2017 ANNUAL REPORT

PROVIDING THE TOOLS
TO SHAPE YOUR FUTURE

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

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

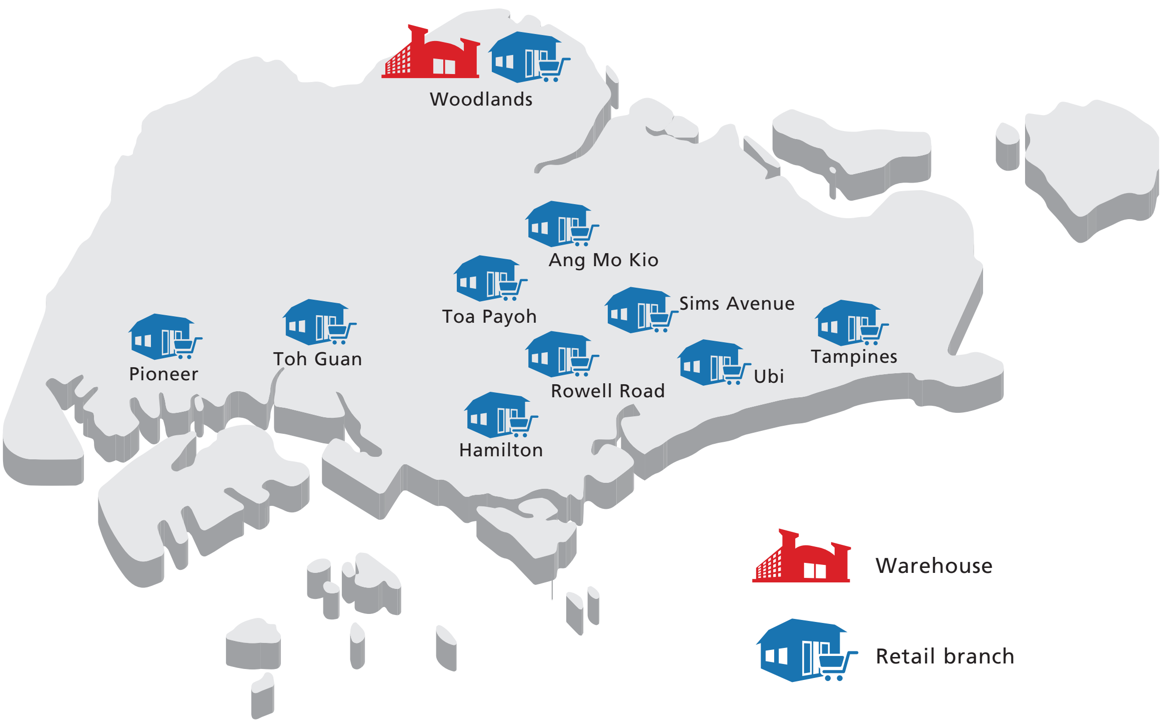
Operates a wide network of 10 retail branches strategically located across Singapore.

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

and more...

PROPERTY INVESTMENTS

12
INVESTMENT PROPERTIES

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

4
PROPERTIES

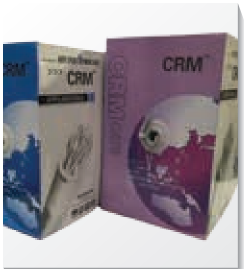
Holds an additional 4 properties which are used as retail branches/warehouse for our operations.

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

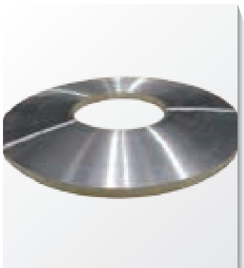
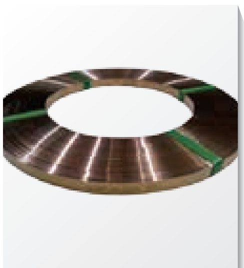
Electrical Cables & Cable Accessories

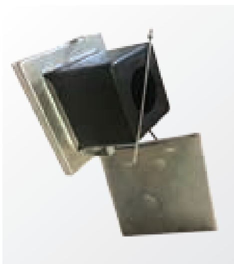
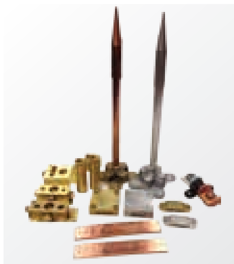




Light Switches, Circuit Breakers & Accessories



Lightning Accessories

Trunking & Pipes Support System



Light Fixtures & Accessories



Power Drills & Handheld Tools



Ventilating, Wall-mounted & Ceiling Fans




Air-conditioner Accessories


New Products




MILESTONES

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

	1977-1990	1991-2000
A HERITAGE THAT STRETCHES BACK TO 1977	**1977** Choo Chiang Electrical Trading Service set up by Thomas Lim with a business partner	 **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)
DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS		**1991** Local distributor for Clipsal, Legrand and MK **1995** Local distributor for Hager
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE		**1993** Opened Toa Payoh branch **1997** Opened Sims Avenue branch **2000** Opened Woodlands branch
REACHING GREATER HEIGHTS		

2001-2010

2004
Started to carry own brands, CCM and CRM

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

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

2001
Opened Bendemeer and Pioneer branches

2002
Opened Rowell branch and acquired warehouse in Woodlands

2007
Opened Toh Guan branch

2011-2020

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

2015
Opened Ubi branch

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

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

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

CHAIRMAN'S STATEMENT

"I am very pleased to report that Choo Chiang Holdings Ltd. has once again demonstrated the quality and depth of our business portfolio and delivered a strong set of results for the financial year ended 31 December 2017."

Dear Shareholders,

Welcome to our Annual Report for 2017. It is my pleasure to present the annual report of Choo Chiang Holdings Ltd. ("Choo Chiang" and together with its subsidiaries, the "Group") for the financial year ended 31 December 2017 ("FY2017").

Performance Review

During the year, the Group reported an improvement of gross profit margin from 27.5% in FY2016 to 27.9% in FY2017.

The Distribution Business segment registered a 0.3% marginal increase in gross profit margin from approximately 27.8% in FY2016 to 28.1% in FY2017. Our Property Investment segment had also delivered a significant surge from a gross loss margin of 3.3% in FY2016 to a gross profit margin of 9.8% in FY2017. This was largely attributable to the lower depreciation expense and finance cost in FY2017 as compared to FY2016.

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 FY2017. 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 in April 2018.

Distribution Business

During the year, revenue contribution from our Distribution Business fell by S$1.68 million or 2.7% from S$63.30 million in FY2016 to S$61.62 million in FY2017 as our sales volume was affected by the general slowdown within the industry and the disposal of the Company's entire shareholding interest in a subsidiary, Neiken Electric (S) Pte. Ltd. (formerly known as Neiken Switchgear (S) Pte. Ltd.) in September 2016. Cost of sales of the Distribution Business segment also decreased by S$1.40 million or 3.1%, from S$45.73 million in FY2016 to S$44.33 million in FY2017, which was generally in line with the decrease in revenue for this segment. Cost of sales in FY2017 was also lower due to a decrease in the purchase price of certain electrical products and accessories.

We continued to make investments to improve our operational effectiveness and efficiency. The Group has signed a lease agreement with a third party for the leasing of a property located at 17 Hamilton Road, Singapore 209187 (the "New Premise"). We relocated our existing retail branch at Blk 23 Bendemeer Road, #01-527, Singapore 330023 to the New Premise on 2 April 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. Due to loss of rental income as a result of a few months of vacancy at four (4) investment properties following expiry of the relevant leases; and the effects arising from the disposal of Neiken Electric (S) Pte. Ltd. in September 2016, the Group's rental income from the Property Investment segment decreased by S$0.10 million or 16.4%, from S$0.61 million in FY2016 to S$0.51 million in FY2017.

Outlook for 2018

The Group remains cautiously optimistic of its business prospects taking into consideration the trends and developments in the construction industry and the general economic outlook in Singapore.

While there will always be challenges in the industry, I am confident that the Group is well placed for the future. The Board takes its responsibilities very seriously to ensure that we perform financially, strategically and ethically.

We have reached a turning point for the Group where we must think big and execute effectively in order to meet the challenges ahead. As such, our focus in the coming year will remain to ensure Choo Chiang can both address market challenges and seize growth opportunities in every part of the Group.

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. These decisions will stand us in good stead as we move forward.

Appreciation

Choo Chiang has successfully grown its reputation as a company that can consistently deliver. Our success in the marketplace to date has shown we are trusted by our clients and supply chain. This visibility, coupled with our healthy balance sheet, provides us with confidence in achieving our strategic targets in the years to come.

On behalf of the Board of Directors, I would like to extend my appreciation to the management for their valuable insights and guidance, as well as staff for their staunch commitment towards the Group. Finally, I would like to thank our customers, employees and our shareholders for their support. They have steered the Group through difficult times. The wellbeing of our people and shareholders remain a priority and it is your collective power that makes Choo Chiang Holdings Ltd. a force for good. I look to the future with confidence.

