



SUNRISE SHARES HOLDINGS LTD.

2 0 1 8

ANNUAL REPORT

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

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

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

LETTER TO SHAREHOLDERS

On behalf of the board of directors at Sunrise Shares Holdings Ltd. ("**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present to you the Company's annual report for the financial year ended 31 December 2018 ("**FY**") 2018.

The Group is continually reviewing its strategic direction and business operations. During FY2018, the Group commenced plans to seek interested buyers for the Group's interests in its wholly-owned subsidiaries, namely ITE Electric Systems Co Pte. Ltd., ITE Lumens Pte. Ltd. and Electech Distribution Systems Sdn. Bhd. and its subsidiary, Electech Manufacturing Sdn. Bhd. (collectively the "**Disposal Group**"), through the Group's internal networks. In March 2019, the Group appointed an independent consultant to review and solicit interest to purchase the Disposal Group. As at the date of this report, while there has been parties who have expressed interest, no definitive agreements have been entered into by the Group in respect of the sale and purchase of the Disposal Group. Notwithstanding, on the abovementioned basis, the Group has classified the Disposal Group (comprising the electrical trading and electrical manufacturing segments) as disposal group held for sale.

PERFORMANCE REVIEW

Continuing Operations (Property consultancy and management)

In FY2018, the Group reported a 153% or S\$2.9 million increase in revenue, from S\$1.9 million in FY2017 to S\$4.8 million in FY2018, as the Group secured more property management projects in China.

Finance income rose approximately S\$238,000 to approximately S\$251,000 in FY2018, as compared to approximately S\$13,000 in FY2017, mainly attributable to the interest income earned in respect of loans extended to a third-party.

The Group recorded a profit before tax of S\$2.0 million in FY2018 from continuing operations, as compared to a profit before tax of approximately S\$326,000 in FY2017. After taking into account income tax expense

of approximately S\$755,000 (FY2017: approximately S\$291,000), the Group reported a net profit of S\$1.3 million in FY2018, as compared to a net profit of approximately S\$36,000 in FY2017 from continuing operations.

Discontinuing Operations (Electrical trading and manufacturing segments)

The loss from discontinuing operations (net of tax) rose from approximately S\$75,000 in FY2017 to S\$5.0 million in FY2018, mainly due to the recognition of an impairment loss on the Disposal Group of approximately S\$4.6 million in FY2018 based on the indicative prices received from parties who have expressed interest in acquiring the Disposal Group.

Overall, the Group reported a net loss of S\$3.8 million in FY2018, as compared to a net loss of approximately S\$39,000 in FY2017.

DIVIDENDS

The Board is not recommending a dividend for FY2018, as the Group intends to conserve its cash for growth in anticipation of an overall challenging business environment.

OUTLOOK

The pace of growth in the Singapore economy is expected to slow in 2019, as compared to 2018. Taking into account the global and domestic economic environment, the 2019 Gross Domestic Product ("GDP") growth is forecasted at 1.5% to 3.5%, with growth expected to come in slightly below the mid-point of the forecast range⁽¹⁾.

⁽¹⁾ Press release by Ministry of Trade and Industry Singapore on 15 February 2019 titled "MTI Maintains 2019 GDP Growth Forecast at 1.5 to 3.5 Per Cent."

LETTER TO SHAREHOLDERS

The China economy is expected to experience a 5.5% to 6.5% growth rate in 2019. The average real estate selling price is expected to have a low growth rate and there will be moderate supply of new residential apartment in 2019⁽²⁾. The Group believes that the demand for professional property management services that the Group provides remain strong especially in the Tier 1 and Tier 2 cities in China.

The Group expects an improved overall business environment in FY2019, as compared to FY2018. We will strive to expand our business in the property consultancy and management segment, while conducting prudent cost control to enhance the Group's performance.

APPRECIATION

On behalf of the Board, I would like to thank our management and staff for their contribution and dedication in helping the Group to overcome the many obstacles faced in the past years. I would also like to express my gratitude to our customers and business partners for their support and faith in us all this while. Finally, I would like to thank our shareholders for their unwavering support over the years. We look forward to your continual support as we strive to create greater shareholder value for everyone.

Zheng Aimin

Independent Non-Executive Chairman

Zhang Zhi Liang

Executive Director and Chief Executive Officer

12 April 2019

⁽²⁾ Press release by Reuters News Agency on 15 March 2019 titled “综述：对抗下行压力中国改革刀刃向内放水养鱼，总理重申不搞大水漫灌。”

OPERATION REVIEW

The Group operates mainly in three markets – Singapore, Malaysia and China. China was a newly added geographical market in 2017 as we ventured into property consultancy and management business in line with our diversification strategy. We are continuously expanding our existing customer base as we explore new market opportunities.

PROPERTY CONSULTANCY AND MANAGEMENT

(Continuing operations)

The Property Consultancy and Management segment is carried out by the Group's wholly-owned subsidiary, Shenzhen Zhongtong Consultancy Management Pte. Ltd. ("**SZCM**"), which is engaged in provision of property management and consultancy services to property management companies in China. In 2018, SZCM secured consultancy and management contracts projects in several China cities including Shenzhen in Guangdong, Wuzhishan in Hainan and Shijiazhuang in Hebei. As a result, the segment recorded a revenue of S\$4.8 million in FY2018, as compared to S\$1.9 million in FY2017, and a segmental profit before tax of S\$2.9 million in FY2018 (FY2017: S\$ 1.1 million).

ELECTRICAL TRADING

(Discontinuing operations)

The Electrical Trading segment involved the sale of electrical products and systems, light emitting diode ("**LED**") light fittings and luminaries, as well as other related products manufactured by the Company's wholly-owned subsidiaries, ITE Electric Systems Co. Pte. Ltd. ("**ITEES**") and ITE Lumens Pte. Ltd. ("**ITEL**") in Singapore, and Electech Distribution Systems Sdn. Bhd. ("**EDSM**") in Malaysia.

In FY2018, the Electrical Trading segment reported a total revenue of S\$13.1 million, which was an increase of S\$0.7 million or 5.6%, as compared to S\$12.4 million in FY2017. This was mainly due to higher sales reported by ITEES as a result of increased sales orders. The segment reported a segmental loss before tax of S\$287,000 in FY2018, as compared to a segmental loss before tax of S\$22,000 in FY2017. The loss in FY2018 was mainly due to an increase in administrative expenses such as increase in bad debts provision, office relocation expenses and rental expenses.

ELECTRICAL MANUFACTURING

(Discontinuing operations)

The Electrical Manufacturing segment is carried out by the Group's wholly-owned subsidiary, Electech Manufacturing Sdn. Bhd. ("**EMSB**"), which is primarily involved in the manufacturing and assembling of electrical products under licence for certain principals and products under the proprietary brand name of the Group. Most of the products manufactured by EMSB are marketed by ITEES and EDSM. About 92.5% of the segment's revenue was contributed by sales made to ITEES and EDSM, while sales to external customers only accounted for 7.5%.

In FY2018, the segment registered an increase of \$60,000 or 8.7% in revenue to S\$752,000, as compared to S\$692,000 in FY2017. The increase was contributed by inter-segment sales. The segment reported a segmental loss before tax of S\$37,000 in FY2018, as compared to a segmental loss before tax of S\$7,000 in FY2017. The loss in FY2018 was due to higher cost of sales and correspondingly, lower gross profit margin.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

During the financial year ended 31 December 2018 ("FY2018"), the Group commenced plans to seek interested buyers for the Group's interests in its wholly-owned subsidiaries, namely ITE Electric Systems Co Pte. Ltd., ITE Lumens Pte. Ltd. and Electech Distribution Systems Sdn. Bhd. and its subsidiary, Electech Manufacturing Sdn. Bhd. (collectively, the "Disposal Group"), through the Group's internal networks. In March 2019, the Group appointed an independent consultant to review and solicit interest to purchase the Disposal Group. As at the date of this report, while there are parties who have expressed interest, no definitive agreements have been entered into by the Group in respect of the sale and purchase of the Disposal Group. Notwithstanding, on the abovementioned basis, the Group has classified the Disposal Group (comprising the electrical trading and electrical manufacturing segments) as disposal group held for sale and based on the indicative prices received from parties who have expressed interest in acquiring the Disposal Group, an impairment loss on the Disposal Group of approximately S\$4.6 million was recognized in the FY2018.

Continuing Operations (Property consultancy and management segments)

The Group reported revenue of S\$4.8 million in FY2018, as compared to S\$1.9 million in the financial year ended 31 December 2017 ("FY2017"), representing an increase of 153% or S\$2.9 million as the Group secured more property management projects in China.

Sales agent fee increased by 167% or S\$1.1 million, from S\$0.7 million in FY2017 to S\$1.8 million in FY2018, in line with the increase in revenue in FY2018, as the Group engaged sales agent for its property management business.

Administrative expenses increased by 37% or S\$0.4 million, from S\$0.9 million in FY2017 to S\$1.3 million in FY2018, mainly due to the increase in professional fees paid to auditors, and legal advisors engaged by the Company for the mandatory conditional cash offer for the Company by Mr Wong Siu Fai, controlling shareholder of the Company, in December 2018.

Finance income increased by approximately S\$238,000, from approximately S\$13,000 in FY2017 to approximately S\$251,000 in FY2018. The increase was mainly due to the interest income earned in respect of loans extended to a third-party.

The Group recorded a profit before tax of S\$2.0 million in FY2018 from continuing operations, as compared to a profit before tax of approximately S\$326,000 in FY2017.

Tax expense in FY2018 was S\$0.8 million, as compared to tax expense of S\$0.3 million in FY2017. The increase in tax expense in FY2018 was in line with the increase in the profit before tax in FY2018.

After accounting for the tax expense, the Group incurred a net profit of S\$1.3 million in FY2018, as compared to a net profit of approximately S\$36,000 in FY2017 from continuing operations.

Discontinuing Operations (Electrical trading and manufacturing segments)

The discontinuing operations recorded a net loss of S\$5.0 million in FY2018, as compared to a net loss of approximately S\$75,000 in FY2017, mainly due to the recognition of an impairment loss on the Disposal Group of approximately S\$4.6 million in FY2018 based on the indicative prices received from parties who have expressed interest in acquiring the Disposal Group.

Loss for the year (net of tax)

As a result of the above, the Group reported net loss of S\$3.8 million in FY2018, as compared to a net loss of approximately S\$39,000 in FY2017.

FINANCIAL POSITION

ASSETS

Property, plant and equipment and inventories were nil as at 31 December 2018. The respective balances as at 31 December 2017 relate to that of the Disposal Group, which had been transferred to assets held for sale as at 31 December 2018.

Deferred tax assets were nil as at 31 December 2018 as a portion amounting to approximately S\$75,000 was recognised in profit or loss in FY2018 and the balance of approximately S\$49,000 was transferred to assets held for sale.

Cash and cash equivalents remained relatively stable at S\$3.6 million as at 31 December 2018, as compared to S\$3.7 million as at 31 December 2017. Please refer to the cashflow analysis below for more information on the movements in cash and cash equivalents.

FINANCIAL REVIEW

Assets held for sale of S\$3.7 million as at 31 December 2018 comprised the assets of the Disposal Group, which related mainly to trade and other receivables of S\$3.7 million, inventories of S\$2.2 million as well as cash and cash equivalents of S\$1.9 million, partially offset by an impairment loss recognised on the Disposal Group held for sale of S\$4.6 million.

LIABILITIES

Loan from a related party remained at S\$0.3 million as at 31 December 2018.

Trade and other payables decreased by S\$1.0 million, from S\$2.6 million as at 31 December 2017 to S\$1.6 million as at 31 December 2018. This was mainly due to the transfer of trade and other payables amounting to S\$1.9 million to liabilities held for sale, partially offset by the increase in trade payables as a result of the sales agent fees payable in respect of the property consultancy and management segment.

Current tax liabilities increased by S\$0.4 million, from S\$0.4 million as at 31 December 2017 to S\$0.8 million as at 31 December 2018. This was mainly due to an increase in income tax payable in the property consultancy and management segment.

Liabilities held for sale of S\$1.9 million as at 31 December 2018 comprised the liabilities of the Disposal Group, which related mainly to trade and other payables of S\$1.9 million.

The Group's gearing ratio as at 31 December 2018 stood at 0.07 times (31 December 2017: 0.04 times).

EQUITY AND WORKING CAPITAL

Total equity decreased by S\$3.9 million, from S\$8.5 million as at 31 December 2017 to S\$4.6 million as at 31 December 2018, mainly due to the increase in accumulated losses. The Group's working capital as at 31 December 2018 amounted to S\$3.2 million (31 December 2017: S\$7.7 million).

CASHFLOW ANALYSIS

Net cash from operating activities in FY2018 was S\$3.3 million, due to (i) income before changes in working capital of S\$1.7 million; (ii) increase in trade and other receivables of S\$0.9 million; (iii) increase in trade and other payables of S\$0.9 million; and (iv) increase in inventories of S\$0.1 million, partially offset by tax paid of S\$0.5 million.

Net cash used in investing activities in FY2018 was S\$1.3 million, due to a loan to a third party of S\$1.4 million and acquisition of property, plant and equipment of S\$0.2 million, partially offset by interest received of S\$0.3 million and proceeds from disposal of property, plant and equipment of approximately S\$16,000.

There was no financing activity in FY2018.

As a result of the above, the Group's cash and cash equivalents increased by S\$2.0 million, from S\$3.7 million as at 31 December 2017 to S\$5.6 million as at 31 December 2018.

FINANCIAL HIGHLIGHTS

For the Year	2018 \$'000	2017 \$'000 (Restated)	% Change
Continuing operations			
Revenue			
1st half	2,182	–	NM
2nd half	2,666	1,914	39%
Total	4,848	1,914	153%
Profit from continuing operations			
1st half	563	(362)	NM
2nd half	687	398	73%
Total	1,250	36	NM
Discontinuing operations	(5,033)	(75)	NM
Loss for the year	(3,783)	(39)	NM
Equity			
Share capital	24,937	24,937	–
Reserves	(20,324)	(16,445)	24%
Shareholders' funds	4,613	8,492	(46%)
Total Equity	4,613	8,492	(46%)
Borrowings	330	330	–
Total Assets	9,196	11,729	(22%)
Financial Ratios			
Loss per share (cents)			
Basic and diluted	(2.12)	(0.02)	NM
Net asset value per share (cents)	2.59	4.76	(46%)
Total debts to total equity	0.07	0.04	75%

FIVE-YEAR FINANCIAL SUMMARY

Financial Results	2018 \$'000	2017 \$'000 (Restated)	2016 \$'000	2015 \$'000	2014 \$'000
Continuing Operations					
Revenue	4,848	1,914	12,100	15,790	20,540
Profit/(Loss) before interest and tax	1,755	313	(317)	47	(255)
Finance income	250	13	28	31	31
Finance costs	–	–	(8)	(66)	(123)
Profit/(Loss) before tax	2,005	326	(297)	12	(347)
Taxation	(755)	(290)	(77)	(32)	(124)
Profit from continuing operations	1,250	36	(374)	(20)	(471)
Discontinuing Operations					
Loss from discontinuing operations	(5,033)	(75)	–	–	–
Loss for the year	(3,783)	(39)	(374)	(20)	(471)
Financial Position					
Non-current assets	1,406	835	252	246	331
Current assets	7,790	10,894	8,292	9,055	12,010
Total assets	9,196	11,729	8,544	9,301	12,341
Borrowings	(330)	(330)	(330)	(203)	(1,941)
Other liabilities and non-controlling interests	(4,253)	(2,907)	(1,655)	(2,106)	(3,048)
Total Net Assets	4,613	8,492	6,559	6,992	7,352
Share capital	24,937	24,937	23,018	23,018	23,018
Reserves	(20,324)	(16,445)	(16,459)	(16,026)	(15,666)
Shareholders' funds	4,613	8,492	6,559	6,992	7,352
Financial Ratios					
Loss per share (cents)	(2.12)	(0.02)	(0.27)	(0.01)	(0.33)
Net asset value per share (cents)	2.59	4.76	4.78	5.09	5.35
Total borrowings to shareholders' funds	0.07	0.04	0.05	0.03	0.26

BOARD OF DIRECTORS

MR ZHENG AIMIN

Independent Non-Executive Chairman

Mr Zheng Aimin ("**Mr Zheng**") is the Independent Non-Executive Chairman of the Company and was first appointed to the Board as an Independent Non-Executive Director on 9 September 2016. He was appointed as the Independent Non-Executive Chairman on 8 June 2018. He is also the Chairman of the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), as well as a member of the Audit Committee ("**AC**").

Mr Zheng is the chairman of Beijing Dadu Wazao New Materials Technology Holdings Limited. From 2003 to 2011, Mr Zheng was the chairman and general manager of Beijing Dajing Wazao New Materials Holdings Limited, and from 2000 to 2011, the general manager, director and vice chairman of Xiamen Sunrise Investment Holdings Limited.

Mr Zheng holds a Master of Commerce (Economics) and a Bachelor of Economic Management from the Nankai University, China.

MR ZHANG ZHI LIANG

Executive Director and Chief Executive Officer

Mr Zhang Zhi Liang ("**Mr Zhang**") is an Executive Director and Chief Executive Officer of the Company, appointed since 9 September 2016.

From 2012 to 2016, Mr Zhang was the treasurer, chief financial officer, and chief executive officer of Guangdong Sunrise Holdings Limited and its subsidiaries. From 2008 to 2011, Mr Zhang was the board secretary, vice general manager, financial controller, and chairman of Xiamen Sunrise Investment Holdings Ltd.

Mr Zhang graduated from Shanghai University of Finance and Economics, China, and majored in Accounting.

MR NG CLARENCE KAR LUNG

Executive Director

Mr Ng Clarence Kar Lung ("**Mr Ng**") was appointed to the Board as an Executive Director on 9 September 2016, and is a member of the NC.

Mr Ng is the managing director of Hong Kong Sunrise Asset Management Limited, a boutique fund management company. From 2015 to 2016, he was the general manager of Hong Kong Sunrise Holdings Limited. He started his career in an international accounting firm in Hong Kong.

Mr Ng holds a Bachelor of Commerce degree from the University of British Columbia, Canada, and majored in Accounting.

MS HUANG ANNA YI

Non-Executive Director

Ms Huang Anna Yi ("**Ms Huang**") was appointed to the Board as a Non-Executive Director on 23 April 2018, and is a member of the AC and RC.

Ms Huang is the managing director of Hong Kong Sunrise Group Holdings Ltd. and a director of Central Point (S) Investment Pte. Ltd. From 2010 to 2013, she was a director of Union Gate Investment Ltd., and from 2012 to 2013, she was a legal assistant of Hong Kong Refugee Advice Centre.

