

**CHOO CHIANG  
HOLDINGS LTD.**

# A PART OF YOUR EVERYDAY

Annual Report 2015





This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this document. This document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

## ABOUT US

Choo Chiang Holdings Ltd. (“**Choo Chiang**” and together with its subsidiaries, the “**Group**”) is one of the leading retailers and distributors of electrical products and accessories in Singapore with a retail presence of more than 20 years. We offer an extensive range of electrical products and accessories for residential and industrial use at our 10 strategically located retail branches in Singapore. Our retail outlets are supported by a team of service-oriented sales employees and a fleet of delivery vehicles. In addition to this Distribution Business, we also hold 13 investment properties which are rented out for rental income. The Group was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 29 July 2015 (stock code 42E).

## AWARDS & CERTIFICATIONS

Underscoring our commitment to quality, we have received these accreditations over the years:

- Legrand Top Customer of the Year (2004-2014)
- bizSAFE Level 3 (2012)
- Schneider Electric Top Performance – Premium Products (2011)
- Singapore SME 500 Company (2008; 2007; and 2006)
- ISO 9001:2008 (Quality Management System Standards)



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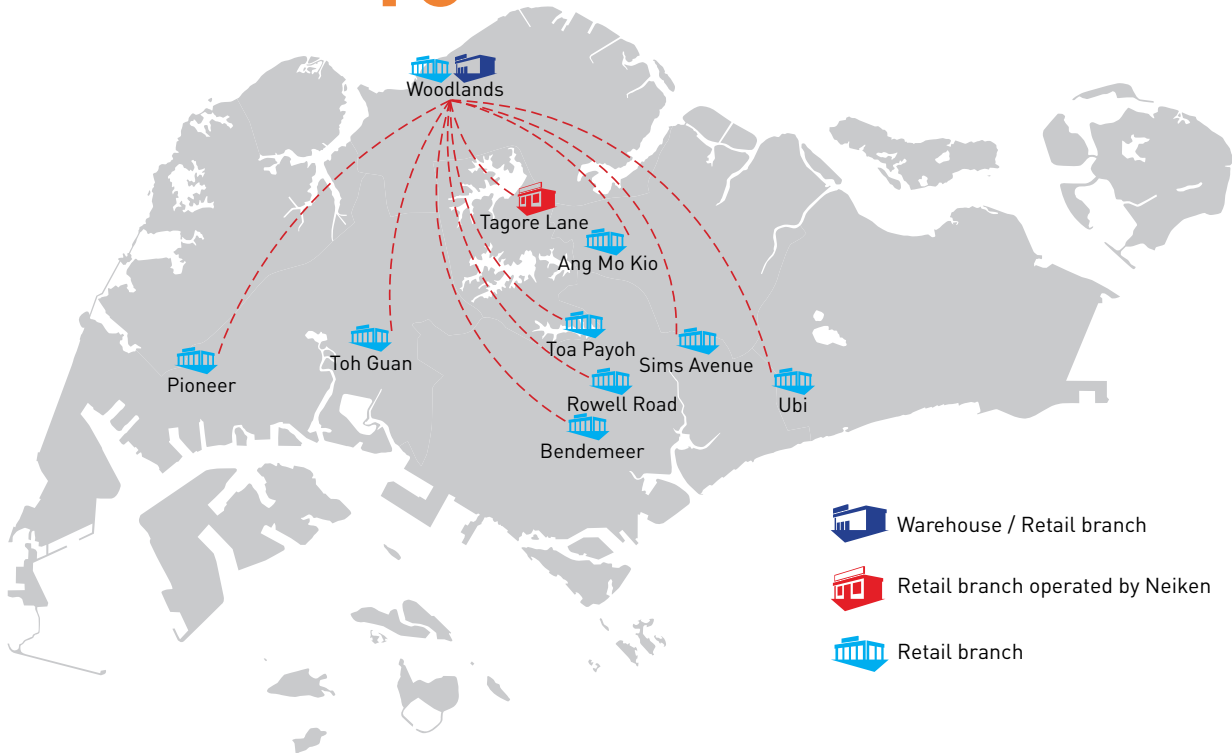
# BUSINESS OVERVIEW

A leading retailer and distributor of electrical products and accessories in Singapore

## Distribution Business

- An established name backed by a track record of over **20** years in the retail market.

- Operates a wide network of **10** retail branches strategically located across Singapore.



- Offers a product range from over **30** third-party and our proprietary brands.

- Supported by an experienced sales team and a fleet of about **20** delivery vehicles.



## Distribution Business

### Brands We Carry






and more...

## Property Investments

• Owns **13** investment properties  which are all rented out for rental income. 



• Holds an additional **4** properties  which are used as  retail branches for our operations. 

# PRODUCTS

Choo Chiang provides efficient one-stop service to our customers by offering an extensive range of electrical products and accessories from established brands. They include numerous third party brands and our proprietary brands, *CCM* and *CRM*, which we launched in 2004.

## 8 Main Product Categories from Over 30 Key Brands

Electrical Cables & Cable Accessories



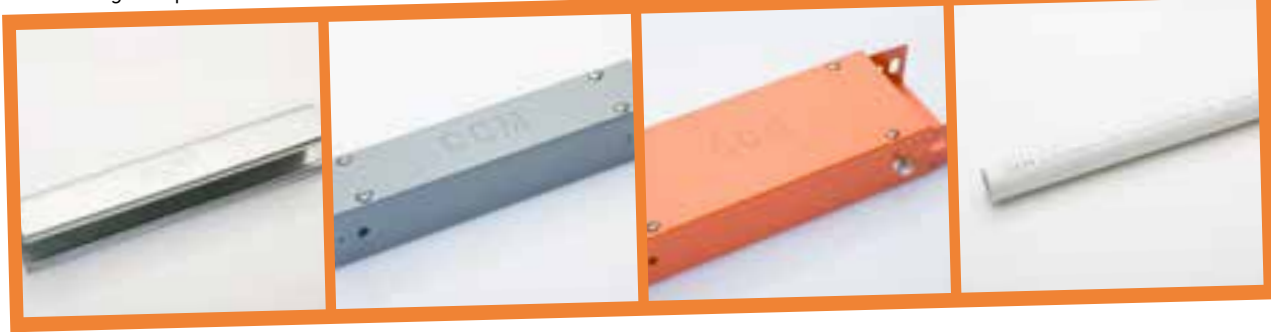
Light Switches, Circuit Breakers & Accessories



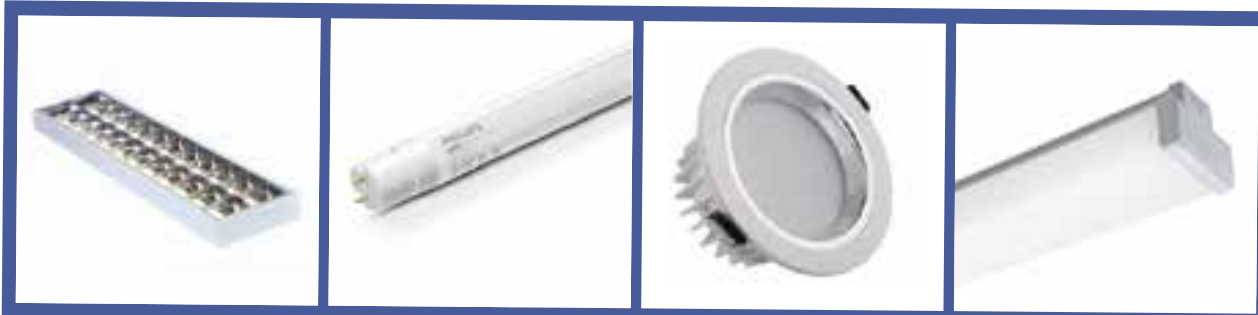
Lightning Accessories



Trunking & Pipes



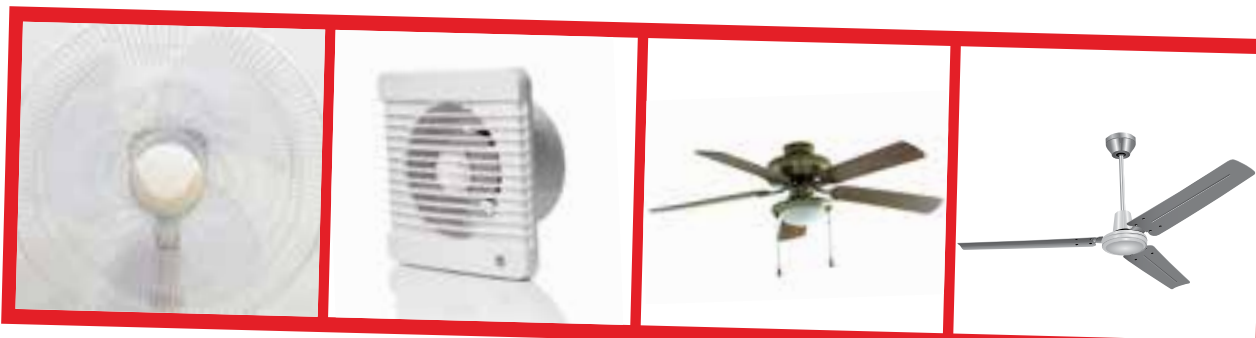
Light Fixtures & Accessories



Power Drills & Handheld Tools



Ventilating, Wall-mounted & Ceiling Fans



Air-conditioner Accessories



# MILESTONES

## A heritage that stretches back to 1977

Choo Chiang Electrical Trading Service set up by Thomas Lim with a business partner ←

Corporatised the business and set up Choo Chiang Marketing Pte. Ltd. operating from Dunlop Street (retail branch) and Ang Mo Kio (retail branch/warehouse) ←

## Over 20 years of retail presence in Singapore

Opened Toa Payoh branch ←

Opened Sims Avenue branch ←

Opened Woodlands branch ←

Opened Bendemeer and Pioneer branches ←

Opened Rowell branch and acquired warehouse in Woodlands ←

Opened Toh Guan branch ←



Opened Oxley BizHub branch ←



1977

1991

1993

1995

1997

2000

2001

2002

2004

2006

2007

2009

2011

2015

2016

## Distributor and dealer for many established brands

Local distributor for *Clipsal*, *Legrand* and *MK* →



Local distributor for *Hager* →



Started to carry own brands, *CCM* and *CRM* →

Authorised dealer for *Philips* (light bulbs) and *KDK* (fans) →

Acquired 50% stake in Neiken Switchgear (S) Pte. Ltd. →

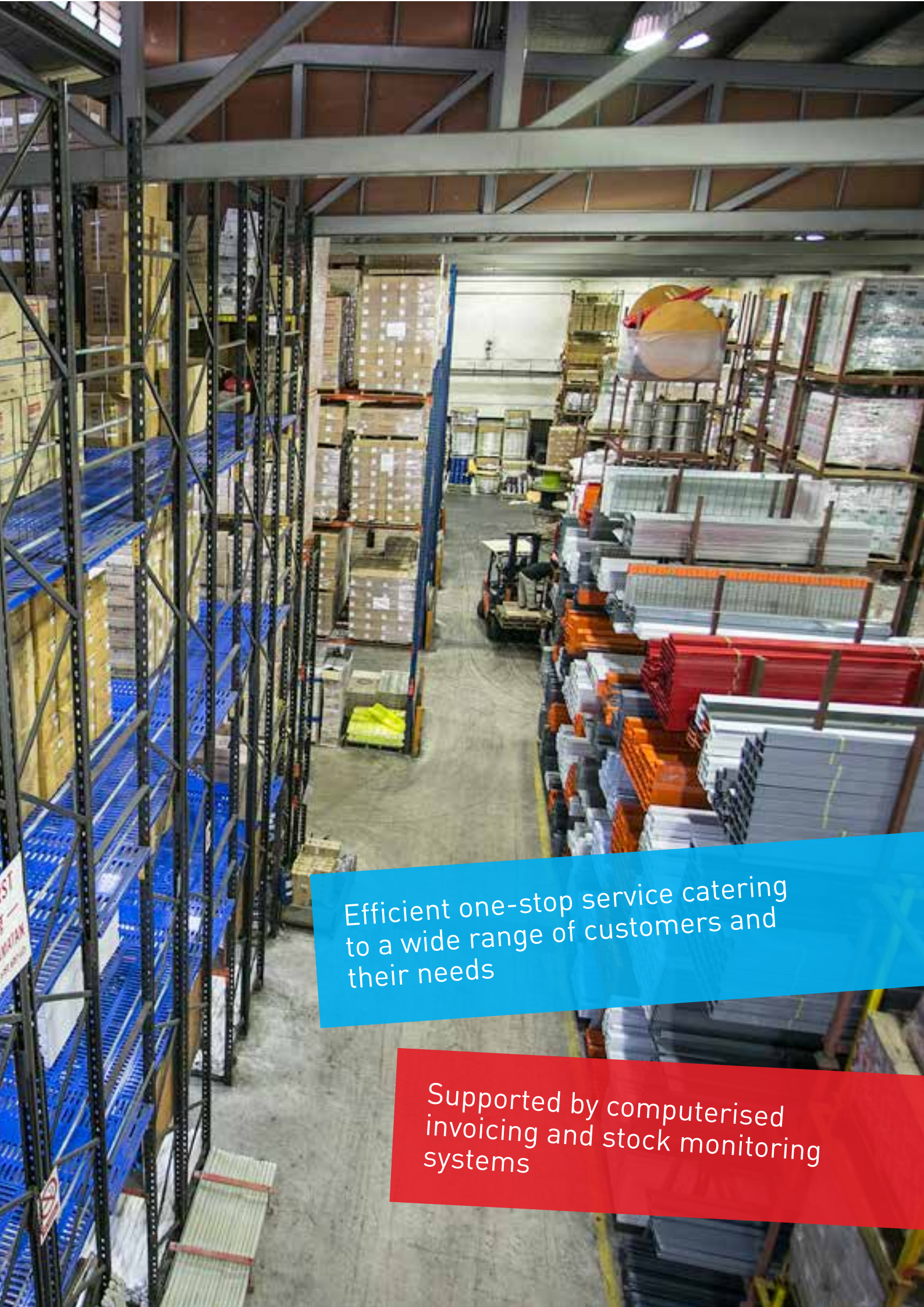
Ramped up sales of *CCM* and *CRM* brand of electrical products and accessories →

## Reaching greater heights

→ Listed on the SGX-ST Catalist on 29 July 2015;  
Incorporation of Choo Chiang Project Solutions Pte. Ltd.

→ Incorporation of Choo Chiang Properties Pte. Ltd.





Efficient one-stop service catering to a wide range of customers and their needs

Supported by computerised invoicing and stock monitoring systems

# MESSAGE TO SHAREHOLDERS



“... we are happy to propose a first and final dividend of 0.6 Singapore cents per share this year, representing 34.9% of our net profit attributable to our shareholders in FY2015.”

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Choo Chiang Holdings Ltd. (“**Choo Chiang**” and together with its subsidiaries, the “**Group**”), it is our pleasure to present the Group’s inaugural annual report for the financial year ended 31 December 2015 (“**FY2015**”). We want to take this opportunity to thank all investors for their support of our initial public offering (“**IPO**”) that led to a successful listing on 29 July 2015.

Our stock closed at 37.0 Singapore cents on the day of our trading debut, a premium of 5.7% over our IPO price of 35.0 Singapore cents, and has continued to do well since. We are grateful for the positive response from the investing public and we assure all shareholders that the Management and Board of Directors will continue to work hard to achieve sustainable and long term growth and progress for the Group.

When we embarked on our decision to list the Group last year, we did it with careful consideration not only in terms of how a listing would help propel our business to the next level and fulfil our goals for Choo Chiang but we also put a lot of thought into what we could do to increase the value of the company for our shareholders.

Even though economic sentiments have not been ideal since our listing, we have pushed on and rolled out some of the plans that we had committed to at IPO, which we believe will sharpen Choo Chiang’s competitive edge in the industry. Though still early days, we are encouraged by the results of our initial strategic forays and will update you as and when pertinent corporate developments take place.

### Year in Review

In FY2015, the Group recorded a lower net profit of S\$3.59 million on the back of a 7.7% decline in revenue to S\$65.02 million,

stemming from the competitive pricing strategy and sales volume dip in our Distribution Business amid a general industry slow-down. This was offset by an uptick in our Property Investment Business arising from a number of newly acquired properties and new leases we secured.

Notwithstanding our top and bottom-line declines, Choo Chiang managed to keep gross profit margins relatively stable at 24.0% in FY2015, compared to 24.6% for the previous financial year ended 31 December 2014 (“**FY2014**”).

Together with our maiden set of financial results as a listed company, we are happy to propose a first and final dividend of 0.6 Singapore cents per share this year, representing 34.9% of our net profit attributable to our shareholders in FY2015. This is in line with our intention, stated during our IPO, to distribute not less than 30% of the Group’s net profits attributable to our shareholders in each of FY2015 and FY2016.

## Distribution Business

During the year, revenue contribution from our Distribution Business declined by 7.9% to S\$64.60 million. Choo Chiang had, in the second half of 2014, adopted a competitive pricing strategy for most of our electrical products and accessories to maintain our market competitiveness and attract new customers. In FY2015, we kept to these lower selling prices and also concurrently introduced a new repayment plan that made cash payments more attractive than credit for customers. This dual-pronged strategy has encouraged a rise in the number of patrons who transact in cash, signalling that we are pricing ourselves right and effectively minimising bad debts for the Group. Corresponding to this, our average trade receivables turnover has come down from 45 days in FY2014 to 35 days in FY2015.

We also strengthened our market position in Singapore in FY2015 with the opening of a new store at Oxley BizHub, further positioning the Group as one of the biggest players in the industry with outlets strategically located across the island.

Located in the Ubi – Paya Lebar area, our Oxley BizHub branch was launched in around November 2015 to cater to the many electrical contractors and walk-in customers from surrounding housing estates such as Eunos, Hougang and Bedok North, all of which have high-population density. Since its opening, our Oxley BizHub outlet has done brisk business and we are excited about the potential upside that it will unlock for us.

We had been deliberating opening a store in the eastern part of the island in a bid to win more customers in that area and to ease crowds from our other stores. Strategically, it also makes sense

for us to have an outlet in the east as most of our existing stores are located in the central and western parts of Singapore.

## Property Investment Business

As at 31 December 2015, we have 13 investment properties, comprising mostly industrial and commercial units rented to third parties, which provide a healthy stream of recurring rental income for us. In FY2015, we saw a 33.3% rise in revenue contribution from this segment to S\$0.42 million. This was because we obtained the temporary occupation permits for three freehold units at Tagore 8 in June 2015 and commenced deriving rental income from them in the second half of FY2015. We also enjoyed additional rental income from new leases secured for three other properties comprising unit #01-67 in Pioneer Point at 5 Soon Lee Street; and units #01-06 and #01-07 in 8B @ Admiralty at 8B Admiralty Street.

## Future Outlook

Given the current economic and industry conditions, we believe our existing retail network of 10 stores is a good fit for us. We will continue to open new outlets when the right opportunity comes along at the right location at the right price and right time. We will also put our plans for overseas expansion on the backburner in 2016.

Choo Chiang's focus in 2016 will instead be on promoting products under our proprietary brands - *CCM* and *CRM* - to customers. Our house brands, which we first introduced in 2004, have been gaining market acceptance over the years and we plan to capitalise on their rising popularity in Singapore through innovative marketing and promotional activities. We currently offer a range of 23 products under the *CCM* and *CRM* brands.