Yours sincerely,

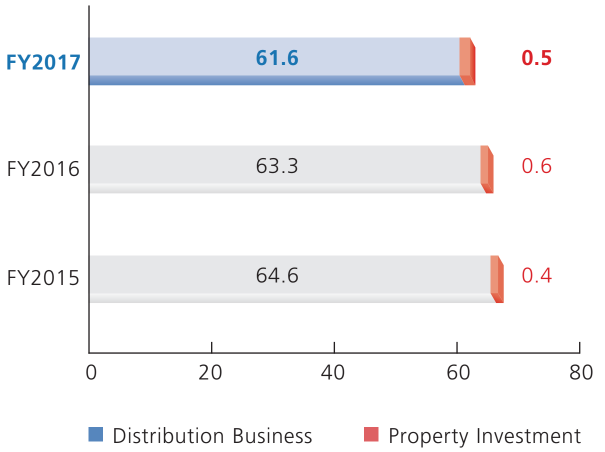
Thomas Lim

Executive Chairman and CEO

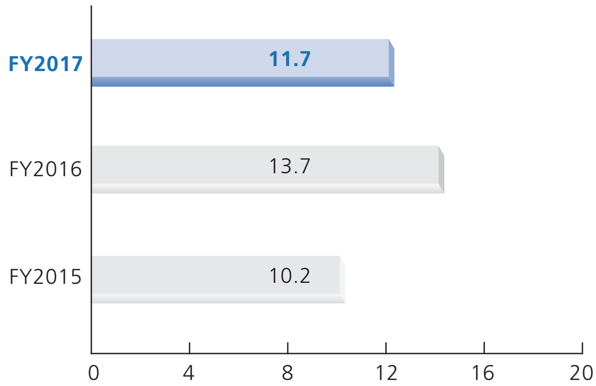
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER

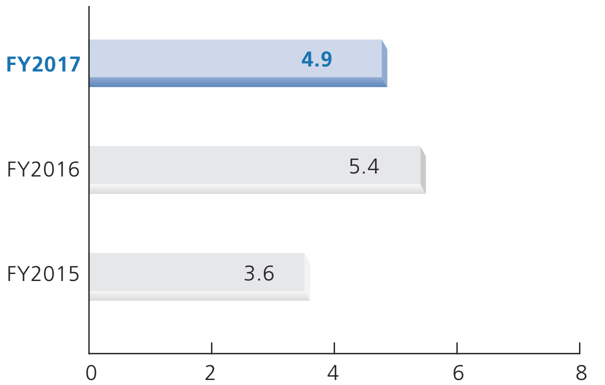
Revenue (S$'m)



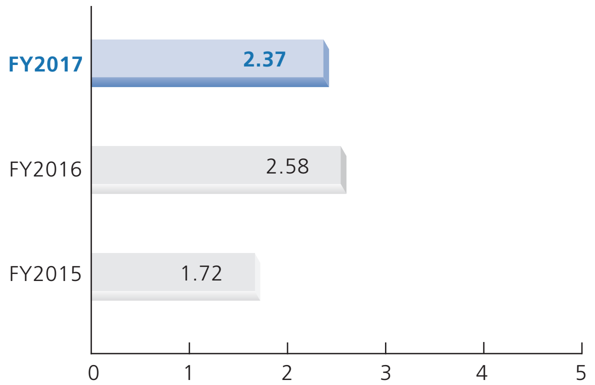
Return on Equity[1] (%)



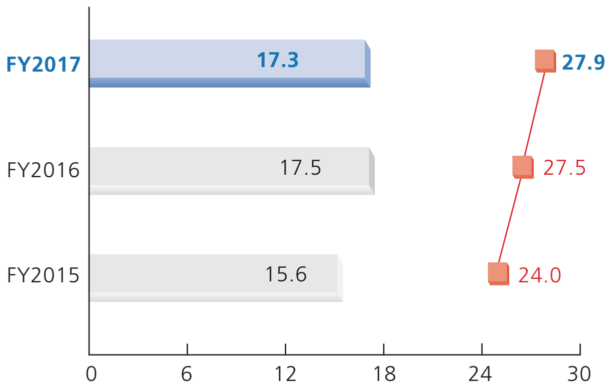
Net Profit (S$'m)



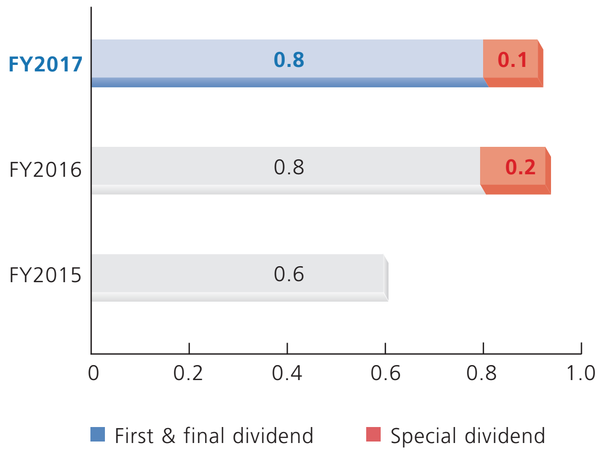
Earnings Per Share (Cents)



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 (%)
	2017 S$'000	2016 S$'000	
Revenue	62,126	63,906	(2.8)
Cost of sales	(44,793)	(46,359)	(3.4)
Gross profit	17,333	17,547	(1.2)
Other operating income	308	745	(58.7)
Administrative and selling expenses	(11,005)	(11,070)	(0.5)
Other operating expenses	(885)	(831)	6.5
Finance costs	(20)	(61)	(67.2)
Profit before tax	5,731	6,330	(9.5)
Income tax expense	(807)	(931)	(13.3)
Profit for the year, representing total comprehensive income for the year	4,924	5,399	(8.8)
Total comprehensive income attributable to:			
Owners of the Company	4,929	5,357	(8.0)
Non-controlling interests	(5)	42	(111.9)
	4,924	5,399	(8.8)

REVIEW OF FINANCIAL PERFORMANCE

Revenue

The Group recorded revenue of S$62.13 million for the financial year ended 31 December 2017 ("**FY2017**"). This represented a 2.8% decrease compared to the S$63.91 million achieved in the financial year ended 31 December 2016 ("**FY2016**"). The revenue decline was mainly due to its Distribution Business.

Distribution Business

Revenue contribution by this segment decreased by 2.7% to S$61.62 million in FY2017 from S$63.30 million in FY2016, mainly because of decrease in sales volume as a result of the general slowdown in the industry and the disposal of the Company's entire shareholding interest in a subsidiary, Neiken Electric (S) Pte. Ltd. ("**NES**"), formerly known as Neiken Switchgear (S) Pte. Ltd. in September 2016.

Property Investment

Rental income from this segment decreased by 16.4% to S$0.51 million in FY2017 from S$0.61 million in FY2016 mainly due to (i) loss of rental income as there were a few months of vacancy at four (4) investment properties following expiry of the relevant leases; and (ii) the effects arising from the disposal of NES (which amongst others held one of the investment properties) in September 2016.

Cost of sales

Cost of sales decreased by 3.4% to S$44.79 million in FY2017 from S$46.36 million in FY2016.

Distribution Business

Cost of sales for the Distribution Business segment decreased by 3.1% to S$44.33 million in FY2017 from S$45.73 million in FY2016, generally in line with the decrease in revenue for this segment. Cost of sales in FY2017 was also lower due to a decrease in the purchase price of certain electrical products and accessories.

Property Investment

Cost of sales for the Property Investment segment decreased by 27.0% to S$0.46 million in FY2017 from S$0.63 million in FY2016. The decrease was mainly due to the decreases in depreciation expense, property tax, property management fees and finance cost of approximately S$78,000, S$13,000, S$8,000 and S$74,000 respectively as a result of a few months of vacancy at the abovementioned four (4) investment properties and the disposal of NES which owned one of the investment properties in Singapore.

OPERATING & FINANCIAL REVIEW

Gross profit and gross profit margin

Gross profit decreased by 1.2% to S$17.33 million in FY2017 from S$17.55 million in FY2016. However, gross profit margin improved to 27.9% in FY2017 from 27.5% in FY2016.

The gross profit margin of the Distribution Business segment increased marginally to approximately 28.1% in FY2017 from 27.8% in FY2016.

The gross profit margin of the Property Investment segment increased to gross profit margin of 9.8% in FY2017 from a gross loss margin of 3.3% in FY2016. This was mainly due to lower depreciation expense and finance cost in FY2017 as compared to FY2016.

Other operating income

Other operating income decreased by 58.7% to S$0.31 million in FY2017 from S$0.75 million in FY2016. The decrease in other operating income was mainly due to a decrease in gain on disposal of a subsidiary, a decrease in government grant income and a decrease in bad debts recovered from customers.

Administrative and selling expenses

Administrative and selling expenses decreased marginally by 0.5% to S$11.01 million in FY2017 from S$11.07 million in FY2016.

Other operating expenses

Other operating expenses decreased to S$0.89 million in FY2017 from S$0.83 million in FY2016, mainly due to an increase in depreciation of property, plant and equipment and amortisation of club membership. These increases were partially offset by the decrease in allowance for doubtful trade receivables in FY2017.

Finance costs

Finance costs decreased marginally to S$20,000 in FY2017 from S$61,000 in FY2016.

Profit before tax

As a result of the reasons aforementioned, the Group's profit before tax decreased to S$5.73 million in FY2017 from S$6.33 million in FY2016.

FINANCIAL POSITION

Current assets

Current assets increased by S$4.02 million from S$29.51 million as at 31 December 2016 to S$33.53 million as at 31 December 2017. The increase in current assets was mainly due to an increase in cash and bank balances of S$3.89 million, an increase in other receivables and prepayments of S$0.13 million and an increase in inventories of S$0.50 million which were partially offset by a decrease in trade receivables of S$0.50 million.

