CHOO CHIANG HOLDINGS LTD.

EMPOWERING EXCELLENCE

2018 ANNUAL REPORT

ABOUT US

Choo Chiang Holdings Ltd. ("**Choo Chiang**" and together with its subsidiaries, the "**Group**") is one of the leading retailers and distributors of electrical products and accessories in Singapore with a retail presence of more than 20 years. We offer an extensive range of electrical products and accessories for residential and industrial use at our 10 strategically located retail branches in Singapore. Our retail outlets are supported by a team of service-oriented sales employees and a fleet of delivery vehicles. In addition to this Distribution Business, we also hold 12 investment properties which are rented out for rental income. The Group was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 29 July 2015 (stock code 42E).

CONTENTS

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). 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 document, 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 Mr David Yeong, at 1 Robinson Road #21-00 AIA Tower Singapore 048542, Telephone: +65 6232 3210.

BUSINESS OVERVIEW

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

DISTRIBUTION BUSINESS

20 YEARS

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

10 RETAIL BRANCHES

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

30 3RD PARTY BRANDS

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

18 DELIVERY VEHICLES

Supported by an experienced sales team and a fleet of about 18 delivery vehicles.

DISTRIBUTION BUSINESS

DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS

PROPERTY INVESTMENTS

12

INVESTMENT PROPERTIES

Owns 12 investment properties which are rented out for rental income.

4

PROPERTIES

Holds an additional 4 properties which are used as retail branches/warehouse for our operations.

PRODUCTS

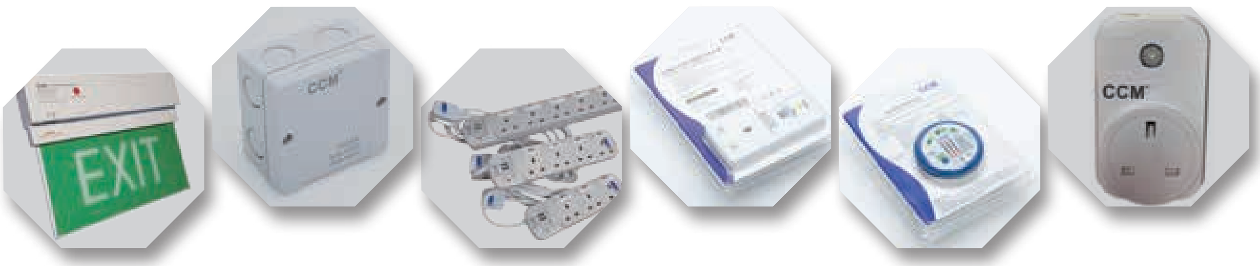
Choo Chiang provides efficient one-stop service to our customers by offering an extensive range of electrical products and accessories from established brands.

They include numerous third party brands and our proprietary brands, CCM and CRM, which we launched in 2004.

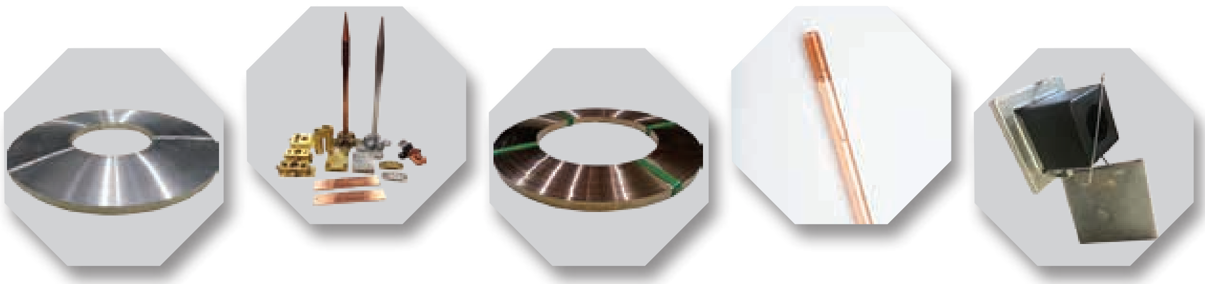
8 MAIN PRODUCT CATEGORIES AND NEW PRODUCTS FROM OVER 30 KEY BRANDS

Electrical Cables & Cable Accessories

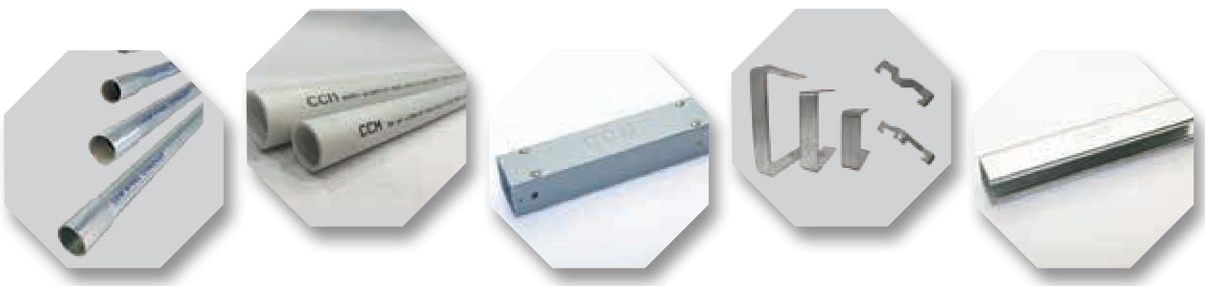
Light Switches, Circuit Breakers & Accessories



Lightning Accessories

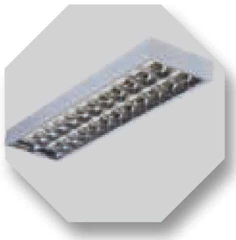


Trunking & Pipes Support System



Light Fixtures & Accessories



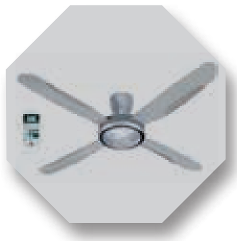



Power Drills & Handheld Tools



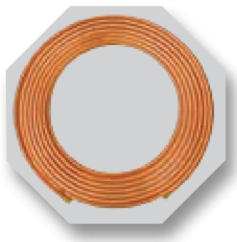

Ventilating, Wall-mounted & Ceiling Fans



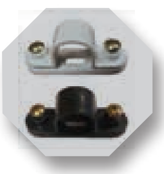



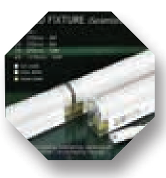
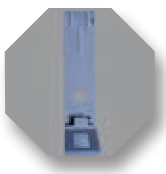
Air-conditioner Accessories



New Products



CHAIRMAN'S STATEMENT

"Despite the soft economic activity in the construction sector in 2018, Choo Chiang was able to maintain a relatively stable stream of revenue through its distribution business."

Dear Shareholders,

Welcome to our Annual Report for 2018. I am delighted to report that Choo Chiang Holdings Ltd. ("**Choo Chiang**" and together with its subsidiaries, the "**Group**") has had another strong year, in which we continued to deliver excellent service to our customers and further business growth for the financial year ended 31 December 2018 ("**FY2018**").

Performance Review

Strategically, this has been an important year for Choo Chiang, in which the Board has taken a series of decisions to move us closer to achieving our vision. The Group's mission remains firmly the same – to be Singapore's leading retailer and distributor of electrical products and accessories. Organic growth augmented by the increase in revenue from our Distribution Business segment reinforces our strategy in pursuit of that vision.

During the year, the Group reported an improvement of gross profit by S$0.71 million or 4.1% from S$17.34 million in FY2017 to S$18.05 million in FY2018. Gross profit margin improved from 27.9% in the financial year ended 31 December 2017 ("**FY2017**") to 28.2% in FY2018.

The Distribution Business segment registered a 0.3% marginal increase in gross profit margin from approximately 28.1% in FY2017 to 28.4% in FY2018. Gross profit margin for our Property Investment segment saw a dip from 9.8% in FY2017 to 2.1% in FY2018. This was largely attributable to the lower rental received from four (4) new leases which commenced during FY2018.

Overall in FY2018 and FY2017, the revenue contribution from the Distribution Business and Property Investment segments had remained relatively stable at approximately 99% and 1% respectively.

I am extremely proud to announce that Choo Chiang has been ranked No. 97 in the Brand Finance Singapore 100 category by world's leading independent brand valuation and business strategy consultancy – Brand Finance in FY2018.

On behalf of the Board of Directors, I am also pleased to propose a first and final dividend of 0.8 Singapore cents per share with an additional special dividend of 0.1 Singapore cents per share for FY2018. This dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("**AGM**") of the Company which will be held on 24 April 2019.

Distribution Business

Despite the soft economic activity in the construction sector in 2018, Choo Chiang was able to maintain a relatively stable stream of revenue through its distribution business. Total progress payments certified for building work for the public and private sector in Singapore decreased by a Compound Annual Growth Rate ("**CAGR**") of 9.76% from 2014 to 2018 due to a slowdown in the Singapore construction sector[1]. Yet, over the same period, Choo Chiang's revenue decrease only by a CAGR of 2.42%. This shows the resilience and stability of the Group's underlying business.

During the year, revenue contribution from our Distribution Business segment increased by S$1.97 million or 3.2%, from S$61.62 million in FY2017 to S$63.59 million in FY2018. Our higher sales volume as well as upward adjustment of selling prices for certain electrical products and accessories in FY2018 allowed this revenue growth. Cost of sales of the Distribution Business segment increased by S$1.22 million or 2.8%, from S$44.33 million in FY2017 to S$45.55 million in FY2018, which was generally in line with the increase in revenue for this segment.

In order to continue to make investments to improve our operational effectiveness and efficiency, we have also successfully relocated our existing retail branch at Blk 23 Bendemeer Road to our new premises at 17 Hamilton Road in 2018.

Property Investment Business

Choo Chiang's portfolio of investment properties consists of mainly industrial and commercial developments in Singapore, contributing a stable stream of rental income for the Group. Rental income from the Property Investment segment decreased by S$0.04 million or 7.8%, from S$0.51 million in FY2017 to S$0.47 million in FY2018. This was largely attributable to the loss of rental income as there were a few months of vacancy at seven (7) investment properties following the expiry of relevant leases. Cost of sales of the Property Investment segment remained constant at S$0.46 million in FY2017 and FY2018.

Outlook for 2019

We know that to continue to create sustainable growth, we have to enable people across the organisation to make good decisions, do their best work and be their best selves. Underpinning the Group's ambitious growth strategy is a clear focus on making sure we have the right people in the right positions at every level across the Group, and on giving them the knowledge and skills they need to deliver exceptional performance. The skillsets and experience of our people has expanded rapidly, and we remain committed to developing our people across all functions to achieve their goals and to making Choo Chiang a desirable career choice.

The Singapore Government announced new additional property cooling measures in July 2018. These included raising Additional Buyer's Stamp Duty ("**ABSD**") rates and tightening loan-to-value limits on residential property purchases, and given our business dependency on the construction sector, we expect the operating environment in the electrical material sector to be challenging. Slow growth in the 2019 global market remains a foremost concern. However, taking into consideration the trends and developments in the construction industry and the general economic outlook in Singapore, the Group remains cautiously optimistic.

Subject to, *inter alia,* market conditions, availability of good location and other relevant business considerations, it is the Group's current intention to continue to expand its retail network in Singapore. The Group also intends to reinforce and strengthen its market position in Singapore by widening the range of products sold under its "CCM" and "CRM" brands. Our "CCM" and "CRM" range includes various types of electrical cables and cable accessories; light switch accessories such as PVC boxes; lightning accessories; trunking and pipes; and certain types of light fixtures and accessories.

The renovation works at our headquarters and central warehouse located at 10 Woodlands Loop is expected to be completed in FY2019.

Appreciation

No doubt, this has been a busy year for the Board, and I am grateful to all of my Board colleagues for the dedication, challenge and expertise they have brought to the Boardroom this year.

On behalf of the Board, I would like to take this opportunity to thank everyone at Choo Chiang who has gone the extra mile this year in service of our customers, partners, communities and shareholders, and to thank all of our stakeholders for their continued support. The wellbeing of our people and shareholders remain a priority and I look to the future with confidence that we will have a robust platform for continued growth in the coming year.

Yours sincerely,

Thomas Lim

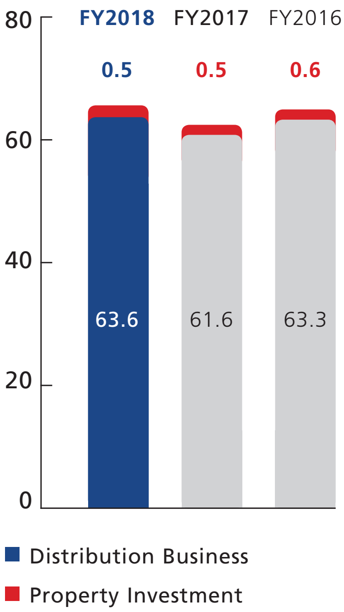
Executive Chairman and CEO

[1] CAGR for Progress payment certified for building work source from Singstat, SAC Advisors.

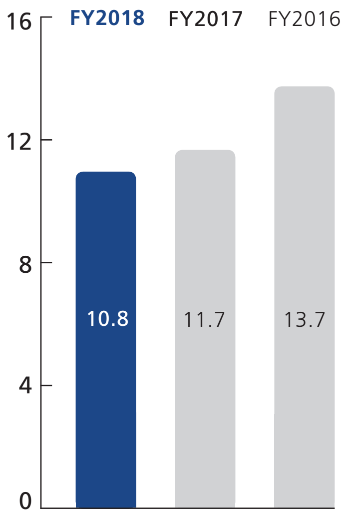
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER

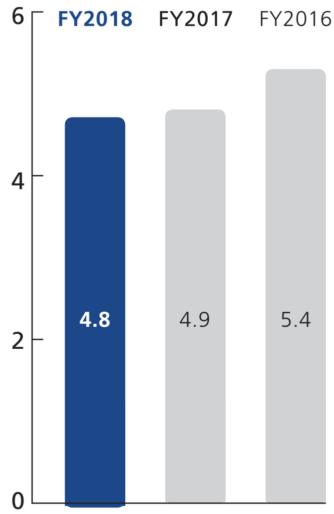
Revenue (S$'m)



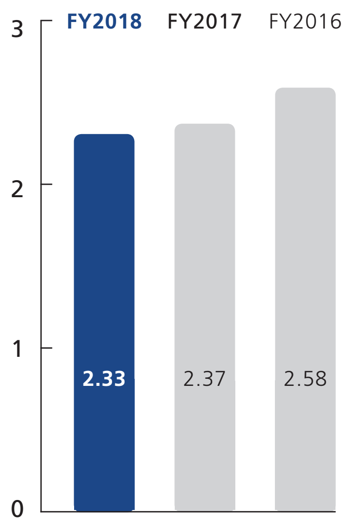
Return on Equity[1] (%)



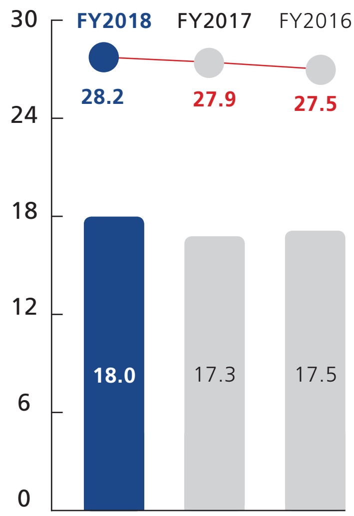
Net Profit (S$'m)



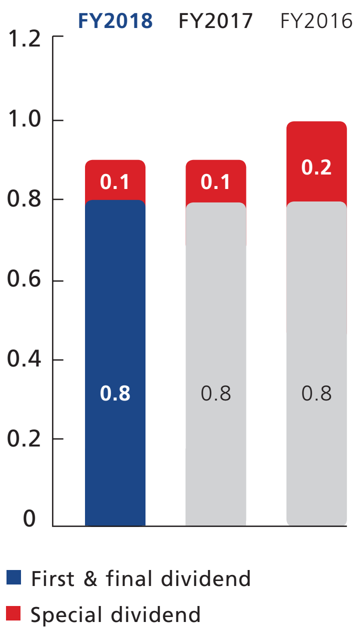
Earnings Per Share (Cents)



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



Dividend Per Ordinary Share (Cents)



[1] Return on Equity equals profit after tax and minority interest divided by equity attributable to the owners of the Company as at end of the financial year.