We also plan to broaden our universe of customers to boost sales. To this end, in October 2015 we established Choo Chiang Project Solutions Pte. Ltd., a subsidiary in which we hold 80% interest, to expand the Group's distribution channels beyond its retail network and to target larger-sized projects. Choo Chiang Project Solutions Pte. Ltd. will mainly focus on the supply of electrical products and accessories, in particular lighting products, on a project basis.

## Appreciation

On behalf of the Board, I want to express my sincere gratitude to the management and staff of Choo Chiang, whose hard work made it possible for us to stay profitable in FY2015 despite challenges posed by soft economic sentiments in Singapore.

I also want to thank our customers and business partners. Some of you have been with us from the early days of the company and we are thankful for your continued support over the years. I look forward to many more years of close partnership with you.

Lastly, a big thank you to our shareholders for investing in us, and I hope that you will share in the growth of the company for many years to come.

Yours sincerely,

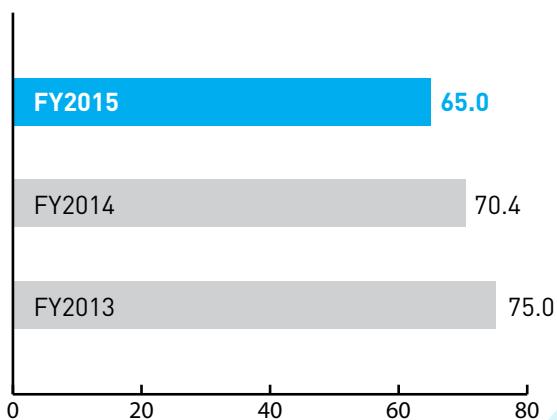
## Thomas Lim

Executive Chairman and CEO

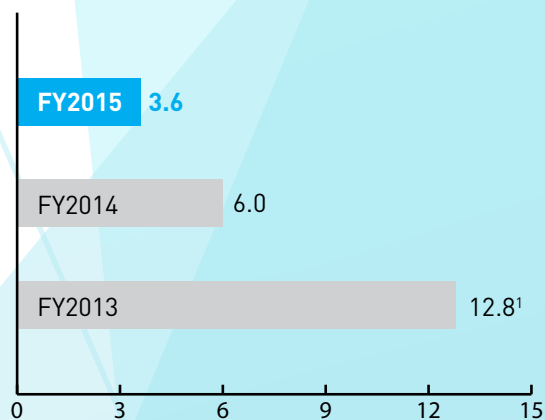
# FINANCIAL HIGHLIGHTS

## FINANCIAL YEAR ENDED 31 DECEMBER

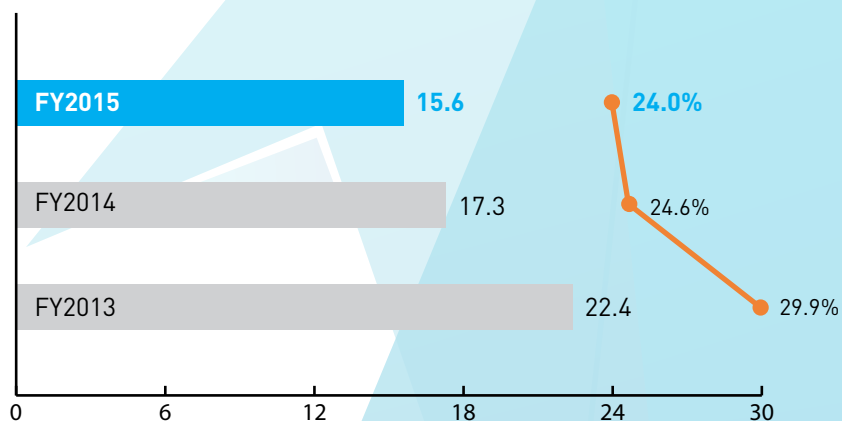
### Revenue (S\$'m)



### Net Profit (S\$'m)



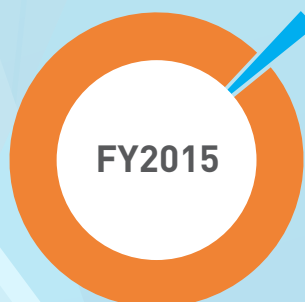
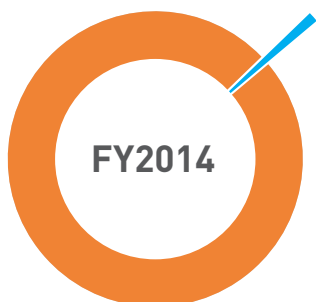
### Gross Profit (S\$'m) & Gross Profit Margin (%)



### Revenue by Business Segments (%)

Distribution Business: **99.6%**; S\$70.1 million  
 Property Investment: **0.4%**; S\$0.3 million

Distribution Business: **99.4%**; S\$64.6 million  
 Property Investment: **0.6%**; S\$0.4 million



<sup>1</sup> Includes gains on disposal of investment properties of approximately S\$3.9 million in FY2013.

# OPERATING & FINANCIAL REVIEW

Income Statement	Group Year ended 31 December		Change (%)
	2015 S\$'000	2014 S\$'000	
<b>Revenue</b>	65,024	70,442	(7.7)
Cost of sales	(49,439)	(53,100)	(6.9)
<b>Gross profit</b>	15,585	17,342	(10.1)
Other operating income	858	406	111.3
Administrative and selling expenses	(10,766)	(9,406)	14.5
Other operating expenses	(1,123)	(994)	13.0
Finance costs	(144)	(136)	5.9
<b>Profit before tax</b>	4,410	7,212	(38.9)
Income tax expense	(816)	(1,191)	(31.5)
<b>Profit for the year, representing total comprehensive income for the year</b>	3,594	6,021	(40.3)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	3,579	5,870	(39.0)
Non-controlling interests	15	151	(90.1)
	<b>3,594</b>	<b>6,021</b>	<b>(40.3)</b>

## FINANCIAL PERFORMANCE

### Revenue

The Group recorded revenue of S\$65.02 million for the financial year ended 31 December 2015 ("FY2015"). This represented a 7.7% decrease compared to the S\$70.44 million achieved in the financial year ended 31 December 2014 ("FY2014"). The revenue decline was mainly due to its Distribution Business.

#### Distribution Business

Revenue contribution by this segment decreased by 7.9% to S\$64.60 million in FY2015 from S\$70.13 million in FY2014, mainly because of a downward adjustment in the selling prices for most of the Group's electrical products and accessories which commenced in the second half of FY2014. This was part of the Group's strategy to maintain its price competitiveness in the industry. In addition to this, the revenue decline was also because of a marginal slide in sales volume on the back of a general slow-down in the industry.

#### Property Investment

The Group started to derive rental income since the second half of FY2015 from three of its investment

properties at Tagore 8 (a light industrial development located at 421 Tagore Industrial Avenue in Singapore) which obtained temporary occupation permits in June 2015. This, together with additional rental income stemming from new leases secured during FY2015 for another three investment properties, boosted the Group's property investment earnings by 33.3% to S\$0.42 million in FY2015 from S\$0.32 million in FY2014.

These three new investment properties are located at: (i) 5 Soon Lee Street, #01-67 Pioneer Point, Singapore 627607; (ii) 8B Admiralty Street #01-06, 8B @ Admiralty, Singapore 757440; and (iii) 8B Admiralty Street #01-07, 8B @ Admiralty, Singapore 757440.

#### Cost of Sales

Cost of sales decreased by 6.9% to S\$49.44 million in FY2015 from S\$53.10 million in FY2014.

In line with the lower revenue generated by the Distribution Business, cost of sales fell by 7.2% to S\$49.06 million in FY2015 from S\$52.85 million in FY2014. A decrease in the purchase price for

certain products added to the lower cost of sales. The decrease was partially offset by an increase in the allowance for stock obsolescence amounting to S\$0.39 million.

Cost of sales for the Property Investment segment increased significantly by 49.8% to S\$0.38 million in FY2015 from S\$0.25 million in FY2014. This was mainly attributable to an increase in depreciation expense, property tax and property management fee of S\$0.10 million, S\$0.02 million and S\$0.01 million respectively arising from the six new leases that commenced during FY2015.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased to S\$15.58 million in FY2015 from S\$17.34 million in FY2014. Overall gross profit margin also fell to 24.0% in FY2015 from 24.6% in FY2014.

Gross profit margin of the Distribution Business decreased to 24.0% in FY2015, from approximately 24.6% in FY2014. This was mainly due to a downward adjustment in the selling prices for most of the Group's electrical products and

# OPERATING & FINANCIAL REVIEW

accessories in the second half of FY2014 which was aligned with its strategy to maintain its price competitiveness in the industry and also to attract new customers.

Gross profit margin for the Property Investment segment decreased to 10.5% in FY2015, from 20.3% in FY2014, largely due to higher depreciation and finance cost arising from the six new leases which commenced during FY2015.

## Other Operating Income

Other operating income rose significantly by 111.3% to S\$0.86 million in FY2015 from S\$0.41 million in FY2014 mainly due to an increase in the bad debts recovered from customers as well as an increase in sponsorship income

derived from suppliers during FY2015. These were partially offset by a decrease in gain on disposal of motor vehicles as well as foreign exchange gain in FY2015.

## Administrative and Selling Expenses

As a result of higher staff-related costs, advertising expenses and listing expenses, administrative and selling expenses increased by 14.8% to S\$10.77 million in FY2015 from S\$9.41 million in FY2014.

## Other Operating Expenses

Other operating expenses climbed by 13.0% to S\$1.12 million in FY2015 from S\$0.99 million in FY2014 mainly because of an increase in the Group's depreciation expenses on three newly completed investment

properties prior to renting out to third parties in FY2015. This was in addition to foreign exchange loss incurred during FY2015.

## Finance Costs

In FY2015, finance costs increased to S\$144,000 compared to S\$136,000 in FY2014.

## Profit Before Tax

As a result of the aforementioned, the Group's profit before tax declined by 38.9% to S\$4.41 million in FY2015 from S\$7.21 million in FY2014.

## FINANCIAL POSITION

### Current Assets

Current assets increased from S\$26.86 million as at 31 December 2014 to S\$30.44 million as at 31 December 2015 mainly due to

Statements of Financial Position	Group		Change (%)
	Year ended 31 December		
	2015 S\$'000	2014 S\$'000	
<b>Current assets</b>			
Cash and cash equivalents	7,964	3,303	141.1
Trade receivables	5,635	6,963	(19.1)
Other receivables and prepayments	378	323	17.0
Inventories	16,464	16,269	1.2
<b>Non-current assets</b>			
Property, plant and equipment	6,730	6,619	1.7
Investment properties	17,658	15,254	15.8
<b>Total assets</b>	<b>54,829</b>	<b>48,731</b>	<b>12.5</b>
<b>Current liabilities</b>			
Trade payables	7,775	7,331	6.1
Other payables and accruals	2,934	2,338	25.5
Bank loans	847	811	4.4
Finance leases	146	97	50.5
Income tax payable	728	1,019	(28.6)
<b>Non-current liabilities</b>			
Bank loans	5,872	4,318	36.0
Finance leases	243	208	16.8
Deferred tax liability	45	24	87.5
<b>Total liabilities</b>	<b>18,590</b>	<b>16,146</b>	<b>15.1</b>
<b>Total equity</b>	<b>36,239</b>	<b>32,585</b>	<b>11.2</b>
<b>Total liabilities and equity</b>	<b>54,829</b>	<b>48,731</b>	<b>12.5</b>

(i) an increase in cash and cash equivalents of S\$4.66 million; (ii) an increase in inventories of S\$0.20 million; and (iii) an increase in other receivables and repayments of \$55,000, which were partially offset by a decrease in trade receivables of S\$1.33 million.

### Non-current Assets

Non-current assets increased from S\$21.87 million as at 31 December 2014 to S\$24.39 million as at 31 December 2015 mainly due to the purchase of plant and equipment of approximately S\$0.58 million as well as progress billings of three investment properties upon issuance of temporary occupancy permits amounting to S\$2.75 million.

The increase in non-current assets was partially offset by depreciation of investment properties and property, plant and equipment of S\$0.34 million and S\$0.47 million respectively.

### Current Liabilities

Current liabilities grew from S\$11.60 million as at 31 December 2014 to S\$12.43 million as at 31 December 2015 mainly due to (i) an increase in unpaid balances for three investment properties of approximately S\$0.54 million and other payables of S\$56,000; (ii) an increase in trade payables of S\$0.45 million; and (iii) an increase in the current portion of bank loans and finance leases of S\$85,000.

The increase in current liabilities was partially offset by a decrease in the provision of taxation of approximately S\$0.29 million.

### Non-Current Liabilities

Non-current liabilities rose to S\$6.16 million as at 31 December 2015 from S\$4.55 million as at 31 December 2014. This was mainly attributable to an increase in the non-current portion of bank borrowings for the completion of the three investment properties of approximately S\$1.55 million.

### CASH FLOW

The net cash generated from operating activities for FY2015 was approximately S\$5.80 million. This

Statement of Cash Flows	Group Year ended 31 December	
	2015 S\$'000	2014 S\$'000
Net cash from operating activities	5,805	5,935
Net cash flows used in investing activities	(2,580)	(3,057)
Net cash flows from (used in) financing activities	1,436	(7,164)
Cash and cash equivalents at the end of the year	7,964	3,303

was the result of operating cash flows before changes in working capital of approximately S\$5.35 million, net working capital inflows of approximately S\$1.54 million as well as income tax paid amounting to approximately S\$1.09 million.

Net cash used in investing activities amounted to approximately S\$2.58 million in FY2015 mainly due to payment for investment properties of approximately S\$2.21 million and purchases of property, plant and equipment of approximately S\$0.39 million. These were partially offset by proceeds from property, plant and equipment disposals which amounted to approximately S\$14,000.

Net cash derived from financing activities amounted to approximately S\$1.44 million in FY2015 mainly due to proceeds from bank loans used for acquisition of investment properties of approximately S\$2.20 million and capital contribution from non-

controlling interests in a subsidiary amounting to S\$60,000. These were partially offset by repayment of bank loans and finance leases of approximately S\$0.72 million and interest paid of approximately S\$0.10 million.

### DIVIDEND

As disclosed in the Company's offer document dated 15 July 2015, subject to the considerations set out therein, the board of directors of the Company had intended to recommend and distribute dividends of not less than 30% of the Group's consolidated net profits attributable to shareholders in respect of each of FY2015 and the financial year ending 31 December 2016.

In line with this, the Company's board of directors has proposed a first and final cash dividend of 0.6 Singapore cents, representing 34.9% of the Group's consolidated net profits attributable to shareholders in FY2015.



# BOARD OF DIRECTORS



**Thomas Lim**  
Executive Chairman and CEO



**Rocky Lim**  
Executive Director



**Chin Chee Choon**  
Lead Independent Director



**Pebble Sia**  
Independent Director



**Lee Weilin**  
Independent Director



### Thomas Lim

Executive Chairman and CEO  
Date of Appointment:  
5 September 2014

Backed by more than 41 years of experience in the electrical retail business, Thomas Lim is responsible for the overall management and development of the Group, formulation of its strategic directions and expansion plans, as well as developing and maintaining relationships with our customers and suppliers. He was a founding partner of Choo Chiang Electrical Trading Service which was subsequently corporatized when Choo Chiang Marketing Pte. Ltd. ("**CCM**") was incorporated to take over the business in July 1991. Thomas Lim has been a director of CCM since its incorporation and currently does not hold directorships in any public-listed companies. Thomas Lim is the brother of Rocky Lim.

### Rocky Lim

Executive Director  
Date of Appointment:  
5 September 2014

Rocky Lim started out working in Choo Chiang Electrical Trading Service in 1977, and after its corporatization, he became the Sales Manager of CCM. In 2001, he was promoted to Sales and Marketing Director and was appointed as a director of CCM. He is responsible for the sales and marketing and the development of the Group, and the maintenance of relationships with the Group's customers and suppliers. He currently does not hold directorships in any public-listed companies. Rocky Lim is the brother of Thomas Lim.

### Chin Chee Choon

Lead Independent Director  
Date of Appointment:  
25 June 2015

Chin Chee Choon is our Lead Independent Director and was appointed to our Board on 25 June 2015. Chee Choon is currently the Assurance and Advisory Director at Nexia TS Public Accounting Corporation ("**Nexia TS**"). He is the engagement director for the statutory audit of companies including companies listed on the SGX-ST as well as non-profit organisation. Chee Choon also concurrently heads the Corporate Governance and Risk Advisory Services, and Accounting and Outsourcing Services divisions of Nexia TS. He is also an Independent Director of Versalink Holdings Ltd, a company listed on the SGX-ST.

Apart from work, Chee Choon is one of the Board of Governors of Spirit of Enterprise, a non-profit organisation promoting and honoring entrepreneurship among youth in Singapore. He also served as a committee member in the Task Forces and Project Committee of the Singapore Institute of Directors.

Chee Choon is a Public Accountant and a Chartered Accountant of the Institute of Singapore Chartered Accountants, a Fellow Certified Practising Accountant of CPA Australia and a Certified Internal Auditor. He obtained his Post Graduate Diploma from The University of Oxford in 2015 and graduated with a Bachelor of Accounting from University of South Australia.

### Pebble Sia

Independent Director  
Date of Appointment:  
25 June 2015

Pebble Sia is currently the Founder Director of Esquire Law Corporation. She commenced her legal practice at David Lim & Partners LLP in 1997 and thereafter practiced at John Koh & Co. She is currently a director of SGX-ST listed GDS Global Limited. She obtained a Bachelor of Laws with Second Class Honours (Upper Division) from King's College London in 1995. She was admitted as a Barrister-at-law (Middle Temple) of England in 1996 and as an Advocate and Solicitor of the Supreme Court of Singapore in 1997.

### Lee Weilin

Independent Director  
Date of Appointment:  
25 June 2015

Lee Weilin commenced her legal practice at Rajah & Tann Singapore LLP and is currently a partner there. She has more than nine years of experience in legal practice, and her areas of practice are corporate law, with a specialisation in banking and finance, corporate finance and restructurings. She currently does not hold directorships in any public-listed companies. She obtained a Bachelor of Laws with Second Class Honours (Upper Division) and a Bachelor of Science from the National University of Singapore. She was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2007.

# KEY MANAGEMENT



**Boo Chong Meng**  
Operations Director



**Wilson Foo**  
General Manager



**Morland Fu**  
Financial Controller



**Josephine Tay**  
Administrative Manager



**Andy Tay**  
Purchasing Manager

### **Boo Chong Meng**

Operations Director

Boo Chong Meng joined the Group in September 2000 as our Operations Director and assists the Executive Chairman and CEO in overseeing our Property Investment business segment. From October 1989 to January 1999, he set up Seng Siang Electrical Engineering as a sole proprietorship which was engaged in the business of installing electrical products and accessories. From March 1998 to July 2003, he was the executive director of Chastan Pte Ltd where he was responsible for the internal operations of the company.

### **Wilson Foo**

General Manager

General Manager of the Group since 2007, Wilson Foo is responsible for the overall management of the business, which includes overseeing and managing its day-to-day operations. He also assists the Executive Chairman and CEO in formulating marketing and sales strategies, conducting marketing activities to promote the Group's products, as well as sourcing for sales opportunities, and focuses mainly on generating sales for the Group. He first joined the Group in 1993 and left to be an Air Crew Specialist with the Republic of Singapore Air Force from February 1995 to March 1999. He re-joined the Group in March 1999 and worked his way up the ranks to branch assistant manager and branch manager before being promoted to his current role. Wilson Foo is the nephew of Thomas Lim and Rocky Lim.

