CHOO CHIANG HOLDINGS LTD.

CONSOLIDATION FOR FUTURE GROWTH

ANNUAL REPORT **2019**

ABOUT US

Choo Chiang Holdings Ltd. ("**Choo Chiang**" or the "**Company**" 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).

This Annual Report has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**") . This Annual Report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this Annual Report. The contact person for the Sponsor is Mr David Yeong, at 1 Robinson Road #21-00 AIA Tower Singapore 048542, Telephone: +65 6232 3210.

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

hager · legrand · MK · Ega · Schneider Electric · FYM

CCM · CRM · Holdkey · SIGMA CABLE

T-TECH CCM® Earth Chambers · LITAFLEX · Greenland PLASTICS · SAMCOM · PHILIPS

mistral The Cool Life Specialist · BOSCH · Panasonic ideas for life · KDK SINCE 1909 JAPAN · KEYSTONE CABLE

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

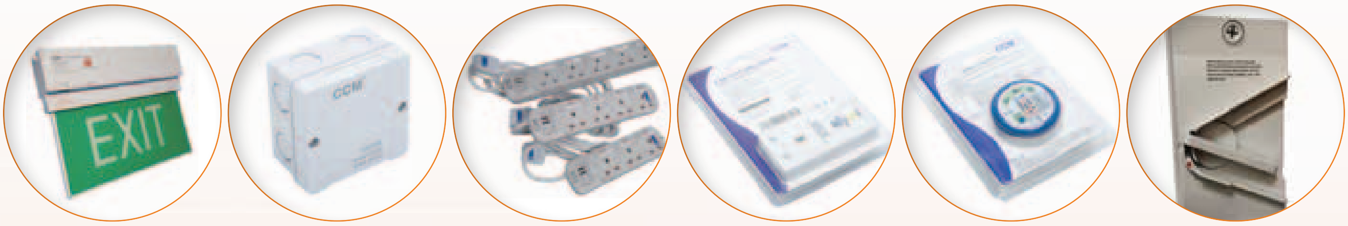
Choo Chiang provides efficient one-stop shop service to our customers by offering an extensive range of electrical products and accessories from established brands.

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

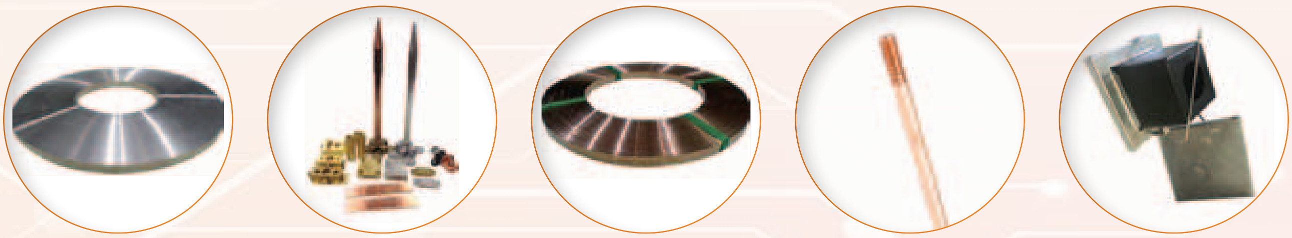
8 MAIN PRODUCT CATEGORIES AND NEW PRODUCTS FROM OVER 30 KEY BRANDS

Electrical Cables & Cable Accessories

Light Switches, Circuit Breakers & Accessories

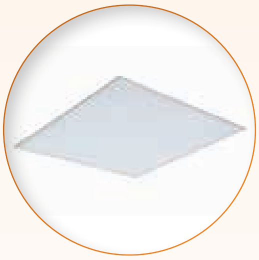


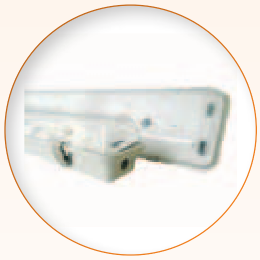
Lightning Accessories



Trunking & Pipes Support System

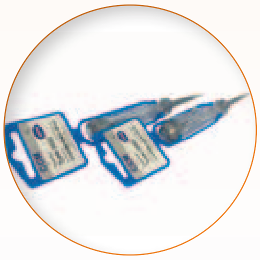
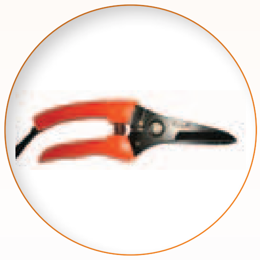
Light Fixtures & Accessories