OPERATING & FINANCIAL REVIEW

Income Statement	Group Year ended 31 December		Change (%)
	2018 S$'000	2017 S$'000	
Revenue	64,063	62,126	3.1
Cost of sales	(46,014)	(44,793)	2.7
Gross profit	18,049	17,333	4.1
Other operating income	357	308	15.9
Administrative and selling expenses	(11,387)	(11,005)	3.5
Other operating expenses	(1,211)	(885)	36.8
Finance costs	(34)	(20)	70.0
Profit before income tax	5,774	5,731	0.8
Income tax expense	(941)	(807)	16.6
Profit for the year, representing total comprehensive income for the year	4,833	4,924	(1.8)
Total comprehensive income attributable to:			
Owners of the Company	4,845	4,929	(1.7)
Non-controlling interests	(12)	(5)	140.0
	4,833	4,924	(1.8)

REVIEW OF FINANCIAL PERFORMANCE

Revenue

The Group recorded revenue of S$64.06 million for the financial year ended 31 December 2018 ("**FY2018**"). This represented a 3.1%, increase compared to the S$62.13 million achieved in the financial year ended 31 December 2017 ("**FY2017**"). The revenue increase was mainly due to its Distribution Business.

Distribution Business

Revenue contribution by this segment increased by 3.2% to S$63.59 million in FY2018 from S$61.62 million in FY2017, mainly because of (i) higher sales volume of certain electrical products and accessories; and (ii) the upward adjustment of selling prices for certain electrical products and accessories in FY2018.

Property Investment

Rental income from this segment decreased by 7.8% to S$0.47 million in FY2018 from S$0.51 million in FY2017 mainly due to loss of rental income as there were a few months of vacancy at seven (7) investment properties following the expiry of relevant leases.

Cost of sales

Cost of sales increased by 2.7% to S$46.01 million in FY2018 from S$44.79 million in FY2017, which is in line with the increase in revenue.

Distribution Business

Cost of sales for the Distribution Business segment increased by 2.8% to S$45.55 million in FY2018 from S$44.33 million in FY2017, generally in line with the increase in revenue for this segment.

Property Investment

Cost of sales for the Property Investment segment remained constant at S$0.46 million in FY2018 and FY2017.

Gross profit and gross profit margin

Gross profit increased by 4.1% to S$18.05 million in FY2018 from S$17.34 million in FY2017. Gross profit margin improved to 28.2% in FY2018 from 27.9% in FY2017.

The gross profit margin of the Distribution Business segment increased marginally to approximately 28.4% in FY2018 from 28.1% in FY2017.

The gross profit margin of the Property Investment segment decreased to 2.1% in FY2018 from 9.8% in FY2017. This was mainly due to lower rental received from four (4) new leases which commenced during FY2018.

OPERATING & FINANCIAL REVIEW

Other operating income

Other operating income increased by 16.1% to S$0.36 million in FY2018 from S$0.31 million in FY2017. The increase in other operating income was mainly due to an increase in (i) gain on disposal of property, plant and equipment (ii) interest income and (iii) reversal of stock obsolescence. These increases were partially offset by the decrease in (i) government grant received and (ii) bad debts recovered from customers.

Administrative and selling expenses

Administrative expenses increased by 3.5% to S$11.39 million in FY2018 from S$11.01 million in FY2017. The increase in administrative and selling expenses mainly due to an increase in (i) staff costs; (ii) rental expenses; and (iii) commission paid to agents for secure new leases in FY2018.

Other operating expenses

Other operating expenses increased to S$1.21 million in FY2018 from S$0.89 million in FY2017, mainly due to an increase in (i) allowance for doubtful trade receivables and (ii) depreciation of property, plant and equipment in FY2018.

Finance costs

Finance costs increased marginally to S$34,000 in FY2018 from S$20,000 in FY2017. The increase in finance cost mainly due to a drawdown of a bank loan which was repaid during the same financial year.

Profit before income tax

As a result of the reasons aforementioned, the Group's profit before income tax increased to S$5.77 million in FY2018 from S$5.73 million in FY2017.

FINANCIAL POSITION

Current assets

Current assets increased by S$1.43 million from S$33.53 million as at 31 December 2017 to S$34.96 million as at 31 December 2018. The increase in current assets was mainly due to an increase in cash and bank balances of S$3.17 million which were partially offset by a decrease in inventories, other receivables and prepayments and trade receivables of S$1.33 million, S$0.36 million and S$0.05 million respectively.

Non-current assets

Non-current assets increased by S$0.12 million from S$21.87 million as at 31 December 2017 to S$21.99 million as at 31 December 2018. The increase in non-current assets was mainly due to an increase in property, plant and equipment of S$0.59 million. The increase was partially offset by a decrease in other receivables and prepayments, investment properties and club membership of S$0.12 million, S$0.33 million and S$0.02 million respectively.

Current liabilities

Current liabilities decreased by S$1.10 million from S$11.21 million as at 31 December 2017 to S$10.11 million as at 31 December 2018. The decrease in current liabilities were mainly due to a decrease in trade payables of S$1.37 million. The decrease was offset by an increase in other payables and accruals, current portion of bank loans, finance leases and provision of taxation of S$0.01 million, S$0.03 million, S$0.01 million and S$0.22 million respectively.

Non-current liabilities

Non-current liabilities decreased by S$0.31 million from S$2.05 million as at 31 December 2017 to S$1.74 million as at 31 December 2018. The decrease in non-current liabilities is mainly due to a decrease in the non-current portion of bank loans of S$0.39 million and offset by an increase in non-current portion of finance lease and deferred tax liability of S$0.06 million and S$0.02 million respectively.

Statement of Financial Position	Group As at 31 December		Change (%)
	2018 S$'000	2017 S$'000	
ASSETS			
Current assets			
Cash and cash equivalents	15,180	12,012	26.4
Trade receivables	4,745	4,794	(1.0)
Other receivables and prepayments	383	741	(48.3)
Inventories	14,655	15,986	(8.3)
Total current assets	**34,963**	33,533	4.3
Non-current assets			
Property, plant and equipment	7,416	6,827	8.6
Investment properties	14,349	14,682	(2.3)
Club membership	224	243	(7.8)
Other receivables and prepayments	–	119	N.M.
Total non-current assets	**21,989**	21,871	0.5
Total assets	**56,952**	55,404	2.8
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	7,082	8,448	(16.2)
Other payables and accruals	1,615	1,610	0.3
Bank loans	353	321	10.0
Finance leases	55	47	17.0
Income tax payable	1,005	787	27.7
Total current liabilities	**10,110**	11,213	(9.8)
Non-current liabilities			
Bank loans	1,408	1,789	(21.3)
Finance leases	195	141	38.3
Deferred tax liability	137	120	14.2
Total non-current liabilities	**1,740**	2,050	(15.1)
Total liabilities	**11,850**	13,263	(10.7)
Total equity	**45,102**	42,141	7.0
Total liabilities and equity	**56,952**	55,404	2.8

N.M. : Not meaningful

OPERATING & FINANCIAL REVIEW

CASH FLOW

Net cash generated from operating activities

The net cash inflow generated from operating activities for FY2018 was approximately S$6.42 million, which was a result of operating cash flows before changes in working capital of approximately S$6.88 million, net working capital inflows of approximately S$0.19 million, income tax paid of approximately S$0.71 million and interest received of approximately S$0.06 million.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S$0.96 million, which was solely due to purchases of property, plant and equipment.

Net cash used in financing activities

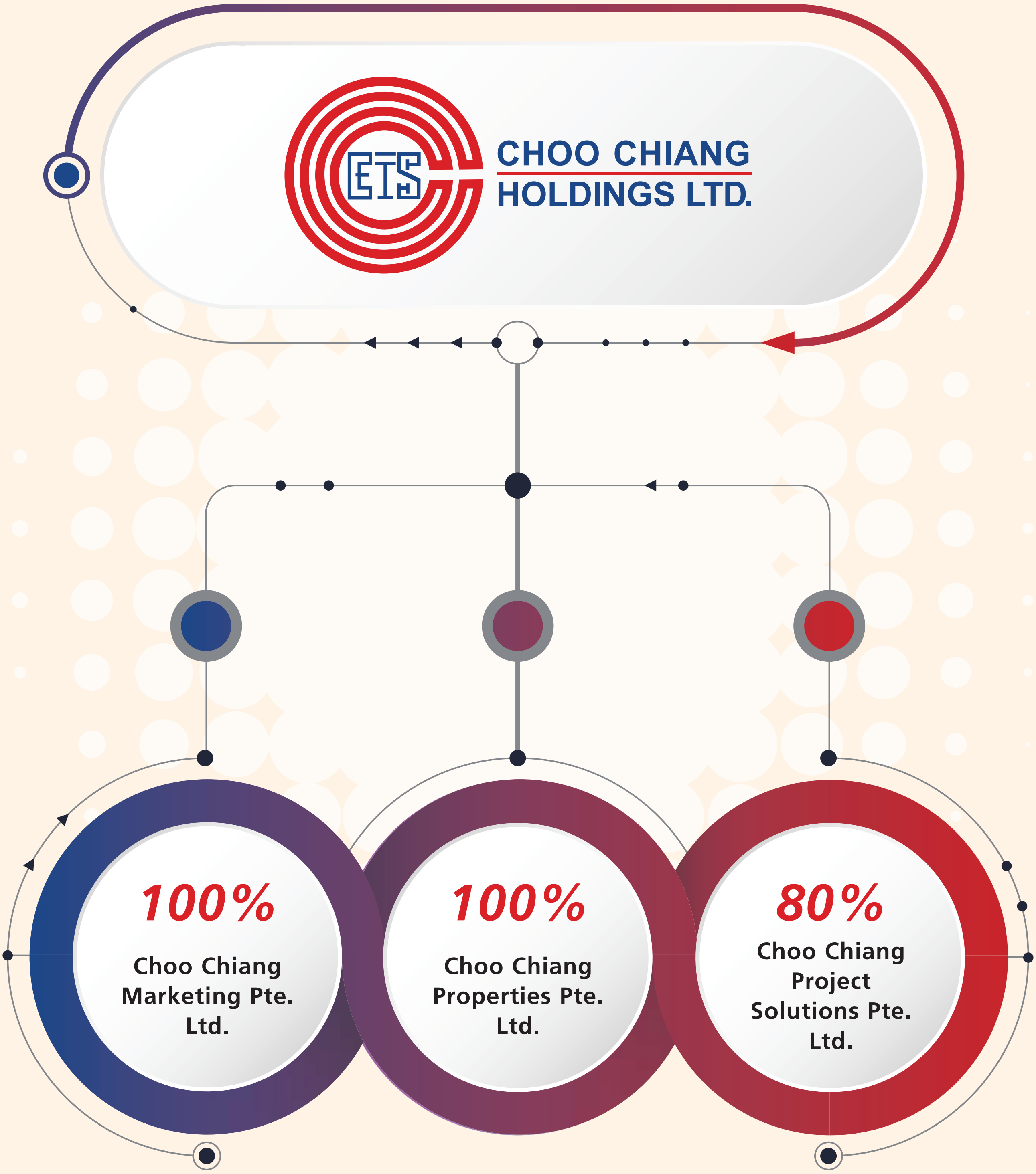
Net cash used in financing activities amounted to approximately S$2.30 million, mainly due to (i) dividends payment of S$1.87 million; (ii) repayment of bank loans and finance leases of S$2.40 million; and (iii) interest payments of S$0.03 million. These were partially offset by proceed from bank loan of S$2.00 million.

Statement of Cash Flows	Group Year ended 31 December	
	2018 S$'000	2017 S$'000
Net cash generated from operating activities	6,423	7,161
Net cash used in investing activities	(955)	(709)
Net cash used in financing activities	(2,300)	(2,560)
Cash and cash equivalents at end of the year	15,180	12,012

DIVIDEND

The Company's board of directors has proposed first and final cash dividend and special cash dividend of Singapore cents 0.8 and 0.1, representing 34.3% and 4.3% respectively of the Group's consolidated net profits attributable to shareholders in FY2018, of S$4.85 million.

GROUP STRUCTURE



BOARD OF DIRECTORS

Thomas Lim

Executive Chairman and CEO

Date of Appointment: 5 September 2014

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

Rocky Lim

Executive Director

Date of Appointment: 5 September 2014

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

Date of Appointment:
20 August 2018

Lim Teck Chai, Danny *Lead Independent Director*

Lim Teck Chai, Danny is our Lead Independent Director and was appointed to our Board on 20 August 2018. Danny Lim has more than 20 years of experience in the legal industry and is currently an equity partner in Rajah & Tann Singapore LLP. He joined the law firm in 1998 and has since been practising and advising on all aspects of corporate legal advisory and transactional work. He has a wide range of experience in acquisitions, investments, takeovers, initial public offerings and restructurings. He is also an Independent Director of Kimly Limited, TEE Land Limited, Stamford Land Corporation Ltd and UG Healthcare Corporation Limited, all of which are companies listed on the SGX-ST.

Danny graduated with a Bachelor of Law (Honours) degree from the National University of Singapore in 1998 and a Master of Science (Applied Finance) degree from the Nanyang Technological University in April 2006. He has been admitted as an advocate and solicitor of the Supreme Court of Singapore since 1999 and is a member of the Law Society of Singapore and the Singapore Academy of Law.

Date of Appointment:
13 November 2018

Sho Kian Hin, Eric *Independent Director*

Sho Kian Hin, Eric is our Independent Director and was appointed to our Board on 13 November 2018. Eric Sho has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimisation. Currently, Eric Sho is an Independent Director and Chairman of the Audit Committee of QT Vascular Limited and OUE Lippo Healthcare Limited, both companies listed on SGX Catalist.

Eric Sho was with Ernst & Young Kuala Lumpur from 1995 as Assurance and Advisory Business Service Manager and left in 2002 to join the private sector. Eric Sho started off his professional training with Victor & Company in 1990 and is a Fellowship of the Association of Certified Chartered Accountants (FCCA) and a member of the Singapore Institute of Directors.

Date of Appointment:
20 August 2018

Tan Soon Liang *Independent Director*

Mr. Tan Soon Liang is our Independent Director and was appointed to our Board on 20 August 2018. Mr. Tan is the Founder and Managing Director of Ti Ventures Pte. Ltd., which invests in growing businesses and partnering business owners through leading its corporate development, business transformation and mergers and acquisitions functions since May 2009. He is also currently the Managing Director of Omnibridge Capital Pte. Ltd. since December 2014, which focuses on early stage angel and venture capital investments in start-ups and fast-growing companies in Asia.

Prior to this, he was Head of Business Advisory with BDO Raffles Advisory Pte Ltd since April 2006 and responsible for origination and execution of Pre-IPO, Mergers and Acquisitions and growth advisory mandates.

Mr. Tan currently serves as an Independent Director of ISDN Holdings Limited, which is dual-listed on Main Board of the SGX-ST and SEHK and both Clearbridge Health Limited and Wong Fong Industries Limited which are listed on Catalist Board of the SGX-ST. Between June 2009 to July 2014, he also served as a non-executive director of Jubilee Industries Holdings Ltd listed on Catalist Board of the SGX-ST.

Mr. Tan holds a Bachelor of Business (Honours) Degree, majoring in Financial Analysis, from Nanyang Technological University which he obtained in July 1997 and a Master of Business Administration Degree from the University of Hull, United Kingdom in February 2001. Mr. Tan is also a CFA charterholder since September 2000 as well as a member of the Singapore Institute of Directors since June 2011.