### **Morland Fu**

Financial Controller

Morland Fu joined as our Group's Financial Controller in August 2014 and oversees the financial accounting and reporting functions, as well as develops and implements our Group's core processes, systems and internal controls. Prior to joining the Group, he was a senior manager at Deloitte & Touche LLP. He obtained a Bachelor's Degree in Financial Management from the Guangdong University of Foreign Studies in the PRC. He is a Non-Practicing Member of the Chinese Institute of Certified Public Accountants in the PRC, a member of the Association of Chartered Certified Accountants and a Chartered Accountant of Singapore of the Institute of Singapore Chartered Accountants.

### **Josephine Tay**

Administrative Manager

Josephine Tay joined the Group in April 1991 and is responsible for all aspects of human resource and administrative functions of our Group and also the handling of accounts. Prior to joining us, she was an administrative clerk at Nitto Trading Company from February 1990 to March 1991 where she was responsible for handling calls, providing quotations, and invoicing customers. Josephine Tay is the wife of Rocky Lim and sister of Andy Tay.

### **Andy Tay**

Purchasing Manager

Andy Tay joined the Group in July 1998 and was promoted up the ranks as retail sales assistance manager, head of project sales, project sales manager and export sales manager before taking on his current role as the Group's Purchasing Manager in 2009. He is responsible for the procurement of electrical products and accessories, as well as the development and implementation of purchasing strategies for the Group. He started out as an advertising sales executive at Info Ad Publishing Pte Ltd in 1995, following which he took on managerial roles at two other companies and was responsible for identifying and reaching out to new potential customers, responding to sales enquiries and providing solutions to clients' enquiries. Andy Tay is the brother-in-law of Rocky Lim and the brother of Josephine Tay.

# CORPORATE SOCIAL RESPONSIBILITY

At Choo Chiang, we are committed to conducting our business in a socially responsible manner to achieve long-term relationships with our stakeholders that are mutually sustainable.

## Commitment to our Employees

As at 31 December 2015, we have 138 employees at our head office and across our outlets across Singapore. We recognise that our employees are our most valuable resource, and it is therefore our priority to provide them with a conducive and safe working environment. While we continuously review and update our health and safety policies, we too will ensure that the protocols encompassing these standards are effectively communicated to our employees and closely followed.

Our employees' professional development is crucial to us. Not only do we provide equal training opportunities, we also encourage them to acquire new skills in order to constantly upgrade their proficiencies and enhance their job competencies. The end in mind is to develop our staff professionally and also to ensure that the services rendered to our customers are at a consistently high level.

## Commitment to the Community and Environment

We believe that it is everyone's responsibility to protect the environment they work and live in. Employees at Choo Chiang adopt environmentally-friendly practices, such as waste minimisation, recycling as well as simple energy and water conservation techniques. On a Group level, the social impact of business practices in the communities Choo Chiang operates in is constantly being reviewed.

## Whistle-Blowing Policy: Upholding Honesty, Integrity and Accountability

Good corporate governance is integral to any sound corporation. The Board and the management believe that an effective whistle-blowing arrangement will act as



a deterrent to malpractice and wrongdoing, encourage openness, promote transparency, underpin risk management systems and enhance business practice, thereby increasing the reputation of Choo Chiang and its management. Our whistle-blowing policy is to put in place an arrangement providing guidance on suspicion, reporting and investigation of fraudulent practices within the Group. At the same time, it provides a channel of communication to the employees of the Group to report fraudulent practices and to guide employees on actions to address their concerns on suspicious fraudulent activities.

Employees of the Group are encouraged to highlight any suspicion of fraudulent practices and inappropriate activities within the Group and bring them immediately to the attention of the Chairman of Audit Committee.

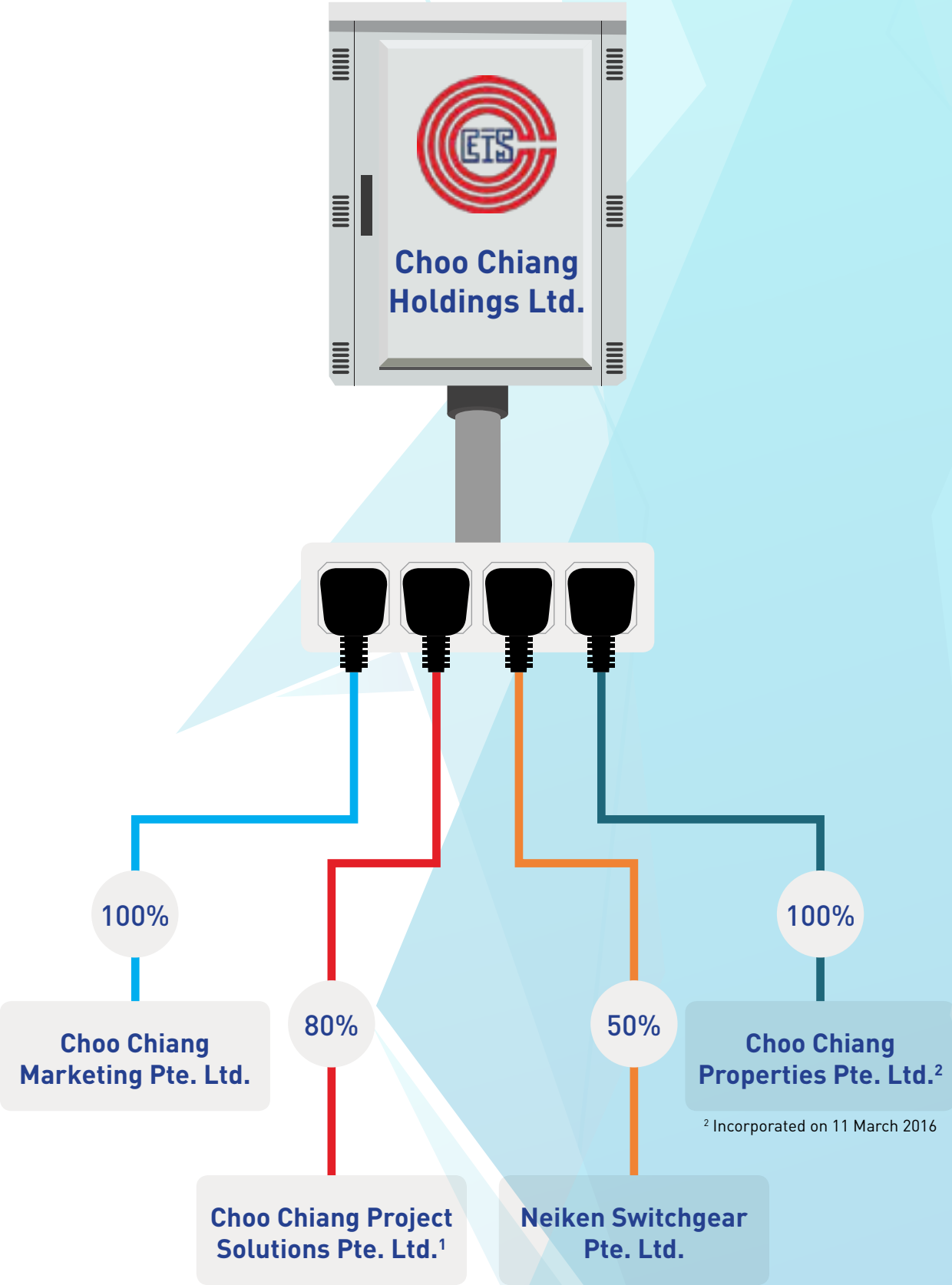
## Investor Relations

As a listed company, it is important to Choo Chiang that the investment community is provided with transparent, timely and accurate information. Our aim is to provide parity of information to all existing and potential investors as we keep them updated on the Group's performance and strategic initiatives to help them make sound investment decisions.

As part of our Investor Relations initiatives, our key corporate announcements, press releases and presentation slides are released on the website of the Singapore Exchange at [www.sgx.com](http://www.sgx.com) and on our corporate website at [www.ccm.sg](http://www.ccm.sg) simultaneously. We report our financial results on a half-yearly basis, and these are duly announced within the mandatory reporting period on both the above websites. We also maintain a dedicated investor relations section within our corporate website, where investors can easily access up-to-date information relating to Choo Chiang. In addition, investors can also sign up for an e-mail alert service which informs them whenever an announcement is posted on the website.



# GROUP STRUCTURE



<sup>1</sup> Incorporated on 20 October 2015

<sup>2</sup> Incorporated on 11 March 2016

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Thomas Lim Teck Chuan  
(Executive Chairman and CEO)

Rocky Lim Teck Seng  
(Executive Director)

Chin Chee Choon  
(Lead Independent Director)

Pebble Sia Huei-Chieh  
(Independent Director)

Lee Weilin  
(Independent Director)

## AUDIT COMMITTEE

Chin Chee Choon (Chairperson)

Pebble Sia Huei-Chieh

Lee Weilin

## NOMINATING COMMITTEE

Lee Weilin (Chairperson)

Thomas Lim Teck Chuan

Chin Chee Choon

Pebble Sia Huei-Chieh

## REMUNERATION COMMITTEE

Pebble Sia Huei-Chieh (Chairperson)

Chin Chee Choon

Lee Weilin

## COMPANY SECRETARIES

Yeoh Kar Choo Sharon, ACIS

Morland Fu Lin, CA

## SHARE REGISTRAR

**M & C Services Private Limited**

112 Robinson Road #05-01

Singapore 068902

## SPONSOR

**CIMB Bank Berhad, Singapore Branch**

50 Raffles Place #09-01

Singapore Land Tower

Singapore 048623

## AUDITOR

**Deloitte & Touche LLP**

6 Shenton Way

OUE Downtown 2 #33-00

Singapore 068809

Partner-in-charge: Jeremy Toh, a member of the Institute of Singapore Chartered Accountants (Appointed since reporting year ended 2014)

## REGISTERED OFFICE

10 Woodlands Loop

Singapore 738388

Website: [www.ccm.sg](http://www.ccm.sg)

T +65 6368 5922

F +65 6363 5922

## INVESTOR RELATIONS

Choo Chiang Holdings Ltd.

Email: [ir@ccm.sg](mailto:ir@ccm.sg)

# CORPORATE GOVERNANCE REPORT FY2015

The board of directors (the “**Board**”) and the management (the “**Management**”) of Choo Chiang Holdings Ltd. (the “**Company**”) are committed to achieving a high standard of corporate governance within the Company and its subsidiaries (the “**Group**”). Underlying this commitment is the belief that good corporate governance will help to enhance corporate performance and protect the interests of the Company’s shareholders (“**Shareholders**”).

This report describes the Company’s corporate governance processes and structures that were in place since the listing of the Company on the Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 29 July 2015 (“**Listing**”), with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 issued on 2 May 2012 (the “**Code**”).

The Board is pleased to confirm that the Company has generally adhered to the framework as outlined in the Code and deviations from any guideline of the Code are explained in this report.

## Principle 1: The Board’s Conduct of its Affairs

The Board is collectively responsible for the long-term success of the Group and is accountable to Shareholders. The functions of the Board include the following which are also part of the matters reserved for the Board’s approval:-

- a) deciding on strategic objectives, key business initiatives, major investments and funding matters;
- b) monitoring the performance of the Management and reviewing the financial performance of the Group;
- c) implementing effective risk management systems including safeguarding of Shareholders’ interest and the Company’s assets and ensuring the adequacy of the Group’s internal controls;
- d) approving nominations to the Board and appointments to the various Board committees;
- e) considering sustainability issues relating to the environmental, social and governance aspects of the Group’s business and strategy;
- f) providing oversight in the proper conduct of the Group’s business and assumes responsibility for corporate governance; and
- g) ensuring compliance with the Code, the Companies Act (Cap 50) of Singapore, the Company’s Constitution, the SGX-ST Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), accounting standards and other relevant statutes and regulations.

The Board meets at least twice in a year to approve, among others, announcements of the Group’s half-yearly and full year financial results. The Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad-hoc meetings are also convened as and when they are deemed necessary. As provided in the Company’s Constitution, the Board may convene telephonic and videoconferencing meetings.

Other matters specifically reserved for the Board’s approval are those involving material acquisitions and disposal of assets, corporate or financial restructuring, capital expenditure budgets, review of performance, share issuances, dividends to Shareholders and interested person transactions. Clear directions have been imposed on the Management that such matters must be approved by the Board.

All of the Company’s directors (“**Directors**”) objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. To facilitate effective management, the Board delegates certain functions to the various Board committees. The Board delegates such functions and authority to the Board committees without abdicating its responsibility. These committees which include the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) (each a “**Board Committee**”), operate within clearly defined terms of reference and functional procedures. Each of these committees reports its activities regularly to the Board.



The Company recognises the importance of appropriate training for its Directors. Directors are constantly kept abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through participation in seminars and workshops. The training of Directors will be arranged and funded by the Company. Please also refer to Principle 4 regarding the NC's plan for the Directors' training and professional development programmes.

The Board ensures that incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties. The Company will also provide training for first-time Directors. Each of the Directors, upon their appointment, has furnished a letter stating that they are aware and have been informed of their duties and obligations as Directors. A formal letter will be sent to newly appointed Directors upon their appointment explaining, among other things, their roles, duties and responsibilities as members of the Board. Since the Listing, there has not been any new Director appointed to the Board.

After the Listing and during FY2015, the following training has been provided to the Directors:

- a) briefing by the Company's external auditors, Deloitte & Touche LLP ("**Deloitte**"), on the key developments in financial reporting and governance standards at the half-yearly review meetings; and
- b) briefing by the Company's Chief Executive Officer ("**CEO**") at each Board meeting on business and strategic developments of the Group.

The number of Board and Board Committee meetings held after the Listing and during FY2015 and the attendance of each Director are set out below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held <sup>(1)</sup>	No. of Meetings Attended	No. of Meetings Held <sup>(1)</sup>	No. of Meetings Attended	No. of Meetings Held <sup>(1)</sup>	No. of Meetings Attended	No. of Meetings Held <sup>(1)</sup>	No. of Meetings Attended
Mr Lim Teck Chuan (" <b>Thomas Lim</b> ")	2	2	1	1 <sup>(2)</sup>	1	1	1	1 <sup>(2)</sup>
Mr Lim Teck Seng (" <b>Rocky Lim</b> ")	2	1	1	1 <sup>(2)</sup>	1	1 <sup>(2)</sup>	1	1 <sup>(2)</sup>
Mr Chin Chee Choon	2	2	1	1	1	1	1	1
Ms Lee Weilin	2	2	1	1	1	1	1	1
Ms Pebble Sia Huei-Chieh (" <b>Pebble Sia</b> ")	2	2	1	1	1	1	1	1

<sup>(1)</sup> Represents the number of meetings held as applicable to each individual Director.

<sup>(2)</sup> Attendance at meetings that were held on a "By Invitation" basis.

## Principle 2: Board Composition and Balance

The Board currently comprises five (5) Directors, three (3) of whom are independent and non-executive Directors (the "**Independent Directors**") making up more than half of the Board, and two (2) are executive Directors (the "**Executive Directors**").

	Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
1	Mr Thomas Lim	Executive Chairman and CEO	-	Member	-
2	Mr Rocky Lim	Executive Director	-	-	-
3	Mr Chin Chee Choon	Lead Independent Director	Chairperson	Member	Member
4	Ms Lee Weilin	Independent Director	Member	Chairperson	Member
5	Ms Pebble Sia	Independent Director	Member	Member	Chairperson

# CORPORATE GOVERNANCE REPORT FY2015

The NC has reviewed and is satisfied that the current composition and board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations. The three (3) Independent Directors, who make up more than half of the Board, provide the Board with independent and objective judgment on corporate affairs of the Company.

As set out under the Code, an independent director is one who has no relationship with the Company, its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment with a view to the best interests of the Company. The NC deliberates annually to determine the independence of a Director bearing in mind the salient factors as set out under the Code as well as all other relevant circumstances and facts. Each of the Independent Directors has confirmed that he/she considers himself or herself as independent having regard to the factors set out under the Code and the NC has reviewed, determined and confirmed the independence of all the Independent Directors.

None of the Independent Directors has served on the Board beyond nine (9) years from the date of first appointment.

The Board with the assistance of the NC is proactive in seeking to maintain an appropriate balance of expertise, skills and attributes among the Directors, and this is reflected in the diversity of backgrounds and the competency of each of the Directors. Such competency includes accounting, legal, relevant industry knowledge, entrepreneurial and management experience, familiarity with relevant regulatory requirements and risk management. This diversity and competency allows the Management to tap on the broad range of views and perspective and the breadth of experience of the Directors.

The NC has also reviewed the Board's performance as a whole and was satisfied that members of the Board possess the relevant core competencies in areas of accounting and finance, business and management experience, and strategic planning. In particular, the non-executive Directors, who are mostly professionals in their selected fields, are able to take a broader view of the Group's activities, contribute their valuable experience and provide independent judgment during the Board's deliberation on Group's matters. During the year, the non-executive Directors communicated among themselves without the presence of the Management as and when the occasions warrant. The Company also coordinates informal sessions for non-executive Directors to meet on a need-basis without the presence of the Management.

## **Principle 3: Role of Chairman and CEO**

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

The Board has not adopted the recommendation of the Code to have separate Directors appointed as the Chairman and CEO. This is because the Board is of the view that it is not necessary to separate roles of the Chairman and the CEO after taking into consideration the size, scope and the nature of the operations of the Group. Mr Thomas Lim, the Company's Executive Chairman and CEO, is the founder of the Group and has played an instrumental role in developing the Group's business since its establishment. He has considerable industry experience and a wide business network and has also provided the Group with strong leadership and vision. The Board is of the view that it is in the interest of the Group to adopt a single leadership structure.

Mr Thomas Lim, as the Executive Chairman of the Board, leads the Board to ensure its effectiveness on all aspects of its role and set the agenda for the Board meetings, in particular strategic issues. The Executive Chairman also sets guidelines on and ensures quality, completeness, adequacy and timeliness of information between the Board and the Management, facilitates the effective contribution of the non-executive Directors, and builds constructive relations within the Board and between the Board and the Management. The Executive Chairman ensures effective communication between the Board and Shareholders and promotes high standards of corporate governance.

The Board has also appointed Mr Chin Chee Choon as the Lead Independent Director to co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on board issues between the Independent Directors and the Executive Chairman. He is available to any Shareholders who may have concerns, where contact through the normal channels via the Executive Chairman and CEO, and/or the Company's Financial Controller (the "FC") has failed to provide satisfactory resolution, or where such contact is inappropriate.

All the Board committees are chaired by Independent Directors and more than half of the Board consists of Independent Directors. The Board is of the view there are sufficient safeguards and checks in place to ensure that the process of decision-making by the Directors is independent and based on collective decision-making without the Executive Chairman and CEO being able to exercise considerable power or influence.

#### **Principle 4: Board Membership**

The NC consists of three (3) Independent Directors (including the Lead Independent Director) and one (1) Executive Director. The majority of the members of the NC, including the NC Chairperson, is independent.