Non-current assets

Non-current assets decreased by S$0.11 million from S$21.98 million as at 31 December 2016 to S$21.87 million as at 31 December 2017. The decrease in non-current assets was mainly due to net decreases in investment properties and club membership of S$0.36 million and S$0.02 million respectively, which were partially offset by the increase in property, plant and equipment of S$0.15 million and other receivables and prepayments of S$0.12 million in FY2017.

Current liabilities

Current liabilities increased by S$1.28 million from S$9.93 million as at 31 December 2016 to S$11.21 million as at 31 December 2017. The increase in current liabilities were mainly due to an increase in trade payables of S$1.51 million and other payables and accruals of S$0.02 million. These increases were offset by a decrease in current portion of bank loans, finance leases and provision for taxation of S$0.03 million, S$0.05 million and S$0.17 million respectively.

Non-current liabilities

Non-current liabilities decreased by S$0.21 million from S$2.26 million as at 31 December 2016 to S$2.05 million as at 31 December 2017. The decrease in non-current liabilities was mainly due to a decrease in the non-current portion of bank loans of S$0.31 million and offset by an increase in non-current portion of finance lease and deferred tax liability of S$0.06 million and S$0.05 million respectively.

Statement of Financial Position	Group As at 31 December		Change (%)
	2017 S$'000	2016 S$'000	
ASSETS			
Current assets			
Cash and cash equivalents	12,012	8,120	47.9
Trade receivables	4,794	5,283	(9.3)
Other receivables and prepayments	741	611	21.3
Inventories	15,986	15,491	3.2
Total current assets	**33,533**	29,505	13.7
Non-current assets			
Property, plant and equipment	6,827	6,678	2.2
Investment properties	14,682	15,040	(2.4)
Club membership	243	262	(7.3)
Other receivables and prepayments	119	–	N.M.
Total non-current assets	**21,871**	21,980	(0.5)
Total assets	**55,404**	51,485	7.6
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	8,448	6,939	21.7
Other payables and accruals	1,610	1,585	1.6
Bank loans	321	349	(8.0)
Finance leases	47	99	(52.5)
Income tax payable	787	958	(17.8)
Total current liabilities	**11,213**	9,930	12.9
Non-current liabilities			
Bank loans	1,789	2,104	(15.0)
Finance leases	141	80	76.3
Deferred tax liability	120	74	62.2
Total non-current liabilities	**2,050**	2,258	(9.2)
Total liabilities	**13,263**	12,188	8.8
Total equity	**42,141**	39,297	7.2
Total liabilities and equity	**55,404**	51,485	7.6

N.M. : Not meaningful

OPERATING & FINANCIAL REVIEW

CASH FLOW

Net cash generated from operating activities

The net cash inflow generated from operating activities for FY2017 was approximately S$7.16 million, which was a result of operating cash flows before changes in working capital of approximately S$6.71 million, net working capital inflows of approximately S$1.38 million, and income tax paid amounting to approximately S$0.93 million.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S$0.71 million in FY2017 mainly due to purchases and prepayment of property, plant and equipment of approximately S$0.59 million and S$0.12 million respectively.

Net cash used in financing activities

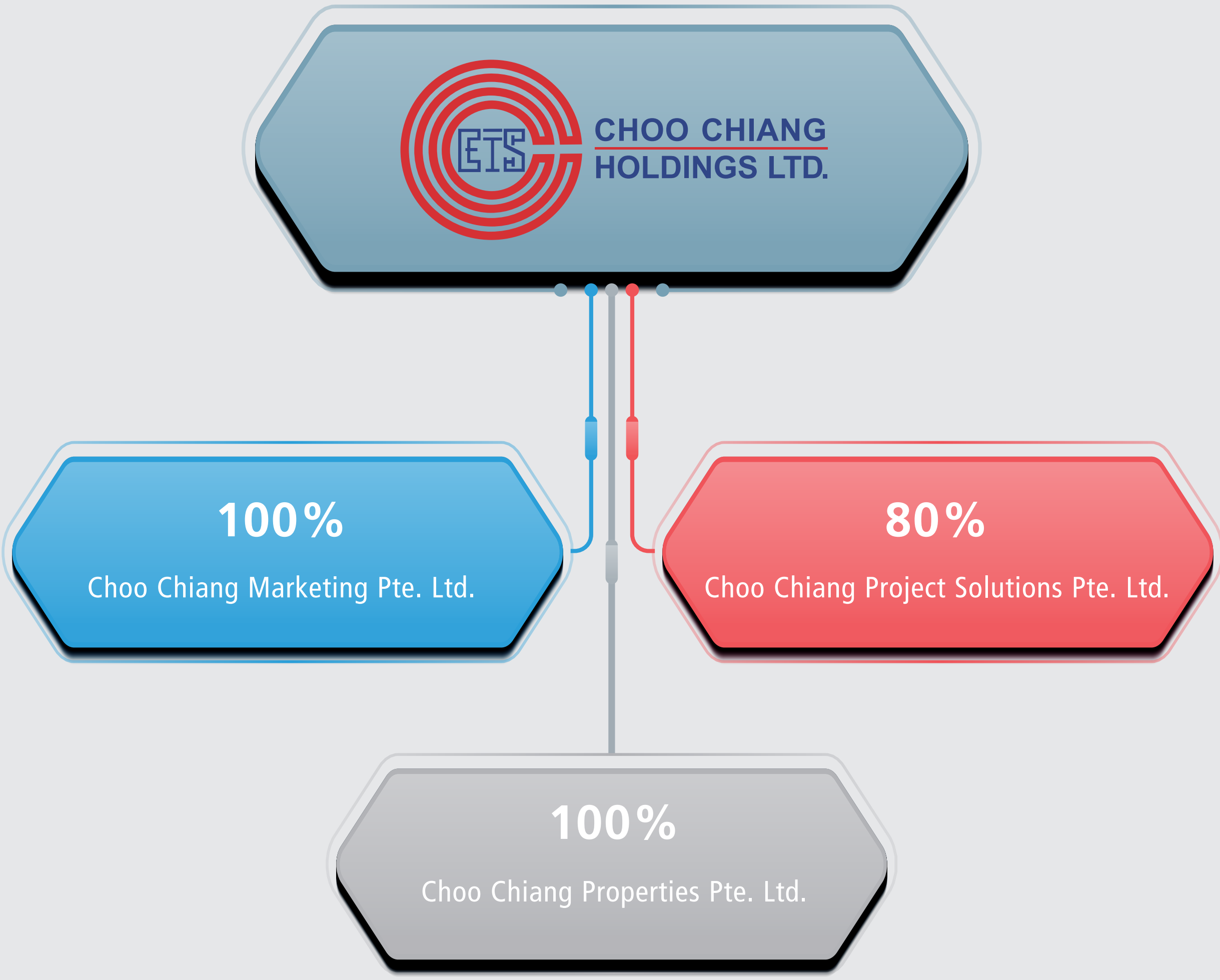
Net cash used in financing activities amounted to approximately S$2.56 million in FY2017 mainly due to (i) dividends payment of S$2.08 million; (ii) repayment of bank loans and finance leases of S$0.46 million; and (iii) interest payments of S$0.02 million.

Statement of Cash Flows	Group Year ended 31 December	
	2017 S$'000	2016 S$'000
Net cash generated from operating activities	7,161	6,051
Net cash flows used in investing activities	(709)	(2,529)
Net cash flows used in financing activities	(2,560)	(3,366)
Cash and cash equivalents at end of the year	12,012	8,120

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 33.8% and 4.2% respectively of the Group's consolidated net profits attributable to shareholders in FY2017.

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

Chin Chee Choon

Lead Independent Director
Date of Appointment: 25 June 2015

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

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

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

Pebble Sia

Independent Director
Date of Appointment: 25 June 2015

Ms Pebble Sia is the founding director of Esquire Law Corporation which was established in 2002. She is a corporate lawyer specialising in private equity investments and mergers and acquisitions. Pebble graduated from King's College, University of London in 1995 with a Bachelor of Laws with Second Class Honours (Upper Division). She was admitted as a barrister-at-law (Middle Temple, England) in 1996 and as an advocate and solicitor of the Supreme Court of Singapore in 1997. She is currently a director of SGX-ST listed Singapore Shipping Corporation Limited and GDS Global Limited.

Lee Weilin

Independent Director
Date of Appointment: 25 June 2015

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

KEY MANAGEMENT

Boo Chong Meng

Operations Director

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

Wilson Foo

General Manager

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

Morland Fu

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 and a Chartered Accountant of Singapore of the Institute of Singapore Chartered Accountants.