KEY MANAGEMENT

Morland Fu
Chief Financial Officer and Company Secretary

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

Wilson Foo
General Manager

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

Josephine Tay
Administrative Manager

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

Andy Tay
Purchasing Manager

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

MILESTONES

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

1977 Choo Chiang Electrical Trading Service set up by Thomas Lim with a business partner

A HERITAGE THAT STRETCHES BACK TO 1977

1991 Corporatised the business and set up Choo Chiang Marketing Pte. Ltd. operating from Dunlop Street (retail branch) and Ang Mo Kio (retail branch/warehouse)

A HERITAGE THAT STRETCHES BACK TO 1977

1991 Local distributor for Clipsal, Legrand and MK

DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS

1993 Opened Toa Payoh branch

OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE

1995 Local distributor for Hager

DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS

1997 Opened Sims Avenue branch

OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE

2000 Opened Woodlands branch

OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE

2001 Opened Bendemeer and Pioneer branches

OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE

2002 Opened Rowell branch and acquired warehouse in Woodlands

OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE

2004 Started to carry own brands, CCM and CRM

DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS

2006 Authorised dealer for Philips (light bulbs) and KDK (fans)

DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS

2007 Opened Toh Guan branch

OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE

2009 Acquired 50% stake in Neiken Electric (S) Pte. Ltd. (formerly known as Neiken Switchgear (S) Pte. Ltd.)

DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS

2011 Ramped up sales of CCM and CRM brand of electrical products and accessories

DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS

2015 Opened Ubi branch

OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE

2015
(i) Listed on the SGX-ST Catalist on 29 July 2015
(ii) Incorporation of Choo Chiang Project Solutions Pte. Ltd.

REACHING GREATER HEIGHTS

2016
(i) Opened Tampines branch
(ii) Divested Neiken Electric (S) Pte. Ltd.
(iii) Incorporation of Choo Chiang Properties Pte. Ltd.

REACHING GREATER HEIGHTS

2018 Relocation of existing retail branch from Bendemeer Road to Hamilton Road.

REACHING GREATER HEIGHTS

CORPORATE SOCIAL RESPONSIBILITY

Dear Stakeholders,

Caring for our communities, our customers, stakeholders and colleagues is at the heart of who we are and what we do. Since our establishment, we have demonstrated an ongoing commitment to operate as a socially responsible business and we recognise the active role we can play in helping to build happier and healthier communities.

Besides proactively engaging with our stakeholders in FY2018, we also work with industry associations, and meet with socially responsible investors to gain diverse and valuable perspectives, as well as to learn about their expectations of us. Our Corporate Social Responsibilty ("**CSR**") program is how we create meaningful interactions and experiences with local businesses, the communities we serve, and each other.

Valuing our People

At Choo Chiang, we firmly believe that being successful in business is also about being ethical and taking a responsible approach to the environment, the wider community and especially to our employees.

We have a Code of Ethics which recognises the importance of treating all of our employees fairly, covering issues such as responsible employment, diversity and equal opportunities. To ensure that the employees have a voice within the Group and that the business is able to respond to any issues which might impact engagement, our employees are constantly encouraged to share their expertise and empower others to learn new skills and gain new awareness for their professional experiences, including how they can integrate safety and regular communication sharing sessions, cultural sensitivity and mindfulness into everyday ways of working.

Charities and Communities

Throughout our history, you will find many examples of the active role that Choo Chiang has played in helping the less privileged communities. In 2018, we supported a number of local charities and community organisations such as Sian Chay Medical Institution, a Voluntary Welfare Organisation (VWO) which provides free Traditional Consultation Medicine (TCM) consultation as well as subsidised medicine and treatments; and Mouth and Foot Painting Artists Pte Ltd, an international, for-profit association wholly owned and run by disabled artists to help them meet their financial needs.

We are proud to be able to contribute to the ongoing success of these organisations.

Sustaining our Environment

As well as promoting environmental awareness amongst partners and staff, we also remain

committed to reducing our energy consumption and our environmental footprint where possible. During the year, we worked with vendors to switch our lighting system from fluorescent to LED, in order to save energy and do our part for the environment. Besides designing eco-friendly light bulbs & ballasts that reduce environmental footprint, we also switched to using recycled packaging boxes.

Whistle-Blowing Policy

We encourage employees to raise concerns and provide clear reporting lines for instances of bullying, bribery, fraud, unfair or unethical treatment and unsafe working practices. Employees can easily report any malpractices in complete confidence through our communication channel to the Chairman of the Audit Committee, who will take appropriate action.

Investor Relations

As a listed company, it is part of our heritage and culture to treat our customers fairly and to act with integrity in all that we do. This includes providing transparent, timely and accurate disclosure on our performance and strategic developments. Our key corporate announcement and press releases are released on the website of the Singapore Exchange at www.sgx.com and on our corporate website at www.ccm.sg simultaneously. Investors who wish to know more details may obtain a separate copy of the Group's Sustainability Report ("**SR**") 2018 which will be published separately from the 2018 Annual Report before end of May 2019 and also available in electronic format.

Yours sincerely,

Thomas Lim
Executive Chairman and CEO

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Lim Teck Chuan, Thomas
(Executive Chairman and Chief Executive Officer)

Mr Lim Teck Seng, Rocky
(Executive Director)

Mr Lim Teck Chai, Danny
(Lead Independent Director)

Mr Sho Kian Hin, Eric
(Independent Director)

Mr Tan Soon Liang
(Independent Director)

AUDIT COMMITTEE

Mr Sho Kian Hin, Eric
(Chairperson)

Mr Tan Soon Liang
(Member)

Mr Lim Teck Chai, Danny
(Member)

REMUNERATION COMMITTEE

Mr Lim Teck Chai, Danny
(Chairperson)

Mr Sho Kian Hin, Eric
(Member)

Mr Tan Soon Liang

(Member)

NOMINATING COMMITTEE

Mr Tan Soon Liang
(Chairperson)

Mr Lim Teck Chuan, Thomas
(Member)

Mr Lim Teck Chai, Danny
(Member)

Mr Sho Kian Hin, Eric
(Member)

COMPANY SECRETARIES

Ms Yeoh Kar Choo Sharon, ACIS
Mr Morland Fu Lin, CA

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

AUDITOR

Deloitte & Touche LLP
6 Shenton Way
OUE Downtown 2 #33-00
Singapore 068809

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

REGISTERED OFFICE

10 Woodlands Loop
Singapore 738388
Website: www.ccm.sg
T +65 6368 5922
F +65 6363 5922

INVESTOR RELATIONS

Choo Chiang Holdings Ltd.
Email: ir@ccm.sg

CORPORATE GOVERNANCE REPORT FY2018

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

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year ended 31 December 2018 ("**FY2018**"), with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 issued on 2 May 2012 (the "**2012 Code**").

The Board is pleased to confirm that the Company has generally adhered to the framework as outlined in the 2012 Code and deviations from any guideline of the 2012 Code are explained in this report.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "**2018 Code**") and an accompanying practice guidance. The 2018 Code supersedes and replaces the 2012 Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

Principle 1: The Board's Conduct of its Affairs

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

a) deciding on strategic objectives, key business initiatives, major investments and funding matters;

b) monitoring the performance of the Management and reviewing the financial performance of the Group;

c) implementing effective risk management systems including safeguarding of Shareholders' interest and the Company's assets and ensuring the adequacy of the Group's internal controls;

d) approving nominations to the Board and appointments to the various Board committees;

e) considering sustainability issues relating to the environmental, social and governance aspects of the Group's business and strategy;

f) providing oversight in the proper conduct of the Group's business and assuming responsibility for corporate governance; and

g) ensuring compliance with the Code of Corporate Governance, the Companies Act (Cap 50) of Singapore, the Company's Constitution, the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), accounting standards and other relevant statutes and regulations.

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

CORPORATE GOVERNANCE REPORT FY2018

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

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

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

The Board ensures that incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties. Each of the Directors, upon their appointment, has furnished a letter stating that they are aware and have been informed of their duties and obligations as Directors. A formal letter will be sent to newly appointed Directors upon their appointment explaining, among other things, their roles, duties and responsibilities as members of the Board. The Board ensures that any incoming Director will be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of his duties. A visit to the Company's operations and plant will be arranged as part of the orientation programme.

The NC will going forward and in accordance with the revised Catalist Rules, ensure that any new director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, must undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST.

During FY2018, four (4) new Directors were appointed to the Board.

Briefing and updates provided to the Directors for FY2018 included:

a) briefing by the Company's external auditors, Deloitte & Touche LLP ("**Deloitte**"), on

    (i) the key developments in financial reporting and governance standards at the half-yearly meetings;

    (ii) key audit matters to be disclosed in the annual report;

b) briefing by the Company's Chief Executive Officer ("**CEO**") at each Board meeting on business and strategic developments of the Group; and

c) news releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors and circulated to the Board.

CORPORATE GOVERNANCE REPORT FY2018

The number of Board and Board Committee meetings during FY2018 and the attendance of each Director are set out below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held[1]	No. of Meetings Attended	No. of Meetings Held[1]	No. of Meetings Attended	No. of Meetings Held[1]	No. of Meetings Attended	No. of Meetings Held[1]	No. of Meetings Attended
Mr Lim Teck Chuan (“**Thomas Lim**”)	2	2	2	2[2]	1	1	1	1[2]
Mr Lim Teck Seng (“**Rocky Lim**”)	2	2	2	2[2]	1	1[2]	1	1[2]
Mr Chin Chee Choon[3]	2	2	2	2	1	1	1	1
Ms Lee Weilin[4]	2	2	2	2	1	1	1	1
Ms Pebble Sia Huei-Chieh (“**Pebble Sia**”)[4]	2	2	2	2	1	1	1	1
Mr Lim Teck Chai, Danny (“**Danny Lim**”)[5]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Sho Kian Hin, Eric (“**Eric Sho**”)[6]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Tan Soon Liang[5]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Allan Wong Woon Wai (“**Allan Wong**”)[7]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

(1) Represents the number of meetings during FY2018. Our Audit committee and Board of Directors meetings were held on 27 February 2018 and 13 August 2018.

(2) Attendance at meetings that were held on a “By Invitation” basis.

(3) Mr Chin Chee Choon has resigned on 13 November 2018 to refresh the composition of the Board of Directors.

(4) Ms Lee Weilin and Ms Pebble Sia have resigned on 20 August 2018 to refresh the composition of the Board of Directors.

(5) Mr Danny Lim and Mr Tan Soon Liang were appointed as Independent Directors on 20 August 2018, and Mr Danny Lim was appointed as Lead Independent Director on 13 November 2018.

(6) Mr Eric Sho was appointed as an Independent Director on 13 November 2018.

(7) Mr Allan Wong was appointed as an Independent Director on 20 August 2018, and resigned on 13 November 2018 to pursue a full-time career opportunity with a government-linked company. He resigned due to restrictions on directorships in third party corporation applicable to employees imposed by his new employer.

CORPORATE GOVERNANCE REPORT FY2018

Principle 2: Board Composition and Balance

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

	Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
1	Mr Thomas Lim	Executive Chairman and CEO	–	Member	–
2	Mr Rocky Lim	Executive Director	–	–	–
3	Mr Danny Lim	Lead Independent Director	Member	Member	Chairperson
4	Mr Eric Sho	Independent Director	Chairperson	Member	Member
5	Mr Tan Soon Liang	Independent Director	Member	Chairperson	Member

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

As set out under the 2012 Code, an independent director is one who has no relationship with the Company, its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment with a view to the best interests of the Company. The NC deliberates annually to determine the independence of a Director bearing in mind the salient factors as set out under the 2012 Code as well as all other relevant circumstances and facts. Each of the Independent Directors has confirmed that he considers himself as independent having regard to the factors set out under the 2012 Code and the NC has reviewed, determined and confirmed the independence of all the Independent Directors.

Based on the confirmation of independence submitted by the Independent Directors, the NC was of the view that each Independent Director is independent in accordance with Rule 406(3) of the Catalist Rule as the Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; or (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration on is determined by the Remuneration Committee. None of the Independent Directors has served on the Board beyond nine (9) years from the date of first appointment.

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

The NC has also reviewed the Board's performance as a whole and was satisfied that members of the Board possess the relevant core competencies in areas of accounting and finance, business and management experience, and strategic planning. In particular, the non-executive Directors, who are mostly professionals in their selected fields, are able to take a broader view of the Group's activities, contribute their valuable experience and provide independent judgment during the Board's deliberation on Group's matters. During the

CORPORATE GOVERNANCE REPORT FY2018

year, the non-executive Directors communicated among themselves without the presence of the Management as and when the occasions warrant. The Company also co-ordinates informal sessions for non-executive Directors to meet on a need-basis without the presence of the Management.

Principle 3: Role of Chairman and CEO

The 2012 Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

The Board has not adopted the recommendation of the 2012 Code to have separate Directors appointed as the Chairman and CEO. This is because the Board is of the view that it is not necessary to separate roles of the Chairman and the CEO after taking into consideration the size, scope and the nature of the operations of the Group. Mr Thomas Lim, the Company's Executive Chairman and CEO, is the founder of the Group and has played an instrumental role in developing the Group's business since its establishment. He has considerable industry experience and a wide business network and has also provided the Group with strong leadership and vision. The Board is of the view that it is in the interest of the Group to adopt a single leadership structure.

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

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

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

Principle 4: Board Membership

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

Mr Tan Soon Liang – Chairperson
Mr Danny Lim – Member
Mr Eric Sho – Member
Mr Thomas Lim – Member

The key terms of reference of the NC include:

a) evaluate and review nominations for appointment and re-appointment to the Board and the various committees;

CORPORATE GOVERNANCE REPORT FY2018

b) nominate directors for re-election at the Company's annual general meeting ("**AGM**"), having regard to the Director's contribution and performance;

c) review and approve all promotions of Executive Officers;

d) determine annually and as and when circumstances require if a Director is independent;

e) recommend to the Board the process for the evaluation of the performance of the Board, the Board committees, individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director, annual assessment of the effectiveness of the Board;

f) decide whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company;

g) review and make recommendations to the Board on relevant matters relating to the succession plans of the Board in particular, the Chairman and CEO; and

h) review the training and professional development programmes for the Board.

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

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

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

In identifying suitable candidates, the NC may:

a) advertise or use services of external advisers to facilitate a search;

b) approach alternative sources such as the SID; or

c) consider candidates from a wide range of backgrounds from internal or external sources.

After short listing the candidates, the NC shall:

a) consider and interview all candidates on merit against objective criteria, taking into consideration that appointees have enough time available to devote to the position; and

b) evaluate and agree on a preferred candidate for recommendation to and appointment by the Board.

CORPORATE GOVERNANCE REPORT FY2018

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually based on Guideline 2.3 of the 2012 Code's definition of what constitutes the independence of the Independent Directors. The NC has affirmed that Mr Danny Lim, Mr Eric Sho and Mr Tan Soon Liang are independent.

Based on the new Rule 720(4) of the Catalist Rules, a listed issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years. Regulation 114 of the Company's Constitution also provides that at least one-third of the Directors shall retire from office at the AGM. Accordingly, Mr Thomas Lim will retire at the forthcoming AGM. Mr Thomas Lim is the brother of Mr Rocky Lim, the Company's Executive Director. Pursuant to Regulation 118 of the Company's Constitution, newly appointed Directors shall retire from office at the forthcoming AGM. Accordingly, Mr Danny Lim, Mr Eric Sho and Mr Tan Soon Liang will retire at the forthcoming AGM. The NC has recommended to the Board that the retiring Directors be nominated for re-election. In recommending the above Directors for re-appointment, the NC has given regard to the results of the Board's assessment in respect of their competencies in fulfilling their responsibilities as Directors to the Board. The NC has also reviewed the independence of Mr Danny Lim, Mr Eric Sho and Mr Tan Soon Liang. In assessing their independence, the NC having considered the guidelines set out in the 2012 Code and the Catalist Rules and upon reviewing the confirmation of independence provided by the relevant directors, is of the view that Mr Danny Lim, Mr Eric Sho and Mr Tan Soon Liang are independent and there are no relationships identified in the 2012 Code and the Catalist Rules which would deem they are not independent.

All Directors are required to declare their board appointments. The NC has reviewed and is satisfied that notwithstanding their multiple board appointments, Mr Danny Lim, Mr Eric Sho and Mr Tan Soon Liang who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Director of the Company.