Ms Lee Weilin - Chairperson  
Mr Chin Chee Choon - Member  
Ms Pebble Sia - Member  
Mr Thomas Lim - Member

The key terms of reference of the NC include:

- a) evaluate and review nominations for appointment and re-appointment to the Board and the various committees;
- b) nominate a director for re-election at the Company's annual general meeting ("AGM"), having regard to the Director's contribution and performance;
- c) review and approve all promotions of Executive Officers;
- d) determine annually and as and when circumstances require if a Director is independent;
- e) recommend to the Board the process for the evaluation of the performance of the Board, the Board committees, individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director, annual assessment of the effectiveness of the Board;
- f) decide whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company;
- g) review and make recommendations to the Board on relevant matters relating to the succession plans of the Board in particular, the Chairman and CEO; and
- h) review the training and professional development programmes for the Board.

The NC makes recommendations to the Board on relevant matters relating to Board including succession planning; all board appointments/re-appointments of Directors, taking into consideration composition of the Board and progressive renewal of the Board; how the Director fits into the overall competency matrix of the Board as well as the Director's contribution and performance at Board meetings, including attendance, preparedness and participation; training and professional development programmes for the Board.

The Company has an open policy for professional training for all the Board members, including Executive Directors and Independent Directors. The Company endorses the Singapore Institute of Directors ("SID") training programmes and sets a budget for such training and professional development programmes. All Board members are encouraged to attend any relevant training organised by the SID or any other organisation which provides relevant training courses for Directors. The cost of such training will be borne by the Company.

# CORPORATE GOVERNANCE REPORT FY2015

The NC has in place formal, written procedures for making recommendations to the Board on the selection and appointment of Directors. Such procedures would be activated when a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board.

In identifying suitable candidates, the NC may:

- a) advertise or use services of external advisers to facilitate a search;
- b) approach alternative sources such as the SID; or
- c) consider candidates from a wide range of backgrounds from internal or external sources.

After short listing the candidates, the NC shall:

- a) consider and interview all candidates on merit against objective criteria, taking into consideration that appointees have enough time available to devote to the position; and
- b) evaluate and agree on a preferred candidate for recommendation to and appointment by the Board.

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually based on Guideline 2.3 of the Code's definition of what constitutes the independence of the Independent Directors. The NC has affirmed that Mr Chin Chee Choon, Ms Pebble Sia and Ms Lee Weilin are independent. None of the Independent Directors has served on the Board beyond nine years from their respective date of appointment.

Pursuant to Regulation 114 of the Company's Constitution, at least one-third of the Directors shall retire from office at the AGM. Accordingly, Mr Rocky Lim and Mr Chin Chee Choon will retire at the forthcoming AGM. Mr Rocky Lim is the brother of Mr Thomas Lim, the Company's Executive Chairman and CEO. The NC has recommended to the Board that the retiring Directors be nominated for re-election. In recommending the above Directors for re-appointment, the NC has given regard to the results of the Board's assessment in respect of their competencies in fulfilling their responsibilities as Directors to the Board. The NC has also reviewed the independence of Mr Chin Chee Choon. In assessing his independence, the NC having considered the guidelines set out in the Code, is of the view that Mr Chin Chee Choon is independent and there are no relationships identified in the Code which would deem Mr Chin as not independent. Mr Chin Chee Choon has also declared that he is independent.

All Directors are required to declare their board appointments. The NC has reviewed and is satisfied that notwithstanding their multiple board appointments, Mr Chin Chee Choon and Ms Pebble Sia who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Director of the Company.

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has discussed and agreed not to fix a maximum number of board representations but to take a holistic approach that, if the Directors do take up directorship in other listed companies, they will be able to adequately carrying their duties as Directors. Where necessary, the NC will make its assessment at the relevant time. The Board had accepted the NC's recommendation.

The key information on the Directors is set out below:

Name	Appointment	Date of Appointment / Last Re-election	Directorships in other listed companies	
			Present	For the past three years up to 31 December 2015
Mr Thomas Lim <sup>(1)</sup>	Executive Chairman and CEO	5 September 2014/ 29 June 2015	Nil	Nil
Mr Rocky Lim <sup>(1)</sup>	Executive Director	5 September 2014/-	Nil	Nil
Mr Chin Chee Choon	Lead Independent Director	25 June 2015/ 29 June 2015	Versalink Holdings Limited	Nil
Ms Lee Weilin	Independent Director	25 June 2015/ 29 June 2015	Nil	Nil
Ms Pebble Sia	Independent Director	25 June 2015/ 29 June 2015	GDS Global Limited	Nil

**Note:**

(1) Mr Thomas Lim and Mr Rocky Lim are brothers.

Please also refer to pages 14 to 15 of this annual report for information on the working experience and academic and professional qualifications of the Directors.

Each member of the NC abstains from voting on any resolutions and making any recommendation and or participating in discussion on matters in which he is interested.

Currently, the Company does not have any alternate Director on the Board.

**Principle 5: Board Performance**

A review of the Board's performance is conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole. Each Board member will be required to complete an appraisal form to be returned to the NC Chairperson for evaluation. Based on the evaluation results, the NC Chairperson will present her recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance.

The NC will at the relevant time undertake the annual assessment of the contribution of each individual Director to the effectiveness of the Board and also the assessment of Board committees based on the adopted guidelines.

The Board has not engaged any external facilitator in conducting the assessment of Board performance. Where relevant, the NC will consider such engagement.

For FY2015, the NC, in assessing the contribution of each Director, had considered each Director's attendance and participation at Board and Board Committee meetings, his/her qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including the Management's access to the Directors for guidance or exchange of views as and when necessary. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered.

The NC has assessed the current Board and Board Committees' performance to-date, as well as the performance of each individual Director, and is of the view that the performance of the Board as a whole and each individual Director has been satisfactory.

# CORPORATE GOVERNANCE REPORT FY2015

## **Principle 6: Access to Information**

The Board is provided with adequate information by the Management in a timely manner and prior to Board meetings on matters to be deliberated. This facilitates an informed decision-making process to enable the Directors to discharge their duties and responsibilities. Directors are also updated on initiatives and developments on the Group's business whenever possible on an on-going basis. All Directors are entitled to be provided with any additional information as needed to make informed decisions. In this connection, the Directors have separate and unrestricted access to the Management who shall provide such information in a timely manner. Where necessary, Directors, whether as a group or individually, can seek independent professional advice at the Company's expense for the discharge of their duties.

The Directors also have separate and independent access to the Company Secretaries. The Company Secretaries are required to attend all Board and Board Committee meetings and ensures that Board procedures are followed and the applicable rules and regulations are complied with.

Under the direction of the Chairman, the Company Secretaries' responsibilities include ensuring good information flows with the Board and its Board committees and between the Management and Independent Directors, advising the Board on all governance matters as well as facilitating orientation and assisting with professional development as required.

The appointment and the removal of the Company Secretaries are subject to the approval of the Board.

Where the Directors, whether individually or collectively, require independent professional advice in furtherance of their duties, the Chairman of the Board and the Company Secretaries will assist him/ them to appoint an independent professional adviser, if necessary, to render the professional advice and to keep the Board informed of the advice. The cost of such professional advice will be borne by the Company.

## **Principle 7: Procedures for Developing Remuneration Policies**

### **Principle 8: Level and Mix of Remuneration**

### **Principle 9: Disclosure on Remuneration**

The RC consists of three (3) members, all of whom including the RC Chairperson, are independent:

Ms Pebble Sia - Chairperson  
Mr Chin Chee Choon - Member  
Ms Lee Weilin - Member

According to its terms of reference, the responsibilities of the RC include the following:-

- a) make recommendations to the Board on a framework of remuneration for the Board and key management personnel of the Group and the specific remuneration packages for each Director (executive and independent) as well as for the key management personnel;
- b) review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous;
- c) consider whether Directors, the CEO and key management personnel should be eligible for benefits under share schemes and such other long-term incentive schemes as may from time to time be implemented; and
- d) consider the remuneration disclosure requirements for Directors and the top five key management personnel as required by the Code.

As part of its review, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Company's relative performance and the performance of individual Directors and key management personnel. Executive Directors are paid a basic salary and a performance-related bonus that are linked to the performance of the Company. Key management personnel are paid basic salary and performance bonus.

The RC does consider long-term incentive scheme for the Executive Directors and key management personnel. In this connection, the RC shall at the relevant time look into granting of share awards under the Choo Chiang Performance Share Plan which was adopted by the Company before the Listing. The performance-related element of the Executive Directors' remuneration is designed to align their interests with the interests of Shareholders and promote the long-term success of the Company.

The RC ensures that the remuneration of the Independent Directors are appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Independent Directors receive a basic fee for their services. The RC also ensures that the Independent Directors should not be over-compensated to the extent that their independence may be compromised. No Director is involved in deciding his or her own remuneration package.

All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of Shareholders at AGMs. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel. During FY2015, the RC did not engage any remuneration consultant.

The Company has entered into separate service agreements (the "**Service Agreements**") with each of Mr Thomas Lim and Mr Rocky Lim who are the Executive Directors, for a period of two (2) years from the date of Listing. Thereafter, the RC shall review the renewal of the Service Agreements (unless otherwise terminated by either party giving not less than six (6) months' prior written notice to the other).

Pursuant to their respective Service Agreements, Mr Thomas Lim and Mr Rocky Lim are entitled to a monthly salary and an annual wage supplement. They are also entitled to an annual performance bonus in respect of each financial year, which is calculated based on the Group's consolidated net profit before tax and exceptional items before taking into account the annual performance bonus ("**NPBT**"). The Service Agreements provide *inter alia* that in the event that the Group achieves NPBT of between S\$8 million and S\$12 million, Mr Thomas Lim will be entitled to 5% of the amount of the NPBT in excess of S\$8 million subject to a cap of S\$200,000 and Mr Rocky Lim will be entitled to 1% of the amount of the NPBT in excess of S\$8 million subject to a cap of S\$40,000. Please refer to the offer document dated 15 July 2015 issued in connection with the Listing ("**Offer Document**") for details. Under the Service Agreements, the salary, annual wage supplement and annual performance bonus shall be subject to annual review by the RC to be approved by the Board. In respect of FY2015, Mr Thomas Lim and Mr Rocky Lim were not entitled to any performance bonus.

Guideline 9.2 of the Code recommends that companies fully disclose the remuneration of each individual director and the CEO on a named basis. The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the Directors' remuneration due to competitiveness in the industry for talent. As such, the Board has deviated from complying with the relevant guideline of the Code and has provided below a breakdown, showing the level and mix of for each Director and the CEO in bands of S\$250,000 for FY2015:-

# CORPORATE GOVERNANCE REPORT FY2015

Remuneration Band and Name of Director	Salary %	Bonus / Profit Sharing %	Fees %	Benefits in Kind %	Total %
<b>Up to S\$250,000</b>					
Mr Chin Chee Choon <sup>(1)</sup>	-	-	100	-	100
Ms Lee Weilin <sup>(1)</sup>	-	-	100	-	100
Ms Pebble Sia <sup>(1)</sup>	-	-	100	-	100
<b>S\$250,001 to S\$500,000</b>					
Mr Rocky Lim <sup>(2)</sup>	89	7	-	4	100
<b>S\$750,000 to S\$1,000,000</b>					
Mr Thomas Lim <sup>(2)</sup>	90	7	-	3	100

## Notes:

<sup>(1)</sup> Mr Chin Chee Choon, Ms Lee Weilin and Ms Pebble Sia who are the Independent Directors were appointed on 25 June 2015. The table above reflects the actual remuneration comprising directors' fees for the period that each of them had served as a Director during FY2015.

<sup>(2)</sup> Mr Rocky Lim and Mr Thomas Lim who are the Executive Directors had entered into the Service Agreements which took effect from 29 July 2015 (being the date of the Listing). The table above reflects the actual remuneration paid to each of them prior to the Listing and the actual remuneration paid or payable to each of them in accordance with the terms of the Service Agreement thereafter (including the profit sharing incentive bonus if any).

Guideline 9.3 of the Code recommends that companies should name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S\$250,000. In addition, the companies should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of the said top five key management personnel.

The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the remuneration of key management personnel due to competitiveness in the industry for talent. As such, the Board has deviated from complying with the relevant guideline of the Code. A breakdown, showing the level and mix of each of the top five management personnel's remuneration (who are not Directors or the CEO) in bands of S\$250,000 for FY2015 is set out below:-

Remuneration Band and Name of Executive	Salary %	Bonus / Profit Sharing %	Fees %	Benefits in Kind %	Total %
<b>Up to S\$250,000</b>					
Mr Boo Chong Meng	80	20	-	-	100
Mr Wilson Foo <sup>(1)</sup>	76	19	-	5	100
Mr Morland Fu	80	20	-	-	100
Ms Josephine Tay <sup>(2)</sup>	80	20	-	-	100
Mr Andy Tay <sup>(3)</sup>	75	19	-	6	100
Aggregate of total remuneration paid or payable to the top five (5) management personnel who are not Directors or CEO)					S\$830,000

<sup>(1)</sup> Mr Wilson Foo is the nephew of Mr Thomas Lim and Mr Rocky Lim.

<sup>(2)</sup> Ms Josephine Tay is the spouse of Mr Rocky Lim and the sister of Mr Andy Tay. Ms Josephine Tay's annual remuneration for FY2015 was between S\$150,000 and S\$200,000.

<sup>(3)</sup> Mr Andy Tay is the brother of Ms Josephine Tay and brother-in-law of Mr Rocky Lim.

Save as disclosed above, the Group does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S\$50,000 for FY2015. "Immediate family member" means the spouse, child, adopted child, step-child, sibling and parent (as defined in the Catalist Rules).



Further information on Directors and the key management personnel is on pages 14 to 17 of this annual report.

The Company believes in aligning its level and structure of remuneration with the interest of Shareholders to promote the long term success of the Company. To initiate this, the Choo Chiang Performance Share Plan (“PSP”) has been adopted before the Listing to link rewards to eligible employees. Employees who are eligible to participate in the PSP include Executive Directors, Independent Directors, key management personnel and other employees of the Group. Controlling Shareholders and their associates shall be eligible to participate in the PSP provided that (a) the participation of, and (b) the terms of each grant and the actual number of awards granted to, such persons are approved by the independent Shareholders in separate resolutions for each such person.

The aggregate number of ordinary shares in the issued share capital of the Company over which the RC may grant on any date, when added to the number of ordinary shares issued and issuable in respect of all shares granted under the PSP and any other share schemes to be implemented by the Company shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) on the day preceding that date.

The PSP is administered by the RC comprising Ms Pebble Sia (Chairperson), Mr Chin Chee Choon and Ms Lee Weilin. Since its commencement till the date hereof, no award has been granted under the PSP. Accordingly, none of the Directors, controlling Shareholders or their associates has been awarded any shares under the PSP and none of the participants was granted 5% or more of the total number of shares available under the PSP. The participants of the PSP do not include any directors or employees of any parent company and its subsidiaries.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Board believes that the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

## **Accountability and Audit**

### **Principle 10: Accountability**

### **Principle 11: Risk Management and Internal Controls**

The Board is accountable to Shareholders and ensures that all material information is fully disclosed in a comprehensive, accurate and timely manner to Shareholders in compliance with statutory and regulatory requirements. The Board strives to provide Shareholders a balanced and understandable assessment of the Group’s performance, position and prospects.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Catalist Rules; and where appropriate, will request for the establishment of written policies, in consultation with the Management, for any particular matter that is deemed to be essential to form part of management control.

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. The Management provides the Board with continual flow of relevant information on a timely basis and as requested by the Board time to time in order that the Board may effectively discharge its duties. All Board members are provided with up-to-date financial information (including monthly management accounts, together with such explanation and information, and half-yearly and yearly financial reports) and other information on the Group’s performance for effective monitoring and decision making.

# CORPORATE GOVERNANCE REPORT FY2015

The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board, assisted by the AC, reviews annually and ensures that a sound system of risk management and internal controls is maintained by the Group to safeguard Shareholders' interests and the Group's assets and determines the nature and extent of the significant risks which the Group is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Company's level of risk tolerance and risk policies.

The Board has engaged the services of an independent accounting and auditing firm, Mazars LLP, as its internal auditors in respect of internal audit services, under which the internal controls of the Group addressing financial, operational, compliance risks and information technology controls are regularly being reviewed and recommendations made to improve the internal controls.

The Management regularly reviews the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and AC for further discussions.

The Board and the AC also work with the internal auditors, external auditors and the Management on their recommendations to institute and execute relevant controls with a view to enhance the Group's risk management system. With assistance from the internal auditors, key risk areas which have been identified are analysed, monitored and reported.

The Board notes that no cost effective system of internal controls and risk management systems could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. The Board also believes its responsibility of overseeing the Company's risk management framework and policies are well supported.

For FY2015, the Board and the AC have received assurance from the CEO and the FC that: (a) the financial records have been properly maintained and the Group's financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are adequate and effective.

In view of the above and based on the internal controls established and maintained by the Group, work performed by the internal auditors, external auditors, and reviews performed by the Management, various Board Committees and the Board, the Board with the concurrence of the AC, is of the view that the Group's internal controls and risk management systems, addressing financial, operational, compliance and information technology controls and risk management system, put in place during FY2015 are adequate and effective.

The Board did not establish a separate Board risk committee as the Board is currently assisted by the AC, internal auditors and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

## Audit Committee

### Principle 12: Audit Committee

The AC comprises three (3) members, all of whom including the AC Chairperson, are independent and non-executive directors:

Mr Chin Chee Choon- Chairperson

Ms Pebble Sia - Member

Ms Lee Weilin - Member

The key written terms of reference of the AC, which is approved by the Board, are as follows:-

- a) review the audit plans of the Company's external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls;
- b) review the external auditors' reports;
- c) review with independent internal auditors the findings of their review report, internal control process and procedures, and make recommendations on the internal control process and procedures to be adopted by the Group;
- d) review the recommendations of the external and internal auditors and monitor the implementation of recommendations such as an automated inventory and information system;
- e) review the co-operation given by the Directors and the Management to the external auditors and internal auditors;
- f) review the financial statements of the Company and the Group, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, and concerns and issues arising from the audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before their submission to the Board for approval;
- g) commission and review the findings of internal investigation of any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- h) making recommendations to the Board on the appointment, reappointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;
- i) review the key financial risk areas, with a view to providing independent oversight on the Group's financial reporting, with the outcome of such review to be disclosed in the annual reports or, if the findings are material, to be immediately announced via SGXNET;
- j) review and recommend to the Board the types of risks or risk appetite the Company undertakes to achieve its business strategies. Oversee the risk management framework, policies and resources to manage and report risks within the Company's risk appetite;
- k) review, either internally or with the assistance of any third parties, and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance, risk management policies and information technology controls;

# CORPORATE GOVERNANCE REPORT FY2015

- l) recommend to the Board on the opinion and disclosure in the annual report on the adequacy and effectiveness of the Company's risk management and internal controls systems in accordance with the Catalist Rules and the Code;
- m) review interested person transactions, falling within the scope of Chapter 9 of the Catalist Rules, if any, and connected person transactions;
- n) review transactions falling within the scope of Chapter 10 of the Catalist Rules, if any;
- o) review any potential conflicts of interest and set framework to resolve or mitigate any potential conflict of interest;
- p) review and approve relevant policies and procedures implemented by the Group and conduct periodic review of such policies and procedures;
- q) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- r) review arrangements by which the Group's staff may, in confidence, raise concerns about improprieties in matters of financial reporting and to ensure those arrangements are in place for independent investigations of such matter and for appropriate follow-up; and
- s) undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

The AC meets on a half-yearly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance.

The AC reviews the adequacy and effectiveness of the internal control systems including financial, operational, compliance and information technology controls annually and reports to the Board accordingly at least on a yearly basis.