Ms Huang holds a Master of Laws from Washington University in St. Louis, and Juris Doctor degree from Chinese University of Hong Kong.

BOARD OF DIRECTORS

MR TANG AN

Independent Director

Mr Tang An ("**Mr Tang**") was appointed to the Board as an Independent Director on 9 September 2016. He is the Chairman of the AC and a member of the NC and the RC.

Mr Tang is currently the managing partner and chief accountant of Shenzhen Changping Accounting Firm. From 2007 to 2016, he was a director of Xiamen Sunrise Investment Holdings Ltd.

Mr Tang holds a Master of Business Administration from the Nankai University, and a Bachelor of Law degree from Dongbei University of Finance and Economics. In addition, Mr Tang is a Certified Public Accountant in China and an affiliated member of the Association of International Accountants, and also holds the Certification of Securities Professional issued by the Securities Association of China.

MR WANG ZIQUAN

Independent Director

Mr Wang Ziquan ("**Mr Wang**") was appointed to the Board as an Independent Director on 11 February 2019.

Mr Wang is currently a business analyst of ZF Asia Pacific Pte. Ltd.. From 2015 to 2017, he was the supply chain planner of Prysmian Group and Pall Corporation.

Mr Wang holds a Bachelor of Industrial and Management Engineering from National University of Singapore.

KEY MANAGEMENT

Mr Chan Hing Yin is the Chief Financial Officer of the Company and is responsible for the financial and accounting functions of the Group. He joined the Company on 20 March 2017. From 2015 to 2017, he was the chief financial officer for China Cloud Construction Group Ltd, and from 2012 to 2015, financial controller for Distell (Hong Kong) Limited and Collector's Wines Company. Mr Chan holds a Bachelor of Science in Business, and majored in Accounting, Finance and Business Process Management from Indiana University, USA. In addition, Mr Chan is a Certified Public Accountant in USA and a member of Phi Theta Kappa Honor Society, USA.

Mr Teh Thean Yean is the General Manager of Electech Distribution Systems Sdn Bhd ("**EDSM**") and is responsible for the sales and marketing and overall management of the Group's operations in Malaysia. He joined EDSM on 1 March 1997 as a Group Marketing Manager and was promoted to General Manager on 3 January 2000. Prior to joining EDSM in 1997, he was the executive director of Fortune Electrical Appliances Sdn Bhd. He worked as a country manager in Black & Decker Asia Pacific (M) Sdn Bhd from 1993 to 1995 and was a divisional manager of Borneo Company (Inchcape Marketing) from 1973 to 1992.

CORPORATE INFORMATION

COMPANY INFORMATION:

Sunrise Shares Holding Ltd.
Company Registration Number: 198201457Z
Incorporated in the Republic of Singapore

STOCK EXCHANGE LISTING

Listed on Singapore Exchange – Catalist
Stock Code: 581

BOARD OF DIRECTORS:

Zheng Aimin
(Independent Non-Executive Chairman)

Zhang Zhi Liang
(Executive Director and Chief Executive Officer)

Ng Clarence Kar Lung
(Executive Director)

Huang Anna Yi
(Non-Independent and Non-Executive Director)

Tang An
(Independent Director)

Wang Ziquan
(Independent Director)

AUDIT COMMITTEE:

Tang An (Chairman)
Zheng Aimin
Huang Anna Yi

NOMINATING COMMITTEE:

Zheng Aimin (Chairman)
Ng Clarence Kar Lung
Tang An

REMUNERATION COMMITTEE:

Zheng Aimin (Chairman)
Huang Anna Yi
Tang An

COMPANY SECRETARY:

Shirley Tan Sey Liy (ACS)

PRINCIPAL ACTIVITIES OF THE GROUP:

Electrical Trading:
Trading and distributors of electrical products.

Electrical Manufacturing:
Manufacturing and assembling of electrical distribution and control equipment.

Property Consultancy and Management:
Property consultancy and management services.

EXTERNAL AUDITORS:

KPMG LLP
(Public Accountants and Chartered Accountants, Singapore)
16 Raffles Quay, #22-00
Hong Leong Building
Singapore 048581

Partner in charge:
Mr Loo Kwok Chiang Adrian
(Appointed since financial year ended 31 December 2015)

BANKERS:

United Overseas Bank Limited
RHB Bank Berhad
CIMB Bank Berhad
DBS Bank Ltd
Shanghai Pudong Development Bank
Bank of China (Hong Kong)
The Hongkong and Shanghai Banking Corporation Limited

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SHARE REGISTRAR:

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619

SPONSOR:

ZICO Capital Pte. Ltd.
8 Robinson Road, #09-00
ASO Building
Singapore 048544

SUSTAINABILITY REPORT 2018

SUSTAINABILITY REPORTING

The Company upholds the high standards of responsible and sustainable business practices. We are committed to instilling sustainability in our corporate culture and improving the economic, environmental and social wellbeing of our stakeholders. We prudently balance economic viability with sustainability and social progress for future generations.

As a company that takes pride in the electrical products we supply, ensuring product quality and safety has always been our top priority. We regularly review our quality assurance policies and electrical manufacturing practices, and strictly comply with industry regulations to ensure that our products are safe to use.

The Group also provides property consultancy and management services, and we always advise clients to develop their properties sustainably and prioritise occupant safety. We take extra precaution to ensure that our clients comply with relevant environmental and social laws and regulations.

The Group has assigned a Sustainability Task Force for each business segment to oversee sustainability reporting, to monitor our sustainability performance and the implementation of our sustainability policies and measures. We endeavour to streamline our business operations to improve efficiency and conserve resources.

Below is a summary table of the key topics that are relevant to the Group and our stakeholders.

Economic	Environmental	Social
Anti-corruption	Energy Emissions Environmental Compliance Supplier Environmental Assessment	Occupational Health and Safety Supplier Social Assessment Customer Health and Safety

More information on the Group's efforts on sustainability management in FY2018 can be found in the 2018 Sustainability Report of Sunrise Shares Holdings Ltd. which will be published by 31 May 2019.

CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**” or “**Directors**”) of Sunrise Shares Holdings Ltd. (the “**Company**”, and together with its subsidiaries, “**Group**”) is committed to observing and maintaining high standards of corporate governance and transparency within the Company and the Group by complying with the principles and guidelines as set out in the Code of Corporate Governance 2012 (“**Code**”).

This corporate governance report outlines the Group’s corporate governance structure and practices that were in place during the financial year ended 31 December (“**FY**”) 2018, with specific reference made to the principles of the Code pursuant to Rule 710 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (“**Catalist Rules**”). The Board confirms that the Group has complied substantially with the principles and guidelines of the Code for FY2018. Where there are deviations from the Code, appropriate explanations have been provided.

The new Code of Corporate Governance 2018 was issued on 6 August 2018 (“**Revised Code**”), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code will not affect the Group for FY2018, and accordingly, the Group will only make reference to the Code in reviewing and implementing its corporate governance structures and practices.

(A) BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the management to achieve this objective and the management remains accountable to the Board.

The Board is responsible for setting the strategic direction of the Company, establishes goals for the management of the Company (“**Management**”) and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group. All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and is expected to act in good faith and always in the best interests of the Company as well as the shareholders of the Company (“**Shareholders**”).

The Board is entrusted with the responsibility for the overall management of the Company. The Board’s primary responsibilities include the review and approval of policy guidelines, as well as setting of direction to ensure that the strategies undertaken lead to enhanced shareholders’ wealth.

The principal functions of the Board are:

- provide entrepreneurial leadership and approve the Board’s policies and set strategic objectives of the Company;
- ensure that necessary financial and human resources are in place for the Company to meet its objectives;
- oversee the processes for evaluating the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology controls) and risk management systems;

CORPORATE GOVERNANCE REPORT

- review and approve the appointment of Directors proposed by the Nominating Committee;
- appointment and removal of the Company Secretary, internal and external auditors and key management staff;
- assume responsibility for corporate governance;
- review and monitor the performance of the Management;
- review and approve interim and annual financial statements of the Company and the Group;
- declaration of interim dividends and proposal of final dividends to Shareholders; and
- set the Company's values and standards, and ensure that obligations to Shareholders are understood and met.

The Board also monitors and evaluates the Group's operations and financial performance, sets targets and goals, works with and monitors the Management in achieving such targets and goals.

To facilitate effective management, the Board has delegated certain specific responsibilities to three board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (collectively, "Board Committees") each of which has its own written terms of reference which are reviewed on a regular basis. The Board accepts that while the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board meets regularly and ad-hoc meetings are convened as warranted by particular circumstances as deemed appropriate by the Board members. The Company's Constitution allows a Board meeting to be conducted by way of telephone conference or video conference.

The table below sets out the number of Board and Board Committee meetings held during FY2018 and the attendance of each Director at these meetings:

Name of Director	Board		AC		NC		RC	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Zhang Zhi Liang	2	2	2	2*	1	1*	1	1*
Mr Ng Clarence Kar Lung	2	2	2	2*	1	1	1	1*
Ms Huang Anna Yi ⁽¹⁾	2	1	2	1*	1	—	1	—
Mr Chew Vincent ⁽²⁾	2	2	2	2	1	1*	1	1
Mr Tang An	2	2	2	2	1	1	1	1
Mr Zheng Aimin	2	2	2	2	1	1	1	1
Mr Wang Ziquan ⁽³⁾	2	—	2	—	1	—	1	—

* By invitation

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Notes:

- (1) Ms Huang Anna Yi was appointed as a Non-Independent and Non-Executive Director of the Company with effect from 23 April 2018, and a member of the AC and the RC with effect from 1 February 2019.
- (2) Mr Chew Vincent resigned as a Non-Independent and Non-Executive Director of the Company, and a member of the AC and the RC with effect from 1 February 2019.
- (3) Mr Wang Ziquan was appointed as an Independent and Non-Executive Director of the Company with effect from 11 February 2019.

The Board had adopted a set of internal guidelines setting forth matters that require the Board's approval. Matters which are specifically reserved to the Board for decision and approval, include, amongst others, matters that involve a conflict of interest of a controlling shareholder or a Director, or persons connected to such shareholder or Director, material acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, share issuances, declaration of dividends and other returns to Shareholders.

The Board ensures that these guidelines and matters which require Board's approval are properly communicated to the Management.

The Directors are also updated regularly on changes to the Catalist Rules, risk management, corporate governance, insider trading and key changes in the relevant regulatory requirements, financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as members of the Board or Board Committees.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are regularly circulated to the Board. The Company Secretary would inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Directors are also encouraged to attend workshops and seminars to enhance their skills and knowledge, which will be funded by the Company. Regular training, particularly on risk management, corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, will be arranged and funded by the Company for all Directors, from time to time. During FY2018, Directors are provided with briefings and updates on (i) the developments in financial reporting and governance standards; (ii) updates on amendments to the Catalist Rules and the Code by the sponsor of the Company; and (iii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committee meetings, so as to enable them to make well-informed decisions and to properly discharge their duties as Board or Board Committee members.

Newly-appointed Directors will receive appropriate orientation and briefings on director's duties, responsibilities, disclosure duties and statutory obligations. Newly appointed Directors will also be briefed by the Management on the business activities of the Group, strategic directions, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction

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involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information. In addition, they are also given the opportunity to visit the Group's operational facilities and meet with the management to gain a better understanding of the Group's business operations. In accordance with Rule 406(3)(a) of the Catalist Rules, newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore will be required to attend the prescribed training programmes set out in Practice Note 4D of the Catalist Rules as well as any other relevant courses in areas such as accounting, legal and industry specific knowledge, where appropriate, in connection with their duties as Directors of the Company. The cost for attending such trainings will be borne by the Company. A formal letter of appointment will be furnished to every Director upon his/her appointment explaining, among other matters, his/her roles, obligations, duties and responsibilities as a member of the Board.

During FY2018, Ms Huang Anna Yi was appointed as a Director with effect from 23 April 2018. Ms Huang had attended a training conducted by RSM Risk Advisory Pte. Ltd., arranged by the Company for the Directors in 2016, which included the following:

- (a) the duties and responsibilities of Directors;
- (b) continuing listing and disclosure obligations under the Catalist Rules;
- (c) the Code;
- (d) the Singapore Code on Take-over and Mergers; and
- (e) sustainability reporting.

In addition, Ms Huang attended a briefing conducted by RHT Capital Pte. Ltd. (the then sponsor of the Company) to the Directors which covered areas such as the disclosure requirements for various transactions conducted by the Company.

Mr Wang Ziquan was appointed as an Independent and Non-Executive Director of the Company with effect from 11 February 2019. Pursuant to Rule 406(3)(a) of the Catalist Rules, Mr Wang will be attending the prescribed training programmes set out in Practice Note 4D of the Catalist Rules within one year from the date of his appointment to the Board.

The Company has adopted a policy where Directors are encouraged to make enquiries on any aspects of the Company's operations or business issues from the Management. The Chief Executive Officer ("**CEO**") or the Company Secretary will make the necessary arrangements for the briefings, informal discussions or explanations required.

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BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board comprises six (6) Directors, three (3) of whom are Independent Directors (including the respective Chairmen of the Board and the Board Committees), details as set out below:

Name of Director	Designation	Board Committee Membership		
		AC	NC	RC
Zheng Aimin	Independent Non-Executive Chairman	Member	Chairman	Chairman
Zhang Zhi Liang	Executive Director and CEO	–	–	–
Ng Clarence Kar Lung	Executive Director	–	Member	–
Huang Anna Yi	Non-Executive and Non-Independent Director	Member	–	Member
Tang An	Independent Director	Chairman	Member	Member
Wang Ziquan	Independent Director	–	–	–

There is presently a strong and independent element on the Board with Independent Directors constituting half of the Board. The criteria of independence are determined based on the definition as provided in the Code. The Board considers an Independent Director as 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 the Directors' independent business judgment of the Group's affairs. The Board has sought and obtained written confirmation from each of the Independent Directors that none of them has any relationship (in business or otherwise, including immediate family relationships) with other Directors, the Company, its subsidiaries, related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment in the best interests of the Company. The NC had reviewed the independence of each Independent Director and is satisfied that the Independent Directors have met with the criterion of independence as set forth and each of them has the ability to act independently. The independence of the Independent Directors will be reviewed annually by the NC based on the guidelines given in the Code.

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There is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment. In consideration of Rule 406(3)(d) of the Catalist Rules, none of the Independent Director has been employed by the Company or any of its related corporations for the current or any of the past three financial years, and none of the Independent Director has an immediate family who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC.

The Board, via the NC, has reviewed its size and composition, and is of the view that, after taking into account the scope and nature of operations of the Group in the financial year under review, the current Board size is appropriate, effective and adequate, and is able to meet the Company's existing scope of needs, nature of the operations and facilitate effective decision-making, and that no individual or small group of individuals dominates the Board's decision-making process. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

The Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. The Board comprises individuals who have experience in accounting, finance, business, management, industry knowledge and strategic planning experience. The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective.

To assist the Non-Executive Directors (including the Independent Directors) in understanding the Group's businesses, operations and management, they will meet with the Management from time to time, and also assist the Executive Directors to review the performance of the Management and provide constructive suggestions to the Management to improve the Group's performance.

The Non-Executive Directors (including the Independent Directors) participate actively during Board meetings. The Company has benefited from Management's access to Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Non-Executive Directors (including the Independent Directors) communicate amongst themselves and with the Company's auditors and the Management. When necessary, the Company co-ordinates informal meetings for the Non-Executive Directors (including the Independent Directors) to meet without the presence of the Executive Directors and/or Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and the CEO are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO.

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As the Independent Non-Executive Chairman, Mr Zheng Aimin, is responsible for overseeing the Board and, together with the AC, ensures the integrity and effectiveness of the governance process of the Board. He leads the Board discussions and ensures that Board meetings are convened when necessary. In addition, the Chairman of the Board promotes a culture of openness and debate at the Board; ensures that the Directors receive complete, adequate and timely information; encourages constructive relations within the Board, and between the Board and Management; and facilitates the effective contribution of the Non-Executive Director and the Independent Directors in particular. The Chairman of the Board chairs the annual general meetings of the Company ("**AGM**"), and ensures constructive communication between Shareholders, the Board and Management.

The CEO, Mr Zhang Zhi Liang, is primarily responsible for leading the development and execution of the Group's short and long-term strategies and business plans, and ensures that the Group is properly organised and staffed, assesses the principal risks of the Group and ensure adequate and effective internal controls (including financial, operational, information technology and compliance) and risk management systems are in place. In addition, he also assists the Chairman in setting the agenda of Board meetings and ensuring that adequate time is available for discussion of all items on the agenda, in particular strategic issues.

The Company does not have a Lead Independent Director as the Chairman is an Independent and Non-Executive Director. The Board is of the view that there are sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. All major decisions are made in consultation with the Board and where necessary, external consultants are invited to attend Board meetings to assist the Directors in deliberation. All the Board Committees are chaired by Independent Directors.

The Independent Directors collectively are and will continue to make themselves available to Shareholders to address their concerns (if any). The Non-Executive Directors (including the Independent Directors) will meet periodically (in the absence of Executive Directors and Management), where necessary, and will provide feedback to the CEO after such meetings.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

NOMINATING COMMITTEE

The NC comprises the following members, the majority of whom, including the Chairman, are Independent Directors:

Mr Zheng Aimin	(Chairman of the NC and Independent Non-Executive Chairman of the Board)
Mr Tang An	(Independent Director)
Mr Ng Clarence Kar Lung	(Executive Director)

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The terms of reference set out clearly the principal responsibilities of the NC which are as follows:

- identify suitable candidates and review all nominations for appointment and re-appointment of Directors;
- conduct annual reviews of the composition, structure and size of the Board;
- review the independence of the Directors annually in accordance with Guidelines 2.3 and 2.4 of the Code;
- determine whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- evaluate the performance and effectiveness of the Board as a whole and the contribution of each Director;
- review the board succession plans for the Directors, in particular, the Chairman and the CEO; and
- review the training and professional development programmes for the Board.

The Board, through delegation of authority to the NC, uses its best efforts to ensure that Directors appointed to the Board possess the necessary knowledge, skills and experience, including but not limited to, those in areas of finance, business and management. Each of the Directors, bring to the Board his/her skills and knowledge, and provides an independent and objective perspective in view of the decisions to be made.

The NC is responsible for identifying and recommending new Directors to the Board. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration. New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next AGM following their appointments.

