subsidiaries	**1,425**	964
Interest income from subsidiaries	**449**	448
Dividend income from a subsidiary	**800**	–
Waiver of debts owing from a subsidiary	**–**	96

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	
	2017	**2016**
	$'000	**$'000**
Salaries, bonuses and other short-term benefits	**1,598**	1,599
Employer's contributions to defined contribution plan	**107**	99
Directors' fees to Directors of the Company	**113**	105
Directors' fees to Directors of a subsidiary	**3**	3
	1,821	1,806
Analysed into:		
– Directors of the Company	**1,221**	1,206
– Directors of subsidiaries	**228**	234
– other key management personnel	**372**	366
	1,821	1,806

The outstanding balances as at 31 December with related parties are disclosed in Note 13 to the financial statements 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 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 and canned meat products, and chocolate products.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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29. SEGMENT INFORMATION (CONTINUED)

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
2017			
External revenue	48,818	18,656	67,474
Inter-segment revenue	4,260	54	4,314
Total revenue	53,078	18,710	71,788
Interest income	2	1	3
Interest expense	(176)	(169)	(345)
Depreciation of property, plant and equipment	(684)	(179)	(863)
Amortisation of intangible assets	(48)	(21)	(69)
Other non-cash items:			
Allowance for doubtful third party trade receivables	(242)	(78)	(320)
Allowance for doubtful third party trade receivables written back	8	1	9
Bad debts written off – trade	(15)	(7)	(22)
Write down of inventories	(262)	(83)	(345)
Reversal of inventories written off	27	–	27
Segment profit	1,559	(639)	920
Assets			
Segment assets	34,184	9,148	43,332
Capital expenditure	869	241	1,110
Liabilities			
Segment liabilities	13,749	4,379	18,128

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. SEGMENT INFORMATION (CONTINUED)

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

	Total $'000
2017	
Revenues	
Total revenues for reportable segments	71,788
Elimination of inter-segment revenues	(4,314)
Consolidated revenues	67,474
Profit or loss	
Total segment profit	920
Unallocated corporate expenses	500
Other income/Other expenses	(346)
Consolidated profit before income tax	1,074
Assets	
Segment assets	43,332
Other unallocated assets	4,657
Consolidated total assets	47,989
Liabilities	
Segment liabilities	18,128
Other unallocated liabilities	1,018
Consolidated total liabilities	19,146

NOTES TO THE FINANCIAL STATEMENTS

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29. SEGMENT INFORMATION (CONTINUED)

	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	56,018	21,307	77,325
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	11,147	2,484	13,631

NOTES TO THE FINANCIAL STATEMENTS

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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	72,580
Profit or loss	
Total segment profit	1,316
Unallocated corporate expenses	(281)
Other income/Other expenses	(139)
Consolidated profit before income tax	896
Assets	
Segment assets	43,694
Other unallocated assets	3,538
Consolidated total assets	47,232
Liabilities	
Segment liabilities	13,631
Other unallocated liabilities	5,536
Consolidated total liabilities	19,167

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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	
	2017	**2016**
	$'000	**$'000**
Total revenue from external customers		
Singapore	**30,031**	32,546
Malaysia	**14,551**	17,163
Others*	**22,892**	22,871
	67,474	72,580
Non-current assets		
Singapore	**7,169**	7,026
Malaysia	**6,187**	6,020
Others*	**1**	2
	13,357	13,048

* "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 to the diversed 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

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

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 amount due from subsidiaries amounting to approximately $16,343,000 (2016: $15,445,000) representing 99% (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.1 Credit risks (Continued)

Analysis of trade receivables:

	Group	
	2017	**2016**
	$'000	**$'000**
Not past due	**4,617**	7,836
Past due but not impaired	**6,136**	5,082
	10,753	12,918
Impaired receivables – individually assessed*		
– Past due more than 12 months and no response to repayment demands **	**581**	279
Allowance for impairment loss	**(581)**	(279)
	–	–
Total trade receivables	**10,753**	12,918

* These receivables are not secured by any collateral or credit enhancements.
** These amounts are stated before any deduction for impairment losses.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Past due less than 3 months	**5,524**	3,860
Past due 3 months to 6 months	**550**	1,222
Past due 6 months to 12 months	**62**	–
	6,136	5,082

The Group is of the view that no impairment loss is required to be made in respect of third party trade receivables past due amounting to approximately $6,136,000 (2016: $5,082,000) as these trade receivables are mainly relating to customers that have good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.1 Credit risks (Continued)

Financial guarantee

The Company has given guarantees amounting to $47,530,000 (2016: $42,344,000) 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 subsidiaries 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 end of the reporting period amounted to $10,418,000 (2016: $12,355,000).