The AC meets with the internal auditors and the external auditors, in each case, without the presence of the Management, at least annually. Matters to discuss include the reasonableness of the financial reporting process, the internal control process, the adequacy of resources, audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors and any matters that may be raised.

The AC also reviews the independence and objectivity of the external auditors annually. The aggregate amount of fees paid or payable to the Company's auditors, Deloitte, for FY2015 is as below.

	<b>S\$'000</b>
Audit fees	80
Non-audit fees (as reporting accountants in the Offer Document)	180
Total	260

The AC will review the scope and value of any non-audit services, which may be provided to the Group by the external auditors and should be satisfied that the nature and extent of any such services will not prejudice the independence and objectivity of the external auditors. For FY2015, Deloitte rendered non-audit services to the Group as reporting accountants in the Offer Document. Having undertaken a review of the non-audit services provided during the financial year, the AC is satisfied with the independence and objectivity of Deloitte and has recommended to the Board the nomination of Deloitte for re-appointment as auditors of the Company at the forthcoming AGM.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to the Management and full discretion to invite any Director or key management personnel or any Executive Officer to attend its meetings. The AC is reasonably resourced to enable it to discharge its functions properly. During FY2015, the AC has received full co-operation from the Management and the Group's officers in the course of it carrying out its duties. It is also satisfied with the adequacy of the scope and quality of the external audits being conducted by Deloitte.

The Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors. The Company and all its subsidiaries are incorporated in Singapore and in respect of FY2015 they have been audited by Deloitte for consolidation purposes. Deloitte is registered with the Accounting and Corporate Regulatory Authority of Singapore.

Mr Chin Chee Choon, the AC Chairperson is a practicing Chartered Accountant in Singapore for many years and is competent to lead the AC and keep its members abreast of changes to accounting standards and issues which have a direct impact on financial statements. In addition, the AC is also assisted by Deloitte for updates on any changes to relevant standards and regulations (e.g. accounting standards, SGX-ST listing rules, etc.), which could have an impact on the Group's business and financial statements.

The Company has adopted a Whistle-Blowing Policy, which has been made available to all employees of the Group, to provide a channel for the Group's employees to report in good faith and in confidence their concerns about possible improprieties in the matter of financial reporting or in other matters. The Whistle-Blowing Policy provides for procedures to validate concerns and for investigation to be carried out independently. For FY2015, there were no reported incidents pertaining to whistle blowing.

### **Principle 13: Internal Audit**

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard Shareholders' investments and the Company's assets. Rule 719(1) of the Catalist Rules requires an issuer to have a robust and effective system of internal controls, addressing financial, operational and compliance risks. Effective internal controls not only refer to financial controls but include, among others, business risk assessment, operational and compliance controls. On an annual basis, the AC reviews the internal audit program and function to ensure the adequacy and effectiveness of the Group's internal audit function as well as to align it to the changing needs and risk profile of the Group's activities.

The internal audit function of the Group is outsourced to independent third party internal auditors. The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The Group currently engages Mazars LLP as its internal auditors, who perform their work in accordance with the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors. The internal auditors report primarily to the Chairperson of the AC and have full access to the documents, records properties and personnel including access to the AC.

The internal auditors' annual internal audit plan is reviewed and approved by the AC and the results of the internal audit findings are submitted to the AC for its review. The internal auditors conduct annual reviews in accordance with their audit plans, to evaluate the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls, and risk management. Any material internal control weaknesses and risks identified during the internal audit process are reported to the AC. The internal auditors' recommendations to address internal control weaknesses are presented to the AC and Board. The AC, together with the Board reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditors in this respect. The Board and the AC are of the view that the internal audit is adequately resourced and has the appropriate standing within the Group.

Based on the internal auditors' report submitted by the internal auditors and the various controls put in place by the Management and the review and work performed by the internal and external auditors, Management and the various Board committees, the Board, with the concurrence of the AC, is of the view that there are adequate and effective internal controls.

# CORPORATE GOVERNANCE REPORT FY2015

The AC is satisfied that the internal auditors has adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience.

## **Principle 14: Shareholders' Rights**

### **Principle 15: Communication with Shareholders**

The Company treats all Shareholders fairly and equitably and respects Shareholders' rights. The Company continually reviews and updates governance arrangements with regard to Shareholders' rights.

Relevant information pertaining to the Group, such as changes in the Company or its business which may affect the share price or value of the Company is disseminated in a comprehensive, accurate and timely manner to Shareholders through public announcements via SGXNET or through circulars to Shareholders and the annual reports.

The Company does not practice selective disclosure. The Company avoids boilerplate disclosures and provides detailed and forthcoming disclosure in its announcements to the SGX-ST. Such announcements are also available on the Company's website.

The Company has an internal investor relations function to facilitate the communication with all stakeholders (Shareholders, analysts and media) on a regular basis, to attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance. To enable Shareholders to contact the Company easily, the contact details of the investor relations function are set out in the contents page of this annual report as well as on the Company's website. The Company has procedures in place with regard to responding to investors' queries.

Shareholders are encouraged to participate during the general meetings.

The Company does not have a fixed dividend policy. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- (i) the level of the Group's cash and retained earnings;
- (ii) the Group's actual and projected financial performance;
- (iii) the Group's projected levels of capital expenditure and other investment plans;
- (iv) the Group's working capital requirements and general financing condition;
- (v) the Group's restrictions on payment of dividends imposed on the Group by the Group's financial arrangements (if any); and
- (vi) the general economic and business conditions in countries in which the Group may operate in the future.

The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may declare an interim dividend without the approval of Shareholders.

Subject to the above and as disclosed in the Offer Document, the Board intends to recommend and distribute dividends of not less than 30% of the Group's consolidated net profits attributable to Shareholders in respect of each of FY2015 and the financial year ending 31 December 2016. Please refer to the Offer Document for details.

Whilst there is no limit imposed on the number of proxy votes for relevant intermediaries as defined under Section 181 of the Companies Act, the Constitution of the Company allow each Shareholder to appoint up to two proxies to attend AGMs.

## **Principle 16: Conduct of Shareholder Meetings**

All Shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNET and published in the newspapers within the same period.

All registered Shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring Shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meeting to all Shareholders. Separate resolutions are proposed for substantially separate issues at the meeting.

The Constitution of the Company allows members of the Company who are not relevant intermediaries to appoint not more than two proxies to attend and vote on their behalf. As the authentication of Shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors including Chairman of the Board and the respective Chairpersons of the AC, RC and RC, the Management, and the external auditors are in attendance at general meetings to address any queries of Shareholders.

The Company with the help of the Company Secretaries prepares minutes of general meetings that include substantial and relevant comments relating to the agenda of the meetings and responses from the Board and Management and such minutes, where relevant will be made available to Shareholders upon their request.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings.

## **Dealing in Securities**

The Group has adopted an internal compliance code to provide guidance to its Directors and officers of the Group with regard to dealings in the Company's securities. The code prohibits dealing in the Company's securities by all Directors and relevant officers of the Group while in possession of unpublished price-sensitive information and requires all Directors and relevant officers to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods. Directors and relevant officers are discouraged from dealing in the Company's securities on short-term considerations and are prohibited from dealing in securities during the one month period before the announcement of the Company's half-year and full year financial results. The Board will be kept informed when a Director trades in the Company's securities. The Directors and the Group's relevant officers are also required to adhere to the provisions of the Securities and Futures Act, the Companies Act, the Catalist Rules and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In view of the processes in place, in the opinion of the Directors, the Company has complied with Rule 1204(19) of the Catalist Rules on dealings in securities.

## **Material Contracts**

Save for the material contracts previously disclosed in the Offer Document and as summarised below, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling Shareholder either still subsisting as at 31 December 2015 or if not then subsisting, entered into since the end of the previous financial year.

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The following is a summary of the contracts previously disclosed in the Offer Document:

## **(i) Personal guarantees provided by Mr Thomas Lim and Mr Rocky Lim**

As disclosed from pages 105 to 106 of the Offer Document, as at 16 June 2015 (being the latest practicable date prior to the lodgment of the Offer Document with the SGX-ST), Mr Thomas Lim and Mr Rocky Lim had provided personal guarantees to Far Eastern Bank Limited ("**FEB**"), United Overseas Bank Limited ("**UOB**"), Hong Leong Finance Limited ("**Hong Leong**") and the Housing & Development Board ("**HDB**") in order that the Group may secure banking facilities, finance leases and lease agreements (as the case may be). Mr Thomas Lim and Mr Rocky Lim did not receive any benefit in kind, commission or interest from the Group for providing these personal guarantees.

In accordance with the intentions as previously disclosed in the Offer Document, in relation to the Group's banking facilities with FEB and UOB, Mr Thomas Lim and Mr Rocky Lim had obtained a release and discharge of their personal guarantees (which were replaced with corporate guarantees by the Company) during FY2015.

As at 31 December 2015 (being the end of the financial year reported on) and as at the date hereof, the personal guarantees provided by Mr Thomas Lim and Mr Rocky Lim in relation to the Group's finance leases granted by Hong Leong and the Group's leases with HDB remained in effect.

## **(ii) Call option granted by Mr Thomas Lim**

CCM Ventures Pte. Ltd. ("**CCM Ventures**") owns 100% of the issued and paid-up share capital of CCM Australia Pty Ltd ("**CCM Australia**"). The Company's Executive Chairman and CEO, Mr Thomas Lim owns an interest of 65.3% in CCM Ventures and is also the sole director of CCM Ventures and a director of CCM Australia. Accordingly, CCM Australia is an associate of Mr Thomas Lim.

As disclosed from pages 106 to 107 of the Offer Document, the Company, CCM Ventures and Mr Thomas Lim entered into a call option agreement on 26 June 2015 ("**TL Call Option Agreement**") pursuant to which Mr Thomas Lim granted the Company a call option to acquire all the shares that he may from time to time hold in CCM Ventures ("**TL Call Option**").

The Company may exercise the TL Call Option at any time, subject to Chapter 9 of the Catalist Rules. The exercise price shall be the fair market value of the shares of CCM Ventures prevailing as of the exercise date as determined by an independent appraiser to be jointly appointed by the Company and Mr Thomas Lim. The decision on the exercise of the TL Call Option will rest with the Independent Directors with the concurrence of the AC.

## **(iii) Call option granted by CCM Australia**

As disclosed on page 108 of the Offer Document, the Company and CCM Australia entered into a call option agreement on 26 June 2015 pursuant to which CCM Australia granted the Company a call option to purchase from CCM Australia the trademark that is used by CCM Australia ("**Australian TM**") in Australia ("**Australian TM Call Option**"). The Company may exercise the Australian TM Call Option to require CCM Australia to sell, transfer and assign the Australian TM and all rights and interests thereto to the Company or any of its subsidiaries for an aggregate purchase consideration equivalent to the registration costs incurred by CCM Australia for the registration of such trademark in Australia.

The Australian TM Call Option may be exercised by the Company at any time, subject to Chapter 9 of the Catalist Rules, during the 6-month period commencing immediately after Mr Thomas Lim and his associates cease to collectively hold a majority interest (direct or indirect) in the shares of CCM Australia. The decision on the exercise of the Australian TM Call Option will rest with the Independent Directors with the concurrence of the AC.



In addition to the above, the Company has obtained *inter alia* the following:

- (a) a non-competition deed provided by each of CCM Ventures and CCM Australia (as described from pages 114 to 115 of the Offer Document);
- (b) an undertaking provided by Mr Thomas Lim (as described from pages 115 to 116 of the Offer Document) pursuant to which he will *inter alia* (aa) within two (2) years from 29 July 2015 (being the date of Listing), divest his shareholding in CCM Ventures to persons other than his associates such that he will no longer be a shareholder of CCM Ventures; and (bb) grant the Company a right of first refusal of any sale of any shares in CCM Ventures by himself; and
- (c) an undertaking provided by CCM Ventures (as described from pages 116 to 117 of the Offer Document) pursuant to which, amongst others, (aa) in the event of any proposed issue by CCM Ventures of any shares to any associate of Mr Thomas Lim, it shall be a condition precedent to such share issue that the proposed subscriber enters into a call option agreement with the Company on the same terms and conditions as the TL Call Option Agreement; and (bb) CCM Ventures granted the Company a right of first refusal of any sale of any shares in CCM Australia by CCM Ventures.

Please also refer to the Offer Document for details.

### **Non-Sponsor Fees**

In compliance with Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, subsequent to the Listing during the financial year under review.

### **Interested Person Transactions**

There is no general mandate from Shareholders for interested person transactions. The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis. The Company confirms that there were no interested person transactions of more than S\$100,000 during the financial year under review.

### **Non-Audit Fees**

The nature of the non-audit services that were rendered by the Company's auditors, Deloitte, to the Group and their related fees for FY2015 were as follows:

Fees paid to Deloitte in their capacity as reporting accountants for the Offer Document – S\$180,000.

### **Use of Proceeds**

As the Company's initial public offering in July 2015 comprised entirely of vendor shares and no new shares were issued by the Company, the Group did not receive any IPO proceeds.

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 46 to 97 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 December 31, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

The directors of the Company in office at the date of this report are:

Lim Teck Chuan  
Lim Teck Seng  
Chin Chee Choon (Appointed on June 25, 2015)  
Lee Weilin (Appointed on June 25, 2015)  
Pebble Sia Huei-Chieh (Appointed on June 25, 2015)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except as disclosed in paragraph 3 of the Directors' statement.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in the name of director	
	At beginning of year	At end of year
<b>Immediate holding Company (Ordinary shares)</b>		
<u>- Lim Trust Pte. Ltd.</u> <sup>(1)</sup>		
Lim Teck Chuan	90,000	90,000
Lim Teck Seng	10,000	10,000

**Note:**

(1) The issued share capital of Lim Trust Pte. Ltd. comprised 100,000 ordinary shares as at the date of hereof.

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of directors and companies in which interests are held	Shareholdings in which directors are deemed to have interest	
	At beginning of year	At end of year

#### The Company (Ordinary shares)

- Choo Chiang Holdings Ltd

Lim Teck Chuan	2,720,000	145,600,000
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By virtue of Section 7 of the Singapore Companies Act, Mr Lim Teck Chuan is deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares of the Company at January 21, 2016 were the same at December 31, 2015.

### 4 SHARE OPTIONS

#### (a) *Option to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

#### (b) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

#### (c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

# DIRECTORS' STATEMENT

## 5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Chin Chee Choon, an independent director, and includes Ms Pebble Sia Huei-Chieh, an independent director and Ms Lee Weilin, an independent director. The Audit Committee has met one time since the listing of the Company on the Catalist of the Singapore Exchange Securities Trading Limited in July 2015, and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

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

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 directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

## 6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....  
Lim Teck Chuan

.....  
Lim Teck Seng

March 28, 2016

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHOO CHIANG HOLDINGS LTD.

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Choo Chiang Holdings Ltd. (the "**Company**") and its subsidiaries ("**the Group**") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, 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 a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 97.

## Management's Responsibility 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 Singapore Companies Act (the "**Act**") and Singapore Financial Reporting Standards, 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## **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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

March 28, 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	7,964	3,303	1,026	692
Trade receivables	7	5,635	6,963	1,800	-
Other receivables and prepayments	8	378	323	4,053	4,785
Inventories	9	16,464	16,269	-	-
<b>Total current assets</b>		<b>30,441</b>	<b>26,858</b>	<b>6,879</b>	<b>5,477</b>
<b>Non-current assets</b>					
Property, plant and equipment	10	6,730	6,619	-	-
Investment properties	11	17,658	15,254	-	-
Investment in subsidiaries	12	-	-	2,740	2,500
<b>Total non-current assets</b>		<b>24,388</b>	<b>21,873</b>	<b>2,740</b>	<b>2,500</b>
<b>Total assets</b>		<b>54,829</b>	<b>48,731</b>	<b>9,619</b>	<b>7,977</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables	13	7,775	7,331	-	-
Other payables and accruals	14	2,934	2,338	147	15
Bank loans	15	847	811	-	-
Finance leases	16	146	97	-	-
Income tax payable		728	1,019	-	-
<b>Total current liabilities</b>		<b>12,430</b>	<b>11,596</b>	<b>147</b>	<b>15</b>
<b>Non-current liabilities</b>					
Bank loans	15	5,872	4,318	-	-
Finance leases	16	243	208	-	-
Deferred tax liability	17	45	24	-	-
<b>Total non-current liabilities</b>		<b>6,160</b>	<b>4,550</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>18,590</b>	<b>16,146</b>	<b>147</b>	<b>15</b>
<b>Capital, reserves and non-controlling interests</b>					
Share capital	18	8,020	8,020	8,020	8,020
Accumulated profits (Accumulated losses)		27,103	23,524	1,452	(58)
<b>Equity attributable to the owners of the Company</b>		<b>35,123</b>	<b>31,544</b>	<b>9,472</b>	<b>7,962</b>
Non-controlling interests		1,116	1,041	-	-
<b>Total equity</b>		<b>36,239</b>	<b>32,585</b>	<b>9,472</b>	<b>7,962</b>
<b>Total liabilities and equity</b>		<b>54,829</b>	<b>48,731</b>	<b>9,619</b>	<b>7,977</b>

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2015

	Note	Group	
		2015 \$'000	2014 \$'000
<b>Revenue</b>	19	<b>65,024</b>	70,442
Cost of sales		<b>(49,439)</b>	(53,100)
<b>Gross profit</b>		<b>15,585</b>	17,342
Other operating income	20	<b>858</b>	406
Administrative and selling expenses		<b>(10,766)</b>	(9,406)
Other operating expenses		<b>(1,123)</b>	(994)
Finance costs	21	<b>(144)</b>	(136)
<b>Profit before tax</b>		<b>4,410</b>	7,212
Income tax expense	22	<b>(816)</b>	(1,191)
<b>Profit for the year, representing total comprehensive income for the year</b>	23	<b>3,594</b>	6,021
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>3,579</b>	5,870
Non-controlling interests		<b>15</b>	151
		<b>3,594</b>	6,021
<b>Earnings per share (in cents):</b>			
Basic and diluted	25	<b>1.72</b>	3.45

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital \$'000	Accumulated profits \$'000	Attributable to the owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
<b>Group</b>					
Balance at January 1, 2014	2,500	28,454	30,954	890	31,844
Profit for the year, representing total comprehensive income for the year	–	5,870	5,870	151	6,021
<i>Transactions with owners, recognised directly in equity</i>					
Issue of share capital (Note 18)	5,520	–	5,520	–	5,520
Dividends declared (Note 27)	–	(10,800)	(10,800)	–	(10,800)
Balance at December 31, 2014	8,020	23,524	31,544	1,041	32,585
Profit for the year, representing total comprehensive income for the year	–	3,579	3,579	15	3,594
<i>Transactions with owners, recognised directly in equity</i>					
Non-controlling interest arising from incorporation of a subsidiary (Note 12)	–	–	–	60	60
Balance at December 31, 2015	8,020	27,103	35,123	1,116	36,239

See accompanying notes to financial statements

	Share capital \$'000	Accumulated (losses) profit \$'000	Total \$'000
<b><u>Company</u></b>			
Balance at September 5, 2014 (date of incorporation)	– *	–	– *
Loss for the year, representing total comprehensive loss for the period	–	(58)	(58)
<i>Transactions with owners recognised directly in equity</i>			
Issue of share capital (Note 18)	8,020	–	8,020
Balance at December 31, 2014	8,020	(58)	7,962
Profit for the year, representing total comprehensive income for the year	–	1,510	1,510
Balance at December 31, 2015	8,020	1,452	9,472