The NC reviews annually the independence declaration made by the Independent Directors based on the criterion of independence under the guidelines provided in the Code. For FY2018, the NC is of the view that the Independent Directors are independent (as defined in the Code) and are able to exercise judgment on the corporate affairs of the Group independent of the Management. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

The Board does not limit the maximum number of listed company board representation the Directors may hold as long as each of the Directors is able to commit his/her time and attention to the affairs of the Company. The Board believes that each individual Director is best placed to determine and ensure that he/she is able to devote sufficient time and attention to discharge his/her duties and responsibilities as a Director of the Company, bearing in mind his/her other commitments. For Directors who have board representations in other listed companies and other principal commitments, the NC has reviewed the work and other commitments of such Directors and assessed their ability to adequately discharge their Board responsibilities. The NC is satisfied that the Directors are able to commit sufficient time, effort and

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attention to the affairs of the Group. The NC is of the view that fixing a limit on the number of such board representations is not meaningful in the context of the Group. The Board has accepted and affirmed the view of the NC. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

There is no alternate Director appointed to the Board as at the date of this report.

In accordance with the Company's Constitution, each Director is required to submit for re-nomination and re-election at least once in every three (3) years by rotation, and all newly appointed Directors will have to retire by rotation and submit themselves for re-election at the next AGM following their appointments.

With effect from 1 January 2019, pursuant to Rule 720(4) of the Catalist Rules, all Directors, including Executive Directors, must submit themselves for re-nomination and re-appointment at least once every three (3) years. Within three years of 1 January 2019, a Director appointed or re-appointed before 1 January 2019 must submit himself for re-nomination and re-appointment to the Board at a general meeting no later than 31 December 2021.

The NC has recommended, and the Board has agreed that Mr Ng Clarence Kar Lung and Mr Tang An be nominated for re-election at the forthcoming AGM pursuant to Regulation 91 of the Company's Constitution, whereas Ms Huang Anna Yi and Mr Wang Ziquan will retire pursuant to Regulation 97 of the Company's Constitution (collectively, the **"Retiring Directors"**). The Retiring Directors have offered themselves for re-election at the forthcoming AGM. Each member of the NC shall abstain from voting, approving or making a recommendation on any resolution of the NC in which he/she has a conflict of interest in the subject matter under consideration. In its deliberations on the re-election and re-appointment of existing Directors, the NC takes into consideration the relevant Director's competency, commitment, contribution and performance (including, if applicable, his/her contribution and performance as a Director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of input and contributions.

Please refer to the section entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report as well as the "Board of Directors" section of this Annual Report for more information on the Retiring Directors.

Other than the key information regarding the Directors set out below, information pertaining to the Directors' interests in shares, options and other convertible securities are set out in the "Directors' Statement" section of this Annual Report, and information in relation to the background and principal commitments of the Directors are set out in the "Board of Directors" section of this Annual Report.

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Name of Director	Board appointment	Date of first appointment	Date of last re-election	Directorship or Chairmanship both present and held over the preceding three (3) years in other listed companies
Zheng Aimin	Independent and Non-Executive	9 September 2016	26 April 2017	<u>Present Directorship or Chairmanship</u> None <u>Past Directorship or Chairmanship</u> None
Zhang Zhi Liang	Executive	9 September 2016	23 April 2018	<u>Present Directorship or Chairmanship</u> None <u>Past Directorship or Chairmanship</u> None
Ng Clarence Kar Lung	Executive	9 September 2016	26 April 2017 (To be re-elected at the forthcoming AGM)	<u>Present Directorship or Chairmanship</u> None <u>Past Directorship or Chairmanship</u> None
Tang An	Independent and Non-Executive	9 September 2016	26 April 2017 (To be re-elected at the forthcoming AGM)	<u>Present Directorship or Chairmanship</u> None <u>Past Directorship or Chairmanship</u> None
Huang Anna Yi	Non-independent and Non-Executive	23 April 2018	– (To be re-elected at the forthcoming AGM)	<u>Present Directorship or Chairmanship</u> None <u>Past Directorship or Chairmanship</u> None
Wang Ziquan	Independent and Non-Executive	11 February 2019	– (To be re-elected at the forthcoming AGM)	<u>Present Directorship or Chairmanship</u> None <u>Past Directorship or Chairmanship</u> None

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BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC has adopted a formal process to assess the effectiveness of the Board and Board Committees as a whole, as well as the performance of each individual Director. The qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of strategic objectives set by the Board.

The assessment of the Board, Board Committees and the Directors are carried out once every financial year. Each member of the NC is required to abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director. The evaluation of Board's and Board Committees' performance deals with matters on Board composition, information to the Board, Board procedures and Board accountability. The evaluation of individual Director deals with matters on attendance at meetings, Directors' duties and know-how and interaction with fellow Directors.

The NC had adopted the following annual assessment forms which required the completion by each Director and respective Board Committees' member:

- Board Evaluation Form as a whole
- Individual Director Evaluation Form
- AC Evaluation Form
- NC Evaluation Form
- RC Evaluation Form

(Collectively, "**Annual Evaluation Forms**")

The completed Annual Evaluation Forms are collated for the NC's for review and deliberation. The NC will then presents the results, conclusions and its recommendations to the Board. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole.

The NC, having reviewed the overall performance of the Board and the Board Committees, as well as the assessment of the individual Director, in terms of its role and responsibilities and the conduct of its affairs as a whole for FY2018, is of the view that the performance of the Board as a whole, Board Committees and contribution by each Director have been satisfactory. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors. No external facilitator was used during the evaluation process.

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ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfil its responsibilities, the Management strives to provide the Board with complete, adequate and timely information for Board and Board Committees meetings on an on-going basis. The Board and Board Committees papers are prepared for each meeting and are disseminated to the members before the meetings. The Board and Board Committees papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees meetings. The Directors are given separate and independent access to the Management and the Company Secretaries to address any enquires. The Directors either individually or as a group may seek independent professional advice in furtherance of their duties and costs of such service will be borne by the Company.

The Company Secretary or her representative administers, attends and prepares minutes of the Board and Board Committee meetings, and assists the Chairman and/or Board Committees in ensuring that proceedings are conducted according to meeting procedures so that the Board and/or Board Committees can function effectively and the relevant requirements of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and the Catalist Rules are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities also include ensuring good information flows within the Board and the Board Committees and between the Management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

REMUNERATION COMMITTEE

The RC comprises the following members:

Mr Zheng Aimin	(Chairman of the RC and Independent Non-Executive Chairman of the Board)
Mr Tang An	(Independent Director)
Ms Huang Anna Yi	(Non-Executive Director)

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The RC comprises three (3) directors, majority of whom (including the RC Chairman) are Independent Directors, and all of whom are Non-Executive Directors.

The responsibilities of the RC are to:

- make recommendations to the Board on matters relating to remuneration, including but not limited to fees, salaries, allowances, bonuses, options and benefits-in-kind of Directors and key management personnel;
- review the appropriateness of remuneration of Directors and key management personnel;
- review and recommend to the Board, the terms of service agreements of Directors and key management personnel; and
- review and recommend annually the total remuneration to the Directors and key management personnel.

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his or her own remuneration. It has adopted written terms of reference that defines its membership, roles and functions and administration.

No Director is involved in deciding his or her own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC has full authority to engage any external professional to advise on matters relating to remuneration as and when the need arises, and the expense of such services shall be borne by the Company. For FY2018, the RC did not seek any external professional advice on remuneration of the Directors.

All recommendations of the RC will be submitted for endorsement by the entire Board. In determining remuneration packages of Executive Directors and key management personnel, the RC seeks to ensure that the Executive Directors and key management personnel are adequately but not excessively rewarded. The RC will also consider, in consultation with the Board, amongst other things, their responsibilities, skills, expertise and contribution to the Company's performance and whether the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

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LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Non-Executive Directors are paid Directors' fees appropriate to their level of contribution to the Board, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate Directors. The Independent Directors shall not be over-compensated to the extent that their independence may be compromised.

The Directors' fees are proposed by the RC and recommended by the Board for Shareholders' approval at the AGM of the Company. Directors' fees of S\$115,000 for FY2017 had been approved by Shareholders at the last AGM held on 23 April 2018. Directors' fees of S\$160,000 for FY2018 have been recommended by the Board and will be subject to the approval of Shareholders at the forthcoming AGM of the Company. No Director is involved in deciding his or her own remuneration.

Presently, the Company does not have any long-term incentive schemes for the Directors and key management personnel.

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 Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

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DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown showing the level and mix of each Directors' remuneration for FY2018 is as follows:

Name of Director	Salary	Directors' Fees	Variable Bonus	Allowances	Total
<u>S\$250,000 and below</u>	%	%	%	%	%
Zhang Zhi Liang	100	–	–	–	100
Ng Clarence Kar Lung	100	–	–	–	100
Chew Vincent (resigned on 1 February 2019)	–	100	–	–	100
Huang Anna Yi (appointed on 23 April 2018)	–	100	–	–	100
Zheng Aimin	–	100	–	–	100
Tang An	–	100	–	–	100
Wang Ziquan (appointed on 11 February 2019)	–	–	–	–	–

In FY2018, the remuneration of the key management personnel (who are not Directors or the CEO) in the bands of S\$250,000 is set out below:

Key Management Personnel ⁽¹⁾	Salary ⁽²⁾	Variable Bonus	Allowances	Benefits-in-kind	Total
<u>S\$250,000 and below</u>	%	%	%	%	%
Chan Hing Yin	100	–	–	–	100
Teh Thean Yean	67	22	–	11	100

Notes:

- (1) The Group only has two (2) key management personnel (who are not Directors or the CEO) in FY2018.
 (2) Amount inclusive of contribution to central provident funds.

In view of the confidentiality of remuneration matters and possible negative impact on the Group's business interest, the Board, on review, decided not to disclose the exact remuneration of each Director and the CEO and that the disclosure made based on the above remuneration bands is appropriate.

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For FY2018, the aggregate total remuneration paid to the abovementioned top two (2) key management personnel amounted to S\$128,315. There were no terminations, retirement or post-employment benefits granted to Directors and relevant key management personnel other than the standard contractual notice period and termination payment in lieu of service in FY2018.

The remuneration package of each of the Executive Director and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The performance-related component of the remuneration package is designed to align the interests of the Executive Director and the key management personnel with those of Shareholders and link rewards to the Group's financial performance. Service agreements for the Executive Director and the key management personnel are for a fixed appointment period and do not contain onerous removal clauses. The RC reviews the fairness and reasonableness of the termination clauses contain in the service agreements of the Executive Director and the key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Immediate Family Member of Directors or CEO

There were no employees who are immediate family members of a Director or the CEO whose remuneration exceeded S\$50,000 during FY2018.

The Company has not adopted any employee share option scheme or performance share plan.

The Board has not included a separate annual remuneration report to Shareholders in this Annual Report on the remuneration of the Directors and the key management personnel (who are not Directors or the CEO) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Annual Report and in the financial statements of the Company.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to Shareholders while the Management is accountable to Board. The Management provides the Board with management accounts and such explanation and information on a timely basis, and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

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The Board reviews and approves the half yearly and full yearly financial results announcements, as well as any announcements before they are released on SGXNet or through the media. Shareholders are provided with the half-yearly and full year results and annual financial reports on a timely manner. In presenting the half yearly and full yearly financial results announcements to Shareholders, it is the aim of the Board to provide Shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The Board also furnishes timely information and ensures disclosure of material information to Shareholders via SGXNET.

The Board provides effective oversight of the Management's performance and control, compliance with legislative and regulatory requirements including continuing disclosure requirements under the Catalist Rules. For instance, in line with the Catalist Rules, the Board provides a negative assurance statement to the Shareholders in its half-yearly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial results false or misleading in any material aspect. All the Directors and executive officers of the Group have also signed a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board believes in the importance of maintaining a sound system of risk management and internal controls to safeguard the interests of the Shareholders and the Group's assets. The Board is responsible for the overall risk management and internal control framework, but acknowledges that no cost effective risk management and internal controls system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company does not have a risk management committee. However, the Management reviews the Group's business and operational activities regularly to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews regularly all significant control policies and procedures, and highlights all significant matters to the Board and to the AC and the Board.

It is the opinion of the Board, with the concurrence of the AC, that the system of risk management and internal controls in place are adequate and effective in addressing the risks relating to financial, operational, compliance and information technology for FY2018. It provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks. However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

The AC has reviewed the independence, adequacy and effectiveness of the internal audit function, as well as the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the financial year under review, through discussions with the internal auditors and external auditors, the review of internal and external audit plans, and the review of significant issues arising from the internal and external audits. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2018. The AC is satisfied that the internal audit function is independent, adequately resourced and has the appropriate standing within the Group.

For the financial year under review, the CEO and the Chief Financial Officer have provided assurance to the Board that (i) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group has in place adequate and effective risk management and internal control systems.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) members, the majority of whom, including the AC Chairman are Independent Directors. All of the members of the AC are Non-Executive Directors. The AC comprises:

Mr Tang An	(Chairman of the AC and Independent Director)
Mr Zheng Aimin	(Independent Non-Executive Chairman of the Board)
Ms Huang Anna Yi	(Non-Executive Director)

The members of the AC including the Chairman of the AC are appropriately qualified, having the necessary accounting or related financial management expertise to discharge their responsibilities.

The AC has been entrusted with the following functions:

- review audit plans, evaluation of the system of internal controls, audit report and management letter of the external auditors, and to ensure the adequacy and effectiveness of the Group's system of accounting controls;
- review of the financial statements before submission to the Board for the release of announcements, financial reporting issues and judgments to ensure the integrity of the Company's financial statements and any other announcements relating to the Company's financial performance;
- review the scope and results of the internal audit function and ensuring co-ordination between the internal auditor, external auditors and the Management;
- review the co-operation given by the Company's officers to the external auditors;

CORPORATE GOVERNANCE REPORT

- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs, and reports received from the regulators;
- review the cost effectiveness, independence and objectivity of the external auditors;
- review the nature and extent of non-audit services, if any, provided by the external auditors to ensure independence of the external auditors;
- nominating the appointment and reappointment of external auditors and approving their remuneration and terms of engagement; and
- reviewing and ratifying all interested person transactions falling within the scope of Chapter 9 of the Catalist Rules to ensure that they complied with the approved internal control procedures and had been conducted at arm's length basis.

The AC has reviewed and is satisfied with the level of co-operation rendered by the Management to the external auditors, the adequacy of scope and quality of their audits, and the independence and objectivity of the external auditors.

The AC will meet with the external auditors and internal auditors without the presence of the Management, at least once annually, and as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. The AC has met with the external auditors and internal auditors, without the presence of the Management during FY2018.

Annually, the AC will also conduct a review of the independence and objectivity of the external auditors through discussions with the external auditors, as well as reviewing the non-audit fees paid to them. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY2018. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed in note 16 of the financial statements in this Annual Report. The aggregate amount of fees paid or payable by the Group to the external auditors for FY2018 amounted to S\$160,000 for audit services and S\$6,676 for non-audit services. The AC is satisfied that the nature and extent of such non-audit services would not prejudice the independence and objectivity of the external auditors.

The AC is satisfied that the external auditors of the Company, KPMG LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, are independent and that they had also provided a confirmation of their independence to the AC. The AC had assessed the external auditors of the Company based on factors such as performance, adequacy of resources and experience of their audit engagement partners and audit team assigned to the Group's audit as well as the size and complexity of the Group. For FY2018, the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firms for the Group. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

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The existing auditors of the Company, KPMG LLP, was appointed as the external auditors of the Company since 31 October 1988 and was re-appointed as the external auditors of the Company at the last AGM held on 23 April 2018 until the conclusion of the forthcoming AGM. For the audit of the current financial year ending 31 December 2019, the AC has recommended to the Board, and the Board has accepted the appointment of Baker Tilly TFW LLP in place of KPMG LLP as the Group's external auditors, subject to the Shareholders' approval at the forthcoming AGM. Further information on the proposed change of external auditors is set out in the Appendix to this Annual Report.

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. The AC considered the key audit matters ("**KAM**") presented by the external auditors together with the Management. The AC reviewed the KAM and concurred and agreed with the external auditors and the Management on their assessment, judgements and estimates on the KAM reported by the external auditors.

The Company has instituted a whistle-blowing policy to provide a channel for employees of the Group to report in good faith and in confidence, without fear of reprisals, concern about possible improprieties in financial reporting and other matters. The objective of the policy is to ensure that there is independent investigation of such matters and that appropriate follow up actions will be taken. The AC oversees the administration of the whistle-blowing policy. Where a complaint has been made, a report will be submitted to the AC for investigation and follow-up. No whistle-blowing reports were received in FY2018.

In addition, the AC has also conducted a review of interested person transactions and noted that there were no interested person transactions during the financial year under review.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company outsourced its internal audit function to Kreston David Yeung PAC ("**Internal Auditors**"). The Internal Auditors is a member of the Institute of Internal Auditors Singapore ("**IIA**"), and has its headquarters in the United States. The internal audit work carried out is guided by the International Standards for Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. The AC approves the hiring, removal, evaluation and compensation of the Internal Auditors.

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In FY2018, the Company commissioned the Internal Auditors to conduct internal audit reviews on the Group's electrical trading and management operations. The AC intends to commission an internal audit review of the Group's property consultancy and management services operations in the current financial year ending 31 December 2019.

The Internal Auditors plan their audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to implementation. The AC reviews the activities of the Internal Auditors, and meets with the Internal Auditors at least once a year to approve their plans and to review their report prior to the reporting period. The AC will review annually the independence, adequacy and effectiveness of the internal audit function.

The AC had reviewed the adequacy and effectiveness of the internal audit function, and is satisfied that the Internal Auditors are adequately resourced, staffed with persons with the relevant qualifications and experience and have the appropriate standing and independence within the Group to fulfil their mandate. The AC is also of the view that the Internal Auditors have unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDERS RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with continuous obligations of the Company under the Catalist Rules and the Companies Act, the Board's policy is that all Shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through announcements released on the SGXNet and notices contained in the annual reports or circulars sent to all Shareholders. These notices are also advertised in a national newspaper. Shareholders are also informed on the poll voting procedures at the general meetings. All Shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as **"Relevant Intermediary"** to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. With this amended legislation, the Company allows relevant intermediaries to appoint more than two (2) proxies to attend the Company's general meetings.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its Shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The information is disseminated and communicated to Shareholders on a timely basis through:

- annual reports that are prepared and sent to all Shareholders. The Board ensures that annual reports include all relevant material information about the Company and the Group, including future developments and other disclosures required by the Companies Act and Singapore Financial Reporting Standards (International);
- half yearly and full yearly announcements containing a summary of the financial information and affairs of the Group for that period; and
- notices of explanatory memoranda for AGMs and Extraordinary General Meetings (“**EGM**”). The notices of AGMs and EGMs are also advertised in a national newspaper.