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

CORPORATE GOVERNANCE REPORT FY2018

The key information on the Directors is set out below:

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Job Title	Executive Chairman and CEO, NC Member.	Executive Director.	Lead Independent Director, Chairperson of RC, AC Member and NC Member.	Independent Director, Chairperson of AC, RC Member and NC Member.	Independent Director, Chairperson of NC, RC Member and AC Member.
Date of initial appointment	5 September 2014	5 September 2014	20 August 2018	13 November 2018	20 August 2018
Date of last re-appointment (if applicable)	27 April 2017	26 April 2018	N.A.	N.A.	N.A.
Age	63	57	45	49	46
Country of principal residence	Singapore	Singapore	Singapore	Malaysia	Singapore
Professional qualifications	Nil	Nil	Bachelor of Law (Honours) degree from the National University of Singapore and a Master of Science (Applied Finance) degree from the Nanyang Technological University	Fellow Membership of Association of Certified Chartered Accountant	Bachelor of Business (Honours) (Financial Analysis) from Nanyang Technological University, Master of Business Administration from University of Hull and CFA Charterholder from CFA Institute

CORPORATE GOVERNANCE REPORT FY2018

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Working experience and occupation(s) during the past 10 years	More than 41 years of experience in the electrical retail business.	More than 41 years of experience in the electrical retail business.	Mr. Danny Lim has joined Rajah & Tann Singapore LLP upon graduation in May 1998 and has since been practicing and advising on all aspects of corporate legal advisory and transactional work, both locally and regionally. He has experience in acquisitions, investments, takeovers, initial public offerings and restructurings, and his clients include multinational corporations, small medium enterprises, private equity and institutional investors, Singapore and foreign listed companies, financial institutions and others.	Mr. Eric Sho has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimisation. Mr. Eric Sho started off his professional training with Victor & Company in 1990. He was with Ernst & Young Kuala Lumpur from 1995 as Assurance and Advisory Business Service Manager and left in 2002 to join the private sector. In 2007, Mr. Eric Sho was appointed as Executive Director and Chief Financial Officer of China Farm Equipment Limited, a company formerly listed on the Mainboard of the SGX-ST. After China Farm Equipment Limited was privatised in 2013, Mr. Eric Sho remains involved in the ongoing corporate exercise to list the China Farm Equipment's assets in China. From February 2013 to December 2017, he was Corporate Development Director of Hunan Longzhou Farm Equipment Holdings Co., Ltd.	Mr. Tan Soon Liang is the Founder and Managing Director of Ti Ventures Pte. Ltd., which invests in growing businesses and partnering business owners through leading its corporate development, business transformation and mergers and acquisitions functions since May 2009. He is also the Managing Director of Omnibridge Capital Pte. Ltd., which focuses on early stage angel and venture capital investments in start-ups and fast-growing companies in Asia. He currently serves as an independent director of ISDN Holdings Limited, which is dual-listed on Main Board of the SGX-ST and SEHK and both Clearbridge Health Limited and Wong Fong Industries Limited which are listed on Catalist Board of the SGX-ST. Between 2006 and 2010, Mr. Tan Soon Liang was Head of Business Advisory and later, an Advisor at BDO Raffles Advisory Pte Ltd. He was responsible for corporate advisory work for Asian family businesses and corporations, including business transformation advisory work. Early in his career, he held various positions in companies within the financial industry.

CORPORATE GOVERNANCE REPORT FY2018

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Other Principal commitments (including Directorships)					
(i) Current					
– **Public companies**	Nil	Nil	(i) Stamford Land Corporation Ltd; (ii) Kimly Limited; (iii) UG Healthcare Corporation Limited; and (iv) Tee Land Limited.	(i) OUE Lippo Healthcare Ltd.; and (ii) QT Vascular Ltd.	(i) ISDN Holdings Limited; (ii) Clearbridge Health Limited; and (iii) Wong Fong Industries Limited.
– **Private companies**	(i) TL Investment Holdings Pte. Ltd. (formerly known as Lim Trust Pte. Ltd.); and (ii) CCM Ventures Pte. Ltd. (iii) CCM Australia Pty Ltd (iv) Choo Chiang Marketing Pte. Ltd. (v) Choo Chiang Properties Pte. Ltd. (vi) Choo Chiang Project Solutions Pte. Ltd.	(i) Choo Chiang Marketing Pte. Ltd. (ii) Choo Chiang Properties Pte. Ltd. (iii) Choo Chiang Project Solutions Pte. Ltd.	Domestic Employees Welfare Fund ("**DEWF**") – Appointed as trustee on 23 September 2018	(i) China Farm Equipment Pte Ltd.; and (ii) Hartanah Kencana Sdn. Bhd.	(i) ACH Investors Pte. Ltd; (ii) Allin Holdings Pte. Ltd.; (iii) Omnibridge Capital Ltd; (iv) Omnibridge Capital Pte. Ltd.; (v) Omnibridge Investments Ltd; (vi) Omnibridge Investment Partners Ltd; (vii) Omnibridge Investment Partners Pte. Ltd; (viii) Omnibridge Investments Pte. Ltd.; (ix) Ti Investment Holdings Pte. Ltd.; and (x) Ti Ventures Pte. Ltd.
(ii) Past directorships					
– **Public companies**	Nil	Nil	(i) Deskera Holdings Ltd; (ii) SinCap Group Limited; and (iii) China Star Food Group Limited	Nil	(i) Jubilee Industries Holdings Ltd

CORPORATE GOVERNANCE REPORT FY2018

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
– **Private companies**	(i) Neiken Electric (S) Pte. Ltd.; (ii) CCM International Holdings Pte. Ltd. (struck off); (iii) Chastan Pte. Ltd. (struck off); (iv) Grimm Industries Pte. Ltd.; and (v) Grimm Industries Company Limited	(i) TL Investment Holdings Pte. Ltd. (formerly known as Lim Trust Pte. Ltd.); (ii) Neiken Electric (S) Pte. Ltd.; (iii) CCM International Holdings Pte. Ltd. (struck off); (iv) Chastan Pte. Ltd. (struck off); and (v) Grimm Industries Pte. Ltd.	(i) Trans-Cab Holdings Pte. Ltd.	Nil	(i) T10 Lifestyle Concepts Pte. Ltd. (dissolved); (ii) Epika Pte. Ltd. (struck off); (iii) Allin International Holdings Pte. Ltd (struck off); (iv) MG Investors Pte. Ltd (struck off); and (v) The Learning Fort Pte Ltd (struck off)
Shareholding interest in the Company and its subsidiaries	Please refer to Directors' Statement, Directors' interests in shares or debentures of this Annual Report	Please refer to Directors' Statement, Directors' interests in shares or debentures of this Annual Report	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Thomas Lim and Mr Rocky Lim are brothers. Mr Thomas Lim is a controlling shareholder of the Company while Mr Rocky Lim is a substantial shareholder of the Company	Mr Thomas Lim and Mr Rocky Lim are brothers. Mr Thomas Lim is a controlling shareholder of the Company while Mr Rocky Lim is a substantial shareholder of the Company.	Nil	Nil	Nil
Conflicts of interest	Nil	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT FY2018

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Appendix 7H undertaking	Yes	Yes	Yes	Yes	Yes

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the information relating to the retiring Directors as set out in Appendix 7F of the Catalist Rules of the SGX-ST is disclosed below:

	Name of Director to be re-elected			
	Mr Thomas Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Date of appointment announcement (**"Previous Announcement"**)	Offer document dated 15 July 2015	20 August 2018	13 November 2018	20 August 2018
Changes from the Previous Announcement	No changes, expect for information disclosed below.	No changes, expect for information disclosed below.	No.	No.
Changes to the Previous Announcement, if applicable				
(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;	N.A.	Mr. Danny Lim is an Independent Director of Kimly Limited, which had announced on 29 November 2018 investigations in relation to a possible offence under the Securities and Futures Act, Chapter 289 of Singapore, by the Commercial Affairs Department and Monetary Authority of Singapore. Such investigations remain ongoing. For the avoidance of doubt, Mr. Danny Lim is not personally the subject of any investigations or proceedings involving Kimly Limited.	N.A.	N.A.

CORPORATE GOVERNANCE REPORT FY2018

	Name of Director to be re-elected			
	Mr Thomas Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Changes to the Previous Announcement, if applicable				
(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?	Mr Thomas Lim had attended an interview at the Monetary Authority of Singapore on 29 September 2017 to assist in the investigation of an alleged offence under the Securities and Futures Act, Chapter 289. Relevant announcement was released to the SGX-ST on 5 December 2017. Mr Thomas Lim informed that the investigation was a personal matter and with no involvement over the shares or the business activities of the Company. There were no further updates after the interview.	N.A.	N.A.	N.A.

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

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

Principle 5: Board Performance

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

For FY2018, due to the re-constitution of the board members in August 2018 and November 2018 respectively, the NC has performed a limited review of the performance of the Board. The NC carried out a limited review on the effectiveness of the Board as a whole and the assessment of the contribution by each Director to the effectiveness of the Board. The Board will undertake to perform the usual full review the performance of the Board in FY2019.

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

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

CORPORATE GOVERNANCE REPORT FY2018

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

Principle 6: Access to Information

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

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

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

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

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

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

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

Mr Danny Lim – Chairperson
Mr Eric Sho – Member
Mr Tan Soon Liang – Member

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

a) make recommendations to the Board on a framework of remuneration for the Board and key management personnel of the Group and the specific remuneration packages for each Director (executive and independent) as well as for the key management personnel;

CORPORATE GOVERNANCE REPORT FY2018

b) review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous;

c) consider whether Directors, the CEO and key management personnel should be eligible for benefits under share schemes and such other long-term incentive schemes as may from time to time be implemented; and

d) consider the remuneration disclosure requirements for Directors and the top five key management personnel as required by the Code of Corporate Governance.

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

The RC does consider long-term incentive scheme for the Executive Directors and key management personnel. In this connection, the RC shall at the relevant time look into granting of share awards under the Choo Chiang Performance Share Plan which was adopted by the Company before its initial public offering and listing on the SGX-ST in July 2015 (the "**Listing**"). The performance-related element of the Executive Directors' remuneration is designed to align their interests with the interests of Shareholders and promote the long-term success of the Company.

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

All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of Shareholders at AGMs. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel. During FY2018, the RC did not engage any remuneration consultant.

Having reviewed and considered the variable components of the remuneration on packages for the key management personnel, which are moderate, the RC is of the view that there is no need to institute contractual provisions to allow the Company to reclaim incentive components in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by executive directors and key management personnel. The Board believes that the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

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

CORPORATE GOVERNANCE REPORT FY2018

Pursuant to their respective Service Agreements, Mr Thomas Lim and Mr Rocky Lim are entitled to a monthly salary and an annual wage supplement. They are also entitled to an annual performance bonus in respect of each financial year, which is calculated based on the Group's consolidated net profit before tax and exceptional items before taking into account the annual performance bonus ("**NPBT**"). Under the Service Agreements, the salary, annual wage supplement and annual performance bonus shall be subject to annual review by the RC to be approved by the Board. In respect of FY2018, Mr Thomas Lim and Mr Rocky Lim were not entitled to any performance bonus.

Guideline 9.2 of the 2012 Code recommends that companies fully disclose the remuneration of each individual director and the CEO on a named basis. The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the Directors' remuneration due to competitiveness in the industry for talent. As such, the Board has deviated from complying with the relevant guideline of the 2012 Code and has provided below a breakdown, showing the level and mix of for each Director and the CEO in bands of S$250,000 for FY2018:–

Remuneration Band and Name of Director	Salary %	Bonus/Profit Sharing %	Fees %	Benefits in Kind %	Total %
Up to S$250,000					
Mr Danny Lim(1)	–	–	100	–	100
Mr Eric Sho(2)	–	–	100	–	100
Mr Tan Soon Liang(1)	–	–	100	–	100
Mr Chin Chee Choon(3)	–	–	100	–	100
Ms Lee Weilin(4)	–	–	100	–	100
Ms Pebble Sia(4)	–	–	100	–	100
Mr Allan Wong(5)	–	–	–	–	–
S$500,001 to S$750,000					
Mr Rocky Lim	90	8	–	2	100
S$750,001 to S$1,000,000					
Mr Thomas Lim	92	8	–	–	100

(1) Mr Danny Lim and Mr Tan Soon Liang were appointed as Independent Directors on 20 August 2018, and Mr Danny Lim was appointed as Lead Independent Director on 13 November 2018.

(2) Mr Eric Sho was appointed as an Independent Director on 13 November 2018.

(3) Mr Chin Chee Choon has resigned on 13 November 2018 to refresh the composition of the Board of Directors.

(4) Ms Lee Weilin and Ms Pebble Sia have resigned on 20 August 2018 to refresh the composition of the Board of Directors.

(5) Mr Allan Wong was appointed as an Independent Director on 20 August 2018, and resigned on 13 November 2018 to pursue a full-time career opportunity with a government-linked company, and is resigning due to restrictions on directorships in third party corporation applicable to employees imposed by his new employer.

Guideline 9.3 of the 2012 Code recommends that companies should name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S$250,000. In addition, the companies should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of the said top five key management personnel.

CORPORATE GOVERNANCE REPORT FY2018

The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the names and remuneration of key management personnel due to competitiveness in the industry for talent. A breakdown, showing the level of the top five key management personnel's remuneration (who are not Directors or the CEO) in bands of S$250,000 for FY2018 is set out below:–

Remuneration Band	Salary	Bonus	Benefits in Kind	Number of Executives
	%	%	%	
Up to S$250,000	74	23	3	4
S$250,001 to S$500,000	68	32	–	1

Ms Josephine Tay is the spouse of Mr Rocky Lim, the Group's Executive Director, and her annual remuneration for FY2018 was between S$200,000 and S$250,000. The annual aggregate of total remuneration paid or payable to the top five (5) key management personnel who are not Directors or CEO for FY2018 is S$1,183,430.

Further information on Directors and the key management personnel is set out in the "Board of Directors" and "Key Management" sections of this annual report.

The following are other employees whose remuneration exceeds S$50,000 and who are immediate family members of Messrs Thomas Lim and Rocky Lim. They draw remuneration between S$50,001 to S$100,000. "Immediate family member" means the spouse, child, adopted child, step-child, sibling and parent (as defined in the Catalist Rules).

Name of Employees	Relationship with Thomas Lim and Rocky Lim
Lim Kim Chuan	Brother
Lim Mui Eng	Sister

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

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

The PSP is administered by the RC comprising Mr Danny Lim (Chairperson), Mr Eric Sho and Mr Tan Soon Liang. Since its commencement till the date hereof, no award has been granted under the PSP. Accordingly, none of the Directors, controlling Shareholders or their associates has been awarded any shares under the PSP and none of the participants was granted 5% or more of the total number of shares available under the PSP. The participants of the PSP do not include any directors or employees of any parent company and its subsidiaries.

CORPORATE GOVERNANCE REPORT FY2018

Accountability and Audit
Principle 10: Accountability
Principle 11: Risk Management and Internal Controls

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

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

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

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

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

The Board has engaged the services of an independent accounting and auditing firm, Crowe Horwath First Trust Risk Advisory Pte Ltd, as its internal auditors in respect of internal audit services, under which the internal controls of the Group addressing financial, operational, compliance and information technology controls are regularly being reviewed and recommendations made to improve the internal controls.

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

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

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

CORPORATE GOVERNANCE REPORT FY2018

For FY2018, the Board and the AC have received assurance from the CEO and the CFO that: (a) the financial records have been properly maintained and the Group's financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are adequate and effective.

In view of the above and based on the internal controls established and maintained by the Group, work performed by the internal auditors, external auditors, and reviews performed by the Management, various Board Committees and the Board, the Board with the concurrence of the AC, is of the view that the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems, put in place during FY2018 are adequate and effective.