\*: Less than \$1,000

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Group	
	2015	2014
	\$'000	\$'000
<b>Operating activities</b>		
Profit before income tax	4,410	7,212
Adjustments for:		
Interest expenses	144	136
Interest income	(3)	– *
Depreciation of property, plant and equipment	471	306
Depreciation of investment properties	342	244
Gain on disposal of property, plant and equipment	(14)	(130)
Allowance for doubtful trade receivables	281	325
Bad debts written off	1	32
Bad debts recovered	(327)	(22)
Provision (Reversal) of stock obsolescence	46	(340)
Property, plant and equipment written off	–	1
Operating cash flows before movements in working capital	<u>5,351</u>	<u>7,764</u>
Trade receivables	1,373	3,181
Other receivables and prepayments	(55)	(165)
Inventories	(241)	(571)
Trade payables	444	(1,346)
Other payables and accruals	16	(1,106)
Cash generated from operations	<u>6,888</u>	<u>7,757</u>
Income tax paid	(1,086)	(1,822)
Interest received	3	– *
Net cash from operating activities	<u>5,805</u>	<u>5,935</u>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	14	137
Purchase of property, plant and equipment (Note A)	(388)	(430)
Payments for investment properties (Note B)	(2,206)	(2,764)
Net cash used in investing activities	<u>(2,580)</u>	<u>(3,057)</u>

\*: Less than \$1,000

	Group	
	2015	2014
	\$'000	\$'000
<b>Financing activities</b>		
Repayment to a director	-	(984)
Proceeds from bank loans	2,200	2,487
Repayment of bank loans	(610)	(3,296)
Repayment of finance leases	(110)	(30)
Proceeds on issue of shares	-	5,520
Dividends paid	-	(10,800)
Interest paid	(104)	(61)
Capital contribution from non-controlling interest in a subsidiary	60	-
Net cash from (used in) financing activities	<u>1,436</u>	<u>(7,164)</u>
Net increase (decrease) in cash and cash equivalents	4,661	(4,286)
Cash and cash equivalents at beginning of year	3,303	7,589
<b>Cash and cash equivalents at end of year (Note 6)</b>	<u><b>7,964</b></u>	<u><b>3,303</b></u>

#### **Note A**

Additions to property, plant and equipment (Note 10)	582	765
Less: Property, plant and equipment purchased under finance leases	(194)	(335)
	<u>388</u>	<u>430</u>

#### **Note B**

Additions to investment properties (Note 11)	2,746	2,253
Add: Payment made for prior year unpaid balances	-	511
Less: Unpaid balances at end of the year	(540)	-
	<u>2,206</u>	<u>2,764</u>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 1 GENERAL

The Company (Registration No. 201426379D) is incorporated in the Republic of Singapore with its registered office and principal place of business at 10 Woodlands Loop, Singapore 738388. The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

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

The principal activity of the subsidiaries is disclosed in Note 12 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes of equity of the Company for the year ended December 31, 2015 were authorised for issue by the Board of Directors on March 28, 2016.

Pursuant to the Restructuring Exercise to rationalise the corporate and shareholding structures in preparation for the listing of the Company on the Catalist, the Company became the holding company of the Group.

### a) Incorporation of the Company

The Company was incorporated on September 5, 2014 in Singapore in accordance with the Companies Act as a private limited company with an issued and paid up share capital of \$1 comprising 1 share, which was held by Lim Trust Pte. Ltd.. On November 7, 2014 and November 25, 2014, the Company issued a further 2,699,999 and 500,000 shares for a consideration of \$2,699,999 and \$5,320,000 respectively.

### b) Acquisition of Choo Chiang Marketing Pte. Ltd.

On November 24, 2014, the directors Lim Teck Chuan and Lim Teck Seng transferred the entire issued and paid-up capital of 2,000,000 ordinary shares of Choo Chiang Marketing Pte. Ltd. to the Company at an aggregate consideration of \$2,000,000. Upon the completion of the aforesaid acquisition, Choo Chiang Marketing Pte. Ltd. became a wholly-owned subsidiary of the Company.

### c) Acquisition of Neiken Switchgear (S) Pte. Ltd.

On November 24, 2014, the directors Lim Teck Chuan and Lim Teck Seng transferred their 50% equity interest in Neiken Switchgear (S) Pte. Ltd. to the Company at an aggregate consideration of \$500,000. Upon completion of the aforesaid acquisition, the issued and paid-up share capital of Neiken Switchgear (S) Pte. Ltd. was equally held between the Company and United MS Electrical Mfg. (M) Sdn. Bhd., incorporated and domiciled in Malaysia.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("**FRS**").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** - On January 1, 2015, the Group has adopted all the new and revised FRSs that are effective from that date and relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Company were issued but not effective:

- FRS 109 *Financial Instruments*<sup>(1)</sup>
- FRS 115 *Revenue from Contracts with Customers*<sup>(1)</sup>
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*<sup>(2)</sup>
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*<sup>(2)</sup>
- Amendments to FRS 110 *Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>(3)</sup>
- Improvements to Financial Reporting Standards (November 2014)<sup>(2)</sup>

<sup>(1)</sup> Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

<sup>(2)</sup> Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

<sup>(3)</sup> Application has been deferred indefinitely, however, early application is still permitted.

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

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements in the period of their initial adoption except for the following:

### FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Management is currently evaluating the potential impact of the application of these amendments to FRS 115 on the financial statements of the Group and Company in the period of initial application.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of these amendments to FRS 1 on the financial statements of the Group and Company in the period of initial application.

**BASIS OF CONSOLIDATION** – The Group resulting from the Restructuring Exercise as disclosed above, is one involving entities under common control. Accordingly, the consolidated financial statements have been accounted for using the principles of merger accounting where financial statement items of the merged entities for the reporting periods in which the common control combination occurs are included in the consolidated financial statements of the Group as if the combination had occurred from the date when the merged entities first came under the control of the same shareholders.

All significant intercompany transactions and balances between the entities in the Group are eliminated on combination.

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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 subsidiaries. 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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's statement 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 of allocating 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. Income and expense is recognised on an effective interest basis for debt instruments.

### **Financial assets**

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the specified category, loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

#### Loans and receivables

Trade receivables, loans and other receivables (excluding prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Trade and other receivables measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

For certain categories of financial asset, such as trade receivables, assets that are assessed to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownerships of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## **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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans, finance leases and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate 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 (see below).

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

### The Group as lessee

Assets held under finance leases are recognised as assets 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 directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

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

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**INVENTORIES** - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been 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 less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets other than plant and equipment under construction over the estimated useful lives of the assets using the straight-line method, on the following bases:

Freehold property	50 years
Leasehold properties	51 to 81 years
Motor vehicles and forklifts	3 to 5 years
Furniture and fittings	3 to 5 years
Office equipment	3 to 5 years
Renovation	3 years
Machinery and equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

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.

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 amounts of the asset and is recognised in profit or loss.

**INVESTMENT PROPERTIES** - Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method to write off the depreciable amount of the investment properties, including the renovation, over their estimated useful lives or remaining lease term which are follow:

Freehold properties	-	50 years
Leasehold properties	-	27 to 57 years
Renovation	-	3 years

Property under construction at the end of the reporting period are not yet available for use. No depreciation is charged on property under construction.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

**IMPAIRMENT OF ASSETS** - At the end of the reporting period, the Group reviews the carrying amounts of its 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

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 (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) 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 reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

**GOVERNMENT GRANT** - Government grants relating to expenditures which are not capitalised are credited to the income or expenditure as and when the underlying expenses are included and taken to the profit or loss to match such related expenditure.

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Interest income

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

### Rental income

The Group's policy for recognition of revenue from operating leases is described above.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income 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 calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the 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 is 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 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of 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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity, in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity within the Group operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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 reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 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 is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

### *Critical judgements in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, which are described in Note 2, management has not made any judgements that will have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as discussed below.

### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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:

#### Allowance for trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The estimation of allowance for doubtful debts requires the use of estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

The carrying amount of trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

#### Allowance for inventory obsolescence

At the end of each reporting period, management assesses whether there is any objective evidence that certain inventories are stated at cost which are above their net realisable value. If so, these inventories are written down to their net realisable value. To determine whether there is such objective evidence, management identifies inventories that are slow moving and considers their physical conditions, market conditions and market prices for similar inventories.

The carrying amount of inventories is disclosed in Note 9 to the financial statements.

#### Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 81 years. Changes in the expected level of usage and technological development could impact the economic useful life and the residual value of these assets, therefore future depreciation charges could be revised.

The carrying amounts of property, plant and equipment and investment properties are disclosed in Notes 10 and 11 to the financial statements respectively.

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

#### *(a) Categories of financial instruments*

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Financial assets</b>				
Loans and receivables:				
Cash and cash equivalents	7,964	3,303	1,026	693
Trade receivables	5,635	6,963	1,800	-
Other receivables	228	109	4,030	4,785
	<b>13,827</b>	10,375	<b>6,856</b>	5,478
<b>Financial liabilities</b>				
Amortised cost:				
Trade payables	7,775	7,331	-	-
Other payables and accruals	2,934	2,338	147	15
Bank loans	6,719	5,129	-	-
Finance leases	389	305	-	-
	<b>17,817</b>	15,103	<b>147</b>	15

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### *(b) Financial risk management policies and objectives*

The Group's overall financial risk management policies and objectives seek to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. 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.

#### (i) Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss and equity arising from the effects of reasonably possible changes.

#### (ii) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial loss to the Group. Cash is held with creditworthy financial institutions. The Group has adopted stringent credit policies in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties, of which 67% (2014 : 69%) of the gross trade receivables are neither past due nor impaired and relate to customers that the Group has assessed to be creditworthy, based on the credit evaluation process performed by management.

The credit policies spell out clearly the guidelines on extending credit terms to customers. This includes assessment and valuation of customers' creditworthiness. The Group performs ongoing credit evaluations of its external customers' financial conditions and generally, requires no collateral from its customers.

The Group has not experienced any significant history of repayment problems in its dealings with its related companies (Note 5). There is regular review of the related companies' ability to fulfill their contractual obligations.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of financial assets is the carrying amount of those assets as stated in the statements of financial position, grossed up for any allowances for losses.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

#### (iii) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, internally generated cash flows and adequate financing facilities from bank borrowing to finance its activities. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

##### (b) Financial risk management policies and objectives (cont'd)

###### (iii) Liquidity risk management (cont'd)

###### *Liquidity and interest risk analyses*

###### Non-derivative financial assets

The Group's non-derivative financial assets of approximately \$13,827,000 (2014 : \$10,375,000) are repayable on demand or due within one year from the end of the reporting period.

The Company's non-derivative financial assets of approximately \$6,856,000 (2014 : \$5,478,000) are repayable on demand or due within one year from the end of the reporting period.

###### Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and 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 liabilities on the consolidated statements of financial position.

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Group</b>						
<b><u>2015</u></b>						
Non-interest bearing	-	9,694	-	-	-	9,694
Fixed interest rate instruments	4.0	1,055	-	-	(40)	1,015
Variable interest rate instruments	3.1	1,001	3,990	2,430	(702)	6,719
Finance leases liability (fixed rate)	5.9	171	297	-	(79)	389
		11,921	4,287	2,430	(821)	17,817

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (iii) Liquidity risk management (cont'd)

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>2014</b>						
Non-interest bearing	-	8,690	-	-	-	8,690
Fixed interest rate instruments	4.0	1,018	-	-	(39)	979
Variable interest rate instruments	1.9	901	2,784	1,830	(386)	5,129
Finance leases liability (fixed rate)	5.7	112	221	-	(28)	305
		10,721	3,005	1,830	(453)	15,103

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Company</b>						
<b>2015</b>						
Non-interest bearing	-	147	-	-	-	147

#### **2014**

Non-interest bearing	-	15	-	-	-	15
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#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

##### (b) Financial risk management policies and objectives (cont'd)

###### (iv) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

	Fair value hierarchy as at December 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
<b>Financial Liabilities</b>				
Bank loans	-	6,719	-	6,719
Finance leases	-	389	-	389

	Fair value hierarchy as at December 31, 2014			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
<b>Financial Liabilities</b>				
Bank loans	-	5,129	-	5,129
Finance leases	-	305	-	305

The fair values of the financial liability included in the level 2 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### (b) *Financial risk management policies and objectives (cont'd)*

#### (v) Foreign exchange risk management

The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar against the Singapore dollar.

Those exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currency other than the functional currency of each Group entity are as follows:

	Assets		Liabilities	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
United States dollar	170	123	339	218

#### *Foreign currency sensitivity*

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external borrowings where they gave rise to an impact on the Group's profit or loss. There is no impact on the Group's equity.

If the Singapore dollar were to strengthen or weaken by 10% against the United States dollars, profit for the year will increase or decrease respectively by:

	Group	
	2015 \$'000	2014 \$'000
United States dollar impact	17	9

The Company has no exposure to foreign currency exchange risk as its transactions are mainly denominated in its functional currency. Accordingly, no sensitivity analysis is prepared.



## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### (c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

The management reviews the capital structure on an annual basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged during the financial period. There is no externally imposed capital requirements.

## 5 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Lim Trust Pte. Ltd., a Company incorporated in Singapore, which is also the Company's ultimate holding Company. Related companies in these financial statements refer to members of the ultimate holding Company's Group of companies.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand, unless otherwise stated.

During the year, the Group entered into the following significant transactions with related parties:

	Group	
	2015	2014
	\$'000	\$'000
Sales to related party <sup>(i)</sup>	-	(74)
Sales of motor vehicles to related party <sup>(ii)</sup>	-	(60)
Purchases from related parties <sup>(iii)</sup>	372	352
Interest expenses to related party (Note 21) <sup>(iii)</sup>	40	39
Interest expenses to director (Note 21)	-	36

<sup>(i)</sup> Related party refers to a Company where an individual has a major shareholding in, and is a family member of a Director of the Group.

<sup>(ii)</sup> Related party refers to an individual who is a family member of a Director of the Group.

<sup>(iii)</sup> Related parties refer to the corporate shareholder of Neiken Switchgear (S) Pte. Ltd., UMS-Neiken Group Berhad., ("UMSN") and members of UMSN's Group of Companies.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 5 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

### Call option granted by CCM Australia Pty Ltd

The Company and CCM Australia Pty Ltd entered into a call option agreement on June 26, 2015 pursuant to which CCM Australia Pty Ltd granted the Company a call option to purchase from CCM Australia Pty Ltd the trademark that is used by CCM Australia Pty Ltd in Australia ("**Australian TM Call Option**"). The Company may exercise the Australian TM Call Option to require CCM Australia Pty Ltd to sell, transfer and assign the Australian TM and all rights and interests thereto to the Company or any of its subsidiaries for an aggregate purchase consideration equivalent to the registration costs incurred by CCM Australia Pty Ltd for the registration of such trademark in Australia. The Australian TM Call Option may be exercised by the Company at any time, subject to Chapter 9 of the Catalist Rules, during the 6-month period commencing immediately after Lim Teck Chuan and his Associates cease to collectively hold a majority interest (direct or indirect) in the shares of CCM Australia Pty Ltd. The decision on the exercise of the Australian TM Call Option will rest with the Independent Directors with the concurrence of the Audit Committee.

### Call option granted by Lim Teck Chuan

The Company, CCM Ventures Pte. Ltd. and Lim Teck Chuan entered into a call option agreement on June 26, 2015 ("**TL Call Option Agreement**") pursuant to which Lim Teck Chuan granted the Company a call option to acquire all the shares that he may from time to time hold in CCM Ventures Pte. Ltd. ("**TL Call Option**"). The Company may exercise the TL Call Option at any time, subject to Chapter 9 of the Catalist Rules. The exercise price shall be the fair market value of the shares of CCM Ventures Pte. Ltd. prevailing as of the exercise date as determined by an independent appraiser to be jointly appointed by the Company and Lim Teck Chuan. The decision on the exercise of the TL Call Option will rest with the Company's Independent Directors with the concurrence of the Audit Committee.

CCM Ventures Pte. Ltd. owns 100% of the issued and paid up share capital of CCM Australia Pty Ltd. The Company's Executive Chairman and Chief Executive Officer, Lim Teck Chuan owns an interest of 65.3% in CCM Ventures Pte. Ltd. and is also the sole director of CCM Ventures Pte. Ltd. and a director of CCM Australia Pty Ltd.

### ***Compensation of director and key management personnel***

The remuneration of director and other members of key management during the year was as follows:

	Group	
	2015	2014
	\$'000	\$'000
Short-term benefits	2,035	1,735
Post-employment benefits	89	89
Total	<u>2,124</u>	<u>1,824</u>

## 6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash on hand	129	30	-	-
Cash at banks	7,835	3,273	1,026	692
	<b>7,964</b>	<b>3,303</b>	<b>1,026</b>	<b>692</b>

## 7 TRADE RECEIVABLES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Outside parties	5,976	8,431	-	-
Subsidiary (Note 5)	-	-	1,800	-
Related party (Note 5)	-	423	-	-
Less: Allowance for doubtful debts	5,976	8,854	1,800	-
- Outside parties	(360)	(1,521)	-	-
- Related party (Note 5)	-	(423)	-	-
	<b>5,616</b>	<b>6,910</b>	<b>1,800</b>	-
Accrued income	19	53	-	-
Total	<b>5,635</b>	<b>6,963</b>	<b>1,800</b>	-

The average credit period for trade receivables is approximately 30 to 90 days (2014 : 30 to 90 days). No interest is charged on the outstanding trade receivables.

An allowance has been made for estimated irrecoverable amounts from the sale of goods of \$360,000 (2014 : \$1,944,000). Allowance for doubtful trade receivables is provided based on the assessment of outstanding debts more than 90 days after the credit term and by reference to past default experience.

Before accepting any new customer, the Group obtained customers' general profile from an external credit monitoring service provider to assess the potential customer's credit worthiness and defines credit limits to customer. Credit limits attributed to customers are reviewed periodically.

Included in the Group's trade receivables balance are debtors with a carrying amount of \$1,874,000 (2014 : \$2,163,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 7 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at December 31:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Not past due and not impaired	3,761	4,800	1,800	-
Past due but not impaired <sup>(i)</sup>	1,874	2,163	-	-
	<b>5,635</b>	<b>6,963</b>	<b>1,800</b>	<b>-</b>
Impaired receivables – individually assessed <sup>(ii)</sup>	360	1,944	-	-
Less: Allowance for doubtful debts	(360)	(1,944)	-	-
	-	-	-	-
Total trade receivables, net	<b>5,635</b>	<b>6,963</b>	<b>1,800</b>	<b>-</b>

<sup>(i)</sup> Aging of trade receivables that are past due but not impaired is as follows:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<1 month	1,197	1,284	-	-
1 month to 3 months	412	541	-	-
>3 months	265	338	-	-
	<b>1,874</b>	<b>2,163</b>	<b>-</b>	<b>-</b>

<sup>(ii)</sup> These amount are stated before any deduction for impairment losses.