Josephine Tay

Administrative Manager

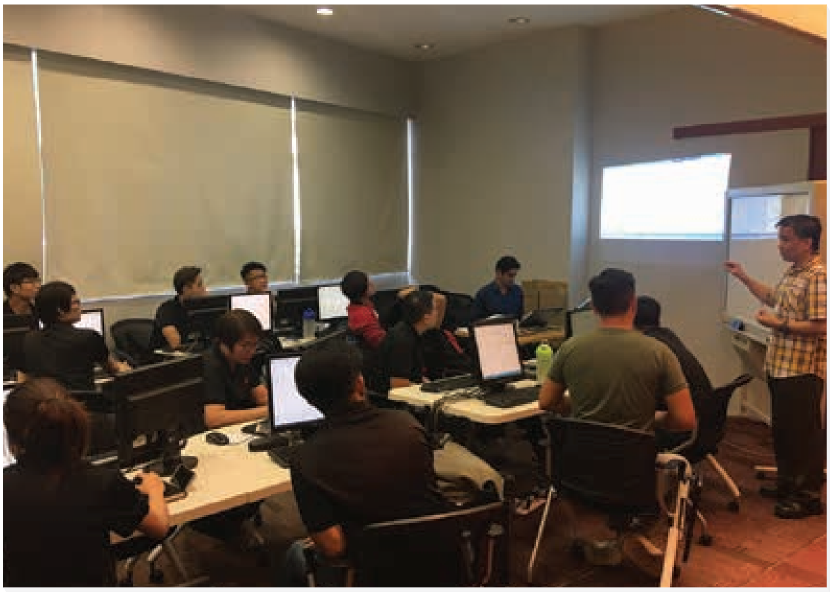
Josephine Tay joined the Group in April 1991 and is responsible for all aspects of human resource and administrative functions of our Group and also the handling of accounts. Prior to joining us, she was an administrative clerk at Nitto Trading Company from February 1990 to March 1991 where she was responsible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

Andy Tay

Purchasing Manager

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

CORPORATE SOCIAL RESPONSIBILITY



Dear Stakeholders,

Each year, we strive for the report to reflect our long-standing commitment to operating with integrity by making a sustainable difference every day.

Besides proactively engaging with our stakeholders in FY2017, 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, and then incorporate what we learn into our business plans and actions.

Valuing our People

At Choo Chiang, we aim to be the employer of choice for people who wish to flourish in an open communication and diverse environment. As a responsible and inclusive employer, we focus on the professional development and well-being of all our employees, with respect and value for their diversity. Besides encouraging people to join us from outside the business and develop great careers with us, we also invest strategically in various employee training programmes in new technology during FY2017, including launching internal training programs which offer opportunities for progression mobility in the organisation. All employees are constantly encouraged to look at how they can integrate safety and regular communication sharing sessions into everyday ways of working.

Sustaining our Environment

Reducing the impact we have on the environment has been an important part of the way we have run our business for many years. We have proven that this approach brings lasting, mutual benefits to our business and the world in which we all live. During the year, we worked with waste contractors on our long-term no-waste ambition. Besides reducing the impact on the natural environment through methods of waste management, and recycling disposable items such as copper and paper, we also raised employee awareness on critical issues in sustainable development through relevant initiatives.

In 2017, we also went paperless and introduced a new mobile product catalogue that allows customers or salespersons to easily browse through our latest products wherever they are.

Whistle-Blowing Policy

We are committed to operating to the highest standards of corporate conduct and transparency. As such, we believe that whistleblowing is crucial for unravelling undesirable acts that do not adhere to regulatory guidelines. To facilitate this disclosure, we have adopted a Whistle-Blowing Policy. The policy comes with designated officials to whom employees can approach and aims to provide adequate protection to employees for any reports in good faith. Employees can easily report any malpractices through our communication channel to the Chairman of the Audit Committee, who will take appropriate action to put things on the right track.

Investor Relations

As a listed company, it is part of our heritage and culture to treat our customers fairly and to act with integrity for all our stakeholders in everything we do. This includes providing transparent, timely and accurate disclosure on our performance and strategic developments. Besides the SGX website, stakeholders are also welcome to sign up for our e-mail alert service, which notifies them whenever an announcement is updated on the SGX website. Investors who wish to know more details may obtain a copy of the Group's Sustainability Report (SR) 2017 which will be published separately from the 2017 annual report before end of FY2018 and available in electronic format.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Thomas Lim Teck Chuan
(Executive Chairman and CEO)

Rocky Lim Teck Seng
(Executive Director)

Chin Chee Choon
(Lead Independent Director)

Pebble Sia Huei-Chieh
(Independent Director)

Lee Weilin
(Independent Director)

AUDIT COMMITTEE

Chin Chee Choon (Chairperson)

Pebble Sia Huei-Chieh

Lee Weilin

NOMINATING COMMITTEE

Lee Weilin (Chairperson)

Thomas Lim Teck Chuan

Chin Chee Choon

Pebble Sia Huei-Chieh

REMUNERATION COMMITTEE

Pebble Sia Huei-Chieh
(Chairperson)

Chin Chee Choon

Lee Weilin

COMPANY SECRETARIES

Yeoh Kar Choo Sharon, ACIS
Morland Fu Lin, CA

SHARE REGISTRAR

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

SPONSOR

CIMB Bank Berhad, Singapore Branch
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

AUDITOR

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

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

REGISTERED OFFICE

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

INVESTOR RELATIONS

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

CORPORATE GOVERNANCE REPORT FY2017

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 2017 ("**FY2017**"), with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 issued on 2 May 2012 (the "**Code**").

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

Principle 1: The Board's Conduct of its Affairs

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT FY2017

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. The Company will also provide training for first-time Directors. Each of the Directors, upon their appointment, has furnished a letter stating that they are aware and have been informed of their duties and obligations as Directors. A formal letter will be sent to newly appointed Directors upon their appointment explaining, among other things, their roles, duties and responsibilities as members of the Board. During FY2017, there has not been any new Director appointed to the Board.

Briefing and updates provided to the Directors for FY2017 included:

a) briefing by the Company's external auditors, Deloitte & Touche LLP ("**Deloitte**"), on the key developments in financial reporting and governance standards at the half-yearly meetings;

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 Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority which are relevant to the Directors and circulated to the Board.

The number of Board and Board Committee meetings during FY2017 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	2	2	2	2	1	1	1	1
Ms Lee Weilin	2	2	2	2	1	1	1	1
Ms Pebble Sia Huei-Chieh ("**Pebble Sia**")	2	2	2	2	1	1	1	1

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

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

CORPORATE GOVERNANCE REPORT FY2017

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**"). There are three male directors and two female directors.

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

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

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

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

The Board with the assistance of the NC is proactive in seeking to maintain an appropriate balance of expertise, skills, 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 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.

CORPORATE GOVERNANCE REPORT FY2017

Principle 3: Role of Chairman and CEO

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

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

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

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

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

The key terms of reference of the NC include:

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

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

CORPORATE GOVERNANCE REPORT FY2017

c) review and approve all promotions of Executive Officers;

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

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

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

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

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

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

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

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.

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

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

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

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

The key information on the Directors is set out below:

			Directorships in other listed companies	
Name	**Appointment**	**Date of Appointment/ Last Re-election**	**Present**	**For the past three years up to 31 December 2017**
Mr Thomas Lim[1]	Executive Chairman and CEO	5 September 2014/ 27 April 2017	Nil	Nil
Mr Rocky Lim[1]	Executive Director	5 September 2014/ 27 April 2016	Nil	Nil
Mr Chin Chee Choon	Lead Independent Director	25 June 2015/ 27 April 2016	Versalink Holdings Limited	Nil
Ms Lee Weilin	Independent Director	25 June 2015/ 29 June 2015	Nil	Nil
Ms Pebble Sia	Independent Director	25 June 2015/ 27 April 2017	GDS Global Limited Singapore Shipping Corporation Limited	Nil

Note:

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

Please also refer to pages 16 to 17 of this annual report for information on the working experience and academic and professional qualifications of the Directors.

CORPORATE GOVERNANCE REPORT FY2017

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/she 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.

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

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

For FY2017, the NC, in assessing the contribution of each Director, had considered each Director's attendance and participation at Board and Board Committee meetings, his/her qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including the Management's access to the Directors for guidance or exchange of views as and when necessary. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered.

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

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.

CORPORATE GOVERNANCE REPORT FY2017

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

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

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

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

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

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

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

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

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

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

The RC does consider long-term incentive scheme for the Executive Directors and key management personnel. In this connection, the RC shall at the relevant time look into granting of share awards under the Choo Chiang Performance Share Plan which was adopted by the Company before 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 or her own remuneration package.

CORPORATE GOVERNANCE REPORT FY2017

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 FY2017, 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 key management personnel.

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). In July 2017, the RC conducted a review and approved the renewal of the Service Agreements with no material changes to the terms and conditions therein.

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 FY2017, Mr Thomas Lim and Mr Rocky Lim were not entitled to any performance bonus.

Guideline 9.2 of the Code recommends that companies fully disclose the remuneration of each individual director and the CEO on a named basis. The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the Directors' remuneration due to competitiveness in the industry for talent. As such, the Board has deviated from complying with the relevant guideline of the Code and has provided below a breakdown, showing the level and mix of for each Director and the CEO in bands of S$250,000 for FY2017:–

Remuneration Band and Name of Director	Salary %	Bonus/Profit Sharing %	Fees %	Benefits in Kind %	Total %
Up to S$250,000					
Mr Chin Chee Choon	–	–	100	–	100
Ms Lee Weilin	–	–	100	–	100
Ms Pebble Sia	–	–	100	–	100
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	90	8	–	2	100

CORPORATE GOVERNANCE REPORT FY2017

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

The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the remuneration of key management personnel due to competitiveness in the industry for talent. A breakdown, showing the level of the top five management personnel's remuneration (who are not Directors or the CEO) in bands of S$250,000 for FY2017 is set out below:–

Remuneration Band and Name of Executive	Salary %	Bonus/Profit Sharing %	Fees %	Benefits in Kind %	Total %
Up to S$250,000					
Mr Boo Chong Meng	80	20	–	–	100
Mr Wilson Foo[(1)]	71	24	–	5	100
Ms Josephine Tay[(2)]	67	33	–	–	100
Mr Andy Tay[(3)]	69	25	–	6	100
S$250,001 to S$500,000					
Mr Morland Fu	67	33	–	–	100
Aggregate of total remuneration paid or payable to the top five (5) Executives who are not Directors or CEO					S$1,120,580

Notes:

(1) Mr Wilson Foo is the nephew of Mr Thomas Lim and Mr Rocky Lim.