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

Audit Committee

Principle 12: Audit Committee

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

Mr Eric Sho – Chairperson
Mr Danny Lim – Member
Mr Tan Soon Liang – Member

None of the AC member is a former partner or director of the Company's existing auditing firm. The key written terms of reference of the AC, which is approved by the Board, are as follows:–

a) review the audit plans of the Company's external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls;

b) review the external auditors' reports;

c) review with internal auditors the findings of their review report, internal control process and procedures, and make recommendations on the internal control process and procedures to be adopted by the Group;

d) review the recommendations of the external and internal auditors and monitor the implementation of recommendations;

e) review the co-operation given by the Directors and the Management to the external auditors and internal auditors;

f) review the financial statements of the Company and the Group, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, and concerns and issues arising from the audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before their submission to the Board for approval;

CORPORATE GOVERNANCE REPORT FY2018

g) commission and review the findings of internal investigation of any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

h) making recommendations to the Board on the appointment, reappointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;

i) review the key financial risk areas, with a view to providing independent oversight on the Group's financial reporting, with the outcome of such review to be disclosed in the annual reports or, if the findings are material, to be immediately announced via SGXNET;

j) review and recommend to the Board the types of risks or risk appetite the Company undertakes to achieve its business strategies. Oversee the risk management framework, policies and resources to manage and report risks within the Company's risk appetite;

k) review, either internally or with the assistance of any third parties, and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance, risk management policies and information technology controls;

l) recommend to the Board on the opinion and disclosure in the annual report on the adequacy and effectiveness of the Company's risk management and internal controls systems in accordance with the Catalist Rules and the 2012 Code;

m) review interested person transactions, falling within the scope of Chapter 9 of the Catalist Rules, if any, and connected person transactions;

n) review transactions falling within the scope of Chapter 10 of the Catalist Rules, if any;

o) review any potential conflicts of interest and set framework to resolve or mitigate any potential conflict of interest;

p) review and approve relevant policies and procedures implemented by the Group and conduct periodic review of such policies and procedures;

q) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

r) review arrangements by which the Group's staff may, in confidence, raise concerns about improprieties in matters of financial reporting and to ensure those arrangements are in place for independent investigations of such matter and for appropriate follow-up; and

s) undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

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

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

CORPORATE GOVERNANCE REPORT FY2018

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

The AC also reviews the independence and objectivity of the external auditors annually. The aggregate amount of fees paid or payable to the Company's auditors, Deloitte, for FY2018 is as below.

External Auditor Fees for FY2018	**S$'000**
Audit fees	74
Non-audit fees (for sustainability reporting)	9
Total	83

The AC will review the scope and value of any non-audit services, which may be provided to the Group by the external auditors and should be satisfied that the nature and extent of any such services will not prejudice the independence and objectivity of the external auditors. Having considered the non-audit fee rendered to the Group during FY2018, the AC is satisfied with the independence and objectivity of Deloitte and has recommended to the Board the nomination of Deloitte for re-appointment as auditors of the Company at the forthcoming AGM.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to the Management and full discretion to invite any Director or key management personnel or any Executive Officer to attend its meetings. The AC is reasonably resourced to enable it to discharge its functions properly. During FY2018, the AC has received full co-operation from the Management and the Group's officers in the course of it carrying out its duties. It is also satisfied with the adequacy of the scope and quality of the external audits being conducted by Deloitte.

The Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors. The Company and all its subsidiaries are incorporated in Singapore and in respect of FY2018 all entities have been audited by Deloitte for consolidation purposes. Deloitte is registered with the Accounting and Corporate Regulatory Authority of Singapore.

Mr Eric Sho, the AC Chairperson has extensive and practical accounting and financial management knowledge and experience and is competent to lead the AC and keep its members abreast of changes to accounting standards and issues which have a direct impact on financial statements. In addition, the AC is also assisted by Deloitte and Touche LLP for updates on any changes to relevant standards and regulations (e.g. accounting standards, SGX-ST listing rules including Catalist Rules, etc.), which could have an impact on the Group's business and financial statements.

The Company has adopted a Whistle-Blowing Policy, which has been made available to all employees of the Group, to provide a channel for the Group's employees to report in good faith and in confidence their concerns about possible improprieties in the matter of financial reporting or in other matters. The Whistle-Blowing Policy provides for procedures to validate concerns and for investigation to be carried out independently. For FY2018, there were no reported incidents pertaining to whistle blowing. Due to a change in the Chairman of AC, the name and the email address of the new AC in the Whistle-Blowing Policy has been updated accordingly.

In line with the recommendations by ACRA, the Monetary Authority of Singapore and SGX-ST, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("**KAM**").

CORPORATE GOVERNANCE REPORT FY2018

The AC considered the KAM presented by the external auditor in their financial report. The AC was reviewed the KAM and concurred and agreed with the external auditor and management on their assessment, judgements and estimates on the significant matter reported by the external auditor.

Principle 13: Internal Audit

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

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

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

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

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

Principle 14: Shareholders' Rights
Principle 15: Communication with Shareholders

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

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

CORPORATE GOVERNANCE REPORT FY2018

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

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

Shareholders are encouraged to participate during the general meetings.

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

(i) the level of the Group's cash and retained earnings;

(ii) the Group's actual and projected financial performance;

(iii) the Group's projected levels of capital expenditure and other investment plans;

(iv) the Group's working capital requirements and general financing condition;

(v) the Group's restrictions on payment of dividends imposed on the Group by the Group's financial arrangements (if any); and

(vi) the general economic and business conditions in countries in which the Group may operate in the future.

The declaration and payment of final dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may declare an interim dividend without the approval of Shareholders. The dividends declared during FY2018 was the same as FY2017 at an aggregate of 0.9 Singapore cents per share.

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

Principle 16: Conduct of Shareholder Meetings

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

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

CORPORATE GOVERNANCE REPORT FY2018

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

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of the shareholders through the web is not compromised.

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

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

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

Dealing in Securities

The Group has adopted an internal compliance policy to provide guidance to its Directors and officers of the Group with regard to dealings in the Company's securities. The policy prohibits dealing in the Company's securities by all Directors and relevant officers of the Group while in possession of unpublished price-sensitive information and requires all Directors and relevant officers to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods. Directors and relevant officers are discouraged from dealing in the Company's securities on short-term considerations and are prohibited from dealing in securities during the one (1) month period before the announcement of the Company's half-yearly and full year financial results. The Board will be kept informed when a Director trades in the Company's securities. The Directors and the Group's relevant officers are also required to adhere to the provisions of the Securities and Futures Act, the Companies Act, the Catalist Rules and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In view of the processes in place, in the opinion of the Directors, the Company has complied with Rule 1204(19) of the Catalist Rules on dealings in securities.

Material Contracts

Save for the material contracts as summarised below, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling Shareholder either still subsisting as at 31 December 2018 or if not then subsisting, entered into since the end of the previous financial year.

(i) Personal guarantees provided by Mr Thomas Lim

Mr Thomas Lim had provided personal guarantees to the Housing & Development Board in order that the Group may secure lease agreements. Mr Thomas Lim did not receive any benefit in kind, commission or interest from the Group for providing these personal guarantees.

CORPORATE GOVERNANCE REPORT FY2018

(ii) CCM Ventures Pte. Ltd. and CCM Australia Pty Ltd

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

- The Company, CCM Ventures and Mr Thomas Lim had entered into a call option agreement on 26 June 2015 ("**TL Call Option Agreement**") pursuant to which Mr Thomas Lim granted the Company a call option to acquire all the shares that he may from time to time hold in CCM Ventures;

- The Company and CCM Australia had entered into a call option agreement on 26 June 2015 ("**Australian TM Call Option Agreement**") pursuant to which CCM Australia granted the Company a call option to purchase from CCM Australia the trademark that is used by CCM Australia in Australia;

- Each of CCM Ventures and CCM Australia had provided a non-competition deed in favour of the Company;

- Mr Thomas Lim had provided an undertaking pursuant to which he would inter alia (aa) within two (2) years from 29 July 2015 (being the date of listing of the Company on the Catalist), divest his shareholding in CCM Ventures to persons other than his Associates such that he will no longer be a shareholder of CCM Ventures; and (bb) grant the Company a right of first refusal of any sale of any shares in CCM Ventures by himself; and

- CCM Ventures had provided an undertaking pursuant to which, amongst others, (aa) in the event of any proposed issue by CCM Ventures of any shares to any Associate of Lim Teck Chuan, it shall be a condition precedent to such share issue that the proposed subscriber enters into a call option agreement with the Company on the same terms and conditions as the TL Call Option Agreement; and (bb) CCM Ventures granted the Company a right of first refusal of any sale of any shares in CCM Australia by CCM Ventures.

On 21 July 2017, the Company announced that Mr Thomas Lim had informed the Company of his intention for the business of CCM Australia to be discontinued and consequently for both CCM Ventures and CCM Australia to be struck off and that the Company had entered into various side letters with each of Mr Thomas Lim, CCM Ventures and CCM Australia pursuant to which the relevant documents mentioned above would be terminated upon the effective date of striking off of CCM Ventures and CCM Australia. As at 31 December 2018 and as at the date of this report, CCM Ventures and CCM Australia are still in the process of being struck off.

Non-Sponsor Fees

The Company has decided to change the Company's continuing Sponsor CIMB Bank Berhad, Singapore Branch with effect from 1 August 2018. In compliance with Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's current sponsor, SAC Capital Private Limited and previous Sponsor, CIMB Bank Berhad, Singapore Branch during the financial year under review accordingly.

CORPORATE GOVERNANCE REPORT FY2018

Interested Person Transactions

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

Non-Audit Fees

The nature of the non-audit services that were rendered by the Company's auditors, Deloitte, to the Group and their related fees for FY2018 were as follows:

Fee for sustainability reporting consultation services rendered to the Group for the FY2018 was S$9,000. The sustainability report for the year ended 31 December 2018 will be released by May 2019.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 54 to 112 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Lim Teck Chuan	
Lim Teck Seng	
Lim Teck Chai, Danny	(Appointed on 20 August 2018)
Sho Kian Hin	(Appointed on 13 November 2018)
Tan Soon Liang	(Appointed on 20 August 2018)

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors and companies in which interests are held	Shareholdings registered in name of director	
	At beginning of year	At end of year
Immediate holding company (Ordinary shares)		
– TL Investment Holdings Pte. Ltd. (formerly known as Lim Trust Pte. Ltd.)		
Lim Teck Chuan	90,000	100,000
Lim Teck Seng	10,000	–
The Company (Ordinary shares)		
– Choo Chiang Holdings Ltd.		
Lim Teck Seng	–	14,560,000

The issued share capital of TL Investment Holdings Pte. Ltd. comprised 100,000 ordinary shares as at the date of hereof.

DIRECTORS' STATEMENT

Name of directors and companies in which interests are held	Shareholdings in which directors are deemed to have interest	
	At beginning of year	At end of year
The Company (Ordinary shares)		
– Choo Chiang Holdings Ltd.		
Lim Teck Chuan	145,600,000	131,040,000
Lim Teck Seng	260,000	260,000

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

The directors' interests in the shares of the Company at 21 January 2019 were the same at 31 December 2018.

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Sho Kian Hin, an independent director, and includes Mr Tan Soon Liang, an independent director and Mr Lim Teck Chai, Danny, an independent director. The Audit Committee has met two times since the last Annual General Meeting ("**AGM**"), and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) The Group's financial and operating results and accounting policies;

(c) The audit plans of the external auditors;

(d) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;

DIRECTORS' STATEMENT

(e) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(f) The co-operation and assistance given by the management to the Group's external auditors; and

(g) The re-appointment of the external auditors of the Group.

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

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Lim Teck Chuan

Lim Teck Seng

22 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHOO CHIANG HOLDINGS LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Choo Chiang Holdings Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 112.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and 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 and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHOO CHIANG HOLDINGS LTD.

Key Audit Matters	Our audit performed and responses thereon
Impairment on trade receivables (Note 7)	
Management monitors and assesses the Group's credit risk and accounts for expected credit losses as loss allowance for trade receivables by using historical information to estimate probability of a default occurring and assess changes in credit quality using existing and forecasted changes in business, financial or economic conditions and past due information. Where the loss allowance is different from the original estimate, such differences may impact the carrying value of trade receivables and the loss allowance in the period in which such estimate has been charged.	We inquired and tested management's basis used to estimate the expected credit losses in accordance with SFRS(I) 9 *Financial Instruments*. We tested the accuracy and completeness of the trade receivables aging as at year end. We performed independent checks on the historical collection pattern for customers with past due receivables, the subsequent collection from customers and financial performance or position of the customers. We found that the basis used to determine loss allowance for trade receivables is appropriate.
Allowance for inventory obsolescence (Note 9)	
At the end of each reporting period, management assesses whether there is any objective evidence that certain inventories are stated at cost which are above their net realisable value. If so, these inventories are written down to their net realisable value. Management's allowance for inventory obsolescence are subjective and are influenced by estimates concerning the level of sale activity.	We discussed with management the Group's policy on making allowance for inventory obsolescence. We tested the accuracy and completeness of the inventory ageing as at year end. We performed independent checks on the historical sales pattern for long aged inventories and challenged management basis for not making allowance for such inventories. We found that the basis used to determine allowance for inventory obsolescence is appropriate.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHOO CHIANG HOLDINGS LTD.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHOO CHIANG HOLDINGS LTD.

(e) 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.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by 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 auditor's report is Mr Toh Yew Kuan Jeremy.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

22 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
ASSETS							
Current assets							
Cash and cash equivalents	6	15,180	12,012	8,120	469	37	1,415
Trade receivables	7	4,745	4,794	5,283	174	185	–
Other receivables and prepayments	8	383	741	611	15,922	17,893	18,557
Inventories	9	14,655	15,986	15,491	–	–	–
Total current assets		34,963	33,533	29,505	16,565	18,115	19,972
Non-current assets							
Property, plant and equipment	10	7,416	6,827	6,678	–	–	–
Investment properties	11	14,349	14,682	15,040	–	–	–
Club membership	12	224	243	262	–	–	–
Other receivables and prepayments	8	–	119	–	–	–	–
Investment in subsidiaries	13	–	–	–	2,340	2,340	2,340
Total non-current assets		21,989	21,871	21,980	2,340	2,340	2,340
Total assets		56,952	55,404	51,485	18,905	20,455	22,312
LIABILITIES AND EQUITY							
Current liabilities							
Trade payables	14	7,082	8,448	6,939	–	–	–
Other payables and accruals	15	1,615	1,610	1,585	129	53	128
Bank loans	16	353	321	349	–	–	–
Finance leases	17	55	47	99	–	–	–
Income tax payable		1,005	787	958	15	22	44
Total current liabilities		10,110	11,213	9,930	144	75	172
Non-current liabilities							
Bank loans	16	1,408	1,789	2,104	–	–	–
Finance leases	17	195	141	80	–	–	–
Deferred tax liability	18	137	120	74	–	–	–
Total non-current liabilities		1,740	2,050	2,258	–	–	–
Total liabilities		11,850	13,263	12,188	144	75	172
Capital, reserves and non-controlling interests							
Share capital	19	8,020	8,020	8,020	8,020	8,020	8,020
Accumulated profits		37,034	34,061	31,212	10,741	12,360	14,120
Equity attributable to the owners of the Company		45,054	42,081	39,232	18,761	20,380	22,140
Non-controlling interests		48	60	65	–	–	–
Total equity		45,102	42,141	39,297	18,761	20,380	22,140
Total liabilities and equity		56,952	55,404	51,485	18,905	20,455	22,312

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group	
		2018	2017
		$'000	$'000
Revenue	20	**64,063**	62,126
Cost of sales		**(46,014)**	(44,793)
Gross profit		**18,049**	17,333
Other operating income	21	**357**	308
Administrative and selling expenses		**(11,387)**	(11,005)
Other operating expenses		**(1,211)**	(885)
Finance costs	22	**(34)**	(20)
Profit before income tax		**5,774**	5,731
Income tax expense	23	**(941)**	(807)
Profit for the year, representing total comprehensive income for the year	24	**4,833**	4,924
Total comprehensive income attributable to:			
Owners of the Company		**4,845**	4,929
Non-controlling interests		**(12)**	(5)
		4,833	4,924
Earnings per share (in cents):			
Basic and diluted	26	**2.33**	2.37