The Company does not have a dedicated investor relations policy. The Shareholders can access the information on the Group and address their concerns through the Company’s website at <http://sunriseshares.com/>.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All Shareholders will receive a copy of the notice of general meetings by post and the notice of general meetings is published in the newspaper within the mandatory period. Shareholders are given opportunities to express their views and ask the Board and management questions regarding the operations of the Company at any general meetings of the Company.

The Company does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group’s profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board is not recommending any dividend distribution to Shareholders in FY2018 on the basis that the Group has just reported a small profit in FY2018 and intends to reserve its cash for operating activities as well as business expansion.

CORPORATE GOVERNANCE REPORT

CONDUCT OF SHAREHOLDER MEETING

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to Shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from Shareholders who wish to raise issues, either informally or formally before or during the general meetings. The Company's Constitution does not provide the provision to allow for absentia voting at the general meetings as the integrity of the information and authentication of the identity of Shareholders and other related security issues remain as a concern to the Company.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will make available minutes of general meetings to Shareholders upon their request.

All Directors, including the respective Chairmen of the Board, the AC, the NC and the RC, are normally present and available to address questions relating to the matters under the purview of the Board and their respective Board Committees at general meetings. Furthermore, the Company Secretary, the sponsor of the Company and the external auditors are also present to assist the Board in addressing any relevant queries raised by the Shareholders.

To ensure that all Shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings of the Company will be conducted by poll where Shareholders are accorded voting rights proportionate to their shareholding and all votes will be counted and announced immediately at the meeting. The Company will put all resolutions to vote by poll at general meetings and the detailed results of the total number and percentage of votes cast for and against each resolution will be announced via SGXNet after the conclusion of the general meeting on the same day.

(E) DEALING IN SECURITIES

In line with Rule 1204(19) of the Catalist Rules, the Company has procedures in place on dealings in securities, whereby there should be no dealings in the Company's shares by the Company, its Directors and officers during the period commencing one month prior to the announcement of the Company's unaudited half yearly and full yearly financial results and ending on the date of the announcement of the relevant results and at any time they are in possession of unpublished material price sensitive information in relation to these securities.

CORPORATE GOVERNANCE REPORT

Directors and executives are also expected to observe insider-trading laws at all times even when dealing in securities within permitted trading periods or when they are in possession of unpublished price sensitive information they are not to deal in the Company's securities on short-term considerations.

(F) REPORT ON THE USE OF SHARE PLACEMENT PROCEEDS

The Company had, on 24 March 2017, completed a placement exercise and allotted and issued 41,000,000 new ordinary shares in the capital of the Company to 20 subscribers at the issue price of S\$0.0468 per share representing gross proceeds of approximately S\$1.92 million ("**Net Proceeds**"). As at the date of this report, the Proceeds had been partially utilised as follows:

	Balance (S\$ 'million)
Net proceeds	1.92
Less:	
Professional service fees	0.63
General working capital ⁽¹⁾	1.08
Balance	0.21

Note:

(1) Comprised directors' remuneration, staff costs and bank charges.

The Company will make periodic announcements as to the use of the Net Proceeds as and when such proceeds are materially disbursed.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are reviewed, approved and are conducted at arm's length basis, and do not prejudice the interests of the Group and its minority Shareholders. Any Director, the CEO and/or controlling shareholder of the Company who is interested in a transaction, will abstain and refrain from deliberating, discussing, making recommendations and approving the transaction.

The Company does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920 of the Catalyst Rules.

In FY2018, there were no interested person transactions entered into between the Company or its subsidiaries and any of its interested persons exceeding S\$100,000.

CORPORATE GOVERNANCE REPORT

(H) MATERIAL CONTRACTS

Save for the loan agreement entered into between Sunrise Shares Holdings Ltd. and Prosperity Luck Overseas Inc. (an associate of the controlling shareholder of the Company) for an interest-free and unsecured loan (which has no fixed terms of repayment) amounting to S\$330,000, there are no other material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling Shareholder, which are either subsisting at the end of the financial year reported on or, if not then subsisting, entered into since the end of the previous financial year except for Director's remuneration as disclosed in the Notes to Financial Statements in this annual report.

(I) NON-SPONSOR FEES

With effect from 8 September 2018, ZICO Capital Pte. Ltd. ("**ZICO Capital**") was appointed as the Company's continuing sponsor in place of RHT Capital Pte. Ltd. ("**RHT Capital**"). With reference to Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to ZICO Capital and RHT Capital in FY2018.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr Ng Clarence Kar Lung, Mr Tang An, Ms Huang Anna Yi, and Mr Wang Ziquan, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
Date of first appointment	9 September 2016	9 September 2016	23 April 2018	11 February 2019
Date of last re-appointment (if applicable)	26 April 2017	26 April 2017	Not applicable. To be re-elected at the forthcoming AGM.	Not applicable. To be re-elected at the forthcoming AGM.
Age	31	62	30	36
Country of principal residence	Hong Kong	China	Hong Kong	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The re-election of Mr Ng as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Ng's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.</p> <p>The re-election of Mr Tang as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Tang's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.</p> <p>The re-election of Ms Huang as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Ms Huang's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.</p> <p>The re-election of Mr Wang as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Wang's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.</p>			

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Ng is responsible for the administration affairs, risk management, strategic management, and public relations of the Company.	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Director and member of the Nominating Committee	Independent Director, Chairman of the Audit Committee and member of the Nominating Committee and the Remuneration Committee	Non-Executive Director, member of the Audit Committee and the Remuneration Committee	Independent Director
Professional qualifications	Nil	1. Certified Public Accountant, China 2. Member of the Association of International Accountants 3. Certification of Securities Professional issued by Securities Association of China	Attorney of the State of California, United States	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
Working experience and occupation(s) during the past 10 years	<p>1. 2016 to Current – Executive Director of Sunrise Shares Holdings Ltd.</p> <p>2. 2017 to Current – Director of Hong Kong Sunrise Development Limited</p> <p>3. 2017 to Current – Director of Sunrise Investment Limited</p> <p>4. 2016 to Current – Managing Director of Hong Kong Sunrise Asset Management Limited</p> <p>5. 2016 to Current – General Manager of Hope Prosperity Management Limited</p> <p>6. 2017 to 2019 – Director of Sunrise Industrial (Singapore) Pte. Ltd.</p> <p>7. 2015 to 2016 – General Manager of Hong Kong Sunrise Holdings Limited</p> <p>8. 2010 to 2012 – Associate at Ernst & Young</p>	<p>1. 2011 to Current – Managing Partner and Chief Accountant of Shenzhen Changping Accounting Firm</p> <p>2. 2005 to 2011 – Certified Public Accountant and Lead Auditor of Shenzhen Yongan Accounting Firm</p>	<p>1. 2019 to Current – Director of Sunrise Industrial (Singapore) Pte. Ltd.</p> <p>2. 2013 to Current – Managing Director of Hong Kong Sunrise Group Holdings Ltd.</p> <p>3. 2013 to Current – Director of Central Point (S) Investment Pte. Ltd.</p> <p>4. 2010 to 2013 – Director of Union Gate Investment Ltd.</p> <p>5. 2012 to 2013 – Legal Assistant of Hong Kong Refugee Advice Center</p> <p>6. 2009 to 2010 – Bilingual Interviewer of UBC Political Opinion Lab</p>	<p>1. 2017 to Current – Business Analyst of ZF Asia Pacific Pte. Ltd.</p> <p>2. 2015 to 2017 – Supply Chain Planner of Prysmian Group</p> <p>3. 2013 to 2015 – Asia Supply Chain Planner of Pall Corporation</p> <p>4. 2009 to 2013 – Demand & Supply Planner of Procter & Gamble International Operation SA Branch.</p>
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
Any relationship (including immediate family relationships) with any existing director, executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	1. Son-in-law of Mr Wong Siu Fai (controlling shareholder of the Company) 2. Husband of Ms Huang Anna Yi (Non-Executive Director)	Nil	1. Daughter of Mr Wong Siu Fai (controlling shareholder of the Company) 2. Wife of Mr Ng Clarence Kar Lung (Executive Director)	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other Principal Commitments* Including Directorships#				
* "Principal Commitments" has the same meaning as defined in the Code.				
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)				
Past (for the last 5 years)	Past Directorships: <ul style="list-style-type: none"> Prosperity Luck Overseas Inc. Central Point Investment (S) Pte. Ltd. Hong Kong Tong Lin Holdings Limited 	Past Directorships: <ul style="list-style-type: none"> Unigroup Xue Co., Ltd. Xiamen Sunrise Investment Holdings Ltd. 	Past Directorships: <ul style="list-style-type: none"> China Channel Technologies Limited Hong Kong Tong Lin Holdings Limited Kai Yee Investment (S) Pte. Ltd. 	Nil
Present	Present Directorships: <ul style="list-style-type: none"> Ample Prosperity Group Limited Zhong Yee (HK) Investment & Management Limited 	Nil	Present Directorships: <ul style="list-style-type: none"> Hong Kong Sunrise Wealth Management Company Limited Hong Kong Sunrise Asset Management Limited H Asset Management Co. Limited 	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
			<ul style="list-style-type: none"> – LC International Holdings Pte. Ltd. – H Wealth Management Co. Limited – Aim Billion Investments Ltd. – Prosperity Luck Overseas Inc. – Ample Prosperity Group Limited – Hope Prosperity Management Limited – Wealth Investment & Development Limited 	
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
<p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>				
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Ng	Mr Tang	Ms Huang	Mr Wang
Disclosure applicable to the appointment of Director only.				
Any prior experience as a director of an issuer listed on the Exchange?	No	No	No	No
If yes, please provide details of prior experience.	Mr Ng attended a training conducted by RSM Risk Advisory Pte. Ltd. for the Directors in 2016 which included the following:	Mr Tang attended a training conducted by RSM Risk Advisory Pte. Ltd. for the Directors in 2016 which included the following:	Ms Huang attended the training conducted by RSM Risk Advisory Pte. Ltd. for the Directors in 2016 which included the following:	Mr Wang will attend Listed Entity Director Programme to be conducted by Singapore Institute of Directors in May 2019.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	<p>a. the duties and responsibilities of Directors;</p> <p>b. continuing listing and disclosure obligations under the Catalyst Rules;</p> <p>c. Code of Corporate Governance;</p> <p>d. The Singapore Code on Take-over and Mergers; and</p> <p>e. Sustainability reporting</p>	<p>a. the duties and responsibilities of Directors;</p> <p>b. continuing listing and disclosure obligations under the Catalyst Rules;</p> <p>c. Code of Corporate Governance;</p> <p>d. The Singapore Code on Take-over and Mergers; and</p> <p>e. Sustainability reporting</p>	<p>a. The duties and responsibilities of Directors;</p> <p>b. Continuing listing and disclosure obligations under the Catalyst Rules;</p> <p>c. Code of Corporate Governance;</p> <p>d. The Singapore Code on Take-over and Mergers; and</p> <p>e. Sustainability reporting</p>	
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	-

DIRECTORS' STATEMENT

We submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

- (a) the financial statements set out on pages 58 to 122 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of Company as at 31 December 2018 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 ("**Act**") and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Zheng Aimin	
Zhang Zhi Liang	
Ng Clarence Kar Lung	
Huang Anna Yi	(Appointed on 23 April 2018)
Tang An	
Wang Ziquan	(Appointed on 11 February 2019)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Act, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning, or date of appointment, if later or at the end of the financial year.

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

DIRECTORS' STATEMENT

Audit committee

The members of the Audit Committee during the year and at the date of this statement are:

- | | |
|-----------------|--------------------------------|
| • Tang An | Chairman, Independent Director |
| • Zheng Aimin | Member, Independent Director |
| • Huang Anna Yi | Member, Non-executive Director |

The Audit Committee performs the functions specified in Section 201B of the Act, the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**") and the 2012 Code of Corporate Governance.

During the financial year, the Audit Committee met twice. The principal responsibility of the Audit Committee is to assist the Board of Directors in the identification and monitoring of areas of significant business risks including the following:

- The effectiveness of the management of financial business risks and the reliability of management reporting;
- Compliance with laws and regulations, particularly those of the Act and the Catalyst Rules;
- The appropriateness of interim and full year financial statement announcements and reports;
- The significant matters impacting the financial statements and the accounting principles and judgement of items as adopted by management for these significant matters;
- The effectiveness and efficiency of external and internal audits; and
- Interested person transactions (as defined in Chapter 9 of the Catalyst Rules).

Specific functions of the Audit Committee include reviewing the scope of work of the external and internal auditors and the assistance given by the Company to the auditors, and receiving and considering the reports of the external auditors and the internal auditors including their evaluation of the system of internal controls. The consolidated financial statements of the Group are reviewed by the Audit Committee prior to their submission to the Board of Directors for adoption.

In addition, the Audit Committee has, in accordance with Chapter 9 of the Catalyst Rules, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Company to identify and report and where necessary, sought approval for interested person transactions and with the assistance of the management, reviewed interested person transactions.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. The Audit Committee is satisfied with the independence and objectivity of the external auditors.

DIRECTORS' STATEMENT

At the forthcoming Annual General Meeting of the Company, the Audit Committee has made its recommendation to the Board of Directors and the Board of Directors is satisfied with the proposed appointment of Baker Tilly TFW, as external auditor of the Company in replace of the retiring auditor, KPMG LLP.

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the Catalist Rules.

Share options

During the financial year, there were:

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

Auditors

The retiring auditors, KPMG LLP, will not be seeking re-appointment at the forthcoming Annual General Meeting. Baker Tilly TFW has expressed its willingness to accept appointment as auditor.

On behalf of the Board of Directors

Zhang Zhi Liang

Director

Ng Clarence Kar Lung

Director

11 April 2019

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sunrise Shares Holdings Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sunrise Shares 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 31 December 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 122.

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

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sunrise Shares Holdings Ltd.

Valuation of the electrical trading and electrical manufacturing segments

The key audit matter

The Group's electrical trading and electrical manufacturing segments operate in the construction sector in Singapore and Malaysia and are susceptible to slowdowns in the sector. Adverse developments in the Singapore and Malaysia construction sectors will have a negative impact on the valuation of trade receivables and inventories of the electrical trading and electrical manufacturing segments.

During the year, the Group reviewed its strategic direction and business operations and commenced plans to locate interested buyers for the electrical trading and electrical manufacturing segments. These plans included activities to sought interested buyers through internal networks in 2018 and appointing an independent consultant in March 2019 to review and solicit interests. The Group classified the assets and liabilities of the electrical trading and electrical manufacturing segments as a disposal group held for sale and measure it at the lower of its carrying amount and fair value less costs to sell.

Management judgement is required in the estimation of the valuations of the assets, both individually and in aggregate, of the electrical trading and electrical manufacturing segments, as such it is considered to be a key audit matter.

How the matter was addressed in our audit

We reviewed the Group's ageing of inventories and management's assessment of the net realisable value of inventories. We tested the inventory ageing profile prepared by management for the purpose of reliance on the inventory ageing profile for our analysis.

We challenged management's assessment of the net realisable value of inventories taking into account the historical sales trend of inventory items, technological changes and obsolescence or damage identified on certain items of inventories during the Group's inventory count exercise. We also compared the cost of inventories with the latest available selling prices of the various products carried by the Group to identify products that are sold at selling prices that are lower than cost.

We reviewed the Group's profile of trade receivables and management's assessment of the recoverability of individually significant trade receivables. We tested the trade receivables ageing profile prepared by management for the purpose of placing reliance on the trade receivables ageing profile for our analysis.

We tested the Group's measurement of the expected credit losses (ECL) arising from trade receivables by obtaining an understanding on the key data and assumptions of the ECL model adopted by management, including the historical loss rates. As part of our test, we compared the inputs used to derive the loss rates applied against historical collection data and publicly available credit information.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sunrise Shares Holdings Ltd.

We discussed with the Group on the developments and progress of their plans to seek interested buyers for the electrical trading and electrical manufacturing segments. We reviewed the Group's estimation of the market fair value of the disposal group by corroborating with related documents and information (including indicative prices from interested parties) up till the reporting date.

Findings

We found the judgement applied by the Group in the valuation of the assets, individually and in aggregate, of the electrical trading and electrical manufacturing segments disposal group were supported under the information currently available to the Group.

Property consultancy and management segment – Revenue recognition

The key audit matter

In the current year, the Group expanded its business in the property consultancy and management segment as part of the Group's plan to diversify from its electrical trading and manufacturing segments. Revenue derived from property consultancy and management services was \$4,848,247 in the current year.

Revenue from property consultancy and management services includes property consultancy fees, sales brokerage commission and property management fees. The recognition of these revenue streams is based on the terms of the underlying customer contracts. The revenue arrangements are bespoke to each customer both in terms of their fee structures and the range and/or type of services provided.

Management judgement is required in determining when the control of the services underlying the relevant performance obligation has been transferred. As such, the accuracy and occurrence of revenue recognised under such customer contracts is considered a key audit matter.

How the matter was addressed in our audit

We obtained and read the relevant customer contracts for which revenue has been recognised in the current year or for which performance obligations are still unsatisfied at the end of the reporting period.

We tested all property consultancy fees and sales brokerage commission recognised in the current year against the relevant contractual terms/milestones supporting services rendered. We corroborated the completion of the relevant contractual milestones, where possible, to publicly available information and/or confirmations obtained from the customers that the contractual milestones were achieved. We visited the sites of the property projects, on a sample basis, to observe the development progress of the projects and compared it to the status of the contractual milestone at the reporting date.

We tested property management fees by recalculating the fee paid/payable by customers for the current year. We obtained confirmation from the customers that property management services were rendered in the current year.

We traced all property consultancy, sales brokerage and property management fees recognised to cash receipts till the reporting date.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sunrise Shares Holdings Ltd.

Findings

We found that revenue from property consultancy and management segment has been accounted for in accordance with the Group accounting policy.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the directors' statement prior to the date of this auditors' report.

All other information in the annual report, apart from the directors' statement, are expected to be made available to us after the date of this auditors' report.

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

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

When we read the other information, if we conclude that there is a material misstatements therein, we are required to communicate the matter to those charge with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sunrise Shares Holdings Ltd.

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sunrise Shares Holdings Ltd.