(2) Ms Josephine Tay is the spouse of Mr Rocky Lim and the sister of Mr Andy Tay. Ms Josephine Tay's annual remuneration for FY2017 was between S$200,000 to S$250,000.

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

Apart from Ms Josephine Tay who is the spouse of Mr Rocky Lim, the Group's Executive Director, and whose annual remuneration for FY2017 was between S$200,000 and S$250,000, the Group does not have any other employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S$50,000 for FY2017. "**Immediate family member**" means the spouse, child, adopted child, step-child, sibling and parent (as defined in the Catalist Rules).

Further information on Directors and the key management personnel is on pages 16 to 19 of this annual report.

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

CORPORATE GOVERNANCE REPORT FY2017

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

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

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

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

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

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

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.

CORPORATE GOVERNANCE REPORT FY2017

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

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

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

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

For FY2017, 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 FY2017 are adequate and effective.

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

Audit Committee

Principle 12: Audit Committee

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

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

CORPORATE GOVERNANCE REPORT FY2017

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;

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 Code;

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

CORPORATE GOVERNANCE REPORT FY2017

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

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

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

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

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

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

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

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

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

The AC also reviews the independence and objectivity of the external auditors annually. The aggregate amount of fees paid or payable to the Company's auditors, Deloitte, for FY2017 is as below.

External Auditor Fees for FY2017	**S$'000**
Audit fees	74
Non-audit fees	20
Total	94

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 FY2017, 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.

CORPORATE GOVERNANCE REPORT FY2017

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 FY2017, 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 FY2017 all entities have been audited by Deloitte for consolidation purposes. Deloitte is registered with the Accounting and Corporate Regulatory Authority of Singapore.

Mr Chin Chee Choon, the AC Chairperson is a Practicing Chartered Accountant in Singapore for many years and is competent to lead the AC and keep its members abreast of changes to accounting standards and issues which have a direct impact on financial statements. In addition, the AC is also assisted by Deloitte for updates on any changes to relevant standards and regulations (e.g. accounting standards, SGX-ST listing rules 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 FY2017, there were no reported incidents pertaining to whistle blowing.

Principle 13: Internal Audit

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

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

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

CORPORATE GOVERNANCE REPORT FY2017

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

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

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

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

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

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

Shareholders are encouraged to participate during the general meetings.

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT FY2017

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.

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

Principle 16: Conduct of Shareholder Meetings

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

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

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

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

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

CORPORATE GOVERNANCE REPORT FY2017

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 2017 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.

(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 2017 and as at the date of this report, CCM Ventures and CCM Australia are still in the process of being struck off.

CORPORATE GOVERNANCE REPORT FY2017

Non-Sponsor Fees

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

Interested Person Transactions

There is no general mandate from Shareholders for interested person transactions. The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis.

Name of interested person	Aggregate value of all interested person transactions (including transactions of less than S$100,000 each) during FY2017 (excluding transactions conducted under general mandate) (S$'000)	Aggregate value of all interested person transactions (including transactions of less than $100,000 each) conducted during FY2017 under the general mandate (S$'000)
Lim Teck Chuan – Sale of electrical accessories by the Group to CCM Australia[1]	56	Nil

Note:

[1] 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. Accordingly, CCM Australia is an Associate of Lim Teck Chuan and transactions between the Group and CCM Australia are interested person transactions within the ambit of Chapter 9 of the Catalist Rules.

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 FY2017 were as follows:

Fee for sustainability reporting consultation services rendered to the Group – S$20,000.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017.

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 49 to 96 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, 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
Chin Chee Choon
Lee Weilin
Pebble Sia Huei-Chieh

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)		
– Lim Trust Pte. Ltd.		
Lim Teck Chuan	90,000	90,000
Lim Teck Seng	10,000	10,000
The Company (Ordinary shares)		
– Choo Chiang Holdings Ltd.		
Chin Chee Choon	–	100,000

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

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Continued)

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	145,600,000

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 January 21, 2018 were the same at December 31, 2017.

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 Chin Chee Choon, an independent director, and includes Ms Pebble Sia Huei-Chieh, an independent director and Ms Lee Weilin, an independent director. The Audit Committee has met 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 financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

DIRECTORS' STATEMENT

5 **AUDIT COMMITTEE** (Continued)

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

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

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

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

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

March 22, 2018

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 December 31, 2017, 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 49 to 96.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2017 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHOO CHIANG HOLDINGS LTD.

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.

Key Audit Matters	Our audit performed and responses thereon
Impairment on trade receivables (Note 7) The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The estimation of allowance for doubtful debts requires the use of estimates such as historical collection pattern and financial performance or position of the customer. Where the expectation is different from the original estimate, such differences may impact the carrying value of trade receivables and the allowance for doubtful debts expenses in the period in which such estimate has been charged.	We discussed with management the basis used to determine the recoverability of trade receivables and the appropriateness of the allowance for doubtful trade receivables. We tested the accuracy and completeness of the trade receivables aging as at year end. We performed independent check on the historical collection pattern for customers with past due receivables, the subsequent collection from customers and financial performance or position of the customer. We found that the basis used to determine 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 check 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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's 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.

Auditor's Responsibility for the Audit of the Financial Statements (Continued)

(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

March 22, 2018

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**12,012**	8,120	**37**	1,415
Trade receivables	7	**4,794**	5,283	**185**	–
Other receivables and prepayments	8	**741**	611	**17,893**	18,557
Inventories	9	**15,986**	15,491	**–**	–
Total current assets		**33,533**	29,505	**18,115**	19,972
Non-current assets					
Property, plant and equipment	10	**6,827**	6,678	**–**	–
Investment properties	11	**14,682**	15,040	**–**	–
Club membership	12	**243**	262	**–**	–
Other receivables and prepayments	8	**119**	–	**–**	–
Investment in subsidiaries	13	**–**	–	**2,340**	2,340
Total non-current assets		**21,871**	21,980	**2,340**	2,340
Total assets		**55,404**	51,485	**20,455**	22,312
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	14	**8,448**	6,939	**–**	–
Other payables and accruals	15	**1,610**	1,585	**53**	128
Bank loans	16	**321**	349	**–**	–
Finance leases	17	**47**	99	**–**	–
Income tax payable		**787**	958	**22**	44
Total current liabilities		**11,213**	9,930	**75**	172
Non-current liabilities					
Bank loans	16	**1,789**	2,104	**–**	–
Finance leases	17	**141**	80	**–**	–
Deferred tax liability	18	**120**	74	**–**	–
Total non-current liabilities		**2,050**	2,258	**–**	–
Total liabilities		**13,263**	12,188	**75**	172
Capital, reserves and non-controlling interests					
Share capital	19	**8,020**	8,020	**8,020**	8,020
Accumulated profits		**34,061**	31,212	**12,360**	14,120
Equity attributable to the owners of the Company		**42,081**	39,232	**20,380**	22,140
Non-controlling interests		**60**	65	**–**	–
Total equity		**42,141**	39,297	**20,380**	22,140
Total liabilities and equity		**55,404**	51,485	**20,455**	22,312

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	Group	
		2017	2016
		$'000	$'000
Revenue	20	**62,126**	63,906
Cost of sales		**(44,793)**	(46,359)
Gross profit		**17,333**	17,547
Other operating income	21	**308**	745
Administrative and selling expenses		**(11,005)**	(11,070)
Other operating expenses		**(885)**	(831)
Finance costs	22	**(20)**	(61)
Profit before tax		**5,731**	6,330
Income tax expense	23	**(807)**	(931)
Profit for the year, representing total comprehensive income for the year	24	**4,924**	5,399
Total comprehensive income attributable to:			
Owners of the Company		**4,929**	5,357
Non-controlling interests		**(5)**	42
		4,924	5,399
Earnings per share (in cents):			
Basic and diluted	26	**2.37**	2.58

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	Share capital $'000	Accumulated profits $'000	Attributable to the owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group					
Balance at January 1, 2016	8,020	27,103	35,123	1,116	36,239
Profit for the year, representing total comprehensive income for the year	–	5,357	5,357	42	5,399
Transactions with owners, recognised directly in equity					
Dividend paid (Note 29)	–	(1,248)	(1,248)	–	(1,248)
Effects on non-controlling interest upon disposal of a subsidiary (Note 27)	–	–	–	(1,093)	(1,093)
Balance at December 31, 2016	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 29)	–	(2,080)	(2,080)	–	(2,080)
Balance at December 31, 2017	**8,020**	**34,061**	**42,081**	**60**	**42,141**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	Share capital $'000	Accumulated profits $'000	Total $'000
Company			
Balance at January 1, 2016	8,020	1,452	9,472
Profit for the year, representing total comprehensive income for the year	–	13,916	13,916
Dividend paid, representing transactions with owners, recognised directly in equity (Note 29)	–	(1,248)	(1,248)
Balance at December 31, 2016	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 29)	–	(2,080)	(2,080)
Balance at December 31, 2017	**8,020**	**12,360**	**20,380**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Operating activities		
Profit before tax	**5,731**	6,330
Adjustments for:		
Interest expenses	**20**	61
Interest income	**(6)**	–*
Depreciation of property, plant and equipment	**567**	541
Depreciation of investment properties	**358**	377
Amortisation of club membership	**19**	3
Gain on disposal of property, plant and equipment	**–***	–
Gain on disposal of a subsidiary (Note 27)	**–**	(313)
Allowance for doubtful trade receivables	**45**	77
Bad debts recovered	**(28)**	(118)
Reversal of stock obsolescence	**–**	(264)
Investment properties written off	**–**	4
Operating cash flows before movements in working capital	**6,706**	6,698
Trade receivables	**472**	(454)
Other receivables and prepayments	**(130)**	(260)
Inventories	**(495)**	769
Trade payables	**1,509**	(359)
Other payables and accruals	**25**	322
Cash generated from operations	**8,087**	6,716
Income tax paid	**(932)**	(665)
Interest received	**6**	–*
Net cash from operating activities	**7,161**	6,051
Investing activities		
Proceeds from disposal of property, plant and equipment	**–***	–
Proceeds from disposal of subsidiary (Note 27)	**–**	119
Purchase of property, plant and equipment (Note A)	**(590)**	(1,797)
Payments for investment properties (Note B)	**–**	(586)
Prepayment of property, plant and equipment	**(119)**	–
Purchase of club membership	**–**	(265)
Net cash used in investing activities	**(709)**	(2,529)