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Accumulated profits	Attributable to the owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Balance at 1 January 2017	8,020	31,212	39,232	65	39,297
Profit (Loss) for the year, representing total comprehensive income for the year	–	4,929	4,929	(5)	4,924
Dividend paid, representing transactions with owners, recognised directly in equity (Note 28)	–	(2,080)	(2,080)	–	(2,080)
Balance at 31 December 2017	8,020	34,061	42,081	60	42,141
Profit (Loss) for the year, representing total comprehensive income for the year	–	4,845	4,845	(12)	4,833
Dividend paid, representing transactions with owners, recognised directly in equity (Note 28)	–	(1,872)	(1,872)	–	(1,872)
Balance at 31 December 2018	8,020	37,034	45,054	48	45,102

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Accumulated profits	Total
	$'000	$'000	$'000
Company			
Balance at 1 January 2017	8,020	14,120	22,140
Profit for the year, representing total comprehensive income for the year	–	320	320
Dividend paid, representing transactions with owners, recognised directly in equity (Note 28)	–	(2,080)	(2,080)
Balance at 31 December 2017	8,020	12,360	20,380
Profit for the year, representing total comprehensive income for the year	–	253	253
Dividend paid, representing transactions with owners, recognised directly in equity (Note 28)	–	(1,872)	(1,872)
Balance at 31 December 2018	8,020	10,741	18,761

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 $'000	2017 $'000
Operating activities		
Profit before income tax	5,774	5,731
Adjustments for:		
Interest expenses	34	20
Interest income	(60)	(6)
Depreciation of property, plant and equipment	712	567
Depreciation of investment properties	333	358
Amortisation of club membership	19	19
Gain on disposal of property, plant and equipment	(120)	–*
Allowance for doubtful trade receivables	247	45
Bad debts recovered	(6)	(28)
Reversal of stock obsolescence	(50)	–
Operating cash flows before movements in working capital	6,883	6,706
Trade receivables	(192)	472
Other receivables and prepayments	358	(130)
Inventories	1,381	(495)
Trade payables	(1,366)	1,509
Other payables and accruals	5	25
Cash generated from operations	7,069	8,087
Income tax paid	(706)	(932)
Interest received	60	6
Net cash from operating activities	6,423	7,161
Investing activities		
Proceeds from disposal of property, plant and equipment (Note A and Note B)	–	–*
Purchase of property, plant and equipment (Note A)	(955)	(590)
Prepayment of property, plant and equipment	–	(119)
Net cash used in investing activities	(955)	(709)

*: Less than $1,000

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 $'000	2017 $'000
Financing activities		
Proceeds from bank loans	**2,000**	–
Repayment of bank loans	**(2,349)**	(343)
Repayment of finance leases (Note B)	**(45)**	(117)
Dividend paid	**(1,872)**	(2,080)
Interest paid	**(34)**	(20)
Net cash used in financing activities	**(2,300)**	(2,560)
Net increase in cash and cash equivalents	**3,168**	3,892
Cash and cash equivalents at beginning of year	**12,012**	8,120
Cash and cash equivalents at end of year (Note 6)	**15,180**	12,012
Note A		
Additions to property, plant and equipment (Note 10)	**1,349**	716
Offset from trade-in of property, plant and equipment	**(111)**	–
Acquired under finance lease	**(164)**	(126)
Reclassification from other receivables and prepayments	**(119)**	–
Net cash outflow for purchase of property, plant and equipment	**955**	590
Note B		
Repayment of finance leases	**102**	117
Offset from trade-in of property, plant and equipment	**(57)**	–
Net cash outflow for repayment of finance leases	**45**	117

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

1 GENERAL

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

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

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 22 March 2019.

For all periods up to and including the year ended 31 December 2017, the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("**FRSs**"). These financial statements for the year ended 31 December 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). Details of first-time adoption of SFRS(I) are included in Note 29.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 02 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-02 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

c) Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – At the date of authorisation of these consolidated financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*

SFRS(I) 16 Leases

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management has performed a detailed analysis of the requirements of the initial application of SFRS(I) 16.

At as 31 December 2018, the Group has non-cancellable operating lease commitments of $4,952,000 (31 December 2017: $5,071,000, 1 January 2017: $5,489,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amount recognised in the Group's consolidated financial statements and management is currently assessing its potential impact.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when the Company:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES – Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (From 1 January 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other operating income” or “other operating expenses” line item.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from outside parties are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement and recognition of expected credit losses (Continued)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

<u>Derecognition of financial assets</u>

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial assets (Before 1 January 2018)

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

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

Impairment of financial assets

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (2) held for trading, or (3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other operating expenses" or "other operating income" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating expenses" or "other operating income" line item for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group as lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

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

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

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Freehold property	50 years
Leasehold properties	51 to 81 years
Motor vehicles	5 to 10 years
Furniture and fittings	5 years
Office equipment	3 to 5 years
Renovation	3 years
Machinery and equipment	5 years

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

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

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

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

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

Freehold properties	50 years
Leasehold properties	27 to 57 years

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

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

CLUB MEMBERSHIP – Club membership is stated at cost less accumulated amortisation and any accumulated impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Club membership	14 years

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

The gain or loss arising on disposal of club membership is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

IMPAIRMENT OF ASSETS – At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION – The Group recognizes revenue from the following major sources:

- Sale of goods, comprising of electrical products and accessories
- Rental income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells electrical products and accessories directly to customers through its own retail outlets. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sale of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Rental income

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

Interest income

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

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

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

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are deducted in calculating the carrying amount of the assets and recognised in profit or loss over the life of the depreciable assets as a reduced depreciation expense.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

Key sources of estimation uncertainty (Continued)

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical information to estimate the probability of a default occurring and access changes in credit quality using existing and forecasted changes in business, financial or economic conditions and past due information. These information would include assumptions and expectations of future conditions.

Allowance for inventory obsolescence

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

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

Depreciation of property, plant and equipment and investment properties

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Financial assets						
Amortised cost:						
Cash and cash equivalents	15,180	12,012	8,120	469	37	1,415
Trade receivables	4,745	4,794	5,283	174	185	–
Other receivables	189	365	181	15,897	17,874	18,536
	20,114	17,171	13,584	16,540	18,096	19,951
Financial liabilities						
Amortised cost:						
Trade payables	7,082	8,448	6,939	–	–	–
Other payables and accruals	1,615	1,610	1,585	129	53	128
Bank loans	1,761	2,110	2,453	–	–	–
Finance leases	250	188	179	–	–	–
	10,708	12,356	11,156	129	53	128

(b) *Financial risk management policies and objectives*

The Group's overall financial risk management policies and objectives seek to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Interest rate risk management

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Cash is held with creditworthy financial institutions. The Group manages these risks by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty. Therefore, the Group does not expect to incur significant credit losses on its financial instruments.

The Group develops and maintains its credit risk grading to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors. The Group does not hold any collateral to cover its credit risks associated with its financial assets.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

The assessment of the credit quality and exposure to credit risk of the Group's trade and other receivables have been disclosed in Notes 7 and 8 respectively.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

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

(ii) Credit risk management (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
31 December 2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	5,196	(451)	4,745
Other receivables (external parties)	8	(i)	Lifetime ECL (simplified approach)	70	–	70
Refundable deposits	8	Performing	12-month ECL	119	–	119
					(451)	
1 January 2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	5,004	(210)	4,794
Other receivables (external parties)	8	(i)	Lifetime ECL (simplified approach)	203	–	203
Refundable deposits	8	Performing	12-month ECL	162	–	162
					(210)	

Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
31 December 2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	174	–	174
Other receivables	8	(i)	Lifetime ECL (simplified approach)	18	–	18
Amounts due from subsidiaries	8	Performing	12-months ECL	15,879	–	15,879
					–	
1 January 2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	185	–	185
Other receivables	8	(i)	Lifetime ECL (simplified approach)	14	–	14
Amounts due from subsidiaries	8	Performing	12-months ECL	17,860	–	17,860
					–	

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Credit risk management (Continued)

(i) For trade and other receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 7 includes further details on the loss allowance for these trade receivables.

Other than as disclosed in the financial statements, there was no significant concentration of credit risk at the end of the reporting period. The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(iii) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial assets

The Group's non-derivative financial assets of approximately $20,114,000 (31 December 2017: $17,171,000, 1 January 2017: $13,584,000) are repayable on demand or due within one year from the end of the reporting period.

The Company's non-derivative financial assets of approximately $16,540,000 (31 December 2017: $18,096,000, 1 January 2017: $19,951,000) are repayable on demand or due within one year from the end of the reporting period.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iii) Liquidity risk management (Continued)

Non-derivative financial liabilities (Continued)

Group	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
31 December 2018						
Non-interest bearing	–	8,697	–	–	–	8,697
Variable interest rate Instruments	2.60	395	1,480	–	(114)	1,761
Finance leases liability (fixed rate)	3.40	63	237	–	(50)	250
		9,155	1,717	–	(164)	10,708
31 December 2017						
Non-interest bearing	–	10,058	–	–	–	10,058
Variable interest rate Instruments	1.97	356	1,586	291	(123)	2,110
Finance leases liability (fixed rate)	3.90	60	186	–	(58)	188
		10,474	1,772	291	(181)	12,356
1 January 2017						
Non-interest bearing	–	8,524	–	–	–	8,524
Variable interest rate Instruments	2.00	395	1,581	645	(168)	2,453
Finance leases liability (fixed rate)	3.90	112	119	–	(52)	179
		9,031	1,700	645	(220)	11,156

Company	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
31 December 2018						
Non-interest bearing	–	129	–	–	–	129
31 December 2017						
Non-interest bearing	–	53	–	–	–	53
1 January 2017						
Non-interest bearing	–	128	–	–	–	128

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iv) Fair value of financial assets and financial liabilities

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

	Fair value hierarchy as at 31 December 2018			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial Liabilities				
Bank loans	–	1,761	–	1,761
Finance leases	–	250	–	250

	Fair value hierarchy as at 31 December 2017			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial Liabilities				
Bank loans	–	2,110	–	2,110
Finance leases	–	188	–	188

	Fair value hierarchy as at 1 January 2017			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial Liabilities				
Bank loans	–	2,453	–	2,453
Finance leases	–	179	–	179

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(v) Foreign exchange risk management

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

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

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

	Assets			Liabilities		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
United States dollar	321	327	265	376	129	200

Foreign currency sensitivity

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

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

	Group	
	2018 $'000	2017 $'000
United States dollar impact	6	(20)

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Capital management policies and objectives

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

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

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

5 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of TL Investment Holdings Pte. Ltd. (formerly known as Lim Trust Pte. Ltd.), a company incorporated in Singapore, which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

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

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

	Group	
	2018 **$'000**	**2017** **$'000**
Sales to related party[(i)]	–	(56)

(i) Related party refers to a company where a director of the Group has a major shareholding in.

Call option granted by CCM Australia Pty Ltd

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

5 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (CONTINUED)

Call option granted by Lim Teck Chuan

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

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

On 21 July 2017, the Company announced that Lim Teck Chuan had informed the Company of his intention for the business of CCM Australia to be discontinued and consequently for both CCM Ventures and CCM Australia to be struck off and that the Company had entered into various side letters with each of Lim Teck Chuan, CCM Ventures and CCM Australia for the Australian TM Call Option and TL Call Option to be terminated upon the effective date of striking off of CCM Ventures and CCM Australia. As at 31 December 2018, CCM Ventures and CCM Australia are still in the process of striking off.

Compensation of directors and key management personnel

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

	Group	
	2018 $’000	**2017 $’000**
Short-term benefits	**2,935**	2,836
Post-employment benefits	**116**	94
Total	**3,051**	2,930

6 CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December 2018 $’000	**31 December 2017 $’000**	**1 January 2017 $’000**	**31 December 2018 $’000**	**31 December 2017 $’000**	**1 January 2017 $’000**
Cash on hand	**131**	175	167	**–**	–	1
Cash at bank	**15,019**	11,807	7,923	**469**	37	1,414
Fixed deposit	**30**	30	30	**–**	–	–
	15,180	12,012	8,120	**469**	37	1,415

During the year, the Group’s fixed deposit carry fixed interest on prevailing market rates at 0.1% (31 December 2017: 0.1%, 1 January 2017: 0.1%) per annum.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

7 TRADE RECEIVABLES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Outside parties	5,196	5,003	5,389	–	–	–
Subsidiary (Note 5)	–	–	–	174	185	–
Related party (Note 5)	–	–	53	–	–	–
	5,196	5,003	5,442	174	185	–
Loss allowance						
– Outside parties	(451)	(210)	(193)	–	–	–
	4,745	4,793	5,249	174	185	–
Accrued income	–	1	34	–	–	–
Total	4,745	4,794	5,283	174	185	–

The average credit period for trade receivables is approximately 30 to 90 days (31 December 2017: 30 to 90 days, 1 January 2017: 30 to 90 days). No interest is charged on the outstanding trade receivables.

Related party refers to a related corporation of CCM Ventures Pte. Ltd. where a director of the Group has a major shareholding in.

Prior to 1 January 2018, the Group recognised allowance for doubtful trade receivables based on the assessment of outstanding debts more than 90 days after the credit term and by reference to past default experience.

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

As at 31 December 2017, included in the Group's trade receivables balance are debtors with a carrying amount of $1,310,000 (1 January 2017: $1,233,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

7 TRADE RECEIVABLES (CONTINUED)

The table below is an analysis of trade receivables as at 31 December 2017 and 1 January 2017:

	Group		Company	
	31 December 2017 $'000	1 January 2017 $'000	31 December 2017 $'000	1 January 2017 $'000
Not past due and not impaired	3,484	4,050	185	–
Past due but not impaired[(i)]	1,310	1,233	–	–
	4,794	5,283	185	–
Impaired receivables – individually assessed[(ii)]	210	193	–	–
Less: Allowance for doubtful trade receivables	(210)	(193)	–	–
	–	–	–	–
Total trade receivables, net	4,794	5,283	185	–

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

	Group		Company	
	31 December 2017 $'000	1 January 2017 $'000	31 December 2017 $'000	1 January 2017 $'000
<1 month	993	966	–	–
1 month to 3 months	234	195	–	–
>3 months	83	72	–	–
	1,310	1,233	–	–

(ii) These amounts are stated before any deduction for impairment losses.

Movement in the allowance for doubtful trade receivables:

	Group		Company	
	31 December 2017 $'000	1 January 2017 $'000	31 December 2017 $'000	1 January 2017 $'000
Balance at beginning of the year	193	360	–	–
Allowance for doubtful trade receivables	45	77	–	–
Written off	–	(11)	–	–
Disposal of a subsidiary	–	(115)	–	–
Bad debts recovered	(28)	(118)	–	–
Balance at end of the year	210	193	–	–

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

7 TRADE RECEIVABLES (CONTINUED)

From 1 January 2018, the Group applied the simplified approach to provide the expected credit losses prescribed by SFRS(I) 9. The impairment methodology is set out in Note 2 to the consolidated financial statements.

An allowance has been made for estimated irrecoverable amounts from the sale of goods of $451,000 (31 December 2017: $210,000, 1 January 2017: $193,000). Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that has been written off is subject to enforcement activities.

	Group days past due				
1 January 2018	**Not past due $'000**	**< 30 days $'000**	**31 – 90 days $'000**	**> 90 days $'000**	**Total $'000**
Trade receivables identified to be credit impaired	–	–	–	189	189
Expected credit loss	2	5	2	12	21
Lifetime ECL	2	5	2	201	210

	Group days past due				
31 December 2018	**Not past due $'000**	**< 30 days $'000**	**31 – 90 days $'000**	**> 90 days $'000**	**Total $'000**
Trade receivables identified to be credit impaired	**32**	**30**	**49**	**289**	**400**
Expected credit loss	**2**	**6**	**1**	**42**	**51**
Lifetime ECL	**34**	**36**	**50**	**331**	**451**

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

7 TRADE RECEIVABLES (CONTINUED)

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Group days past due				
1 January 2018	**Not past due $'000**	**< 30 days $'000**	**31 – 90 days $'000**	**> 90 days $'000**	**Total $'000**
Estimated gross carrying amount at default	3,484	993	234	104	4,815
Expected credit loss rate	0.05%	0.50%	1.00%	11.8%	–
Expected credit loss	2	5	2	12	21

	Group days past due				
31 December 2018	**Not past due $'000**	**< 30 days $'000**	**31 – 90 days $'000**	**> 90 days $'000**	**Total $'000**
Estimated gross carrying amount at default	**3,206**	**1,108**	**123**	**359**	**4,796**
Expected credit loss rate	**0.05%**	**0.50%**	**1.00%**	**11.8%**	**–**
Expected credit loss	**2**	**6**	**1**	**42**	**51**

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

7 TRADE RECEIVABLES (CONTINUED)

The table below shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in SFRS(I) 9.