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Loo Kwok Chiang Adrian.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

11 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 \$	Group 2017 \$	1 Jan 2017 \$	2018 \$	Company 2017 \$	1 Jan 2017 \$
Assets							
Property, plant and equipment	4	–	252,503	157,358	–	–	–
Subsidiaries	5	–	–	–	2,136,568	7,398,304	7,071,736
Deferred tax assets	6	–	124,443	94,956	–	–	–
Other receivables	8	1,405,800	457,600	–	–	–	–
Non-current assets		1,405,800	834,546	252,314	2,136,568	7,398,304	7,071,736
Inventories	7	–	2,286,792	2,100,302	–	–	–
Trade and other receivables	8	449,702	4,931,871	3,314,702	269,655	878,955	68,936
Cash and cash equivalents	9	3,642,612	3,675,516	2,876,986	91,397	117,252	123,924
		4,092,314	10,894,179	8,291,990	361,052	996,207	192,860
Assets held for sale	10	3,698,229	–	–	–	–	–
Current assets		7,790,543	10,894,179	8,291,990	361,052	996,207	192,860
Total assets		9,196,343	11,728,725	8,544,304	2,497,620	8,394,511	7,264,596
Equity							
Share capital	11	24,936,695	24,936,695	23,017,895	24,936,695	24,936,695	23,017,895
Reserves	12	(20,323,720)	(16,444,678)	(16,459,268)	(23,150,113)	(17,017,385)	(16,207,348)
Total equity		4,612,975	8,492,017	6,558,627	1,786,582	7,919,310	6,810,547
Liabilities							
Loan from a related party	13	330,000	330,000	330,000	330,000	330,000	330,000
Trade and other payables	14	1,579,683	2,551,287	1,642,700	381,038	145,201	124,049
Current tax liabilities		775,456	355,421	12,977	–	–	–
		2,685,139	3,236,708	1,985,677	711,038	475,201	454,049
Liabilities directly associated with the assets held for sale	10	1,898,229	–	–	–	–	–
Current liabilities		4,583,368	3,236,708	1,985,677	711,038	475,201	454,049
Total liabilities		4,583,368	3,236,708	1,985,677	711,038	475,201	454,049
Total equity and liabilities		9,196,343	11,728,725	8,544,304	2,497,620	8,394,511	7,264,596

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 \$	2017 \$ Restated*
Continuing operations			
Revenue	15	4,848,247	1,914,097
Sales agent fee		(1,825,344)	(682,532)
Administrative expenses		(1,268,219)	(928,394)
Other income		–	10,273
Finance income, net	17	250,681	13,006
Profit before tax		2,005,365	326,450
Tax expense	18	(754,822)	(290,525)
Profit from continuing operations		1,250,543	35,925
Discontinuing operations			
Loss from discontinuing operations (net of tax)	10	(5,033,454)	(75,011)
Loss for the year	16	(3,782,911)	(39,086)
Loss attributable to:			
Owners of the Company		(3,782,911)	(39,086)
Basic and diluted loss per share:			
Loss per share (cents)	19	(2.12)	(0.02)
Basic and diluted earnings per share – continuing operations (cents):		0.70	0.02
Basic and diluted loss per share – discontinuing operations (cents):		(2.82)	(0.04)

* See Note 10

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	\$	\$
		Restated*
Loss for the year	(3,782,911)	(39,086)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations		
– Continuing operations	(136,431)	(4,614)
– Discontinuing operations	40,298	58,290
Other comprehensive income for the year, net of tax	(96,133)	53,676
Total comprehensive income for the year	(3,879,044)	14,590
Total comprehensive income attributable to:		
Owners of the Company	(3,879,044)	14,590

* See Note 10

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Note	Share capital \$	Foreign currency translation reserve \$	Statutory reserve \$	Other reserve \$	Accumulated losses \$	Total equity \$
At 1 January 2017		23,017,895	(1,171,974)	–	77,297	(15,364,591)	6,558,627
Total comprehensive income for the year							
Loss for the year		–	–	–	–	(39,086)	(39,086)
Other comprehensive income							
Foreign currency translation differences – foreign operations		–	53,676	–	–	–	53,676
Total other comprehensive income, net of tax		–	53,676	–	–	–	53,676
Total comprehensive income for the year		–	53,676	–	–	(39,086)	14,590
Transaction with owners, recognised directly in equity							
Contribution by and distributions to owners							
Issuance of new ordinary shares	11	1,918,800	–	–	–	–	1,918,800
Total contributions by and distribution to owners		1,918,800	–	–	–	–	1,918,800
Transfer to statutory reserve		–	–	87,158	–	(87,158)	–
At 31 December 2017		<u>24,936,695</u>	<u>(1,118,298)</u>	<u>87,158</u>	<u>77,297</u>	<u>(15,490,835)</u>	<u>8,492,017</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Share capital \$	Foreign currency translation reserve \$	Statutory reserve \$	Other reserve \$	Accumulated losses \$	Total equity \$
At 1 January 2018	24,936,695	(1,118,298)	87,158	77,297	(15,490,835)	8,492,017
Total comprehensive income for the year						
Loss for the year					(3,782,911)	(3,782,911)
Other comprehensive income						
Foreign currency translation differences – foreign operations	–	(96,131)	–	–	–	(96,131)
Total other comprehensive income, net of tax	–	(96,131)	–	–	–	(96,131)
Total comprehensive income for the year		(96,131)	–	–	(3,782,911)	(3,879,042)
Transfer to statutory reserve	–	–	214,715	–	(214,715)	–
At 31 December 2018	<u>24,936,695</u>	<u>(1,214,429)</u>	<u>301,873</u>	<u>77,297</u>	<u>(19,488,461)</u>	<u>4,612,975</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

		Group	
	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Loss for the year		(3,782,911)	(39,086)
Adjustments for:			
Depreciation of property, plant and equipment	4	75,379	50,801
Gain on disposal of property, plant and equipment	16	(16,476)	(4,659)
Finance income, net	17	(246,946)	(73,527)
Impairment loss on trade receivables		258,004	145,963
Impairment loss recognised on assets held for sale (Write-back)/Write-down of allowance for inventory obsolescence (net)	10	4,593,510	–
Property, plant and equipment written off	16	(16,938)	206,093
Tax expense		323	–
		870,451	329,285
		1,734,396	614,870
Changes in working capital:			
– Inventories		130,061	(373,754)
– Trade and other receivables		910,822	(1,608,016)
– Trade and other payables		935,453	794,388
Cash generated from/(used in) operations		3,710,732	(572,512)
Tax paid		(458,706)	(16,328)
Net cash from/(used in) operating activities		3,252,026	(588,840)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(216,898)	(143,892)
Interest received		284,399	42,203
Loan to a third party		(1,383,400)	(457,600)
Proceeds from disposal of property, plant and equipment		16,476	4,659
Net cash used in investing activities		(1,299,423)	(554,630)
Cash flows from financing activity			
Issuance of new ordinary shares	11	–	1,918,800
Net cash from financing activity		–	1,918,800
Net increase in cash and cash equivalents		1,952,603	775,330
Cash and cash equivalents at beginning of the year		3,675,516	2,876,986
Effect of exchange rate changes on cash balances held in foreign currencies		(42,733)	23,200
Cash and cash equivalents at end of the year	9	5,585,386	3,675,516

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 11 April 2019.

1 DOMICILE AND ACTIVITIES

Sunrise Shares Holdings Ltd. (the Company) is incorporated in the Republic of Singapore, and has its registered office at Six Battery Road, #10-01, Singapore 049909.

The Company was listed on the Catalist Board of the SGX-ST on 14 December 1994.

The principal activities of the Group and the Company are those of investment holding, trading and distributors of electrical products, and property consultancy and management. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 26.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except when stated otherwise.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars which is the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year, and information about critical judgement in applying accounting policies that has the most significant effect on amounts recognised in financial statements are included in Note 25 – *Accounting estimates and judgements*.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 Business Combination as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisition from 1 January 2017

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisition before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Subsidiaries (Continued)

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Loss of control

When the Group loses control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) *Classification and subsequent measurement*

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, the Group's financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) *Classification and subsequent measurement* (Continued)

Financial assets: Business model assessment – Policy applicable from 1 January 2018 (Continued)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) *Classification and subsequent measurement* (Continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018
(Continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classified non-derivative financial assets as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) *Classification and subsequent measurement* (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables, excluding prepayment.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans from a related party and trade and other payables.

(iii) *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iii) *Derecognition* (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Goodwill

Goodwill arises upon the acquisition of subsidiaries. For the measurement of goodwill that arises upon the acquisition of subsidiaries at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3.5 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land and building	–	Lower of 53 years and lease term
Machinery and equipment	–	3 to 10 years
Furniture and office equipment	–	3 to 10 years
Renovation	–	1 to 10 years
Motor vehicles	–	5 years

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period and adjusted if appropriate.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Impairment

(i) *Non-derivative financial assets – Policy applicable from 1 January 2018*

The Group recognises loss allowance for expected credit losses (ECLs) on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) *Non-derivative financial assets* (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding beyond management's expected range of past due days taking into consideration past payment trends, macroeconomic and industry conditions.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECL are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) *Non-derivative financial assets* (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default (as defined above);
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) *Non-derivative financial assets* (Continued)

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset was impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event(s) had a negative impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets were impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or there were adverse changes in the payment status of borrowers or issuers or economic conditions that correlate with defaults.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables were assessed for specific impairment. All individually significant receivables found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables that were not individually significant were collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group used historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions were such that the actual losses were likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(iii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.11 Revenue

Sale of goods and rendering of services

Revenue from the sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or completing a service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue (Continued)

Sale of goods and rendering of services (Continued)

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

A contract asset is recognised when the value of goods delivered or services rendered for a contract exceeds payments received from the customer. The contract asset is transferred to trade receivables when the entitlement to payment becomes unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

The classification of a contract asset and contract liability is determined separately for each individual customer contract.

3.12 Government grants

Government grants are recognised when the Group complies with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income in the same periods in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.14 Finance income and finance costs

Finance income comprises interest income earned from cash and cash equivalents and funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs arising from interest expense on loans and borrowings (if any) are recognised in profit or loss.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income tax, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax (Continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the current taxable temporary difference is insufficient to recognise a deferred tax asset in full, the future taxable profits, are adjusted for reversals of existing temporary differences are considered. Based on the business plans for individual subsidiaries in the Group, deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available when they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) and other key management personnel (collectively the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.18 Disposal group held for sale and discontinuing operations

Disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses, if any, on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

A discontinuing operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinuing operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinuing operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 27.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building \$	Machinery and equipment \$	Furniture and office equipment \$	Renovation \$	Motor vehicles \$	Total \$
Group Cost						
At 1 January 2017	142,987	851,773	350,560	43,900	189,846	1,579,066
Additions	–	–	59,256	–	84,636	143,892
Write-off	–	–	(2,421)	–	(20,528)	(22,949)
Effect of movements in exchange rate	3,236	19,153	3,108	584	2,552	28,633
At 31 December 2017	146,223	870,926	410,503	44,484	256,506	1,728,642
At 1 January 2018	146,223	870,926	410,503	44,484	256,506	1,728,642
Additions	–	58,611	29,240	46,054	82,993	216,898
Disposals/Write-off	–	–	(1,068)	–	(59,107)	(60,175)
Transferred to assets held for sale (Note 10)	(146,223)	(929,537)	(438,141)	(90,538)	(280,392)	(1,884,831)
Effect of movements in exchange rate	–	–	(534)	–	–	(534)
At 31 December 2018	–	–	–	–	–	–
Accumulated depreciation						
At 1 January 2017	77,181	845,561	323,287	25,800	149,879	1,421,708
Depreciation for the year	2,849	1,318	17,463	6,033	23,138	50,801
Write-off	–	–	(2,421)	–	(20,528)	(22,949)
Effect of movements in exchange rate	1,821	19,078	2,773	584	2,323	26,579
At 31 December 2017	81,851	865,957	341,102	32,417	154,812	1,476,139
At 1 January 2018	81,851	865,957	341,102	32,417	154,812	1,476,139
Depreciation for the year	2,963	4,057	27,469	7,313	33,577	75,379
Disposals/Write-off	–	–	(745)	–	(59,107)	(59,852)
Transferred to assets held for sale (Note 10)	(84,775)	(869,988)	(367,841)	(39,730)	(128,981)	(1,491,315)
Effect of movements in exchange rate	(39)	(26)	15	–	(301)	(351)
At 31 December 2018	–	–	–	–	–	–
Carrying amounts						
At 1 January 2017	65,806	6,212	27,273	18,100	39,967	157,358
At 31 December 2017	64,372	4,969	69,401	12,067	101,694	252,503
At 31 December 2018	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 SUBSIDIARIES

	Company		
	2018	2017	1 Jan 2017
	\$	\$	\$
Unquoted equity instrument, at cost	8,202,129	8,202,129	7,875,561
Impairment losses	(6,065,561)	(803,825)	(803,825)
	<u>2,136,568</u>	<u>7,398,304</u>	<u>7,071,736</u>

During the year, management assessed and identified indicators of impairment in the Company's investments in subsidiaries belonging to the electrical trading and manufacturing segments due to recurring losses. Management estimated the recoverable amount of these investments based on the fair value less costs to sell (FVLCTS) approach. In the estimation of the FVLCTS of these investments, the Group took into consideration the ongoing plans to market the subsidiaries belonging to the electrical trading and manufacturing segments (i.e. ITE Electric Systems Co Pte. Ltd., ITE Lumens Pte. Ltd. and Electech Distribution Systems Sdn. Bhd. and its subsidiary, Electech Manufacturing Sdn. Bhd.). See Note 10 for additional information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Group's effective equity interest		
			2018 %	2017 %	1 Jan 2017 %
ITE Electric Systems Co Pte. Ltd.*	Trading and distribution of electrical products	Singapore	100	100	100
Electech Distribution Systems Sdn. Bhd.** and its subsidiaries:	Trading and distribution of electrical products	Malaysia	100	100	100
Electech Manufacturing Sdn. Bhd.**@	Manufacturing and assembly of electrical products	Malaysia	100	100	100
ITE Lumens Pte. Ltd.*@^	Trading of lighting products, fixtures and accessories	Singapore	100	100	100
Sunrise Industrial (Singapore) Pte. Ltd.@^	Property fund management and real estate investment trusts	Singapore	100	100	100
Hong Kong Sunrise Development Ltd@^ and its subsidiaries:	Investment holding company	Hong Kong	100	100	100
– Shenzhen Sunrise Development Ltd@^	Property consultancy, management and related services	China	100	100	100
– Shenzhen Zhongtong Development Ltd (f.k.a. Shenzhen Tonglin Development Ltd)@^	Property consultancy, management and related services	China	100	100	–
– Shenzhen Zhongtong Consultancy Management Ltd (f.k.a. Shenzhen Tonglin Consultancy Management Ltd)#	Property consultancy and project management	China	100	100	–
Sunrise Investment Limited@	Investment holding	Cayman Islands	100	100	–

* Audited by KPMG LLP Singapore.

** Audited by a member firm of KPMG International.

Audited by KPMG LLP Singapore for group consolidation purpose.

^ The entity is inactive since 2017.

@ Not a significant subsidiary under SGX Listing Rule 717.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 SUBSIDIARIES (CONTINUED)

KPMG LLP is the auditor of all significant Singapore-incorporated subsidiaries. A member firm of KPMG International is the auditor of certain foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

6 DEFERRED TAX ASSETS

Movements in deferred tax assets of the Group during the year are as follows:

	At 1 January \$	Recognised in profit or loss \$	Transferred to assets held for sale (Note 10) \$	Exchange differences \$	At 31 December \$
Group 2018					
Deferred tax assets					
Tax losses					
carried-forward	54,069	(54,069)	–	–	–
Unabsorbed capital allowance	22,549	(22,549)	–	–	–
Others	47,825	758	(49,583)	1,000	–
	<u>124,443</u>	<u>(75,860)</u>	<u>(49,583)</u>	<u>1,000</u>	<u>–</u>
Group 2017					
Deferred tax assets					
Tax losses					
carried-forward		52,873	–	1,196	54,069
Unabsorbed capital allowance		14,596	–	7,953	22,549
Others		27,487	26,634	(6,296)	47,825
		<u>94,956</u>	<u>26,634</u>	<u>2,853</u>	<u>124,443</u>

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

	Group			Company		
	2018 \$	2017 \$	1 Jan 2017 \$	2018 \$	2017 \$	1 Jan 2017 \$
Tax losses						
carry-forward	<u>3,778,622</u>	<u>2,513,279</u>	<u>1,530,923</u>	<u>2,474,150</u>	<u>1,603,157</u>	<u>793,120</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6 DEFERRED TAX ASSETS (CONTINUED)

The unutilised tax losses available for carry forward and set-off against future taxable profits are subject to the agreement of the local tax authorities and compliance with certain provisions of the tax legislation. Deferred tax assets have not been recognised due to the uncertainty of the availability of future taxable profits against which the Group can utilise the benefits. The tax losses and other temporary differences do not expire under current tax legislations.

The Group's and Company's tax losses carried forward comprise tax losses arising from its operations in Singapore and the People's Republic of China (PRC). Under the applicable PRC tax legislation, tax losses as at 31 December 2018 and 2017 are expected to expire as follows:

	Group	
	2018	2017
	\$	\$
	2018	2017
	\$	\$
Between 1 year and 5 years	–	25,613

The remaining tax losses of \$3,778,622 (2017: \$2,487,666; 1 Jan 2017: \$1,530,923) relating to tax losses arising from the Group's Singapore operations and are not expected to expire under the applicable tax legislation.

The Company's tax losses are not expected to expire under the applicable tax legislation.

7 INVENTORIES

	Group	
	2018	2017
	\$	\$
	2018	2017
	\$	\$
Raw materials and consumables	196,805	224,287
Work in progress	4,734	569
Finished goods	1,863,439	1,828,528
Goods-in-transit	98,014	233,408
	2,162,994	2,286,792
Transferred to assets held for sale (Note 10)	(2,162,994)	–
	–	2,286,792

The Group recognised a net reversal of \$16,938 from provision for stock obsolescence upon the sale of the inventory items. In 2017, the write-down of inventories to net realisable value by the Group amounted to \$206,093.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8 TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	\$	\$	\$	\$	\$	\$
Trade receivables (net)	3,392,968	4,604,683	2,943,928	–	–	–
Deposits	267,405	225,307	283,700	–	–	–
Other receivables (net)	1,896,121	519,844	34,424	–	9,300	56,010
Amounts due from a subsidiary (non-trade)	–	–	–	269,656	869,655	–
	5,556,494	5,349,834	3,262,052	269,656	878,955	56,010
Prepayments	41,880	39,637	52,650	–	–	12,926
	5,598,374	5,389,471	3,314,702	269,556	878,955	68,936
Transferred to assets held for sale (Note 10)	(3,742,872)	–	–	–	–	–
	1,855,502	5,389,471	3,314,702	269,656	878,955	68,936

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	\$	\$	\$	\$	\$	\$
Non-current	1,405,800	457,600	–	–	–	–
Current	449,702	4,931,871	3,314,702	269,656	878,955	68,936
	1,855,502	5,389,471	3,314,702	269,656	878,955	68,936

Trade and other receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

Non-trade amounts due from a subsidiary are unsecured, interest-free and are repayable on demand.