*: Less than $1,000

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Group	
	2017	2016
	$'000	$'000
Financing activities		
Proceeds from bank loans	–	540
Repayment of bank loans	(343)	(2,387)
Repayment of finance leases	(117)	(210)
Dividend paid	(2,080)	(1,248)
Interest paid	(20)	(61)
Net cash used in financing activities	(2,560)	(3,366)
Net increase in cash and cash equivalents	3,892	156
Cash and cash equivalents at beginning of year	8,120	7,964
Cash and cash equivalents at end of year (Note 6)	12,012	8,120
Note A		
Additions to property, plant and equipment (Note 10)	716	1,797
Less: Acquired under finance lease	(126)	–
	590	1,797
Note B		
Additions to investment properties (Note 11)		
Add: Payment made for prior year unpaid balances	–	1,566
Less: Investment property purchased under non-cash consideration (Note 27)	–	540
Less: Unpaid balances at end of the year	–	(1,520)
	–	586

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 December 31, 2017 were authorised for issue by the Board of Directors on March 22, 2018.

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 Financial Reporting Standards in Singapore (“FRS”).

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

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

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

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 – On January 1, 2017, the Group adopted all the new and revised FRSs and Interpretations of FRSs (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior years except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 17. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 17, the application of these amendments had no impact on the Group's consolidated financial statements.

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 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 ending December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

New SFRS(I) that may have impact

The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after January 1, 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 1-40 *Investment Property: Transfers of Investment Property*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented 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 to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

SFRS(I) 9 *Financial Instruments* (Continued)

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management has performed an analysis of the requirements of the initial application of the new SFRS(I) 9 and has anticipated that the adoption of SFRS (I) 9 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipates that the initial adoption of SFRS(I) 15 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

At as December 31, 2017, the Group has non-cancellable operating commitments of $5,071,000 (2016: $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. It is not practicable to provide a reasonable financial estimate of the effect until the detailed review is completed. Management does not plan to early adopt the above SFRS(I) 16.

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;

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective interest method

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

Financial assets

All financial assets are recognised and de-recognised on a trade date 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.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

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

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other financial liabilities

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

Interest-bearing bank loans, finance leases and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

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

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

The Group as lessor

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

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

The Group as lessee

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group as lessee (Continued)

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.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Sale of goods

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

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

Interest income

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

Rental income

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

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

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

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

DECEMBER 31, 2017

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

DECEMBER 31, 2017

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

Key sources of estimation uncertainty

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

Allowance for trade and other receivables

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

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

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

DECEMBER 31, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables:				
Cash and cash equivalents	**12,012**	8,120	**37**	1,415
Trade receivables	**4,794**	5,283	**185**	–
Other receivables	**365**	181	**17,874**	18,536
	17,171	13,584	**18,096**	19,951
Financial liabilities				
Amortised cost:				
Trade payables	**8,448**	6,939	**–**	–
Other payables and accruals	**1,610**	1,585	**53**	128
Bank loans	**2,110**	2,453	**–**	–
Finance leases	**188**	179	**–**	–
	12,356	11,156	**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.

(ii) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial loss to the Group. Cash is held with creditworthy financial institutions. The Group has adopted stringent credit policies in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties, of which 73% (2016: 77%) of the gross trade receivables are neither past due nor impaired and relate to customers that the Group has assessed to be creditworthy, based on the credit evaluation process performed by management.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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

(ii) Credit risk management (Continued)

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

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

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

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

(iii) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial assets

The Group's non-derivative financial assets of approximately $17,171,000 (2016: $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 $18,096,000 (2016: $19,951,000) are repayable on demand or due within one year from the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
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**
2016						
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

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company						
2017						
Non-interest bearing	–	**53**	–	–	–	**53**
2016						
Non-interest bearing	–	128	–	–	–	128

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 December 31, 2017			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Group				
Financial Liabilities				
Bank loans	**–**	**2,110**	**–**	**2,110**
Finance leases	**–**	**188**	**–**	**188**

	Fair value hierarchy as at December 31, 2016			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'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.

(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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States dollar	**327**	265	**129**	200

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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

(v) Foreign exchange risk management (Continued)

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	
	2017	**2016**
	$'000	**$'000**
United States dollar impact	**(20)**	(7)

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.

(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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

5 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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

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

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

	Group	
	2017	**2016**
	$'000	**$'000**
Sales to related party(i)	**(56)**	(53)
Purchases from related parties(ii)	–	173
Interest expenses to related party (Note 22)(ii)	–	29

(i) Related party refers to a company where a director of the Group has a major shareholding in Neiken Electric (S) Pte. Ltd. (formerly known as Neiken Switchgear (S) Pte. Ltd.).

(ii) Related parties refer to the corporate shareholder of UMS-Neiken Group Berhad., ("UMSN") and members of UMSN's Group of Companies. On September 15, 2016, the Group disposed its entire 50% shareholding interests in the issued and paid-up capital of Neiken Electric (S) Pte. Ltd. ("Neiken") to United MS Electrical Mfg (M) Sdn. Bhd. ("UMS").

Call option granted by CCM Australia Pty Ltd

The Company and CCM Australia Pty Ltd ("CCM Australia") entered into a call option agreement on June 26, 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.

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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 June 26, 2015 ("TL Call Option Agreement") pursuant to which Lim Teck Chuan granted the Company a call option to acquire all the shares that he may from time to time hold in CCM Ventures ("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 July 21, 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.

Compensation of director and key management personnel

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

	Group	
	2017	**2016**
	$'000	**$'000**
Short-term benefits	**2,836**	2,453
Post-employment benefits	**94**	105
Total	**2,930**	2,558

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand	**175**	167	**–**	1
Cash at banks	**11,807**	7,923	**37**	1,414
Fixed deposit	**30**	30	**–**	–
	12,012	8,120	**37**	1,415

During the year, the Group's fixed deposit carry fixed interest on prevailing market rates at 0.1% (2016: 0.1%) per annum.

NOTES TO FINANCIAL STATEMENTS

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7 TRADE RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Outside parties	**5,003**	5,389	**–**	–
Subsidiary (Note 5)	**–**	–	**185**	–
Related party (Note 5)	**–**	53	**–**	–
	5,003	5,442	**185**	–
Less: Allowance for doubtful trade receivables				
– Outside parties	**(210)**	(193)	**–**	–
	4,793	5,249	**185**	–
Accrued income	**1**	34	**–**	–
Total	**4,794**	5,283	**185**	–

The average credit period for trade receivables is approximately 30 to 90 days (2016: 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. The balance has been repaid fully in January 2017.

An allowance has been made for estimated irrecoverable amounts from the sale of goods of $210,000 (2016: $193,000). Allowance for doubtful trade receivables is provided based on the assessment of outstanding debts more than 90 days after the credit term and by reference to past default experience.