Movement in the allowance for doubtful debts:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at beginning of the year	1,944	1,641	-	-
Allowance for doubtful debts	281	325	-	-
Written off	(1,538)	-	-	-
Bad debts recovered	(327)	(22)	-	-
Balance at end of the year	<b>360</b>	<b>1,944</b>	<b>-</b>	<b>-</b>

## 8 OTHER RECEIVABLES AND PREPAYMENT

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Amount owing from subsidiaries (Note 5)	-	-	4,027	4,785
Outside parties	94	-	3	-
Deposits	134	109	-	-
Prepayments	150	214	23	-
	<b>378</b>	323	<b>4,053</b>	4,785

The Company's receivables due from subsidiaries are unsecured, interest-free and repayable on demand, except for a loan receivable from Neiken Switchgear (S) Pte. Ltd. of \$1,027,000 (2014 : \$987,000) which bears interest of 4.0% per annum.

## 9 INVENTORIES

	Group	
	2015 \$'000	2014 \$'000
At cost:		
Finished goods	18,505	18,484
Goods in transit	487	267
	<b>18,992</b>	18,751
Less: Provision of stock obsolescence	<b>(2,528)</b>	(2,482)
	<b>16,464</b>	16,269

Movement in the provision of stock obsolescence:

Balance at beginning of the year	2,482	2,822
Allowance recognised during the year	46	-
Reversal of provision during the year	-	(340)
Balance at end of the year	<b>2,528</b>	2,482

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 10 PROPERTY, PLANT AND EQUIPMENT

	Freehold property \$'000	Leasehold properties \$'000	Motor vehicles and forklifts \$'000	Furniture and fittings \$'000	Office equipment \$'000	Renovation \$'000	Machinery and equipment \$'000	Total \$'000
<b>Group</b>								
<b>Cost:</b>								
At January 1, 2014	1,326	5,581	939	26	88	200	85	8,245
Additions	-	-	500	178	40	47	-	765
Disposals	-	-	(257)	-	-	-	-	(257)
Write-offs	-	-	(39)	-	(2)	-	-	(41)
At December 31, 2014	1,326	5,581	1,143	204	126	247	85	8,712
Additions	-	-	163	38	283	98	-	582
Disposals	-	-	(26)	-	-	-	-	(26)
Write-offs	-	-	(44)	-	-	-	-	(44)
At December 31, 2015	1,326	5,581	1,236	242	409	345	85	9,224
<b>Accumulated depreciation:</b>								
At January 1, 2014	46	941	912	13	39	106	21	2,078
Depreciation for the year	26	117	56	16	19	55	17	306
Disposals	-	-	(251)	-	-	-	-	(251)
Write-offs	-	-	(39)	-	(1)	-	-	(40)
At December 31, 2014	72	1,058	678	29	57	161	38	2,093
Depreciation for the year	26	118	145	42	48	75	17	471
Disposals	-	-	(26)	-	-	-	-	(26)
Write-offs	-	-	(44)	-	-	-	-	(44)
At December 31, 2015	98	1,176	753	71	105	236	55	2,494
<b>Carrying amount:</b>								
At December 31, 2014	1,254	4,523	465	175	69	86	47	6,619
At December 31, 2015	1,228	4,405	483	171	304	109	30	6,730

## 10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Detail of the Group's property is as follow:

<u>Address of property</u>	<u>Tenure of property</u>	<u>Term of lease</u>	<u>Remaining term of lease</u>	<u>Existing use</u>
9 Tagore Lane#01-16, Singapore 787472	Freehold	-	-	Retail
Blk 640 Rowell Road #01-70, Singapore 200640	Leasehold	81 years	68 years	Retail
10 Woodlands Loop Singapore 738388	Leasehold	66 years	50 years	Warehouse and Retail
Blk 3 Soon Lee Street #01-09 Pioneer Junction Singapore 627606	Leasehold	30 years	26 years	Retail

The carrying amount of motor vehicles and office equipment of the Group under finance leases amounted to \$424,000 and \$115,000 respectively (2014 : \$462,000 and \$Nil).

The Group's freehold property and leasehold properties are mortgaged to the bank to secure bank loans (Note 15).

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 11 INVESTMENT PROPERTIES

	Freehold properties \$'000	Leasehold properties \$'000	Renovation \$'000	Property under construction \$'000	Total \$'000
<b>Group</b>					
<b>Cost:</b>					
At January 1, 2014	5,650	5,379	–	2,600	13,629
Additions	–	–	–	2,253	2,253
Transfer	–	1,129	–	(1,129)	–
At December 31, 2014	5,650	6,508	–	3,724	15,882
Additions	–	–	6	2,740	2,746
Transfer	6,464	–	–	(6,464)	–
At December 31, 2015	12,114	6,508	6	–	18,628
<b>Accumulated depreciation:</b>					
At January 1, 2014	197	187	–	–	384
Depreciation for the year	113	131	–	–	244
At December 31, 2014	310	318	–	–	628
Depreciation for the year	188	152	2	–	342
At December 31, 2015	498	470	2	–	970
<b>Carrying amount:</b>					
At December 31, 2014	5,340	6,190	–	3,724	15,254
At December 31, 2015	11,616	6,038	4	–	17,658



## 11 INVESTMENT PROPERTIES (CONT'D)

Detail of the Group's investment properties is as follow:

	Tenure of property	Term of lease	Remaining term of lease	Existing use	Fair Value	
					2015 \$'000	2014 \$'000
<u>Neiken Switchgear (S) Pte. Ltd.</u>						
9 Tagore Lane #02-07 9@Tagore, Singapore 787472	Freehold	-	-	Investment	<b>1,580</b>	1,580
421 Tagore Industrial Avenue #01-29, Tagore 8, Singapore 787805	Freehold	-	-	Investment	<b>2,800</b>	1,485
<u>Choo Chiang Marketing Pte. Ltd.</u>						
48 Toh Guan East #01-102, Singapore 608586	Leasehold	60 years	42 years	Investment	<b>1,200</b>	1,200
8B Admiralty Street #01-06, Singapore 757440	Leasehold	60 years	45 years	Investment	<b>1,570</b>	1,570
8B Admiralty Street #01-07, Singapore 757440	Leasehold	60 years	45 years	Investment	<b>1,560</b>	1,560
65 Ubi Road 1 #02-65, Oxley Bizhub, Singapore 408727	Leasehold	60 years	55 years	Investment	<b>1,220</b>	1,220
9 Tagore Lane #02-07 9@Tagore, Singapore 787472	Freehold	-	-	Investment	<b>1,820</b>	1,820
9 Tagore Lane #03-16 9@Tagore, Singapore 787472	Freehold	-	-	Investment	<b>1,660</b>	1,660

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 11 INVESTMENT PROPERTIES (cont'd)

	Tenure of property	Term of lease	Remaining term of lease	Existing use	Fair Value	
					2015 \$'000	2014 \$'000
23 New Industrial Road, #02-08 Solstice Business Centre, Singapore 536209	Freehold	-	-	Investment	<b>1,400</b>	1,400
5 Soon Lee Street, Pioneer Point #01-66, Singapore 627607	Leasehold	30 years	26 years	Investment	<b>638</b>	638
5 Soon Lee Street, Pioneer Point #01-67, Singapore 627607	Leasehold	30 years	26 years	Investment	<b>560</b>	560
421 Tagore Industrial Avenue #01-22, Tagore 8, Singapore 787805	Freehold	-	-	Investment	<b>2,300</b>	1,145
421 Tagore Industrial Avenue #01-23, Tagore 8, Singapore 787805	Freehold	-	-	Investment	<b>2,300</b>	1,145

The fair value is regarded as level 3 in the fair value hierarchy. The fair values of the investment properties have been estimated based on directors' estimation, which were arrived at by reference to desktop valuations performed by independent valuer having appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuation was arrived at principally by using the basis of investment method and the direct comparison approach that reflects recent transaction prices for similar properties adjusted for location and size.

The property rental income from the Group's investment properties all of which are leased out under operating leases, amounted to \$420,000 (2014 : \$315,000) during the year. Direct operating expenses arising on the investment properties amounted to \$588,000 (2014 : \$450,000).

The investment properties are mortgaged to the banks to secure bank loans (Note 15).

## 12 INVESTMENT IN SUBSIDIARIES

	Company	
	2015 \$'000	2014 \$'000
Unquoted equity shares, at cost	<b>2,740</b>	2,500

Details of the Company's subsidiaries are as follows:

Name of subsidiary/ Place of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held	
		2015 %	2014 %
Neiken Switchgear (S) Pte. Ltd. Singapore <sup>(1)</sup>	Dealer of electrical wiring and products and electrical works; and assembly of electrical fittings and parts.	<b>50</b>	50
Choo Chiang Marketing Pte. Ltd. Singapore <sup>(1)</sup>	Assemblers of lighting fittings and fixtures; and general contractors.	<b>100</b>	100
Choo Chiang Project Solutions Pte. Ltd. Singapore <sup>(2)</sup>	Supply of electrical products and accessories	<b>80</b>	–

<sup>(1)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(2)</sup> Choo Chiang Project Solutions Pte. Ltd. was incorporated on October 20, 2015, and audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 12 INVESTMENT IN SUBSIDIARIES (CONT'D)

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
		%	%	\$'000	\$'000	\$'000	\$'000
Neiken Switchgear (S) Pte. Ltd.	Singapore	50	50	16	151	1,057	1,041
Choo Chiang Project Solutions Pte. Ltd.	Singapore	80	-	(1)	-	59	-
				15	151	1,116	1,041

The Group own 50% equity interest of Neiken Switchgear (S) Pte. Ltd. Despite having equal equity interest over the subsidiary, the Group has the practical ability to use its power on the daily operations and business strategic decisions which ultimately affect the returns of Neiken Switchgear (S) Pte. Ltd. Accordingly, the directors of the Group concluded that the Group has control over Neiken Switchgear (S) Pte. Ltd. and as such, the financial statements of Neiken Switchgear (S) Pte. Ltd. is consolidated in these consolidated financial statements.

Summarised financial information in respect of the subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of subsidiary	Choo Chiang Project Solutions Pte. Ltd.		Neiken Switchgear (S) Pte. Ltd.	
	2015	2015	2015	2014
	\$'000	\$'000	\$'000	\$'000
Current assets	446	2,180	2,413	
Non-current assets	-	5,237	4,211	
Current liabilities	150	3,084	3,031	
Non-current liabilities	-	2,197	1,476	

## 12 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiary	Choo Chiang Project Solutions Pte. Ltd.	Neiken Switchgear (S) Pte. Ltd.	
	2015 \$'000	2015 \$'000	2014 \$'000
Equity attributable to the owners of the Company	236	1,068	1,058
Non-controlling interests	59	1,068	1,058
Total revenue	166	4,034	4,863
Total expenses	169	4,014	4,561
(Loss) Profit for the year, representing total comprehensive (loss) income	(3)	20	302
(Loss) Profit for the year, representing total comprehensive (loss) income attributable to owners of the Company	(2)	10	151
(Loss) Profit for the year, representing total comprehensive (loss) income attributable to the non-controlling interests	(1)	10	151
Net cash (used in) from operating activities	(21)	191	674
Net cash used in investing activities	-	(902)	(694)
Net cash from financing activities	300	688	183
Net cash inflows (outflow)	279	(23)	163

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 13 TRADE PAYABLES

	Group	
	2015 \$'000	2014 \$'000
Outside parties	7,499	7,054
Related parties (Note 5)	97	61
Others	179	216
	<b>7,775</b>	<b>7,331</b>

Included in the Group's trade payables are creditors for purchase of finished goods.

The average credit period on purchase of goods is 30 to 90 days (2014 : 30 to 90 days). No interest is charged on the outstanding trade payables.

## 14 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Outside parties	120	1	15	-
Rental deposits received	126	67	-	-
Rental received in advance	7	-	-	-
Related party (Note 5)	1,015	979	-	-
Amount owing to a director (Note 5)	-	121	-	10
Accruals	1,666	1,170	132	5
	<b>2,934</b>	<b>2,338</b>	<b>147</b>	<b>15</b>

Related party refer to the other corporate shareholder of Neiken Switchgear (S) Pte. Ltd. and its balance is unsecured, repayable on demand and bears interest at 4% (2014 : 4%) per annum.

## 15 BANK LOANS

	Group	
	2015 \$'000	2014 \$'000
Bank loans	6,719	5,129
Less: Amount due for settlement within 12 months	(847)	(811)
Amount due for settlement after 12 months	5,872	4,318

The Group's bank loan consists of the facilities described below:

### Neiken Switchgear (S) Pte. Ltd.

- a. A term loan of \$440,000 (2014 : \$506,000). The loan was obtained in February 2012. Repayments commenced on March 2012 and will continue until March 2022. The loan is secured by a legal mortgage over the Group's freehold property. The loan carries interest at 2.20%, 2.20% and 1.00% below the prime rate for its first, second and third year respectively, 1.50% per annum over the prevailing 3 month Cost of Funds ("COF") for the next 2 years and thereafter at 0.75% above the prime rate. The effective interest rates are 2.33% (2014 : 2.48%) per annum.
- b. A term loan of \$617,000 (2014 : \$709,000). The loan was obtained in February 2012. Repayments commenced on March 2012 and will continue until March 2022. The loan is secured by a legal mortgage over the Group's investment property. The loan carries interest at 1.60% and 1.95% below the prime rate for its first and second year respectively, 1.50% per annum over the prevailing 3 month COF for the next 2 years and thereafter at 0.75% above the prime rate. The effective interest rates are 2.34% (2014 : 1.94%) per annum.
- c. A term loan of \$1,314,000 (2014 : \$391,000). The loan was obtained in March 2015. Repayments commenced on April 2015 and will continue until March 2029. The loan is secured by a legal mortgage over the Group's investment property. The loan carries interest at 3.10% and 2.65% below the prime rate for its first and second year respectively, and thereafter at 0.75% above the prime rate. The effective interest rates are 2.67% (2014 : 1.56%) per annum.

### Choo Chiang Marketing Pte. Ltd.

- a. A term loan of \$406,000 (2014 : \$484,000). Interest for these loan is levied at 1.50% per annum over the applicable 3-month SWAP offer rate ("SOR"). Monthly instalment is revised every three month as affected by SOR over the tenor of 10 years with last instalments to be repaid on October 2020. The loan is secured by a legal mortgage over the Company's investment property. The effective interest rates are 2.48% (2014 : 1.75%) per annum.
- b. A term loan of \$1,462,000 (2014 : \$1,680,000). Interest is levied at 1.60% per annum for the first year, 1.95% per annum for the second year, 1.50% per annum over the prevailing 3 month COF for the next 2 years and thereafter at 0.75% above the Banks Commercial Financing Rate per annum with monthly rest. Such loans shall be repaid over the tenor of 10 years with last instalments to be repaid on February 2022. The loan is secured by a legal mortgage over the Group's investment property. The effective interest rate is 2.30% (2014 : 1.94%).

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 15 BANK LOANS (CONT'D)

- c. A term loan of \$Nil (2014 : \$114,000). Interest for the loan is levied at 1.25% per annum over the Bank's Cost of Funds or 1.25% per annum over the Bank's SWAP Offer Rate, whichever is higher. This loan has the tenor of 6 months with last instalment to be repaid in June 2015. The loan is secured by a legal mortgage over the Group's investment property. The effective interest rate was 1.82% per annum for 2014.
- d. A term loan of \$Nil (2014 : \$89,000). Interest for the loan is levied at 1.40% per annum over the Bank's Cost of Funds or 1.40% per annum over the Bank's SWAP Offer Rate, whichever is higher. This loan has the tenor of 6 months with last instalment to be repaid in January 2015. The loan is secured by a legal mortgage over the Group's investment property. The effective interest rate was 1.92% per annum for 2014.
- e. A term loan of \$2,480,000 (2014 : \$1,156,000). Interest for the loan is levied at 3.10% below the bank's commercial financing rate per annum for the first years, 2.65% below the bank's commercial financing rate per annum for the second year and thereafter at 0.75% above the Bank's Commercial Financing Rate per annum with monthly rest. Such loans shall be repaid over the tenor of 10 years with last instalments to be repaid on August 2023. The loan is secured by a legal mortgage over the Group's investment property. The effective interest rate is approximately 2.00% (2014 : 1.85%) per annum.

## 16 FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2015 \$	2014 \$'000	2015 \$	2014 \$'000
Amounts payable under finance leases:				
Due within one year	171	112	146	97
Due within two to five years	297	221	243	208
	<b>468</b>	333	<b>389</b>	305
Less: Future finance charges	<b>(79)</b>	(28)		
Present value of finance lease	<b>389</b>	305		
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(146)</b>	(97)
Amount due for settlement after 12 months			<b>243</b>	208

The lease terms are between 3 to 5 years. The effective interest rates range from 4.56% to 7.15% (2014 : 5.83% to 5.96%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk.

The Group's obligation under finance leases are secured by the lessors' title to the leased assets and personal guarantees provided by the executive directors of the Group.



## 17 DEFERRED TAX LIABILITY

Deferred tax liability arises from the excess of tax over book depreciation of property, plant and equipment.

	<b>Group Excess of tax over book depreciation \$'000</b>
At January 1, 2014	5
Under provision of prior year deferred taxation (Note 22)	5
Charge to profit or loss (Note 22)	14
At December 31, 2014	<u>24</u>
Charge to profit or loss (Note 22)	21
At December 31, 2015	<u>45</u>

## 18 SHARE CAPITAL

	<b>Group</b>		<b>Group</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Number of ordinary shares</b>		<b>\$'000</b>	
Issued and paid up:				
At beginning of the year	<b>3,200,000</b>	2,500,000	<b>8,020</b>	2,500
Issued for cash on incorporation of the Company	-	1	-	-
Issued for cash pursuant to the Restructuring Exercise (Note 1) <sup>(1)</sup>	-	699,999	-	5,520
Sub-divided into 65 ordinary shares pursuant to initial public offering exercise	<b>204,800,000</b>	-	-	-
At end of the year	<b>208,000,000</b>	3,200,000	<b>8,020</b>	8,020

<sup>(1)</sup> Pursuant to the Restructuring Exercise to rationalise the corporate and shareholding structures in preparation for the proposed listing of the Company on the Catalist, the Company became the holding company of the Group. The Company issued 3,199,999 new shares and the elimination of 2,500,000 shares arising on applying merger accounting.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 18 SHARE CAPITAL (CONT'D)

	Company		Company	
	2015	2014	2015	2014
	Number of ordinary shares		\$'000	\$'000
Issued and paid up:				
At date of incorporation / Beginning of year	3,200,000	1	8,020	- *
Issued for cash pursuant to the Restructuring Exercise (Note 1)	-	3,199,999	-	8,020
Sub-divided into 65 ordinary shares pursuant to initial public offering exercise	204,800,000	-	-	-
At end of the year	<b>208,000,000</b>	3,200,000	<b>8,020</b>	8,020

\*: Less than \$1,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividend as and when declared by the Company.

## 19 REVENUE

	Group	
	2015	2014
	\$'000	\$'000
Sales of goods	64,604	70,127
Rental income	420	315
	<b>65,024</b>	70,442

## 20 OTHER OPERATING INCOME

	Group	
	2015	2014
	\$'000	\$'000
Bad debts recovered	327	22
Gain in foreign exchange	4	7
Gain on disposal of property, plant and equipment	14	130
Government grants	111	69
Interest income	3	- *
Sponsorship	321	130
Sundry income	78	48
	<b>858</b>	406

\*: Less than \$1,000

## 21 FINANCE COSTS

	Group	
	2015 \$'000	2014 \$'000
Bank loan interest	84	54
Finance leases interest	20	7
Interest expenses to director (Note 5)	-	36
Interest expenses to related party (Note 5)	40	39
	<u>144</u>	<u>136</u>

## 22 INCOME TAX EXPENSE

	Group	
	2015 \$'000	2014 \$'000
<u>Income tax</u>		
Current	757	1,174
Under (over) provision in prior year	38	(2)
	<u>795</u>	<u>1,172</u>
<u>Deferred tax</u>		
Current (Note 17)	21	14
Under provision in prior year (Note 17)	-	5
	<u>21</u>	<u>19</u>
Total	<u>816</u>	<u>1,191</u>

Domestic income tax is calculated at 17% (2014 : 17%) of the estimated assessable profit for the year.