Included in other receivables are loans to a third party of \$1,841,400 (2017: \$457,600; 1 Jan 2017: Nil). These loans are unsecured, bears interest of 15% per annum. Loan balances of \$1,405,800 (2017: \$457,600) are repayable by 2020 (2017: 2019). On 28 February 2019, the third party repaid the full loan amount of \$1,841,400 to Group before the maturity date.

The Group and the Company's exposure to credit and currency risks related to trade and other receivables are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	\$	\$	\$	\$	\$	\$
Cash at bank and in hand	4,665,429	2,873,265	2,148,866	91,397	117,252	123,924
Fixed deposits	919,957	802,251	728,120	–	–	–
Transferred to assets held for sale (Note 10)	(1,942,774)	–	–	–	–	–
	3,642,612	3,675,516	2,876,986	91,397	117,252	123,924

The weighted average effective interest rates per annum relating to fixed deposits at the reporting date for the Group is 3.40% (2017: 3.63%; 2016: 3.63%).

10 DISPOSAL GROUP HELD FOR SALE

The Group is continually reviewing its strategic direction and business operations. The Group commenced plans to market the sale of its interests in its wholly-owned subsidiaries, ITE Electric Systems Co Pte. Ltd., ITE Lumens Pte. Ltd. and Electech Distribution Systems Sdn. Bhd. and its subsidiary, Electech Manufacturing Sdn. Bhd. (collectively the “Disposal Group”) in 2018. These plans included activities to sought interested buyers through internal networks in 2018 and appointing an independent consultant in March 2019 to review and solicit interests. As at the date of this report, the Group has considered expressions of interests and indicative prices from interested parties.

On this basis, the Group classifies the Disposal Group (comprising the electrical trading and electrical manufacturing segments) as disposal group held for sale and recognised an impairment loss on the Disposal Group of \$4,593,510.

Assets and liabilities of disposal group held for sale

At 31 December 2018, the disposal group stated at fair value less costs to sell comprised of the following assets and liabilities:

	Note	Group 2018 \$
Assets held for sale		
Property, plant and equipment	4	393,516
Deferred tax assets	6	49,583
Inventories	7	2,162,994
Trade and other receivables	8	3,742,872
Cash and cash equivalents	9	1,942,774
		8,291,739
Impairment loss recognised on disposal group held for sale		(4,593,510)
		3,698,229
Liabilities held for sale		
Trade and other payables	14	(1,908,041)
Current tax benefits		9,812
		(1,898,229)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 DISPOSAL GROUP HELD FOR SALE (CONTINUED)

The fair value of the Disposal Group is based on the Group's estimated realisable value of the assets of the Disposal Group which is recognised at level 3 fair value.

	Group	
	2018	2017
	\$	\$
Results of discontinuing operations		
Total external revenue	12,936,390	12,266,831
Total expenses*	(13,260,705)	(12,303,081)
Loss from operating activities	(324,315)	(36,252)
Less: Tax expense	(115,629)	(38,759)
Loss from operating activities, net of tax	(439,944)	(75,011)
Loss on sale of discontinuing operations	(4,593,510)	–
Loss from discontinuing operations, net of tax	(5,033,454)	(75,011)

* Includes impairment loss on trade receivables arising from contracts with customers amounting to \$258,004 (2017: 145,963)

	Group	
	2018	2017
	\$	\$
Cash flows used in discontinuing operations		
Net cash used in operating activities	(182,881)	(43,018)
Net cash used in investing activities	(166,699)	(541,624)
Net cash outflows for the year	(349,580)	(584,642)

11 SHARE CAPITAL

	Ordinary shares	
	2018	2017
	No. of shares	No. of shares
Company		
At 1 January	178,337,290	137,337,290
Issued for cash	–	41,000,000
At 31 December	178,337,290	178,337,290

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

Issue of ordinary shares

On 15 March 2017, the Singapore Exchange Securities Trading Limited (SGX-ST) granted its approval for the listing and quotation of 41,000,000 placement ordinary shares to be allocated and issued by the Company for a consideration of \$1,918,800 (at \$0.0468 per new ordinary share). On 24 March 2017, the Company completed the placement of the new ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12 RESERVES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	\$	\$	\$	\$	\$	\$
Foreign currency translation	(1,214,429)	(1,118,298)	(1,171,974)	–	–	–
Statutory reserve	301,873	87,158	–	–	–	–
Other reserve	77,297	77,297	77,297	–	–	–
Accumulated losses	(19,488,461)	(15,490,835)	(15,364,591)	(23,150,113)	(17,017,385)	(16,207,348)
	(20,323,720)	(16,444,678)	(16,459,268)	(23,150,113)	(17,017,385)	(16,207,348)

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

In accordance with the Foreign Enterprise Law applicable to entities in the PRC, the Group's PRC subsidiaries are required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the profit after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the PRC entity's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the PRC entity. The SRF is not available for dividend distribution to shareholders.

Other reserve relates to the difference of the net recognised amount of the identifiable assets acquired and liabilities assumed over fair value of the consideration on the acquisition of the non-controlling interests in prior years.

13 LOAN FROM A RELATED PARTY

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	\$	\$	\$	\$	\$	\$
Loan from a related party	330,000	330,000	330,000	330,000	330,000	330,000

In 2016, a related party, which has the same controlling shareholder as the Company, extended a loan to the Company. The loan from a related party is unsecured, interest-free and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14 TRADE AND OTHER PAYABLES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	\$	\$	\$	\$	\$	\$
Trade payables	2,208,248	1,712,873	1,040,101	–	–	–
Accrued operating expenses	838,731	503,422	433,241	372,382	120,401	38,722
Other payables	440,745	334,992	169,358	8,656	24,800	85,327
Transferred to liabilities held for sale (Note 10)	(1,908,041)	–	–	–	–	–
	1,579,683	2,551,287	1,642,700	381,038	145,201	124,049

The Group and the Company's exposure to currency risks related to trade and other payables are disclosed in Note 21.

15 REVENUE

	Group	
	2018 \$	2017 \$ Restated
Continuing operations		
Property consultancy and management fee with customers that has a common director as the Company	4,848,247	1,914,097
Discontinuing operations		
Sale of electrical products (see Note 10)	12,936,390	12,266,831

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Property consultancy and management fee

Nature of services	<p>The Group's property consultancy and management segment is engaged in the provision of property consultancy, sales brokerage and property management services to customers in China.</p> <p>The Group has revenue arrangements with customers for the management and sale of development projects that include property consultancy fees and sales brokerage commissions that will be earned based on specified milestones stated in the contracts (i.e. success-based fees).</p> <p>The Group also provides recurring property management services to manage and maintain customers' properties.</p>
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15 REVENUE (CONTINUED)

Property consultancy and management fee (Continued)

When revenue is recognised	<p>Revenue from property consultancy, sales brokerage and property management services are recognised as follows:</p> <p><i>Over a period of service</i></p> <p>(i) Property consultancy fees arising from the management of development projects are recognised when services are rendered over the duration of the development property project.</p> <p>(ii) Property management fees are recognised on a monthly basis as management services are rendered.</p> <p><i>At a point in time</i></p> <p>(iii) Sales brokerage commissions arising from the sale of development projects are recognised at a point in time when the specified milestones stipulated in the customers' contracts are achieved and when the Group's enforceable right to payment is unconditional.</p>
Significant payment terms	Invoices are issued upon the completion of services and are immediately payable. In certain cases where the Group received cash payments in advance, to the extent that the services remain undelivered at the reporting date, the Group defers recognition of revenue and recognises such amounts on the statement of financial position as "contract liabilities". As at 31 December 2018, there were no contract liabilities.
Obligation for refunds	There is no right of refunds for all services rendered. There are no variable consideration such as discounts or rebates provided to customers.

Sale of electrical products

Nature of goods or services	The Group is a distributor of electrical equipment to the construction and property sectors in Singapore and Malaysia. There is no significant customisation of its products.
When revenue is recognised	Revenue is recognised at a point in time when goods are delivered to the customer and criteria for acceptance (including incoterms and delivery conditions) have been satisfied.
Significant payment terms	Invoices are issued upon delivery of goods and are payable within 30 to 90 days.
Obligations for warranties and returns	There are no warranty provided to customers and the customers have no right to return the goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 20).

	Reportable segment							
	Electrical trading (Discontinuing)		Electrical manufacturing (Discontinuing)		Property consultancy and management		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Primary geographical markets								
Singapore	9,368,821	8,812,542	–	–	–	–	9,368,821	8,812,542
Malaysia	2,850,278	2,775,542	56,757	36,005	–	–	2,907,035	2,811,547
China	–	–	–	–	4,848,247	1,914,097	4,848,247	1,914,097
Others	660,534	642,742	–	–	–	–	660,534	642,742
	12,879,633	12,230,826	56,757	36,005	4,848,247	1,914,097	17,784,637	14,180,928
Major products/service lines								
Sale of electrical products	12,879,633	12,230,826	56,757	36,005	–	–	12,936,390	12,266,831
Property consultancy and management services	–	–	–	–	4,848,247	1,914,097	4,848,247	1,914,097
	12,879,633	12,230,826	56,757	36,005	4,848,247	1,914,097	17,784,637	14,180,928
Timing of revenue recognition								
At a point in time	12,879,633	12,230,826	56,757	36,005	3,272,857	1,443,196	12,936,390	12,266,831
Over a period of service	–	–	–	–	1,575,390	470,901	4,848,247	1,914,097
	12,879,633	12,230,826	56,757	36,005	4,848,247	1,914,097	17,784,637	14,180,928

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 LOSS FOR THE YEAR

The following items have been included in arriving at loss for the year:

	Group	
	2018	2017
	\$	\$
Other income		
Rebates received	58,845	24,321
Rental income	10,800	–
Gain on disposal of property, plant and equipment	16,476	4,659
Government grant	–	67,575
Miscellaneous income	36,728	81,934
Total other income	122,849	178,489
Staff costs		
Wages and salaries	2,152,042	1,694,764
Contributions to defined contribution plans	222,025	189,827
Other related staff costs	37,976	188,630
Total staff costs	2,412,043	2,073,221
Other expenses		
Audit fees paid and payable to:		
– auditors of the Company	137,800	82,500
– other auditors	22,200	14,137
Non-audit fees paid to:		
– other auditors	6,676	10,000
Insurance expense	39,987	23,671
Professional fees	775,923	653,362
Operating lease expenses	432,819	350,908
(Write-back)/Write-down of allowance for inventory obsolescence (net)	(16,938)	206,093
Utilities	18,611	47,255
Others	710,832	584,718

17 FINANCE INCOME, NET

	Group	
	2018	2017
	\$	\$
		Restated
Interest income on bank balances	33,723	29,197
Interest income on loans to a third party	250,676	13,006
Foreign exchange (loss)/gain, net	(37,453)	31,324
Finance income	246,946	73,527
Finance income		
– Continuing operations	250,681	13,006
– Discontinuing operations (Note 10)	(3,735)	60,521

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18 TAX EXPENSE

	Group	
	2018	2017
	\$	\$
		Restated
<i>Tax recognised in profit or loss – continuing operations</i>		
Current tax expense on continuing operations	745,822	290,525
<i>Reconciliation of effective tax rate</i>		
Profit before tax	2,005,365	326,450
Tax using the Singapore tax rate of 17% (2017: 17%)	340,912	55,497
Effect of different tax rates in other countries	232,158	92,968
Other temporary differences	38,038	4,354
Current year losses for which no deferred tax asset was recognised	143,714	137,706
	754,822	290,525

19 LOSS PER SHARE

The calculation of loss per share is based on the following:

	Group	
	2018	2017
	\$	\$
Loss for the year attributable to owners of the Company	(3,782,911)	(39,086)
Weighted – average number of ordinary shares		
	No. of shares	
	2018	2017
Issued ordinary shares at 1 January	178,337,290	137,337,290
Effect of new ordinary shares issued	–	31,676,712
Weighted average number of ordinary shares	178,337,290	169,014,002
Loss per share (cents)	(2.12)	(0.02)

Diluted loss per share

There were no instruments that would have an effect of diluting the earnings/(loss) per share of the Group for the years ended 31 December 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO and other key management personnel (collectively CODM) reviews internal management reports on a monthly basis to make strategic decisions and resource allocation. The following summary describes the operations in each of the Group's reportable segments:

- (a) Electrical trading: Sale of electrical products;
- (b) Electrical manufacturing: Manufacture and assembly of electrical products; and
- (c) Property consultancy and management.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit/(loss) before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	Electrical trading (Discontinuing) \$	Electrical manufacturing (Discontinuing) \$	Property consultancy and management \$	Total \$
31 December 2018				
Revenue				
External revenue	12,879,633	56,757	4,848,247	17,784,637
Inter-segment revenue	252,108	695,126	–	947,234
	13,131,741	751,883	4,848,247	18,731,871
Finance (costs)/income	(21,216)	17,481	250,681	246,946
Depreciation of property, plant and equipment	(72,574)	(2,805)	–	(75,379)
Reportable segment (loss)/profit before tax	(287,467)	(36,848)	2,901,978	2,577,663
Other material non-cash items				
– Write-back of allowance for inventory	(12,083)	(4,855)	–	(16,938)
– Impairment loss/(Reversal of impairment loss) on trade receivables	258,332	(328)	–	258,004
– Impairment loss recognised on assets held for sale	4,121,746	471,764	–	4,593,510
Reportable segment assets	3,273,921	374,725	4,856,686	8,505,332
Capital expenditure	216,061	837	–	216,898
Reportable segment liabilities	1,778,314	129,727	1,191,106	3,099,147

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 OPERATING SEGMENTS (CONTINUED)

	Electrical trading (Discontinuing) \$	Electrical manufacturing (Discontinuing) \$	Property consultancy and management \$	Total \$
31 December 2017				
Revenue				
External revenue	12,230,826	36,005	1,914,097	14,180,928
Inter-segment revenue	169,674	655,897	–	825,571
	<u>12,400,500</u>	<u>691,902</u>	<u>1,914,097</u>	<u>15,006,499</u>
Finance income	45,530	14,991	13,006	73,527
Depreciation of property, plant and equipment	<u>(47,779)</u>	<u>(3,022)</u>	<u>–</u>	<u>(50,801)</u>
Reportable segment (loss)/ profit before tax	<u>(22,296)</u>	<u>(6,665)</u>	<u>1,141,983</u>	<u>1,113,022</u>
Other material non-cash items				
– Allowance for inventory obsolescence	193,298	12,795	–	206,093
– Impairment loss on trade receivables	<u>145,648</u>	<u>315</u>	<u>–</u>	<u>145,963</u>
Reportable segment assets	<u>7,454,407</u>	<u>829,132</u>	<u>3,097,945</u>	<u>11,381,484</u>
Capital expenditure	<u>142,720</u>	<u>1,172</u>	<u>–</u>	<u>143,892</u>
Reportable segment liabilities	<u>1,540,275</u>	<u>77,215</u>	<u>775,075</u>	<u>2,392,565</u>

Reconciliation of reportable segment profit or loss, assets and liabilities and other material items

	2018 \$	2017 \$
Revenue		
Total revenue for reportable segments	18,731,871	15,006,499
Elimination of inter-segment revenue	(947,234)	(825,571)
Consolidated revenue	<u>17,784,637</u>	<u>14,180,928</u>
Profit or loss before tax		
Total profit before tax for reportable segments	2,577,663	1,113,022
Unallocated	(903,820)	(825,542)
Elimination of inter-segment profits	7,207	2,719
Consolidated profit before tax	<u>1,681,050</u>	<u>290,199</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 OPERATING SEGMENTS (CONTINUED)

	2018 \$	2017 \$
Assets		
Total assets for reportable segments	8,505,332	11,381,484
Other unallocated amounts	641,428	222,798
Deferred tax assets	49,583	124,443
Consolidated total assets	9,196,343	11,728,725
Liabilities		
Total liabilities for reportable segments	3,099,147	2,392,565
Other unallocated amounts	718,577	488,722
Current tax liabilities	765,644	355,421
Consolidated total liabilities	4,583,368	3,236,708

Geographical segments

The electrical trading and manufacturing segments are managed locally and operate in two principal countries, namely Singapore and Malaysia. The property consultancy and management segment operates in China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue \$ (Continuing)	Revenue \$ (Discontinuing)	Non-current assets ⁽ⁱ⁾ \$ (Discontinuing)
31 December 2018			
China	4,848,247	–	–
Singapore	–	9,368,821	227,411
Malaysia	–	2,907,035	116,522
Other countries	–	660,534	–
	4,848,247	12,936,390	393,516
31 December 2017			
China	1,914,097	–	–
Singapore	–	8,812,542	116,267
Malaysia	–	2,811,547	136,236
Other countries	–	642,742	–
	1,914,097	12,266,831	252,503

(i) Non-current assets exclude deferred tax assets and other receivables

Information about major customers

In the current year, revenue from two (2017: one) customers in the Group's property consultancy and management segment amounted to \$4,439,643 (2017: \$1,684,981) of the Group's total revenue. There were no single major customer in the electrical trading and manufacturing segments in 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Audit Committee oversees management's monitoring of compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the Group's operations and risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group's if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loan extended to a third party.

The carrying amounts of financial assets represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company does not require any collateral in respect of their financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

The impairment losses in respect on financial assets recognised in the profit or loss were as follows:

	Group	
	2018	2017
	\$	\$
Impairment loss on trade receivables arising from contracts with customers	258,004	145,963

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Customers are also assessed based on their historical payment records.

Exposure to credit risk profile

Concentration of credit risk relating to trade and other receivables is limited as the customers are widely dispersed, engage in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets.