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

Included in the Group's trade receivables balance are debtors with a carrying amount of $1,310,000 (2016: $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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

7 TRADE RECEIVABLES (Continued)

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'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

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8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Amount due from subsidiaries (Note 5)	–	–	17,860	18,532
Outside parties	203	56	14	4
Deposits	162	125	–	–
Prepayments	495	430	19	21
	860	611	17,893	18,557
Less: Non-current	(119)	–	–	–
Current	741	611	17,893	18,557

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

9 INVENTORIES

	Group	
	2017	2016
	$'000	$'000
At cost:		
Finished goods	17,561	17,430
Goods in transit	654	290
	18,215	17,720
Less: Allowance for stock obsolescence	(2,229)	(2,229)
	15,986	15,491

Movement in the allowance for stock obsolescence:

Balance at beginning of the year	2,229	2,528
Disposal of a subsidiary	–	(35)
Reversal of allowance during the year	–	(264)
Balance at end of the year	2,229	2,229

NOTES TO FINANCIAL STATEMENTS

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10 PROPERTY, PLANT AND EQUIPMENT

	Freehold property $'000	Leasehold properties $'000	Motor vehicles and forklifts $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Machinery and equipment $'000	Total $'000
Group								
Cost:								
At January 1, 2016	1,326	5,581	1,236	242	409	345	85	9,224
Additions	–	1,388	58	102	97	33	119	1,797
Disposal of a subsidiary (Note 27)	(1,326)	–	(225)	(27)	(50)	(81)	–	(1,709)
Write-offs	–	–	(44)	–	(7)	–	–	(51)
At December 31, 2016	–	6,969	1,025	317	449	297	204	9,261
Additions	–	–	228	–	484	4	–	716
Disposals	–	–	(74)	–	–	–	–	(74)
At December 31, 2017	**–**	**6,969**	**1,179**	**317**	**933**	**301**	**204**	**9,903**
Accumulated depreciation:								
At January 1, 2016	98	1,176	753	71	105	236	55	2,494
Depreciation for the year	19	130	152	62	97	55	26	541
Disposal of a subsidiary (Note 27)	(117)	–	(152)	(10)	(43)	(79)	–	(401)
Write-offs	–	–	(44)	–	(7)	–	–	(51)
At December 31, 2016	–	1,306	709	123	152	212	81	2,583
Depreciation for the year	–	131	141	61	143	55	36	567
Disposals	–	–	(74)	–	–	–	–	(74)
At December 31, 2017	**–**	**1,437**	**776**	**184**	**295**	**267**	**117**	**3,076**
Carrying amount:								
At December 31, 2017	**–**	**5,532**	**403**	**133**	**638**	**34**	**87**	**6,827**
At December 31, 2016	–	5,663	316	194	297	85	123	6,678

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

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	48 years	Warehouse and Retail
61 Ubi Road #01-11, Oxley Bizhub Singapore 408727	Leasehold	60 years	53 years	Retail
Blk 640 Rowell Road #01-70, Singapore 200640	Leasehold	81 years	66 years	Retail
Blk 3 Soon Lee Street #01-09 Pioneer Junction Singapore 627606	Leasehold	30 years	24 years	Retail

The carrying amount of motor vehicles and office equipment of the Group under finance leases (Note 17) amounted to NIL and $174,000 respectively (2016: $223,000 and $97,000).

The Group's leasehold property located at 10 Woodlands Loop, Singapore 738388 with carrying amount of $2,549,000 (2016: $2,619,000) is mortgaged to the bank to secure bank loan (Note 16).

11 INVESTMENT PROPERTIES

	Freehold properties $'000	Leasehold properties $'000	Renovation $'000	Property under construction $'000	Total $'000
Group					
Cost:					
At January 1, 2016	12,114	6,508	6	–	18,628
Additions	1,566	–	–	–	1,566
Disposal of a subsidiary (Note 27)	(4,000)	–	–	–	(4,000)
Written off	–	–	(6)	–	(6)
At December 31, 2016 and December 31, 2017	**9,680**	**6,508**	**–**	**–**	**16,188**
Accumulated depreciation:					
At January 1, 2016	498	470	2	–	970
Depreciation for the year	228	149	–	–	377
Disposal of a subsidiary (Note 27)	(197)	–	–	–	(197)
Written off	–	–	(2)	–	(2)
At December 31, 2016	529	619	–	–	1,148
Depreciation for the year	194	164	–	–	358
At December 31, 2017	**723**	**783**	**–**	**–**	**1,506**
Carrying amount:					
At December 31, 2017	**8,957**	**5,725**	**–**	**–**	**14,682**
At December 31, 2016	9,151	5,889	–	–	15,040

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

11 INVESTMENT PROPERTIES (Continued)

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

	Tenure of property	Term of lease	Remaining term of lease	Existing use	Fair value 2017 $'000	Fair value 2016 $'000
Address of property						
48 Toh Guan East #01-102, Singapore 608586	Leasehold	60 years	40 years	Commercial	**1,100**	1,100
8B Admiralty Street #01-06, Singapore 757440	Leasehold	60 years	43 years	Commercial	**1,570**	1,570
8B Admiralty Street #01-07, Singapore 757440	Leasehold	60 years	43 years	Commercial	**1,560**	1,560
65 Ubi Road 1 #02-65, Oxley Bizhub, Singapore 408729	Leasehold	60 years	53 years	Commercial	**1,220**	1,220
5 Soon Lee Street, Pioneer Point #01-66, Singapore 627607	Leasehold	30 years	24 years	Commercial	**638**	638
5 Soon Lee Street, Pioneer Point #01-67, Singapore 627607	Leasehold	30 years	24 years	Commercial	**560**	560
9 Tagore Lane #02-06 9@Tagore, Singapore 787472	Freehold	–	–	Commercial	**1,520**	1,580
9 Tagore Lane #02-07 9@Tagore, Singapore 787472	Freehold	–	–	Commercial	**1,820**	1,820
9 Tagore Lane #03-16 9@Tagore, Singapore 787472	Freehold	–	–	Commercial	**1,660**	1,660
23 New Industrial Road, #02-08 Solstice Business Centre, Singapore 536209	Freehold	–	–	Commercial	**1,400**	1,400
421 Tagore Industrial Avenue #01-22, Tagore 8, Singapore 787805	Freehold	–	–	Commercial	**2,000**	2,000
421 Tagore Industrial Avenue #01-23, Tagore 8, Singapore 787805	Freehold	–	–	Commercial	**2,000**	2,000
					17,048	17,108

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11 INVESTMENT PROPERTIES (Continued)

The fair value is regarded as Level 3 in the fair value hierarchy. The fair values of the investment properties have been estimated based on directors' estimation, which were arrived at by reference to desktop valuations performed by independent valuer having appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuation was arrived at principally by using the basis of 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 $512,000 (2016: $611,000) during the year. Direct operating expenses arising on the investment properties amounted to $466,000 (2016: $629,000).

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 (Note 16).

12 CLUB MEMBERSHIP

	Group $'000
Cost:	
Additions and at December 31, 2016 and December 31, 2017	**265**
Accumulated amortisation:	
At January 1, 2016	–
Amortisation for the year	3
At December 31, 2016	3
Amortisation for the year	19
At December 31, 2017	**22**
Carrying amount:	
At December 31, 2017	**243**
At December 31, 2016	262

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2017 $'000	2016 $'000
Unquoted equity shares, at cost:		
Beginning of financial year	**2,340**	2,740
Additions	–	100
Disposal of a subsidiary (Note 27)	–	(500)
Ending of financial year	**2,340**	2,340

NOTES TO FINANCIAL STATEMENTS

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13 INVESTMENT IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries are as follows:

Name of subsidiary/ Place of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held 2017	2016
		%	%
Choo Chiang Marketing Pte. Ltd. Singapore[1]	Supply of electrical products and accessories; and assemblers of lighting fittings and fixtures	**100**	100
Choo Chiang Project Solutions Pte. Ltd. Singapore[1]	Supply of electrical products and accessories	**80**	80
Choo Chiang Properties Pte. Ltd. Singapore[1]	Property investment and real estate management	**100**	100

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

The table below shows details of non-wholly owned subsidiaries 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 2017	2016	Profit (Loss) allocated to non-controlling interests 2017	2016	Accumulated non-controlling interests 2017	2016
		%	%	$'000	$'000	$'000	$'000
Neiken Electric (S) Pte. Ltd.	Singapore	–	–	–	36	–	–
Choo Chiang Project Solutions Pte. Ltd.	Singapore	**80**	80	**(5)**	6	**60**	65
				(5)	42	**60**	65

On September 15, 2016, the Group disposed its entire 50% shareholding interests in the issued and paid up capital of Neiken Electric (S) Pte. Ltd. ("Neiken") to United MS Electrical Mfg (M) Sdn. Bhd. Non-controlling interest is considered not to be material to the Group.

NOTES TO FINANCIAL STATEMENTS

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14 TRADE PAYABLES

	Group	
	2017 $'000	2016 $'000
Outside parties	**8,173**	6,631
Others	**275**	308
	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 (2016: 30 to 90 days). No interest is charged on the outstanding trade payables.

15 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Outside parties	**181**	112	**13**	26
Rental deposits received	**100**	105	**–**	–
Rental received in advance	**10**	5	**–**	–
Accruals	**1,319**	1,363	**40**	102
	1,610	1,585	**53**	128

16 BANK LOANS

	Group	
	2017 $'000	2016 $'000
Bank loans	**2,110**	2,453
Less: Amount due for settlement within 12 months	**(321)**	(349)
Amount due for settlement after 12 months	**1,789**	2,104

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

There was a term loan of $2,453,000 in 2016. 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.

There was a term loan of $2,110,000 in 2017. 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 and the Group's leasehold property at 10 Woodlands Loop. The effective interest rate is approximately 1.97% per annum.

NOTES TO FINANCIAL STATEMENTS

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17 FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Amounts payable under finance leases:				
Due within one year	**60**	112	**47**	99
Due within two to five years	**186**	119	**141**	80
	246	231	**188**	179
Less: Future finance charges	**(58)**	(52)		
Present value of obligations lease	**188**	179		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(47)**	(99)
Amount due for settlement after 12 months			**141**	80

The lease terms are between 3 to 5 years. The effective interest rates range from 3.22% to 7.15% (2016: 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.