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 Singapore dollar ("SGD"), United States dollar ("USD"), Ringgit Malaysia ("RM"), Euro ("EUR") and Chinese Renminbi ("RMB"). These risks are managed by foreign currency forward contracts in respect of actual or forecast currency exposures, and are monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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:

	SGD $'000	USD $'000	RM $'000	EUR $'000	RMB $'000	Total $'000
Group						
2017						
Total financial assets	**25,767**	**3,718**	**6,343**	**422**	**1,064**	**37,314**
Total financial liabilities	**(21,319)**	**(6,052)**	**(7,121)**	**(314)**	**(775)**	**(35,581)**
	4,448	**(2,334)**	**(778)**	**108**	**289**	**1,733**
(Less)/Add:						
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	**(4,925)**	**–**	**1,376**	**–**	**414**	**(3,135)**
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**(477)**	**(2,334)**	**598**	**108**	**703**	**(1,402)**
2016						
Total financial assets	27,443	3,197	6,335	57	1,240	38,272
Total financial liabilities	(27,715)	(6,303)	(7,880)	(62)	(877)	(42,837)
	(272)	(3,106)	(1,545)	(5)	363	(4,565)
Less:						
Net financial (assets) denominated in the respective entities' functional currencies	(272)	–	(1,926)	–	(266)	(2,192)
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	–	(3,106)	381	(5)	629	(2,373)

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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% (2016: same) change in SGD, USD, RM, EUR and RMB against the functional currency of the entities within the Group. The sensitivity analysis assumes an instantaneous 10% (2016: 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 SGD, USD, RM, EUR and RMB are included in the analysis.

	(Decrease)/Increase profit or loss	
	2017	**2016**
	$'000	**$'000**
Group		
Singapore dollar		
Strengthened against Ringgit Malaysia	**(48)**	–
Weakened against Ringgit Malaysia	**48**	–
United States dollar		
Strengthened against the respective entities' functional currency	**(233)**	(311)
Weakened against the respective entities' functional currency	**233**	311
Ringgit Malaysia		
Strengthened against the respective entities' functional currency	**60**	38
Weakened against the respective entities' functional currency	**(60)**	(38)
Euro		
Strengthened against the respective entities' functional currency	**11**	–
Weakened against the respective entities' functional currency	**(11)**	–
Chinese Renminbi		
Strengthened against the respective entities' functional currency	**70**	63
Weakened against the respective entities' functional currency	**(70)**	(63)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.2 Market risks (Continued)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to floating rates bank borrowings as shown in Note 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 (2016: 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.

If interest rate had been 50 basis points (2016: same) higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by approximately $52,000 (2016: $62,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Equity price risk

The Group is exposed to equity 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 2017

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					
2017					
Financial liabilities					
Trade and other payables*	**6,624**	**–**	**–**	**–**	**6,624**
Bank borrowings	**7,483**	**1,766**	**1,919**	**(750)**	**10,418**
Finance lease payables	**106**	**272**	**–**	**(41)**	**337**
	14,213	**2,038**	**1,919**	**(791)**	**17,379**
2016					
Financial liabilities					
Trade and other payables*	4,183	–	–	–	4,183
Bank borrowings	9,314	1,203	2,267	(429)	12,355
Finance lease payables	60	184	–	(27)	217
	13,557	1,387	2,267	(456)	16,755

	On demand or within 1 year $'000
Company	
2017	
Financial liabilities	
Trade and other payables*	**163**
Financial guarantee contracts	**47,530**
2016	
Financial liabilities	
Trade and other payables*	**175**
Financial guarantee contracts	**42,344**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

30.3 Liquidity risks (Continued)

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 finance lease payables and bank borrowings are disclosed in Note 14 and 15 to the financial statements respectively.

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 subsidiaries and non-current liabilities in relation to finance lease payables and bank borrowings are disclosed in the respective notes to the financial statements.

Financial instruments carried at fair value

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Financial instruments carried at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurement using Level 1 $'000
Group	
2017	
Held-for-trading financial assets	**6**
2016	
Held-for-trading financial assets	7

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.

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), treasury shares (Note 18), 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 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

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, advance receipts from customers, 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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Net debt	**13,356**	14,223	**105**	144
Total equity	**28,843**	28,065	**26,068**	25,127
Total capital	**42,199**	42,288	**26,173**	25,271
Gearing ratio	**32%**	34%	*	*

* Not meaningful

33. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statement of the Group and the statement of financial position and statement of change in equity of the Company for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors on 27 March 2018.