	Group	
	2015 \$'000	2014 \$'000
Profit before tax	<u>4,410</u>	<u>7,212</u>
Income tax expense calculated at 17% (2014 : 17%)	750	1,226
Non-allowable items	215	78
Tax exemption	(61)	(52)
Tax rebate	(28)	(45)
Productivity and Innovation Credit	(104)	(17)
Under (over) provision of tax expense in prior year	38	(2)
Underprovision of prior year deferred taxation (Note 17)	-	5
Others	6	(2)
	<u>816</u>	<u>1,191</u>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 23 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2015	2014
	\$'000	\$'000
Directors' remuneration:		
Short-term benefits	1,229	1,032
Post-employment benefits	24	22
Staff costs	7,398	6,894
Cost of defined contribution plans included in staff costs	615	466
Cost of inventories included in expense	49,063	52,849
Gain on disposal of property, plant and equipment	(14)	(130)
Allowance for doubtful trade receivables	281	325
Bad debts recovered	(327)	(22)
Provision (Reversal) of stock obsolescence	46	(340)
Depreciation of property, plant and equipment	471	306
Depreciation of investment properties	342	244
Net foreign exchange loss (gain)	39	(3)
Audit fees paid to auditors of the Group	80	50
Non-audit fees paid to auditors of the Group	180	-

## 24 COMMITMENTS

### (i) Capital commitments

	Group	
	2015	2014
	\$'000	\$'000
<b>Commitments for the acquisition of investment properties</b>	-	3,024

### (ii) Operating lease payables

	Group	
	2015	2014
	\$'000	\$'000
<u>The Group as lessee</u>		
Payment recognised as an expense during the year		
Minimum lease payments under operating leases	583	576

Operating lease payments represent rentals payable by the Group for its land, office and retail premises. The leases are negotiated for terms between 2 to 60 years and rentals have varying terms and escalation clauses to reflect current market rental and value.

## 24 COMMITMENTS (CONT'D)

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2015	2014
	\$'000	\$'000
Within one year	519	517
Within two to five years	944	980
After five years	4,458	4,353
	<u>5,921</u>	<u>5,850</u>

### The Group as lessor

The Group has future lease income receivables in respect of sub-leasing of its office and manufacturing premises. The rental income earned during the financial year is \$420,000 (2014 : \$315,000).

At the end of the reporting period, the Group's future lease income receivables are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Within one year	626	227
Within two to five years	478	261
	<u>1,104</u>	<u>488</u>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 25 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company is based on the following data:

	2015 \$'000	2014 \$'000
<u>Earnings</u>		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	<u>3,579</u>	<u>5,870</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000) <sup>(1)</sup>	<u>208,000</u>	<u>170,083</u>
Earnings per share (cents) – basic and diluted	<u>1.72</u>	<u>3.45</u>

The diluted earnings per share was not presented as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

<sup>(1)</sup> Earnings per ordinary share is calculated based on the profit attributable to owners of the Company for FY2015 and FY2014 and adjusted for the sub-division into 65 ordinary shares pursuant to the initial public offering exercise.

## 26 SEGMENT INFORMATION

For management purposes, the Group is currently organised into two main business activities. The business activities are the basis on which the Group reports to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The two main business activities are as follows:

- (a) Distribution business; and
- (b) Property investment business.

Segment revenue and expense are the operating revenue and expense reported in the Group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment to arrive at segment results.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and investment properties directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable, accruals, bank loans and finance leases.

## 26 SEGMENT INFORMATION (CONT'D)

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

The measurement basis of the Group's reportable segments is in accordance with its accounting policy as described in Note 2.

### Segment revenue and results:

	Distribution business \$'000	Property investment business \$'000	Total \$'000
<b>2015</b>			
<b>Revenue</b>			
Sales of goods	64,604	-	64,604
Rental income	-	420	420
Segment revenue	64,604	420	65,024
<b>Cost of sales</b>			
External purchases	(49,063)	-	(49,063)
Cost of property maintenance	-	(376)	(376)
Segment cost of sales	(49,063)	(376)	(49,439)
<b>Results</b>			
Segment result	15,541	44	15,585
Other operating income	858	-	858
Administrative and selling expenses	(10,734)	(32)	(10,766)
Other operating expenses	(1,013)	(110)	(1,123)
Finance costs	(74)	(70)	(144)
Profit (Loss) before tax	4,578	(168)	4,410

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 26 SEGMENT INFORMATION (CONT'D)

### Segment assets, liabilities and other information

	Distribution business \$'000	Property investment business \$'000	Total \$'000
<b>2015 (cont'd)</b>			
<u>Assets</u>			
Segment assets	36,119	17,657	53,776
Unallocated assets			1,053
Combined total assets			<u>54,829</u>
<u>Liabilities</u>			
Segment liabilities	12,030	6,413	18,443
Unallocated liabilities			147
Combined total liabilities			<u>18,590</u>
<b>Other information</b>			
Capital expenditure	582	2,746	3,328
Depreciation of property, plant and equipment	471	-	471
Depreciation of investment properties	-	342	342



## 26 SEGMENT INFORMATION (cont'd)

### Segment revenue and results:

	Distribution business \$'000	Property investment business \$'000	Total \$'000
<b>2014</b>			
<b>Revenue</b>			
Sales of goods	70,127	–	70,127
Rental income	–	315	315
Segment revenue	<u>70,127</u>	<u>315</u>	<u>70,442</u>
<b>Cost of sales</b>			
External purchases	(52,849)	–	(52,849)
Cost of property maintenance	–	(251)	(251)
Segment cost of sales	<u>(52,849)</u>	<u>(251)</u>	<u>(53,100)</u>
<b>Results</b>			
Segment result	17,278	64	17,342
Other operating income	406	–	406
Administrative and selling expenses	(9,370)	(36)	(9,406)
Other operating expenses	(883)	(111)	(994)
Finance costs	(84)	(52)	(136)
Profit (Loss) before tax	<u>7,347</u>	<u>(135)</u>	<u>7,212</u>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 26 SEGMENT INFORMATION (cont'd)

	Distribution business \$'000	Property investment business \$'000	Total \$'000
<b>2014 (cont'd)</b>			
<b>Segment assets, liabilities and other information</b>			
<u>Assets</u>			
Segment assets	32,784	15,254	48,038
Unallocated assets			693
Combined total assets			<u>48,731</u>
<u>Liabilities</u>			
Segment liabilities	11,508	4,623	16,131
Unallocated liabilities			15
Combined total liabilities			<u>16,146</u>
<b>Other information</b>			
Capital expenditure	765	2,253	3,018
Depreciation of property, plant and equipment	306	–	306
Depreciation of investment properties	–	244	244

### Geographical information

The Group operates mainly in Singapore and hence no further disclosure is made on the geographical information.

### Information about major customers

There is no major customer arising from sales by the respective segments.

## **27 DIVIDENDS**

Before the restructuring, during the financial year ended December 31, 2014, Choo Chiang Marketing Pte. Ltd. declared and paid tax exempt (one-tier) interim dividend of \$5.40 per ordinary share amounting to \$10,800,000 to its then shareholders.

In respect of the financial year ended December 31, 2015, Directors of the Group propose that a final one-tier tax exempt dividend of 0.6 cent per ordinary share be paid to all shareholders. Subject to the approval by the shareholders at the Annual General Meeting, this proposed dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1,248,000.

## **28 EVENT AFTER THE REPORTING PERIOD**

On March 11, 2016, the Company incorporated a subsidiary named Choo Chiang Properties Pte. Ltd. with share capital of \$100,000.

# SHAREHOLDING STATISTICS

AS AT 23 MARCH 2016

Number of shares	:	208,000,000
Number of treasury shares held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 23 March 2016, 15.63% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Catalist Rules is complied with.

## ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	19	7.54	17,500	0.01
1,001 - 10,000	120	47.62	621,100	0.30
10,001 - 1,000,000	108	42.86	14,201,700	6.83
1,000,001 and above	5	1.98	193,159,700	92.86
	252	100.00	208,000,000	100.00

## TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	LIM TRUST PTE. LTD.	145,600,000	70.00
2	RHODUS CAPITAL LIMITED	29,120,000	14.00
3	UOB KAY HIAN PTE LTD	11,815,800	5.68
4	HSBC (SINGAPORE) NOMINEES PTE LTD	4,000,000	1.92
5	CIMB SECURITIES (S) PTE LTD	2,623,900	1.26
6	LEE HONG KWANG DANIEL	1,000,000	0.48
7	TAN YEOW SONG	1,000,000	0.48
8	DBS NOMINEES PTE LTD	925,000	0.44
9	HENG MENG LANG	925,000	0.44
10	TAN GUAN	925,000	0.44
11	D'OASIS PTE LTD	450,000	0.22
12	SIM CHENG HUAT	400,000	0.19
13	FU LIN	319,800	0.15
14	BOO CHONG MENG	265,000	0.13
15	TAY SOK CHENG	260,000	0.13
16	CHUA KAH BOEY	250,000	0.12
17	GOH GUAT BEE (WU YUEMEI)	250,000	0.12
18	TEO HAN KHENG (ZHANG HANQING)	250,000	0.12
19	WONG BEE LIAN	240,000	0.12
20	CHAN HUANG CHAY	200,000	0.10
21	NG SHEAU LIAN	200,000	0.10
22	ONG KHENG KWANG (WANG QINGGUANG)	200,000	0.10
23	TEO KA HIN	200,000	0.10
24	WONG YOKE MENG	200,000	0.10
		201,619,500	96.94

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Shareholdings Registered in the Name of Substantial Shareholder		Shareholdings in which the Substantial Shareholders are Deemed to be Interested	
	No. of Shares	%	No. of Shares	%
Lim Trust Pte. Ltd <sup>(1)</sup>	145,600,000	70.00	-	-
Rhodus Capital Limited <sup>(2)</sup>	29,120,000	14.00	-	-
Mr Lim Teck Chuan <sup>(1)</sup>	-	-	145,600,000	70.00

### Notes:-

- (1) Mr Lim Teck Chuan and Mr Lim Teck Seng hold 90.0% and 10.0% of the issued share capital of Lim Trust Pte. Ltd., respectively. Accordingly, Mr Lim Teck Chuan is deemed to be interested in all the shares held by Lim Trust Pte. Ltd.
- (2) Rhodus Capital Limited is an investment holding company incorporated in the British Virgin Islands on 20 August 2010 and based on information made available to the Company as at the date of this report, its shareholders are Mr Wong Leon Keat and Mr Omar Loebis.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the “**AGM**”) of **Choo Chiang Holdings Ltd.** (the “**Company**”) will be held at Emerald Suite, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Wednesday, 27 April 2016 at 11.00 a.m. to transact the following business:

## As Ordinary Business

1. To receive and adopt the Directors’ Report and the audited financial statements of the Company for the financial year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final tax exempt one-tier dividend of 0.6 Singapore cents per ordinary share for the financial year ended 31 December 2015. **(Resolution 2)**
3. To re-elect Mr Lim Teck Seng, who is retiring by rotation in accordance with Regulation 114 of the Company’s Constitution, as a Director of the Company. **(Resolution 3)**
4. To re-elect Mr Chin Chee Choon, who is retiring by rotation in accordance with Regulation 114 of the Company’s Constitution, as a Director of the Company. [See Explanatory Note (i)] **(Resolution 4)**
5. To approve the sum of S\$66,970.00 as Directors’ fees for the financial year ended 31 December 2015. **(Resolution 5)**
6. To approve the sum of S\$130,000.00 as Directors’ fees for the financial year ending 31 December 2016 and the payment thereof on a half yearly basis. **(Resolution 6)**
7. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**
8. To transact any other business that may be transacted at an Annual General Meeting.

## As Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

### 9. **Authority to allot and issue shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) and the Constitution of the Company (the “**Constitution**”), authority be and is hereby given to the Directors to (i) allot and issue new ordinary shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; (ii) 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) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and/or (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) and Instruments to be issued pursuant to this resolution shall not exceed 100.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro rata basis to existing Shareholders shall not exceed 50.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) and Instruments that may be issued under sub-paragraph (a) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares of the Company (excluding treasury shares) at the time of passing of this resolution, after adjusting for: (i) new Shares arising from the conversion or exercise of the Instruments or any convertible securities; (ii) new Shares arising from exercising of any share options or vesting of share awards outstanding and/or subsisting at the time of passing of this resolution provided that such share options or share awards (as the case may be) were granted in compliance with the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares;
- (c) in exercising such authority, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next annual general meeting of the Company or (ii) 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 (ii)]

**(Resolution 8)**

10. **Authority to grant awards and issue shares pursuant to the Choo Chiang Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Chapter 50, authority be and is hereby given to the Directors to:

- (i) offer and grant awards ("**Awards**") from time to time in accordance with the rules of the Choo Chiang Performance Share Plan (the "**PSP**"); and
- (ii) allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the vesting of Awards granted under the PSP,

provided always that the aggregate number of Shares issued and issuable pursuant to the Awards granted under the PSP, when added to (1) the number of Shares issued and issuable and/or transferred or transferable in respect of all awards granted thereunder; and (2) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed fifteen percent (15%) of the total issued share capital (excluding treasury shares) of the Company on the day preceding the relevant date of award and that such authority shall, unless

# NOTICE OF ANNUAL GENERAL MEETING

revoked or varied by the Company in a general meeting, 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 (iii)]

**(Resolution 9)**

By Order Of The Board

Sharon Yeoh  
Morland Fu  
Company Secretaries

Singapore, 12 April 2016



### Explanatory Notes on Ordinary Resolutions to be passed:

- (i) Mr Chin Chee Choon, if re-elected, will remain as the Company's Lead Independent Director and the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. The Board considers Mr Chin Chee Choon to be independent for the purposes of Rule 704(7) of the Catalist Rules.
- (ii) Ordinary Resolution 8, if passed, will empower the Directors (from the date of this AGM until (a) the conclusion of the next annual general meeting of the Company or (b) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier) to allot and issue Shares and convertible securities in the Company up to an amount not exceeding one hundred percent (100%) of the total number of issued Shares (excluding treasury shares), of which the total number of Shares issued other than on a *pro rata* basis to existing shareholders of the Company, shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares). This authority will, unless previously revoked or varied at a general meeting, expire at 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 the earlier.
- (iii) Ordinary Resolution 9, if passed, will empower the Directors (from the date of this AGM until (a) the conclusion of the next annual general meeting of the Company or (b) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier) to offer and grant Awards under the PSP (which was approved at the extraordinary general meeting of the Company held on 23 June 2015), and to allot and issue Shares pursuant to the vesting of Awards granted under the PSP, provided that that the aggregate number of Shares issued and issuable pursuant to the PSP, when added to (1) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (2) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or Awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed fifteen percent (15%) of the total number of issued share capital (excluding treasury shares) of the Company from time to time.

### Note:

- 1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.
- 2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary 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 under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
  - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
- 3. A proxy need not be a member of the Company.
- 4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 10 Woodlands Loop Singapore 738388 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## PERSONAL DATA PRIVACY

Where a member of the Company submits 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, proxy 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**"); and (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.

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**CHOO CHIANG HOLDINGS LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201426379D)

**IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 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 is purported to be used by them.
3. Please read the notes to the Proxy Form.

**PROXY FORM**

I/We \_\_\_\_\_ NRIC/Passport/Co. Registration No. \_\_\_\_\_

of \_\_\_\_\_

**being a member/members of CHOO CHIANG HOLDINGS LTD. hereby appoint**

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at Emerald Suite, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Wednesday, 27 April 2016 at 11.00 a.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	For*	Against*
<b>AS ORDINARY BUSINESS</b>			
1	Adoption of Directors' Report and the audited financial statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon		
2	Payment of proposed first and final tax exempt one-tier dividend of 0.6 Singapore cents per ordinary share for the financial year ended 31 December 2015		
3	Re-election of Mr Lim Teck Seng as a Director		
4	Re-election of Mr Chin Chee Choon as a Director		
5	Approval of Directors' fees for the financial year ended 31 December 2015		
6	Approval of Directors' fees for the financial year ending 31 December 2016		
7	Re-appointment of Deloitte & Touche LLP as auditors		
<b>AS SPECIAL BUSINESS</b>			
8	Authority to allot and issue shares in the capital of the Company and/or instruments pursuant to Section 161 of the Companies Act		
9	Authority to grant awards and issue shares pursuant to the Choo Chiang Performance Share Plan		

\* Please indicate your vote "For" or "Against" with a "V" within the boxes provided

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

**Total Number of Shares Held**

\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporate Member

**IMPORTANT**  
PLEASE READ NOTES OVERLEAF

## 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 2 proxies to attend, speak and vote on his behalf at the extraordinary general meeting.
3. Where a member appoints more than one proxy, the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
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 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 10 Woodlands Loop Singapore 738388 not less than 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.
8. 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), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2016.

# OUR RETAIL NETWORK

## CHOO CHIANG HEADQUARTERS

10 Woodlands Loop  
Singapore 738388  
T +65 6368 5922  
F +65 6363 5922

## WOODLANDS BRANCH

10 Woodlands Loop  
Singapore 738388  
T +65 6366 5959  
F +65 6759 0689

## PIONEER BRANCH

3 Soon Lee Street  
#01-09 Pioneer Junction  
Singapore 627606  
T +65 6266 5859  
F +65 6266 5059

## TOH GUAN BRANCH

48 Toh Guan Road East  
#01-107 Enterprise Hub  
Singapore 608586  
T +65 6515 6459  
F +65 6515 6469

## ANG MO KIO BRANCH

Blk 5070 Ang Mo Kio Industrial Park 2  
#01-1511/1513/1515  
Singapore 569573  
T +65 6483 3233  
F +65 6483 2232

## TOA PAYOH BRANCH

Blk 3 Toa Payoh Industrial Park  
#01-1381  
Singapore 319055  
T +65 6250 4520  
F +65 6253 3328

## SIMS AVENUE BRANCH

488A Sims Avenue  
Singapore 387605  
T +65 6748 1377  
F +65 6748 2377

## BENDEMEER BRANCH

Blk 23 Bendemeer Road  
#01-527  
Singapore 330023  
T +65 6296 4111  
F +65 6298 3620

## UBI BRANCH

61 Ubi Road 1  
#01-11 Oxley BizHub  
Singapore 408727  
T +65 6385 9959  
F +65 6384 9959

## ROWELL BRANCH

Blk 640 Rowell Road  
#01-70, Rowell Court  
Singapore 200640  
T +65 6396 4111  
F +65 6296 3620

## CCM-NEIKEN TAGORE BRANCH

9 Tagore Lane, #01-16, 9@Tagore  
Singapore 787472  
T +65 6455 5413  
F +65 6455 1493

**Choo Chiang Holdings Ltd.**  
10 Woodlands Loop Singapore 738388  
Tel : +65 6368 5922

Website: [www.ccm.sg](http://www.ccm.sg)