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

(i) The cash flows make up the repayments of borrowings in the statement of cash flows.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 January 1, 2016	45
Charge to profit or loss (Note 23)	29
At December 31, 2016	74
Charge to profit or loss (Note 23)	46
At December 31, 2017	**120**

19 SHARE CAPITAL

	2017	2016	2017	2016
	Number of ordinary shares		$'000	$'000
Group and Company				
Issued and paid up:				
At beginning and end of the year	**208,000,000**	208,000,000	**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

	Group	
	2017 $'000	2016 $'000
Sales of goods	**61,614**	63,295
Rental income	**512**	611
	62,126	63,906

NOTES TO FINANCIAL STATEMENTS

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21 OTHER OPERATING INCOME

	Group 2017 $'000	Group 2016 $'000
Bad debts recovered	28	118
Gain in foreign exchange	–	2
Gain on disposal of a subsidiary (Note 27)	–	313
Government grants	78	150
Interest income	6	–*
Sponsorship	183	153
Sundry income	13	9
	308	745

*: Less than $1,000

22 FINANCE COSTS

	Group 2017 $'000	Group 2016 $'000
Bank loan interest	2	7
Finance leases interest	18	25
Interest expenses to related party (Note 5)	–	29
	20	61

23 INCOME TAX EXPENSE

	Group 2017 $'000	Group 2016 $'000
Income tax		
Current	782	969
Over provision in prior year	(21)	(67)
	761	902
Deferred tax		
Current (Note 18)	46	29
Total	807	931

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

23 INCOME TAX EXPENSE (Continued)

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year.

	Group	
	2017	2016
	$'000	$'000
Profit before tax	**5,731**	6,330
Income tax expense calculated at 17% (2016: 17%)	**974**	1,076
Non-allowable items	**136**	38
Tax exemption	**(78)**	(82)
Tax rebate	**(25)**	(20)
Productivity and Innovation Credit	**(181)**	(38)
Over provision of tax expense in prior year	**(21)**	(67)
Others	**2**	24
	807	931

24 PROFIT FOR THE YEAR

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

	Group	
	2017	2016
	$'000	$'000
Directors' remuneration:		
Short-term benefits	**1,715**	1,465
Post-employment benefits	**16**	27
Staff costs	**6,124**	6,341
Cost of defined contribution plans included in staff costs	**569**	605
Cost of inventories included in expense	**44,327**	45,730
Gain on disposal of a subsidiary (Note 27)	**–**	(313)
Allowance for doubtful trade receivables	**45**	77
Bad debts recovered	**(28)**	(118)
Reversal of stock obsolescence	**–**	(264)
Depreciation of property, plant and equipment	**567**	541
Depreciation of investment properties	**358**	377
Amortisation of club membership	**19**	3
Investment properties – renovation written off	**–**	4
Net foreign exchange loss	**1**	11
Audit fees paid to auditors of the Group	**74**	73

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

25 COMMITMENTS

(i) Operating lease arrangements

	Group	
	2017	2016
	$'000	$'000
The Group as lessee		
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	541	660

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	
	2017	2016
	$'000	$'000
Within one year	477	474
Within two to five years	801	775
After five years	3,793	4,240
	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 $512,000 (2016: $611,000).

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

	Group	
	2017	2016
	$'000	$'000
Within one year	310	363
Within two to five years	152	200
	462	563

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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	
	2017	2016
	$'000	$'000
Capital commitment	**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:

	2017	2016
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company) ($'000)	**4,929**	5,357
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	**2.37**	2.58

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 FY2017 and FY2016.

27 DISPOSAL OF SUBSIDIARY

On September 15, 2016, the Group disposed of a subsidiary, Neiken Electric (S) Pte. Ltd. ("Neiken").

The proceed from the disposal of Neiken was used to purchase the investment property, 9 Tagore Lane #02-06, Singapore 787472 amounting to $1,520,000 from Neiken which is offset against the loan receivables from Neiken amounting to $1,047,000 resulting in cash consideration of $933,000 received.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

28 SEGMENT INFORMATION

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

The two main business activities are as follows:

(a) Distribution business; and

(b) Property investment business.

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

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

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

28 SEGMENT INFORMATION (Continued)

Segment revenue and results:

	Distribution business $'000	Property investment business $'000	Total $'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			
Segment result	17,287	46	17,333
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			
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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

28 SEGMENT INFORMATION (Continued)

Segment revenue and results:

	Distribution business $'000	Property investment business $'000	Total $'000
2016			
Revenue			
External sales of goods	63,295	–	63,295
Rental income	–	611	611
Segment revenue	63,295	611	63,906
Cost of sales			
External purchases	(45,730)	–	(45,730)
Cost of property maintenance	–	(629)	(629)
Segment cost of sales	(45,730)	(629)	(46,359)
Results			
Segment result	17,565	(18)	17,547
Other operating income	745	–	745
Administrative and selling expenses	(11,003)	(67)	(11,070)
Other operating expenses	(831)	–	(831)
Finance costs	(61)	–	(61)
Profit (Loss) before tax	6,415	(85)	6,330
Income tax expense			(931)
Profit after tax			5,399
Segment assets, liabilities and other information			
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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

28 SEGMENT INFORMATION (Continued)

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.

29 DIVIDENDS PAID

On May 24, 2016, a dividend of 0.6 cents per ordinary share amounting to $1,248,000 was paid to shareholders.

On May 19, 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.

In respective of the financial year ended December 31, 2017, Directors of the Group propose 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.

SHAREHOLDING STATISTICS

AS AT 15 MARCH 2018

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 2018, 29.77 % of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Catalist Rules is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	18	7.76	17,000	0.01
1,001 – 10,000	109	46.98	545,800	0.26
10,001 – 1,000,000	98	42.24	13,060,700	6.28
1,000,001 and above	7	3.02	194,376,500	93.45
	232	100.00	208,000,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	LIM TRUST PTE. LTD.	145,600,000	70.00
2	UOB KAY HIAN PTE LTD	19,002,900	9.14
3	RAFFLES NOMINEES (PTE) LTD	9,861,700	4.74
4	KHWAJA ASIF RAHMAN	9,400,000	4.52
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,700,000	2.26
6	HSBC (SINGAPORE) NOMINEES PTE LTD	4,140,000	1.99
7	CGS-CIMB SECURITIES (S) PTE LTD	1,671,900	0.80
8	TAN YEOW SONG	1,000,000	0.48
9	DBS NOMINEES PTE LTD	930,000	0.45
10	TAN GUAN	925,000	0.44
11	HENG MENG LANG	907,000	0.44
12	LEE HONG KWANG DANIEL	800,000	0.38
13	D'OASIS PTE LTD	450,000	0.22
14	SIM CHENG HUAT	400,000	0.19
15	FU LIN	319,800	0.15
16	BOO CHONG MENG	265,000	0.13
17	TAY SOK CHENG	260,000	0.13
18	GOH GUAT BEE (WU YUEMEI)	250,000	0.12
19	TEO HAN KHENG (ZHANG HANQING)	250,000	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
		201,733,300	97.00

SHAREHOLDING STATISTICS

AS AT 15 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

	Shareholdings Registered in the Name of Substantial Shareholder		Shareholdings in which the Substantial Shareholders are Deemed to be Interested	
Name of Substantial Shareholders	No. of Shares	%	No. of Shares	%
Lim Trust Pte. Ltd.	145,600,000	70.00	–	–
Mr Lim Teck Chuan[(1)]	–	–	145,600,000	70.00

Note:–

(1) Mr Lim Teck Chuan and Mr Lim Teck Seng hold 90.0% and 10.0% of the issued share capital of Lim Trust Pte. Ltd. respectively. Accordingly, Mr Lim Teck Chuan is deemed to be interested in all the shares held by Lim Trust Pte. Ltd..

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 Emerald Suite, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Thursday, 26 April 2018 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 2017 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 (2016: 0.8 Singapore cents per ordinary share) and special dividend of 0.1 Singapore cents per ordinary share (2016: 0.2 Singapore cents per ordinary share) for the financial year ended 31 December 2017. **(Resolution 2)**

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

4. To re-elect Ms Lee Weilin, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as a Director of the Company.

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

5. To approve the sum of S$130,000.00 as Directors' fees for the financial year ending 31 December 2018 and the payment thereof on a half yearly basis. (2017: S$130,000.00) **(Resolution 5)**

6. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

NOTICE OF ANNUAL GENERAL MEETING

As Special Business

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

8. **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 (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

9. **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 (iii)] **(Resolution 8)**

By Order Of The Board

Sharon Yeoh
Morland Fu
Company Secretaries

Singapore, 11 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Resolutions to be passed:

(i) Ms Lee Weilin, if re-elected, will remain as the Company's Independent Director and the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. The Board considers Ms Lee Weilin to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Ordinary Resolution 7, 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.

(iii) Ordinary Resolution 8, 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 (which was approved at the extraordinary general meeting of the Company held on 23 June 2015), and to allot and issue Shares pursuant to the vesting of Awards granted under the PSP, provided that that the aggregate number of Shares issued and issuable pursuant to the PSP, when added to (1) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (2) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or Awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed fifteen percent (15%) of the total number of issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, Chapter 50, 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.

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)

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.

PROXY FORM

I/We ______________________________ NRIC/Passport/Co. Registration No. ____________________

of ____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Emerald Suite, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Thursday, 26 April 2018 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 2017 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 2017		
3	Re-election of Mr Lim Teck Seng as a Director		
4	Re-election of Ms Lee Weilin as a Director		
5	Approval of Directors' fees for the financial year ending 31 December 2018		
6	Re-appointment of Deloitte & Touche LLP as auditors		
	AS SPECIAL BUSINESS		
7	Authority to allot and issue shares in the capital of the Company and/or instruments pursuant to Section 161 of the Companies Act		
8	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 ________________________ 2018

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, failing which the nomination shall be deemed to be alternative.

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

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

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

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

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

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

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of 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 11 April 2018.

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