ANALYSIS OF SHAREHOLDINGS

AS AT 19 MARCH 2018

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	24	2.45	682	0.00
100 – 1,000	151	15.42	64,124	0.02
1,001 – 10,000	235	24.00	1,401,238	0.43
10,001 – 1,000,000	539	55.06	55,181,332	16.99
1,000,001 & ABOVE	30	3.07	268,253,470	82.56
TOTAL	979	100.00	324,900,846	100.00

TOP TWENTY SHAREHOLDERS AS AT 19 MARCH 2018

		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	33,262,000	10.24
4	LIM KIM ENG	17,812,500	5.48
5	MAYBANK KIM ENG SECURITIES PTE LTD	15,194,500	4.68
6	DBS NOMINEES PTE LTD	6,298,500	1.94
7	LIM HOCK CHYE DANIEL	5,447,000	1.68
8	LIM MEI YAN JANE	4,293,000	1.32
9	OCBC SECURITIES PRIVATE LTD	4,028,000	1.24
10	CITIBANK NOMINEES SINGAPORE PTE LTD	3,916,000	1.20
11	HONG LEONG FINANCE NOMINEES PTE LTD	3,816,200	1.17
12	WANG LILING	3,664,452	1.13
13	YE MEIYING	3,610,000	1.11
14	PHILLIP SECURITIES PTE LTD	3,233,670	1.00
15	KONG AI LIAN MABELINE (KANG AILIAN MABELINE)	3,190,500	0.98
16	GOH CHIN KEOW	3,014,000	0.93
17	NOMURA SINGAPORE LIMITED	3,000,000	0.92
18	JAMES ALVIN LOW YIEW HOCK	2,576,000	0.79
19	CHIA GEK HOONG ANGELINE	2,516,000	0.77
20	BONG YEW KENG (HUANG YOUQING)	2,404,500	0.74
		251,120,572	77.28

ANALYSIS OF SHAREHOLDINGS

AS AT 19 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

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

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

Percentage of Shareholding in Public's Hands

As at 19 March 2018, approximately 49.72% of the Company's shares (excluding treasury shares and subsidiary holdings) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules of the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HOSEN GROUP LTD. (the "Company") will be held at 267 Pandan Loop, Singapore 128439 on 30 April 2018, 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 2017 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 0.1 cent per ordinary share for the year ended 31 December 2017. **(Resolution 2)**

3. To re-elect the following Directors retiring by rotation pursuant to Article 104 of the Company's Articles of Association:

   Mr Lim Hai Cheok **(Resolution 3)**
   Mr Lim Heng Seng **(Resolution 4)**

   Mr Lim Hai Cheok, upon re-election as Director of the Company, will remain as the Executive Director, Chief Executive Officer and a member of the Audit, Nominating and Remuneration Committees. He will not be considered to be independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Information of Mr Lim Hai Cheok can be found on page 9 of the Annual Report. Save as disclosed, Mr Lim Hai Cheok does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.

   Mr Lim Heng Seng, upon re-election as Director of the Company, will remain as the Non-Executive Independent Director, Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He will be considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST. Information of Mr Lim Heng Seng can be found on page 9 of the Annual Report. Mr Lim Heng Seng does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.

4. To approve the payment of Directors' fees of S$112,500 for the year ended 31 December 2017 (2016: S$105,000). **(Resolution 5)**

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

6. 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:

7. **Share Issue Mandate**

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

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

(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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, the Articles of Association of the Company; and

(d) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (i)] **(Resolution 7)**

NOTICE OF
ANNUAL GENERAL MEETING

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

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

(i) the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time;

(ii) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

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

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company:

(1) to purchase or otherwise acquire issued ordinary shares ("Share Buy-Backs") in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market Share Buy-Backs (each an "On-market Share Buy-Back") transacted on the SGX through the SGX-ST's trading system and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market Share Buy-Backs (each an "Off-market Share Buy-Back") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the applicable provisions of the Companies Act, the Articles of Association of the Company and the Catalist Rules as may for the time being applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

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

"**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, 13 April 2018

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

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

Notes:

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

2. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

3. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; or

   (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of the CPF investors.

   You are entitled to **appoint one (1) or more proxies** to attend and vote at the meeting. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming Annual General Meeting.

4. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 267 Pandan Loop, Singapore 128439 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

HOSEN GROUP LTD.

(Incorporated in Singapore)

(Co. Reg. No: 200403029E)

IMPORTANT:

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

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out on the back of this proxy form.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

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

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

and/or (delete as appropriate)

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

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 30 April 2018 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 2017		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Lim Hai Cheok as a Director		
4	Re-election of Mr Lim Heng Seng 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 _____________ 2018

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

SECRETARY:
LAI FOON KUEN

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

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

PARTNER-IN-CHARGE:
Koh Yen Ling
(Appointed since the financial year ended
31 December 2013)

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

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

REGISTERED PROFESSIONAL:
Keng Yeng Pheng

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

HOSEN GROUP LTD
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