The credit risk concentration profile of the Group's trade and other receivables (excluding prepayments) at the reporting date (by type of customer) is:

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	\$	\$	\$	\$	\$	\$
Contractors	1,317,863	1,424,847	934,853	–	–	–
Dealers	1,288,171	1,349,051	1,500,707	–	–	–
Property developer	1,855,501	1,447,694	–	–	–	–
Others	1,094,959	1,128,242	826,492	269,656	878,955	56,010
	5,556,494	5,349,834	3,262,052	269,656	878,955	56,010

At the reporting date, approximately 30% (2017: 55%; 1 Jan 2017: 51%) of the Group's trade and other receivables (excluding prepayments) generated were due from ten (2017: ten; 1 Jan 2017: ten) major customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Exposure to credit risk profile (Continued)

A summary of the Group's exposure to credit risk for trade and other receivables is as follows:

	Group		1 Jan 2017
	2018	2017	
	Not credit-impaired	Credit-impaired	
	\$	\$	\$
Customers within:			
– Electrical trading and manufacturing segment	3,849,481	438,901	3,806,136
– Property consultancy and management segment	14,101	–	1,447,694
Deposits and other receivables	322,126	–	287,551
Loans to a third party	1,841,400	–	457,600
Total gross carrying amount	6,027,108	438,901	5,998,981
Loss allowance	(470,614)	(438,901)	(649,147)
	5,556,494	–	5,349,834

Expected credit loss assessment as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise large value of homogenous customers.

Loss rates are based on actual credit loss experience over the past three years. In calculating the expected credit loss rates, the Group considers historical loss of their customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables over the expected life of the receivables.

The following table provides information about the exposure to Group's credit risk and ECLs for trade receivables as at 31 December 2018:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance
	%	\$	\$
Not past due	3	920,268	(38,029)
Past due 1 – 30 days	3	1,053,876	(33,370)
Past due 31 – 60 days	10	820,285	(75,720)
Past due 61 – 90 days	9	558,844	(50,546)
Past due more than 90 days	75	949,210	(711,850)
		4,302,483	(909,515)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Comparative information under FRS 39

The ageing of loans and receivables that were not impaired at the reporting date was as follows:

	Group		Company	
	2017	1 Jan 2017	2017	1 Jan 2017
	\$	\$	\$	\$
Not past due	3,392,255	1,298,350	878,955	56,010
Past due 1 – 30 days	877,830	879,706	–	–
Past due 31 – 60 days	683,824	581,922	–	–
Past due 61 – 90 days	170,617	293,073	–	–
More than 90 days	225,308	209,001	–	–
	<u>5,349,834</u>	<u>3,262,052</u>	<u>878,955</u>	<u>56,010</u>

At each reporting date, the Group assesses whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Movements in allowance for impairment in respect of trade receivables and other receivables

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group Individual impairment \$
At 1 January 2017 per FRS 39	533,128
Impairment loss recognised	145,963
Translation differences	(29,944)
At 31 December 2017 per FRS 39	<u>649,147</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Comparative information under FRS 39 (Continued)

Movements in allowance for impairment in respect of trade receivables and other receivables (Continued)

	Group Lifetime ECL \$
At 1 January 2018 per FRS 39 and per SFRS(I) 9	649,147
Impairment loss recognised	258,004
Translation differences	2,364
At 31 December 2018 per SFRS(I) 9	909,515

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from a subsidiary of \$269,656 (2017: \$869,655; 1 Jan 2017: Nil). These balances are amounts extended to a subsidiary to satisfy short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$5,585,386 and \$91,396, respectively, at 31 December 2018 (2017: \$3,675,516 and \$117,252; 1 Jan 2017: \$2,876,986 and \$123,924, respectively). Cash and fixed deposits are placed with financial institutions which are regulated. The cash and cash equivalents are held with bank and financial institution counterparties which are rated between AA1 and BAA2, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages its liquidity risk by matching the payment and receipt cycle to maintain sufficient cash and having credit facilities available to meet its funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Comparative information under FRS 39 (Continued)

Liquidity risk (Continued)

In the current year, the Company is in net current liabilities of \$349,986. The Company has received an undertaking from a related party that, if necessary, it will not request for the repayment of the loan extended to the Company within the next twelve months from the balance sheet date. In addition, the related party had extended additional loan of \$500,000 to the Company to fund its working capital requirement subsequent to the balance sheet date.

The expected contractual cash outflows of trade and other payables falls within one year and are expected to approximate their carrying amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to interest bearing financial assets.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management was as follows:

	Group Carrying amount		1 Jan 2017
	2018 \$	2017 \$	2017 \$
Fixed rate instruments			
Fixed deposits	919,957	802,251	728,120
Other receivables	1,841,400	457,600	–
	2,761,357	1,259,851	728,120

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Comparative information under FRS 39 (Continued)

Market risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

Foreign currency risk

The Group incurs foreign currency risk on purchases and borrowings that are denominated in currencies other than the Singapore dollar. The currencies giving rise to this foreign currency risk are primarily the Euro and United States (US) dollar. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level. The Group does not hedge its foreign currency exposure.

The Group's exposures to foreign currencies in Singapore dollar equivalent are as follows:

	2018		2017		1 Jan 2017	
	Euro \$	US dollar \$	Euro \$	US dollar \$	Euro \$	US dollar \$
Group						
Trade and other receivables	25,467	–	–	–	19,873	574
Cash and cash equivalents	–	–	–	2,735	1,909	–
Trade and other payables	(178,403)	(277,376)	(72,146)	(374,168)	(182,008)	(123,000)
	(152,936)	(277,376)	(72,146)	(371,433)	(160,226)	(122,426)

The Company does not have exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Comparative information under FRS 39 (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

A 10% strengthening of the respective foreign currencies against the Singapore dollar at the reporting date would decrease profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Decrease in Profit or Loss \$
2018	
Euro	(15,294)
US dollar	(27,738)
2017	
Euro	(7,215)
US dollar	(37,417)

A 10% weakening of the respective foreign currencies against the Singapore dollar would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair value

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (Continued)

Measurement of fair values (Continued)

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

No fair value hierarchy information is disclosed for the Group's and Company's financial assets and financial liabilities measured at amortised cost as the carrying amount of these financial assets and liabilities approximate their fair values.

Determination of fair values

Financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and loan from a related party) are assumed to approximate their fair values because of their short period to maturity.

Non-current other receivables

The fair value of non-current other receivables is calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (Continued)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and liabilities are as follows:

		Carrying amount		
	Note	Amortised cost \$	Other financial liabilities \$	Total \$
Group				
31 December 2018				
Financial assets not measured at fair value				
Trade and other receivables*	8	1,855,502	–	1,855,502
Cash and cash equivalents	9	3,642,612	–	3,642,612
		5,498,114	–	5,498,114
Financial liabilities not measured at fair value				
Loan from a related party	13	–	(330,000)	(330,000)
Trade and other payables	14	–	(1,579,683)	(1,579,683)
		–	(1,909,683)	(1,909,683)
31 December 2017				
Financial assets not measured at fair value				
Trade and other receivables*	8	5,349,834	–	5,349,834
Cash and cash equivalents	9	3,675,516	–	3,675,516
		9,025,550	–	9,025,550
Financial liabilities not measured at fair value				
Loan from a related party	13	–	(330,000)	(330,000)
Trade and other payables	14	–	(2,551,287)	(2,551,287)
		–	(2,881,287)	(2,881,287)
1 January 2017				
Financial assets not measured at fair value				
Trade and other receivables*	8	3,262,052	–	3,262,052
Cash and cash equivalents	9	2,876,986	–	2,876,986
		6,139,038	–	6,139,038
Financial liabilities not measured at fair value				
Loan from a related party	13	–	(330,000)	(330,000)
Trade and other payables	14	–	(1,642,700)	(1,642,700)
		–	(1,972,700)	(1,972,700)

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (Continued)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount		
	Note	Amortised cost \$	Other financial liabilities \$	Total \$
Company				
31 December 2018				
Financial assets not measured at fair value				
Trade and other receivables*	8	269,656	–	269,656
Cash and cash equivalents	9	91,396	–	91,396
		361,052	–	361,052
Financial liabilities not measured at fair value				
Loan from a related party	13	–	(330,000)	(330,000)
Trade and other payables	14	–	(381,039)	(381,039)
		–	(711,039)	(711,039)
31 December 2017				
Financial assets not measured at fair value				
Trade and other receivables*	8	878,955	–	878,955
Cash and cash equivalents	9	117,252	–	117,252
		996,207	–	996,207
Financial liabilities not measured at fair value				
Loan from a related party	13	–	(330,000)	(330,000)
Trade and other payables	14	–	(145,201)	(145,201)
		–	(475,201)	(475,201)
1 January 2017				
Financial assets not measured at fair value				
Trade and other receivables*	8	56,010	–	56,010
Cash and cash equivalents	9	123,924	–	123,924
		179,934	–	179,934
Financial liabilities not measured a fair value				
Loan from a related party	13	–	(330,000)	(330,000)
Trade and other payables	14	–	(124,049)	(124,049)
		–	(454,049)	(454,049)

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (Continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors the return on capital, which the Group defines as its results divided by total shareholders' equity, and the Group's revenue and results before tax.

The Group's net cash to equity ratio at the end of the reporting period was as follows:

	2018	2017	1 Jan 2017
	\$	\$	\$
Cash and cash equivalents	5,585,386	3,675,516	2,876,986
Less total liabilities	(4,583,368)	(3,236,708)	(1,985,677)
Net cash	1,002,018	438,808	891,309
Total equity	4,612,975	8,492,017	6,558,627
Net cash to equity ratio at 31 December	0.22	0.05	0.14

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

22 OPERATING LEASE COMMITMENTS

Non-cancellable operating leases rentals are payable as follows:

	Group	
	2018	2017
	\$	\$
Within one year	322,948	336,000
Between one and five years	559,272	–
	882,220	336,000

The Group leases several office premises, warehouse and factory facilities under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

In 2017, the Company ceased its lease agreement for an office premise. As at 31 December 2017 and 31 December 2018, the Company did not have any operating lease commitment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 RELATED PARTIES

Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Group considered the directors of the Company and those of its subsidiaries as key management personnel.

	2018 \$	2017 \$
Directors of the Company		
– Directors' fees	165,000	115,000
– Short-term employee benefits	216,000	221,850
	381,000	336,850
Directors of the subsidiaries		
– Corporate advisory and consultancy service fee*	475,494	320,307
– Directors' fees	6,000	6,000
– Short-term employee benefits	146,590	140,960
– Contribution to defined contribution plans	21,579	20,937
	649,663	488,204
Other key management personnel		
– Short-term employee benefits	54,000	42,000
Total key management personnel compensation incurred by the Group	1,084,663	867,054

* The Group entered into arrangements with Aw Cheok Huat, a director of certain subsidiaries, for the provision of corporate advisory and consultancy services to the Group.

24 SUBSEQUENT EVENT

On 8 March 2019, a related party, which has the same controlling shareholder as the Company, extended loan of \$500,000 to the Company to fund its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Valuation of trade receivables – Electrical trading and manufacturing segments

Trade receivable balances are subjected to the ECL impairment model. Measurement of ECL allowance for trade receivables and key assumptions in determining the weighted-average loss rates is disclosed in Note 21.

The management measures loss allowances on trade receivables at amounts equal to lifetime ECL using a provision matrix which involved significant management judgement in estimating loss rate and adjusting factors that are specific to the debtors and an assessment of both the current and forward-looking macroeconomic factors at the reporting date.

Valuation of inventories – Electrical trading and manufacturing segments

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. Historical trends may not be reflective of the Group's future operations and as such, the actual amount of inventory write-offs could be higher or lower than the allowance made.

Valuation of disposal group – Electrical trading and manufacturing segments

Disposal group classified as held for sale is measured at the lower of carrying amount and fair value less costs. Estimates of fair value less costs are made based on information currently available to the Group which may deviate from future realisation.

Revenue recognition – property consultancy and management segment

Management judgement is required in determining the timing of satisfaction of performance obligations in its customer contracts taking into account that revenue arrangements are bespoke to each customer both in terms of their fee structures and the range and/or type of services provided.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 15 and SFRS(I) 9 have affected the Group's financial statements is detailed below.

SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients where completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.

The adoption of SFRS(1) 15 did not have any significant impact on the financial statements.

SFRS(I) 9

SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new ECL model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 9 (Continued)

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated losses and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held;
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding;

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVTPL, or fair value through other comprehensive income. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of FVTPL held-to-maturity, loans and receivables, and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see Note 3.3.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 9 (Continued)

Classification of financial assets and financial liabilities (Continued)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018:

			1 January 2018	
	Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9	Original classification under FRS 39 S\$	New classification under SFRS(I) 9 S\$
Note				
Group				
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	5,349,834	5,349,834
Cash and cash equivalents	Loans and receivables	Amortised cost	3,675,516	3,675,516
Total financial assets			9,025,350	9,025,350
Company				
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	878,955	878,955
Cash and cash equivalents	Loans and receivables	Amortised cost	117,252	117,252
Total financial assets			996,207	996,207

Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost but not to equity investments.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables separately in the statement of comprehensive income.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 did not result in additional ECL allowances on the outstanding balances.

Loss allowances for trade receivables measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information on how the Group measures the allowance for impairment is described in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier applications is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group is described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group as lessee

As at 31 December 2018, the Group has non-cancellable operating lease commitment of \$882,220 (note 22) and expects to recognise an asset and a liability for these operating leases. The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

Based on the information currently available, the Group expects an increase in ROU assets and lease liabilities. The actual impact of adopting SFRS(I) 16 on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that includes the date of initial application.

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2019

Issued and fully paid-up share capital	– S\$24,996,343
Number of issued shares	– 178,337,290
Class of shares	– Ordinary shares
Voting rights	– One (1) vote per ordinary share (excluding treasury shares and subsidiary holdings)
Number of treasury shares and percentage	– Nil
Number of subsidiary holdings and percentage	– Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.15	10	0.00
100 – 1,000	140	21.41	136,800	0.08
1,001 – 10,000	288	44.04	1,565,300	0.88
10,001 – 1,000,000	210	32.11	29,911,393	16.77
1,000,001 AND ABOVE	15	2.29	146,723,787	82.27
TOTAL	654	100.00	178,337,290	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	WONG SIU FAI	45,351,537	25.43
2	UOB KAY HIAN PRIVATE LIMITED	40,127,815	22.50
3	PHILLIP SECURITIES PTE LTD	13,387,035	7.51
4	CENTRAL POINT INVESTMENT (S) PTE LTD	13,185,000	7.39
5	QUALITY ABLE LIMITED	8,000,000	4.49
6	TAN KENG SOON	6,832,500	3.83
7	CITIBANK NOMINEES SINGAPORE PTE LTD	5,386,000	3.02
8	NG CHOON NGOI @ NG CHOON NGO	3,032,900	1.70
9	CHEE SUWEN	2,800,000	1.57
10	CHARLESTON HOLDINGS PTE LTD	2,233,000	1.25
11	CHAN HOE YIN @ CHAN PAK YIN	1,540,000	0.86
12	ZAHEER K MERCHANT	1,500,000	0.84
13	ONG BOON SING	1,273,000	0.71
14	LEE WEE NGAM	1,073,000	0.60
15	ANG JUI KHOON	1,002,000	0.56
16	CHEN MIN	1,000,000	0.56
17	LI YING	1,000,000	0.56
18	TIAN QING	1,000,000	0.56
19	WANG PINGHUA	1,000,000	0.56
20	WU CHAO	1,000,000	0.56
	TOTAL	151,723,787	85.06

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholders)

Name	Direct Interest		Deemed Interest	
	No. of shares held	%	No. of shares held	%
Central Point Investment (S) Pte. Ltd. ⁽¹⁾	13,185,000	7.4	39,827,815	22.33
LC International Holdings Pte. Ltd. ⁽²⁾	–	–	53,012,815	29.73
H Wealth Management Co. Limited ⁽³⁾	–	–	61,012,815	34.22
Wong Siu Fai ⁽⁴⁾	45,351,537	25.43	61,012,815	34.22

Notes:

(1) Central Point Investment (S) Pte. Ltd. (“**CPI**”) is deemed interested in 39,827,815 issued and paid-up ordinary shares in the capital of the Company (“**Shares**”) held through UOB Kay Hian Private Limited by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

(2) LC International Holdings Pte. Ltd. (“**LC**”) is deemed interested in the Shares held by CPI through its 100% interest in the issued share capital of CPI.

(3) H Wealth Management Co. Limited (“**HWM**”) is deemed interested in the Shares held by CPI and 8,000,000 Shares held by Quality Able Limited (“**QAL**”) through its 100% interest in the issued share capital of LC and Hong Kong Sunrise Wealth Management Limited (“**HKSW**”) respectively.

Hong Kong Zhong Tong Wealth Management Limited (“**HKZT**”) is deemed interested in all the 8,000,000 Shares held by QAL through its 90% interest in the issued share capital of QAL.

HKSW is deemed interested in the Shares held by QAL through its 100% interest in the issued share capital of HKZT.

(4) Wong Siu Fai is deemed interested in the Shares held by CPI and QAL through his 100% interest in the issued share capital of HWM.

PERCENTAGE OF SHAREHOLDING IN PUBLIC’S HANDS

Based on information available to the Company as at 21 March 2019, approximately 40.35% of the issued ordinary shares of the Company is held in the hands of public, as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**Catalist Rules**”). Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10% of the equity securities to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Sunrise Shares Holdings Ltd. ("**Company**") will be held at Six Battery Road #10-01 Singapore 049909 on Tuesday, 30 April 2018 at 4.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Independent Auditors' Report thereon.

(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 and Regulation 97 of the Constitution of the Company, and who, being eligible, offer themselves for re-election, as Directors of the Company:

Mr Ng Clarence Kar Lung	(Regulation 91)	(Resolution 2)
Mr Tang An	(Regulation 91)	(Resolution 3)
Ms Huang Anna Yi	(Regulation 97)	(Resolution 4)
Mr Wang Ziquan	(Regulation 97)	(Resolution 5)

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S\$160,000 for the financial year ended 31 December 2018 (FY2017: S\$115,000).

(Resolution 6)

4. To appoint Messrs Baker Tilly TFW LLP as Auditors of the Company in place of the retiring Auditors of the Company, Messrs KPMG LLP, to hold office until the conclusion of the next AGM and to authorise the Directors of the Company to fix their remuneration.

[See Explanatory Note (ii)]

(Resolution 7)

5. To transact any other ordinary business which may properly be transacted at an AGM.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

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

6. Authority to allot and issue shares

That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and subject to Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:

- (a)
 - (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
 - (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, convertible securities or other instruments convertible into shares,

at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

("Share Issue Mandate")

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed one hundred percent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (iii) below) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;
- (ii) the aggregate number of shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company shall not be more than fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) (as calculated in accordance with sub-paragraph (iii) below) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the date this Resolution is passed after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities outstanding and/or subsisting at the time this authority is given;
 - (b) new shares arising from the exercise of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution provided the share options or share awards, were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of the shares;
- (iv) in exercising the authority conferred by this Resolution, 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), all applicable legal requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and
- (v) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (iii)]

(Resolution 8)

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 14 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Ng Clarence Kar Lung will, upon re-election as a Director of the Company, remain as the Executive Director of the Company and a member of the Nominating Committee of the Company.