	Group Lifetime ECL
	$'000
Balance as at 1 January 2018	**210**
Change in loss allowance due to new trade receivables originated	**241**
Balance as at 31 December 2018	**451**

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Amount due from subsidiaries (Note 5)	**–**	–	–	**15,879**	17,860	18,532
Outside parties	**70**	203	56	**18**	14	4
Deposits	**119**	162	125	**–**	–	–
Prepayments	**194**	495	430	**25**	19	21
	383	860	611	**15,922**	17,893	18,557
Less: Non-current	**–**	(119)	–	**–**	–	–
Current	**383**	741	611	**15,922**	17,893	18,557

The Company's receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

Amount due from subsidiaries is considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Company's group of companies and there has been no significant increase in the risk of default on the amounts since initial recognition.

In determining the ECL, management has taken into account the financial position of the related company and outside party, adjusted for factors that are specific to the related company and outside party and general economic conditions of the industry in which the related company and outside party operates, in estimating the probability of default of the receivables as well as loss upon default. Management determines that the amounts due is subjected to immaterial credit loss.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

9 INVENTORIES

	Group		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
At cost:			
Finished goods	**16,162**	17,561	17,430
Goods in transit	**672**	654	290
	16,834	18,215	17,720
Less: Allowance for stock obsolescence	**(2,179)**	(2,229)	(2,229)
	14,655	15,986	15,491
Movement in the allowance for stock obsolescence:			
Balance at beginning of the year	**2,229**	2,229	2,528
Disposal of a subsidiary (Note 13)	**–**	–	(35)
Reversal of allowance during the year	**(50)**	–	(264)
Balance at end of the year	**2,179**	2,229	2,229

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Motor vehicles	Furniture and fittings	Office equipment	Renovation	Machinery and equipment	Renovation In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost:								
At 1 January 2017	6,969	1,025	317	449	297	204	–	9,261
Additions	–	228	–	484	4	–	–	716
Disposals	–	(74)	–	–	–	–	–	(74)
At 31 December 2017	6,969	1,179	317	933	301	204	–	9,903
Additions	–	742	–	272	26	–	309	1,349
Disposals	–	(438)	–	(174)	–	–	–	(612)
At 31 December 2018	6,969	1,483	317	1,031	327	204	309	10,640

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Motor vehicles	Furniture and fittings	Office equipment	Renovation	Machinery and equipment	Renovation In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Accumulated depreciation:								
At 1 January 2017	1,306	709	123	152	212	81	–	2,583
Depreciation for the year	131	141	61	143	55	36	–	567
Disposals	–	(74)	–	–	–	–	–	(74)
At 31 December 2017	1,437	776	184	295	267	117	–	3,076
Depreciation for the year	156	244	59	191	38	24	–	712
Disposals	–	(438)	–	(126)	–	–	–	(564)
At 31 December 2018	1,593	582	243	360	305	141	–	3,224
Carrying amount:								
At 31 December 2018	5,376	901	74	671	22	63	309	7,416
At 31 December 2017	5,532	403	133	638	34	87	–	6,827
At 1 January 2017	5,663	316	194	297	85	123	–	6,678

Details of the Group's property are as follow:

Address of property	Tenure of property	Term of lease	Remaining term of lease	Existing use
10 Woodlands Loop Singapore 738388	Leasehold	66 years	47 years	Warehouse and Retail
61 Ubi Road #01-11, Oxley Bizhub Singapore 408727	Leasehold	60 years	52 years	Retail
Blk 640 Rowell Road #01-70 Singapore 200640	Leasehold	81 years	65 years	Retail
Blk 3 Soon Lee Street #01-09 Pioneer Junction Singapore 627606	Leasehold	30 years	23 years	Retail

The carrying amount of motor vehicles and office equipment of the Group under finance leases (Note 17) amounted to Nil and $242,000 respectively (31 December 2017: Nil and $174,000, 1 January 2017: $223,000 and $97,000).

The Group's leasehold property located at 10 Woodlands Loop, Singapore 738388 with carrying amount of $2,478,000 (31 December 2017: $2,549,000, 1 January 2017: $2,619,000) is mortgaged to the bank to secure bank loan as at 31 December 2017 and 1 January 2017 (Note 16).

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

11 INVESTMENT PROPERTIES

	Freehold properties	Leasehold properties	Total
	$'000	$'000	$'000
Group			
Cost:			
At 1 January 2017, 31 December 2017, and 31 December 2018	9,680	6,508	16,188
Accumulated depreciation:			
At 1 January 2017	529	619	1,148
Depreciation for the year	194	164	358
At 31 December 2017	723	783	1,506
Depreciation for the year	194	139	333
At 31 December 2018	917	922	1,839
Carrying amount:			
At 31 December 2018	8,763	5,586	14,349
At 31 December 2017	8,957	5,725	14,682
At 1 January 2017	9,151	5,889	15,040

Details of the Group's investment properties are as follow:

	Tenure of property	Term of lease	Remaining term of lease	Existing use	Fair value		
					31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Address of property							
48 Toh Guan East #01-102, Singapore 608586	Leasehold	60 years	39 years	Commercial	1,100	1,100	1,100
8B Admiralty Street #01-06, Singapore 757440	Leasehold	60 years	42 years	Commercial	1,570	1,570	1,570
8B Admiralty Street #01-07, Singapore 757440	Leasehold	60 years	42 years	Commercial	1,560	1,560	1,560
65 Ubi Road 1 #02-65, Oxley Bizhub, Singapore 408729	Leasehold	60 years	52 years	Commercial	1,220	1,220	1,220
5 Soon Lee Street, Pioneer Point #01-66, Singapore 627607	Leasehold	30 years	23 years	Commercial	638	638	638
5 Soon Lee Street, Pioneer Point #01-67, Singapore 627607	Leasehold	30 years	23 years	Commercial	560	560	560

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

11 INVESTMENT PROPERTIES (CONTINUED)

	Tenure of property	Term of lease	Remaining term of lease	Existing use	Fair value		
					31 December 2018	31 December 2017	1 January 2017
					$'000	$'000	$'000
9 Tagore Lane #02-06 9@Tagore, Singapore 787472	Freehold	–	–	Commercial	1,520	1,520	1,580
9 Tagore Lane #02-07 9@Tagore, Singapore 787472	Freehold	–	–	Commercial	1,820	1,820	1,820
9 Tagore Lane #03-16 9@Tagore, Singapore 787472	Freehold	–	–	Commercial	1,660	1,660	1,660
23 New Industrial Road #02-08, Solstice Business Centre, Singapore 536209	Freehold	–	–	Commercial	1,400	1,400	1,400
421 Tagore Industrial Avenue #01-22, Tagore 8, Singapore 787805	Freehold	–	–	Commercial	2,000	2,000	2,000
421 Tagore Industrial Avenue #01-23, Tagore 8, Singapore 787805	Freehold	–	–	Commercial	2,000	2,000	2,000
					17,048	17,048	17,108

The fair value is regarded as Level 3 in the fair value hierarchy. The fair values of the investment properties have been estimated based on directors' estimation, which were arrived at by reference to desktop valuations performed by independent valuer in 2015 to 2017 having appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuation was arrived at principally by using the basis of direct comparison approach that reflects recent transaction prices for similar properties adjusted for location and size.

The property rental income from the Group's investment properties all of which are leased out under operating leases, amounted to $474,000 (2017: $512,000) during the year. Direct operating expenses arising on the investment properties amounted to $458,000 (2017: $466,000).

The investment properties located at 421 Tagore Industrial Avenue #01-22, Tagore 8 and 421 Tagore Industrial Avenue #01-23, Tagore 8 were pledged to the banks to secure bank loans in 2017 and 2018 (Note 16).

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

12 CLUB MEMBERSHIP

	Group
	$'000
Cost:	
At 1 January 2017 and 31 December 2017 and 31 December 2018	265
Accumulated amortisation:	
At 1 January 2017	3
Amortisation for the year	19
At 31 December 2017	22
Amortisation for the year	19
At 31 December 2018	41
Carrying amount:	
At 31 December 2018	224
At 31 December 2017	243
At 1 January 2017	262

13 INVESTMENT IN SUBSIDIARIES

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Unquoted equity shares, at cost:			
Beginning of financial year	2,340	2,340	2,740
Additions	–	–	100
Disposal of a subsidiary	–	–	(500)
Ending of financial year	2,340	2,340	2,340

On September 15, 2016, the Group disposed its entire 50% shareholding interests in the issued and paid up capital of a subsidiary, Neiken Electric (S) Pte. Ltd. to United MS Electrical Mfg (M) Sdn. Bhd.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the Group's subsidiaries at 31 December 2018 are as follows:

Name of subsidiary/ Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held		
		31 December 2018	31 December 2017	1 January 2017
		%	%	%
Choo Chiang Marketing Pte. Ltd. Singapore[(1)]	Supply of electrical products and accessories; and assemblers of lighting fittings and fixtures.	100	100	100
Choo Chiang Project Solutions Pte. Ltd. Singapore[(1)]	Supply of electrical products and accessories	80	80	80
Choo Chiang Properties Pte. Ltd. Singapore[(1)]	Property investment and real estate management	100	100	100

(1) Audited by Deloitte & Touche LLP, Singapore.

Details of composition of the Group

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		31 December 2018	31 December 2017	1 January 2017
Supply of electrical products and accessories; and assemblers of lighting fittings and fixtures	Singapore	1	1	1
Property investment and real estate management	Singapore	1	1	1
		2	2	2

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiary		
		31 December 2018	31 December 2017	1 January 2017
Supply of electrical products and accessories	Singapore	1	1	1

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of the non-wholly owned subsidiary of the Group:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Loss allocated to non-controlling interests		Accumulated non-controlling interests		
		31 December 2018 %	31 December 2017 %	1 January 2017 %	2018 $'000	2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Choo Chiang Project Solutions Pte. Ltd.	Singapore	80	80	80	(12)	(5)	48	60	65
					(12)	(5)	48	60	65

14 TRADE PAYABLES

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Outside parties	6,724	8,173	6,631
Others	358	275	308
	7,082	8,448	6,939

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

The average credit period on purchase of goods is 30 to 90 days (31 December 2017: 30 to 90 days, 1 January 2017: 30 to 90 days). No interest is charged on the outstanding trade payables.

15 OTHER PAYABLES AND ACCRUALS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Outside parties	109	181	112	8	13	26
Rental deposits received	76	100	105	–	–	–
Rental received in advance	10	10	5	–	–	–
Accruals	1,420	1,319	1,363	121	40	102
	1,615	1,610	1,585	129	53	128

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

16 BANK LOANS

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Bank loans	1,761	2,110	2,453
Less: Amount due for settlement within 12 months	(353)	(321)	(349)
Amount due for settlement after 12 months	1,408	1,789	2,104

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

There was a term loan of $2,453,000 as at 1 January 2017. Interest for the loan is levied at 2% per annum for the first and second year and thereafter at 1% below the Bank's Commercial Financing Rate per annum with monthly rest. Such loans shall be repaid over the tenor of 10 years with last instalments to be repaid on August 2023. The loan is secured by a legal mortgage over the Group's leasehold property at 10 Woodlands Loop. The effective interest rate is approximately 2.00% per annum.

As at 31 December 2018 (31 December 2017: $2,110,000), the term loan amounts to $1,761,000. Interest for the loan is levied at 0.70% over the bank's prevailing 3 months SIBOR or 0.70% per annum over the bank's prevailing 3 months cost of fund, whichever is the higher for the first and second year and thereafter at the Bank's Commercial Financing Rate of 5.75% per annum. Such loans shall be repaid over the tenor of 6 years with last instalments to be repaid on September 2023. The loan is secured by a legal mortgage over the Group's investment properties at 421 Tagore Industrial Avenue #01-22 and #01-23 (31 December 2017: 421, Tagore Industrial Avenue #01-22 and #01-23 and the Group's leasehold property at 10 Woodlands Loop). The effective interest rate is approximately 2.60% (31 December 2017: 1.97%) per annum.

17 FINANCE LEASES

	Group					
	Minimum lease payments			Present value of minimum lease payments		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Amounts payable under finance leases:						
Due within one year	**63**	60	112	**55**	47	99
Due within two to five years	**237**	186	119	**195**	141	80
	300	246	231	**250**	188	179
Less: Future finance charges	**(50)**	(58)	(52)			
Present value of obligations lease	**250**	188	179			
Less: Amount due for settlement within 12 months (shown under current liabilities)				**(55)**	(47)	(99)
Amount due for settlement after 12 months				**195**	141	80

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

17 FINANCE LEASES (CONTINUED)

The lease terms are between 3 to 5 years. The effective interest rates range from 2.37% to 6.77% (31 December 2017: 3.22% to 7.15%, 1 January 2017: 3.22% to 7.15%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk.

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

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

				Non-cash change	
	Note	1 January 2017 $'000	Financing cash flow(i) $'000	New finance leases $'000	31 December 2017 $'000
Group					
Bank loans	16	2,453	(343)	–	2,110
Finance leases	17	179	(117)	126	188
		2,632	(460)	126	2,298

				Non-cash change	
	Note	1 January 2018 $'000	Financing cash flow(i) $'000	New finance leases $'000	31 December 2018 $'000
Group					
Bank loans	16	2,110	(349)	–	1,761
Finance leases	17	188	(45)	107	250
		2,298	(394)	107	2,011

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

18 DEFERRED TAX LIABILITY

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

	Group Excess of tax over book depreciation
	$'000
At 1 January 2017	74
Charge to profit or loss (Note 23)	46
At 31 December 2017	120
Charge to profit or loss (Note 23)	17
At 31 December 2018	137

19 SHARE CAPITAL

	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	Number of ordinary shares			$'000	$'000	$'000
Group and Company						
Issued and paid up:						
At beginning and end of the year	208,000,000	208,000,000	208,000,000	8,020	8,020	8,020

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

20 REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

20 REVENUE (CONTINUED)

A disaggregation of the Group's revenue for the year, is as follows:

	Group	
	2018 $'000	2017 $'000
Segment revenue		
Sales of goods	63,589	61,614
Rental income	474	512
	64,063	62,126
Timing of revenue recognition		
At a point in time:		
Sales of goods	63,589	61,614
Over time:		
Rental income	474	512
	64,063	62,126

21 OTHER OPERATING INCOME

	Group	
	2018 $'000	2017 $'000
Bad debts recovered	6	28
Gain in foreign exchange	2	–
Gain on disposal of property, plant and equipment	120	–
Government grants	54	78
Interest income	60	6
Sponsorship	95	183
Sundry income	20	13
	357	308

22 FINANCE COSTS

	Group	
	2018 $'000	2017 $'000
Bank loan interest	21	2
Finance leases interest	13	18
	34	20

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

23 INCOME TAX EXPENSE

	Group	
	2018 $'000	2017 $'000
Income tax		
Current	1,010	782
Overprovision in prior year	(86)	(21)
	924	761
Deferred tax		
Current (Note 18)	17	46
Total	941	807

Domestic income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the year.

	Group	
	2018 $'000	2017 $'000
Profit before tax	5,774	5,731
Income tax expense calculated at 17% (2017: 17%)	982	974
Non-allowable items	130	136
Tax exemption	(88)	(78)
Tax rebate	(14)	(25)
Productivity and Innovation Credit	–	(181)
Overprovision of tax expense in prior year	(86)	(21)
Others	17	2
	941	807

24 PROFIT FOR THE YEAR

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

	Group	
	2018 $'000	2017 $'000
Directors' remuneration:		
Short-term benefits	1,751	1,715
Post-employment benefits	22	16
Staff costs	6,351	6,124
Cost of defined contribution plans included in staff costs	631	569
Cost of inventories included in expense	45,556	44,327
Gain on disposal of property, plant and equipment	120	–
Allowance for doubtful trade receivables	247	45
Bad debts recovered	(6)	(28)
Reversal of stock obsolescence	(50)	–
Depreciation of property, plant and equipment	712	567
Depreciation of investment properties	333	358
Amortisation of club membership	19	19
Net foreign exchange (gain) loss	(2)	1
Audit fees paid to auditors of the Group	74	74
Non-audit related fees – sustainability reporting	9	20

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

25 COMMITMENTS

(i) Operating lease arrangements

	Group	
	2018 $'000	2017 $'000
The Group as lessee		
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	578	541

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

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

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Within one year	539	477	474
Within two to five years	705	801	775
After five years	3,539	3,793	4,240
	4,783	5,071	5,489

The Group as lessor

The Group has future lease income receivables in respect of sub-leasing of its office premises. The rental income earned during the financial year is $474,000 (2017: $512,000).

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

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Within one year	**457**	310	363
Within two to five years	**282**	152	200
	739	462	563

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

25 COMMITMENTS (CONTINUED)

(ii) Capital commitment

Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements is as follows:

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Capital commitment	**1,927**	64	–

26 EARNINGS PER SHARE

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

	2018	2017
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company) ($'000)	**4,845**	4,929
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)[1]	**208,000**	208,000
Earnings per share (cents) – basic and diluted	**2.33**	2.37

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

(1) Earnings per ordinary share is calculated based on the profit attributable to owners of the Company for FY2018 and FY2017.

27 SEGMENT INFORMATION

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

The two main business activities are as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

27 SEGMENT INFORMATION (CONTINUED)

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

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

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

Segment revenue and results:

	Distribution business	Property investment business	Total
	$'000	$'000	$'000
2018			
Revenue			
External sales of goods	63,589	–	63,589
Rental income	–	474	474
Segment revenue	63,589	474	64,063
Cost of sales			
External purchases	(45,556)	–	(45,556)
Cost of property maintenance	–	(458)	(458)
Segment cost of sales	(45,556)	(458)	(46,014)
Results	18,033	16	18,049
Segment result			
Other operating income	357	–	357
Administrative and selling expenses	(11,336)	(51)	(11,387)
Other operating expenses	(1,187)	(24)	(1,211)
Finance costs	(28)	(6)	(34)
Profit (Loss) before tax	5,839	(65)	5,774
Income tax expense			(941)
Profit after tax			4,833

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

27 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results: (Continued)

	Distribution business	Property investment business	Total
	$'000	$'000	$'000
2017			
Revenue			
External sales of goods	61,614	–	61,614
Rental income	–	512	512
Segment revenue	61,614	512	62,126
Cost of sales			
External purchases	(44,327)	–	(44,327)
Cost of property maintenance	–	(466)	(466)
Segment cost of sales	(44,327)	(466)	(44,793)
Results	17,287	46	17,333
Segment result			
Other operating income	308	–	308
Administrative and selling expenses	(10,955)	(50)	(11,005)
Other operating expenses	(852)	(33)	(885)
Finance costs	(18)	(2)	(20)
Profit (Loss) before tax	5,770	(39)	5,731
Income tax expense			(807)
Profit after tax			4,924

Segment assets, liabilities and other information

	Distribution business	Property investment business	Total
	$'000	$'000	$'000
31 December 2018			
Assets			
Segment assets	41,917	14,523	56,440
Unallocated assets			512
Combined total assets			56,952
Liabilities			
Segment liabilities	9,756	1,949	11,705
Unallocated liabilities			145
Combined total liabilities			11,850
Other information			
Capital expenditure	1,349	–	1,349
Depreciation of property, plant and equipment	712	–	712
Depreciation of investment properties	–	333	333
Amortisation of club membership	19	–	19

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

27 SEGMENT INFORMATION (CONTINUED)

Segment assets, liabilities and other information (Continued)

	Distribution business	Property investment business	Total
	$'000	$'000	$'000
31 December 2017			
Assets			
Segment assets	40,484	14,850	55,334
Unallocated assets			70
Combined total assets			55,404
Liabilities			
Segment liabilities	10,834	2,354	13,188
Unallocated liabilities			75
Combined total liabilities			13,263
Other information			
Capital expenditure	716	–	716
Depreciation of property, plant and equipment	567	–	567
Depreciation of investment properties	–	358	358
Amortisation of club membership	19	–	19
1 January 2017			
Assets			
Segment assets	34,390	15,655	50,045
Unallocated assets			1,440
Combined total assets			51,485
Liabilities			
Segment liabilities	9,344	2,672	12,016
Unallocated liabilities			172
Combined total liabilities			12,188
Other information			
Capital expenditure	1,797	1,566	3,363
Depreciation of property, plant and equipment	541	–	541
Depreciation of investment properties	–	377	377
Amortisation of club membership	3	–	3

Geographical information

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

Information about major customers

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

28 DIVIDENDS PAID

On 19 May 2017, a first and final one-tier tax exempt dividend of 0.8 cent per ordinary share and a special one-tier tax exempt dividend of 0.2 cent per ordinary share totaling $2,080,000 was paid to shareholders.

On 17 May 2018, a first and final one-tier tax exempt dividend of 0.8 cent per ordinary share and a special one-tier tax exempt dividend of 0.1 cent per ordinary share totaling $1,872,000 was paid to shareholders.

In respective of the financial year ended 31 December 2018, Directors of the Group proposed that a first and final one-tier tax exempt dividend of 0.8 cents per ordinary share and a special one-tier tax exempt dividend of 0.1 cent per ordinary share be paid to all shareholders. Subject to the approval by the shareholders at the Annual General Meeting, this proposed dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,872,000.

29 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("**SFRS(I)**") for the first time for financial year ended 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for 1) the classification and measurement of financial assets, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The Group and the Company applied SFRS(I) 9 with an initial application date of 1 January 2018. The Group and Company have not restated the comparative information, which continues to be reported under FRS 39.

The significant accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.

There are no material changes on the initial transition to the new framework as (i) the application of the SFRS(I) 9 impairment requirements has not resulted in additional loss allowance to be recognised, and (ii) no changes to the revenue recognition policy was assessed to be required upon application of SFRS(I) 15.

SHAREHOLDING STATISTICS

AS AT 15 MARCH 2019

Number of shares	:	208,000,000
Number of Treasury Shares held	:	Nil
Number of Subsidiary Holdings held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2019, 29.82% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Catalist Rule is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	22	9.57	20,200	0.01
1,001 – 10,000	105	45.65	523,900	0.25
10,001 – 1,000,000	94	40.87	11,316,500	5.44
1,000,001 and above	9	3.91	196,139,400	94.30
	230	100.00	208,000,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	TL INVESTMENT HOLDINGS PTE LTD (formerly known as Lim Trust Pte. Ltd.)	131,040,000	63.00
2	UOB KAY HIAN PTE LTD	18,987,900	9.13
3	LIM TECK SENG	14,560,000	7.00
4	RAFFLES NOMINEES(PTE) LIMITED	9,860,100	4.74
5	KHWAJA ASIF RAHMAN	9,400,000	4.52
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,700,000	2.26
7	HSBC (SINGAPORE) NOMINEES PTE LTD	4,161,000	2.00
8	DBS NOMINEES PTE LTD	1,758,500	0.85
9	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,671,900	0.80
10	TAN YEOW SONG	1,000,000	0.48
11	TAN GUAN	925,000	0.44
12	THAM KIN YEE	710,000	0.34
13	FU LIN	656,800	0.32
14	D'OASIS PTE LTD	450,000	0.22
15	SIM CHENG HUAT	400,000	0.19
16	CITIBANK NOMINEES SINGAPORE PTE LTD	380,400	0.18
17	TAY SOK CHENG	260,000	0.13
18	TEO HAN KHENG (ZHANG HANQING)	250,000	0.12
19	GOH GUAT BEE (WU YUEMEI)	249,000	0.12
20	NG SHEAU LIAN	200,000	0.10
20	ONG KHENG KWANG (WANG QINGGUANG)	200,000	0.10
20	WONG YOKE MENG	200,000	0.10
		202,020,600	97.14

SHAREHOLDING STATISTICS

AS AT 15 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Shareholdings Registered in the Name of Substantial Shareholder		Shareholdings in which the Substantial Shareholders are Deemed to be Interested	
	No. of Shares	%	No. of Shares	%
TL Investment Holdings Pte. Ltd. (formerly known as Lim Trust Pte. Ltd.)	131,040,000	63.00	–	–
Mr Lim Teck Chuan[1]	–	–	131,040,000	63.00
Mr Lim Teck Seng[2]	14,560,000	7.00	260,000	0.13

Notes:

(1) Mr Lim Teck Chuan holds 100% of the issued share capital of TL Investment Holdings Pte. Ltd.. Accordingly, Mr Lim Teck Chuan is deemed to be interested in all the shares held by TL Investment Holdings Pte. Ltd..

(2) Mr Lim Teck Seng is deemed to be interested in the 260,000 shares held by his spouse, Tay Sok Cheng by virtue of Section 7 of the Singapore Companies Act, Chapter 50.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **Choo Chiang Holdings Ltd.** (the "**Company**") will be held at Octagon, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Wednesday, 24 April 2019 at 11.00 a.m. to transact the following business:

As 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 Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt one-tier dividend of 0.8 Singapore cents per ordinary share (2017: 0.8 Singapore cents per ordinary share) and special dividend of 0.1 Singapore cents per ordinary share (2017: 0.1 Singapore cents per ordinary share) for the financial year ended 31 December 2018. **(Resolution 2)**

3. To re-elect Mr Lim Teck Chuan, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as a Director of the Company. **(Resolution 3)**

4. To re-elect Mr Lim Teck Chai Danny, who is retiring by rotation in accordance with Regulation 118 of the Company's Constitution, as a Director of the Company.

   [See Explanatory Note (i)] **(Resolution 4)**

5. To re-elect Mr Tan Soon Liang, who is retiring by rotation in accordance with Regulation 118 of the Company's Constitution, as a Director of the Company.

   [See Explanatory Note (ii)] **(Resolution 5)**

6. To re-elect Mr Sho Kian Hin, who is retiring by rotation in accordance with Regulation 118 of the Company's Constitution, as a Director of the Company.

   [See Explanatory Note (iii)] **(Resolution 6)**

7. To approve the sum of S$130,000.00 as Directors' fees for the financial year ending 31 December 2019 and the payment thereof on a half yearly basis. (2018: S$130,000.00) **(Resolution 7)**

8. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

9. To transact any other business that may be transacted at an Annual General Meeting.

As Special Business

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

NOTICE OF ANNUAL GENERAL MEETING

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

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") and the Constitution of the Company (the "**Constitution**"), authority be and is hereby given to the Directors to (i) allot and issue new ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and/or (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) and Instruments to be issued pursuant to this resolution shall not exceed 100.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro rata basis to existing Shareholders shall not exceed 50.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub- paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) and Instruments that may be issued under sub-paragraph (a) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the time of passing of this resolution, after adjusting for: (i) new Shares arising from the conversion or exercise of the Instruments or any convertible securities; (ii) new Shares arising from exercising of any share options or vesting of share awards outstanding and/or subsisting at the time of passing of this resolution provided that such share options or share awards (as the case may be) were granted in compliance with the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares;

(c) in exercising such authority, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next annual general meeting of the Company or (ii) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (iv)] **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING

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

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

(i) offer and grant awards ("**Awards**") from time to time in accordance with the rules of the Choo Chiang Performance Share Plan (the "**PSP**"); and

(ii) allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the vesting of Awards granted under the PSP,

provided always that the aggregate number of Shares issued and issuable pursuant to the Awards granted under the PSP, when added to (1) the number of Shares issued and issuable and/or transferred or transferable in respect of all awards granted thereunder; and (2) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed fifteen percent (15%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company on the day preceding the relevant date of award and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)] **(Resolution 10)**

By Order Of The Board

Sharon Yeoh
Morland Fu
Company Secretaries

Singapore, 9 April 2019

Explanatory Notes on Ordinary Resolutions to be passed:

(i) Mr Lim Teck Chai Danny, if re-elected, will remain as the Company's Lead Independent Director and the Chairman of the Remuneration Committee ("**RC**") and a member of the Audit Committee ("**AC**") and Nominating Committee ("**NC**"). The Board considers Mr Lim Teck Chai Danny to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Mr Tan Soon Liang, if re-elected, will remain as the Company's Independent Director and the Chairman of the NC and a member of the AC and RC. The Board considers Mr Tan Soon Liang to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(iii) Mr Sho Kian Hin, if re-elected, will remain as the Company's Independent Director and the Chairman of the AC and a member of the RC and NC. The Board considers Mr Sho Kian Hin to be independent for the purposes of Rule 704(7) of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

(iv) Ordinary Resolution 9, if passed, will empower the Directors (from the date of this Annual General Meeting until (a) the conclusion of the next annual general meeting of the Company or (b) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier) to allot and issue Shares and convertible securities in the Company up to an amount not exceeding one hundred percent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which the total number of Shares issued other than on a pro rata basis to existing shareholders of the Company, shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings). This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

(v) Ordinary Resolution 10, if passed, will empower the Directors (from the date of this Annual General Meeting until (a) the conclusion of the next annual general meeting of the Company or (b) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier) to offer and grant Awards under the PSP, and to allot and issue Shares pursuant to the vesting of Awards granted under the PSP, provided that the aggregate number of Shares issued and issuable pursuant to the PSP, when added to (1) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (2) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or Awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed fifteen percent (15%) of the total number of issued share capital (excluding treasury shares and subsidiary holdings) of the Company on the day preceding the relevant date of Award and from time to time.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy and each proxy must exercise the rights attached to a different share or shares held by such member.

2. Pursuant to Section 181 of the Companies Act, Chapter 50, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

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

   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

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

3. A proxy or attorney need not be a member of the Company.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 10 Woodlands Loop Singapore 738388 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

5. A depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

CHOO CHIANG HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 201426379D)

PROXY FORM

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. Please read the notes to the Proxy Form.

I/We ______________________ NRIC/Passport/Co. Registration No. ______________________

of ____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Octagon, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Wednesday, 24 April 2019 at 11.00 a.m. and at any adjournment thereof.

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

No.	Resolutions Relating To:	For*	Against*
	AS ORDINARY BUSINESS		
1	Adoption of Directors' Statement and the audited financial statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon		
2	Payment of proposed first and final tax exempt one-tier dividend of 0.8 Singapore cents per ordinary share and special dividend of 0.1 Singapore cents per ordinary share for the financial year ended 31 December 2018		
3	Re-election of Mr Lim Teck Chuan as a Director		
4	Re-election of Mr Lim Teck Chai Danny as a Director		
5	Re-election of Mr Tan Soon Liang as a Director		
6	Re-election of Mr Sho Kian Hin as a Director		
7	Approval of Directors' fees for the financial year ending 31 December 2019		
8	Re-appointment of Deloitte & Touche LLP as auditors		
	AS SPECIAL BUSINESS		
9	Authority to allot and issue shares in the capital of the Company and/or instruments pursuant to Section 161 of the Companies Act		
10	Authority to grant awards and issue shares pursuant to the Choo Chiang Performance Share Plan		

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

Dated this __________ day of ______________________ 2019

Total Number of Shares Held

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of Shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares in the capital of the Company held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend and vote on his behalf at the annual general meeting.

3. Where a member appoints more than one proxy, the member shall specify the proportion of his shares to be represented by each such proxy and each proxy must exercise the rights attached to a different share or shares held by such member. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred percent (100%) of the shareholdings of his appointer and the proxy whose name appears after shall be deemed to be alternative.

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

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

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

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

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

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Woodlands Loop Singapore 738388 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, power of attorney or a notarially certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2019.

OUR RETAIL NETWORK

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

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

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

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

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

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

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

HAMILTON BRANCH
17 Hamilton Road
Singapore 209187
T +65 6296 4111
F +65 6298 3620

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

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

TAMPINES BRANCH
Block 9005
Tampines Street 93
#01-248
Singapore 528839
T +65 6786 9959
F +65 6784 9959

CHOO CHIANG HOLDINGS LTD.

10 Woodlands Loop Singapore 738388
T 65 6368 5922
www.ccm.sg