Mr Tang An will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, the Chairman of the Audit Committee as well as a member of the Nominating Committee and the Remuneration Committee of the Company. The board of directors (the “**Board**”) considers Mr Tang An to be independent for the purpose of Rule 704(7) of the Catalyst Rules.

Ms Huang Anna Yi will, upon re-election as a Director of the Company, remain as a Non-Executive Director of the Company as well as a member of the Audit Committee and the Remuneration Committee of the Company. The Board considers Ms Huang Anna Yi to be non-independent for the purpose of Rule 704(7) of the Catalyst Rules.

Mr Wang Ziquan will, upon re-election as a Director of the Company, remain as an Independent Director of the Company.

Please refer to pages 9 to 10 of the Annual Report for the detailed information for Mr Ng Clarence Kar Lung, Mr Tang An, Ms Huang Anna Yi and Mr Wang Ziquan required pursuant to Rule 720(5) of the Catalyst Rules. Further information on Mr Ng Clarence Kar Lung, Mr Tang An, Ms Huang Anna Yi and Mr Wang Ziquan are set out in the sections entitled “Board of Directors”, “Corporate Governance Report”, and “Directors’ Statement” of the Annual Report. Save as disclosed therein, there are no material relationships (including immediate family relationships) between each of Mr Ng Clarence Kar Lung, Mr Tang An, Ms Huang Anna Yi and Mr Wang Ziquan and the other Directors of the Company, the Company or its 10% shareholders.

- (ii) Messrs KPMG LLP has informed the Company that they will not be seeking for re-appointment as auditors of the Company at this AGM. The Company will be seeking shareholders’ approval on the proposed change of auditors of the Company from Messrs KPMG LLP to Messrs Baker Tilly TFW LLP (“**Proposed Change of Auditors**”). Please refer to the Company’s Appendix to the Notice of AGM dated 14 April 2019 for more details.

In accordance with the requirements pursuant to Rule 712(3) of the Catalyst Rules:

- (a) the retiring Auditors of the Company, Messrs KPMG LLP, have confirmed to Messrs Baker Tilly TFW LLP that they are not aware of any professional reasons why Messrs Baker Tilly TFW LLP, being the successor Auditors of the Company, should not accept appointment as the new Auditors of the Company;
- (b) the Company has confirmed that there were no disagreements with the retiring Auditors of the Company, Messrs KPMG LLP, on accounting treatments within the last twelve (12) months up to the date of their retirement;
- (c) the Company has confirmed that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the shareholders of the Company which has not been disclosed in the Appendix to the Notice of AGM dated 14 April 2019;
- (d) the Company has confirmed that the specific reasons for the Proposed Change of Auditors are as disclosed in Section 2.1 of the Appendix to the Notice of AGM dated 14 April 2019; and
- (e) the Company has confirmed that it is in compliance with Rules 712 and 715 of the Catalyst Rules in relation to the appointment of Messrs Baker Tilly TFW LLP as its new Auditors.

NOTICE OF ANNUAL GENERAL MEETING

- (iii) Resolution 8, if passed, will authorise and empower the Directors of the Company from the date of the above AGM of the Company until the next AGM of the Company to allot and issue shares and/or convertible securities. The aggregate number of shares and/or convertible securities which the Directors of the Company may allot and issue under this Resolution shall not exceed in aggregate one hundred percent (100%) of the total issued shares (excluding treasury shares and subsidiary holdings), of which the total number of shares and/or convertible securities issued other than on a *pro-rata* basis to existing shareholders of the Company shall not exceed fifty percent (50%) of the total issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors of the Company are empowered to issue shares pursuant to any Instruments issued under this authority.

Notes:

1. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member of the Company (other than a Relevant Intermediary*) appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing the proxies.
3. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the AGM of the Company.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 AGM of the Company 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 AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this notice.*

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

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APPENDIX DATED 14 APRIL 2019

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Unless otherwise stated, capitalised terms on this cover are defined in this Appendix under the section entitled "DEFINITIONS".

This Appendix is circulated to Shareholders together with the Annual Report 2018. Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval for the Proposed Change of Auditors, at the AGM to be held on Tuesday, 30 April 2019 at 4.00 p.m. at Six Battery Road #10-01, Singapore 049909.

The ordinary resolution proposed to be passed in relation to the Proposed Change of Auditors is set out as Ordinary Resolution 7 in the Notice of AGM dated 14 April 2019, enclosed in the Annual Report 2018.

If you have sold or transferred all your Shares held through the Depository, you need not forward this Appendix, the Notice of AGM and the accompanying Proxy Form to the purchaser or transferee as arrangements will be made by the Depository for a separate Appendix, the Notice of AGM and the accompanying Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Appendix, the Notice of AGM and the accompanying Proxy Form to the purchaser or the transferee, or to the bank, stockbroker or agent through whom you effected the sale or the transfer for onward transmission to the purchaser or the transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.



SUNRISE SHARES HOLDINGS LTD.

(Incorporated in Singapore)

(Company Registration No: 198201457Z)

APPENDIX TO SHAREHOLDERS

in relation to

THE PROPOSED CHANGE OF AUDITORS FROM KPMG LLP TO BAKER TILLY TFW LLP

APPENDIX

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APPENDIX

DEFINITIONS

For the purpose of this Appendix, the following definitions apply throughout, unless the context otherwise stated:

"ACRA"	:	The Accounting and Corporate Regulatory Authority of Singapore
"AGM"	:	The annual general meeting of the Company to be convened and held on Tuesday, 30 April 2019 at 4.00 p.m. at Six Battery Road #10-01, Singapore 049909
"Annual Report 2018"	:	The Company's annual report for the financial year ended 31 December 2018
"Appendix"	:	This appendix to Shareholders in relation to the Proposed Change of Auditors
"Audit Committee"	:	The audit committee of the Company as at the date of this Appendix, members of which comprise Mr Tang An, Mr Zheng Aimin and Ms Huang Anna Yi
"Auditors"	:	The auditors of the Company as appointed from time to time
"Baker Tilly"	:	Baker Tilly TFW LLP
"Board"	:	The board of directors of the Company as at the date of this Appendix
"Catalist"	:	The Catalist board of the SGX-ST
"Catalist Rules"	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
"Company"	:	Sunrise Shares Holdings Ltd.
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
"Constitution"	:	The constitution of the Company, as may be amended, modified or supplemented from time to time
"Directors"	:	The directors of the Company as at the date of this Appendix and "Director" shall be construed accordingly
"Group"	:	The Company and its subsidiaries
"KPMG"	:	KPMG LLP

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"PRC"	:	The People's Republic of China
"Proposed Change of Auditors"	:	The proposed change of auditors of the Company, from KPMG to Baker Tilly
"SFA"	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shareholders"	:	Registered holders of Shares, except where the registered holder is the Depository, the term "Shareholders" shall, in relation to such Shares, mean the persons named as Depositors in respect of the number of Shares standing to the credit of their names in the Depository Register
"Shares"	:	Ordinary shares in the capital of the Company

The terms **"Depositor"**, **"Depository"**, **"Depository Agent"** and **"Depository Register"** shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The term **"subsidiary"** shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Catalist Rules or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a date and/or time of day in this Appendix is a reference to Singapore time and date, respectively, unless otherwise stated.

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LETTER TO SHAREHOLDERS

SUNRISE SHARES HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No: 198201457Z)

Directors:

Zheng Aimin (Independent Non-Executive Chairman)
Zhang Zhi Liang (Executive Director and Chief Executive Officer)
Ng Clarence Kar Lung (Executive Director)
Huang Anna Yi (Non-Independent Non-Executive Director)
Tang An (Independent Non-Executive Director)
Wang Ziquan (Independent Non-Executive Director)

Registered Office:

Six Battery Road #10-01
Singapore 049909

14 April 2019

To: The Shareholders of Sunrise Shares Holdings Ltd.

Dear Sir/Madam

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with the relevant information (including but not limited to explaining the rationale for the Proposed Change of Auditors) pertaining to, and to seek Shareholders' approval for the Proposed Change of Auditors at the AGM. The notice of the AGM is set out on pages 125 to 130 of the Annual Report 2018.

This Appendix has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than Shareholders to whom this Appendix is despatched to by the Company) or for any other purpose.

The SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

2. THE PROPOSED CHANGE OF AUDITORS

2.1 Background and rationale

The Company's current auditors, KPMG, have served as Auditors since the financial year ended 31 December 1988 and were last re-appointed at the annual general meeting of the Company held on 23 April 2018, to hold office until the conclusion of the AGM.

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As part of ongoing good corporate governance initiatives, the Directors are of the view that a change of auditors would enable the Company to benefit from fresh perspectives and views of another professional audit firm and further enhance the value of the audit. Further, as part of the Company's ongoing efforts to enhance operating cost efficiencies, the Board, having reviewed fee proposals from several audit firms and deliberated on the suitability of the respective audit firms, and in consultation with the Audit Committee, has nominated and recommended Baker Tilly to replace KPMG as the Auditors.

In this regard, KPMG will retire and not seek re-appointment at the AGM and the Company had, via its letter dated 27 February 2019, informed KPMG that Baker Tilly has been invited by the Company to accept a nomination as the new auditors of the Company at the AGM, and requested for KPMG to provide their professional clearance with respect to their retirement from office as auditors of the Company on the expiry of their term of office on 30 April 2019. The Directors wish to express their appreciation for the past services rendered by KPMG.

Baker Tilly had, on 12 April 2019, given their written consent to act as auditors of the Company, subject to the approval of Shareholders at the AGM for the Proposed Change of Auditors.

Pursuant to Rule 712(3) of the Catalist Rules and Section 205AF of the Companies Act, the appointment of Baker Tilly as auditors of the Company in place of KPMG must be specifically approved by Shareholders in a general meeting. Accordingly, the appointment of Baker Tilly as auditors of the Company will be effective upon the approval by Shareholders at the AGM for the Proposed Change of Auditors and, if appointed, Baker Tilly will hold office until the conclusion of the next annual general meeting of the Company.

2.2 Information on Baker Tilly and the Audit Engagement Partner

Baker Tilly, a firm of Chartered Accountants in Singapore registered with ACRA, is one of the top 10 largest accounting and business advisory firm in Singapore and has 16 partners and staff strength of about 290. It has significant experience acting as auditors for companies listed on the SGX-ST. Baker Tilly is an independent member of Baker Tilly International, a global organisation with member firms in more than 145 territories.

The Baker Tilly team assigned to the audit of the Group will be led by Mr Ong Kian Guan ("**Mr Ong**"), who heads the assurance services, and capital markets and initial public offering services at Baker Tilly. He has more than 20 years of audit, consulting, and commercial financial control and accounting experiences, including more than 10 years of working experience at international accounting firms. He specialises in the audit of multinational and SGX-listed companies, with extensive experience in local and cross-border initial public offering, due diligence and merger and acquisitions projects. Mr Ong serves audit clients, both listed companies and privately held companies, spanning across various industries and sectors such as manufacturing, trading and distribution, hospitality and leisure, shipping and freight forwarding and real estate. He is currently the engagement partner of Nico Steel Holdings Limited and Shopper360 Limited, SGX-listed companies with operations in Malaysia, PRC and Singapore.

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Baker Tilly, including Mr Ong, has experience in auditing companies in related industries as the Group, namely Hor Kew Corporation Limited and TEE Land Limited.

Mr Ong is a practising member of the Institute of Singapore Chartered Accountants and is a public accountant registered with ACRA. Mr Ong was subjected to the Practice Monitoring Programme reviewed by ACRA in 2015 and had passed the review.

2.3 Requirements pursuant to Rule 712 of the Catalist Rules

Baker Tilly, established in Singapore, is a firm of Chartered Accountants in Singapore and is registered with ACRA. The Audit Committee has reviewed and deliberated on the Proposed Change of Auditors and has recommended the same to the Board for approval, after taking into consideration the suitability of the new Auditors, including, *inter alia*, the following:–

- (a) the fee structure, the adequacy of the resources and experience of Baker Tilly;
- (b) the experience of the audit engagement partner assigned to the audit of the Group;
- (c) Baker Tilly' other audit engagements;
- (d) the size, complexity and the nature of the Group's operations; and
- (e) the number and experience of the supervisory and professional staff who will be assigned to the audit of the Company and the Group,

The Board, having taken into account the Audit Committee's recommendation, and various factors, are of the opinion that Baker Tilly will be able to meet the audit requirements of the Company and the Group, without compromising the standard and effectiveness of the quality and scope of audit of the Company and the Group. Accordingly, Rules 712(1) and 712(2) of the Catalist Rules have been complied with.

In accordance with the requirements of Rule 712(3) of the Catalist Rules:–

- (a) KPMG has confirmed to Baker Tilly that they are not aware of any professional reasons why Baker Tilly, being the successor auditors of the Company, should not accept appointment as the new Auditors;
- (b) the Company has confirmed that there were no disagreements with KPMG on accounting treatments within the last twelve (12) months up to the date of their retirement;
- (c) the Company has confirmed that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this Appendix;

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- (d) the specific reasons for the Proposed Change of Auditors are as disclosed in section 2.1 above; and
- (e) the Company has confirmed that it is in compliance with Rules 712 and 715 of the Catalyst Rules in relation to the appointment of Baker Tilly as its new Auditors.

2.4 Requirements pursuant to Rule 715 of the Catalyst Rules

Subject to Shareholders' approval at the AGM for the Proposed Change of Auditors, the Company will appoint Baker Tilly as auditors of the Company and all of the Company's subsidiaries incorporated in Singapore, as well as the Company's subsidiaries incorporated in Malaysia, Hong Kong and PRC.

As at the date of this Appendix, the Company does not have any associated companies.

Accordingly, the Board confirms that Rule 715 of the Catalyst Rules will be complied with.

3. AUDIT COMMITTEE'S CONFIRMATION

The Audit Committee, after having reviewed and deliberated, and after taking into consideration the suitability and independence of Baker Tilly in meeting the audit requirements of the Group, the various factors as set out in section 2.1 of this Appendix, and compliance with the requirements of the Catalyst Rules, has recommended the Proposed Change of Auditors for approval by the Board.

The Audit Committee had not considered the Audit Quality Indicators Disclosure Framework (the "**AQI Framework**") in its entirety when selecting new Auditors, as the adoption of the AQI Framework is voluntary. However, the Audit Committee has based its selection of Baker Tilly as the proposed new auditors of the Company based on the Company's internal criteria, which includes costs, quality, adequacy of the resources, experience and reputation of the audit firm. In relation to the scope of work to be undertaken by Baker Tilly as auditor of the Group, the Company confirms that there will be no change in scope from that of KPMG.

4. DIRECTORS' RECOMMENDATION

The Directors, having fully considered, *inter alia*, the rationale for and benefits of the Proposed Change of Auditors, the adequacy of the resources, experience and reputation of Baker Tilly, the recommendation of the Audit Committee, and all the other relevant information as set out in this Appendix, are of the opinion that the Proposed Change of Auditors is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution 7 relating to the Proposed Change of Auditors to be proposed at the AGM.

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5. ANNUAL GENERAL MEETING

The AGM, the notice of which is set out on pages 125 to 130 of the Annual Report 2018, will be held at Six Battery Road #10-01, Singapore 049909 on Tuesday, 30 April 2019 at 4.00 p.m., for the purpose of considering and, if thought fit, passing (with or without modifications) the resolutions set out in the Notice of AGM (including Ordinary Resolution 7 relating to the Proposed Change of Auditors).

6. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend and vote at the AGM on their behalf, will find attached to the Annual Report 2018, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at Six Battery Road #10-01, Singapore 049909, not later than 48 hours before the time fixed for the AGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM if he wishes to do so in place of the proxy. In such event, the relevant Proxy Forms will be deemed to be revoked.

A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by the Central Depository (Pte) Limited at least 72 hours before the time fixed for the AGM.

7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial Shareholders has any interest, whether direct or indirect (other than through their respective shareholding interest in the Company) in the Proposed Change of Auditors.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Change of Auditors, the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

9. CONSENTS

KPMG and Baker Tilly have given and have not withdrawn their consent to the issue of this Appendix with the inclusion herein of and references to their names and to act in such capacity in relation to this Appendix.

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10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Six Battery Road #10-01, Singapore 049909 during normal business hours from the date of this Appendix up to and including the date of the AGM:–

- (a) the Constitution of the Company;
- (b) the Annual Report 2018;
- (c) the letter of consent to act as Auditors from Baker Tilly dated 12 April 2019; and
- (d) the professional clearance letter from KPMG to Baker Tilly dated 12 April 2019, pursuant to Rule 712(3)(a) of the Catalist Rules.

Yours faithfully

for and on behalf of the Board of Directors of
SUNRISE SHARES HOLDINGS LTD.

Zhang Zhi Liang
Executive Director and Chief Executive Officer

SUNRISE SHARES HOLDINGS LTD.

(Company Registration No. 198201457Z)
(Incorporated In the Republic of Singapore)

ANNUAL GENERAL MEETING**PROXY FORM**

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No)

of _____ (Address)

being a member/members of SUNRISE SHARES HOLDINGS LTD. ("Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Annual General Meeting of the Company ("Meeting") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Meeting to be held at Six Battery Road #10-01 Singapore 049909 on Tuesday, 30 April 2019 at 4.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'***	No. of votes 'Against'**
Ordinary Business			
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Independent Auditors' Report thereon		
2	Re-election of Mr Ng Clarence Kar Lung as a Director of the Company		
3	Re-election of Mr Tang An as a Director of the Company		
4	Re-election of Ms Huang Anna Yi as a Director of the Company		
5	Re-election of Mr Wang Ziquan as a Director of the Company		
6	Approval of the payment of Directors' fees for the financial year ended 31 December 2018		
7	Appointment of Messrs Baker Tilly TFW LLP as Auditors of the Company in place of the retiring Auditors of the Company, Messrs KPMG LLP, and to authorise the Directors of the Company to fix their remuneration		
Special Business			
8	Authority to allot and issue shares		

**If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

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

Signature of Shareholder(s)
and/or Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of Shares held by you. 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 Members of the 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 Members, 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 Members. If no number is inserted, this instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*) is entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member of the Company (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy or proxies shall not preclude a member of the Company from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than 48 hours before the time appointed for holding the Meeting.
7. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power attorney or duly certified copy thereof must be lodged with the instrument.
8. 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.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- a. a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- b. a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or
- c. the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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 a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies 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 proxy(ies) and/or representative(s), the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2019.

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