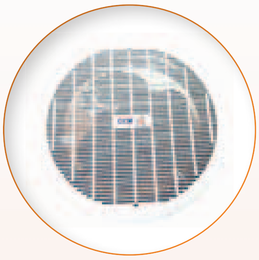
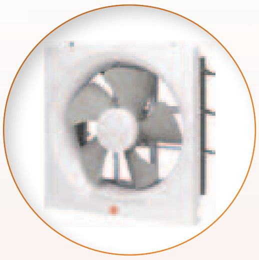


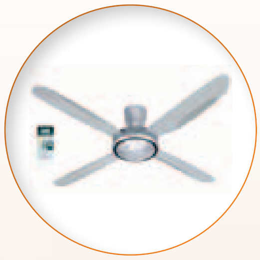
Power Drills & Handheld Tools



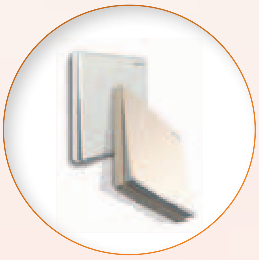
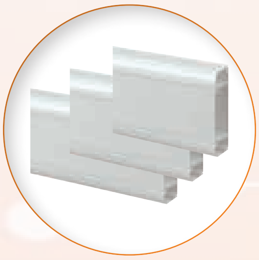
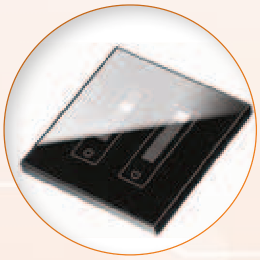



Ventilating, Wall-mounted & Ceiling Fans

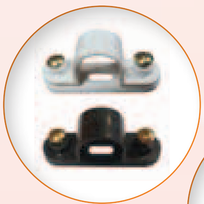





Exclusive Products

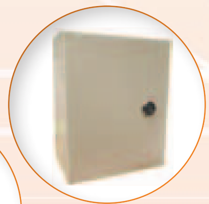





NEW PRODUCTS









CHAIRMAN'S STATEMENT

"Despite the soft economic activity in the construction sector in 2019, Choo Chiang was able to maintain a relatively stable stream of revenue through its distribution business."

Dear Shareholders,

Welcome to our Annual Report for 2019. I am delighted to report that the Group has delivered yet another strong year, with a revenue of S$63,841,000 for the financial year ended 31 December 2019 ("**FY2019**").

During the year, we continually made progress with our plans to create value for customers, and at the same time deliver consistent returns for shareholders. This was achieved with the Group's profit before income tax increasing by S$365,000 or 6.3% from S$5,774,000 in FY2018 to S$6,139,000 in FY2019.

Performance Review

Choo Chiang's unique business model is based on five key sources of value – (i) customer service, (ii) marketing expertise, (iii) partnerships, (iv) local networks, and (v) financial resources. The Group's increasing focus on growth in earnings and long-term strategy for growth had also allowed us to deploy these areas of expertise across the Group to maximise value creation.

The Group's revenue is derived from two business segments: sales and retail of electrical products and accessories in Singapore ("**Distribution Business**") and rental income from its investment properties in Singapore ("**Property Investment**").

Overall in FY2019, total revenue contribution had decreased marginally by S$222,000 or 0.3%, from S$64,063,000 in FY2018 to S$63,841,000 in FY2019, mainly due to a decrease in the revenue from the Distribution Business segment amidst the general slowdown in the economy.

Nevertheless, the Group managed to record improvements in gross profit by S$863,000 or 4.8% from S$18,049,000 in FY2018 to S$18,912,000 in FY2019. Gross profit margin has also improved from 28.2% in FY2018 to 29.6% in FY2019.

I am extremely proud to announce that Choo Chiang has been ranked No. 100 in the Brand Finance Singapore 100 category by world's leading independent brand valuation and business strategy consultancy – Brand Finance in FY2019.

On behalf of the Board of Directors, I am also pleased to propose a final dividend and a special dividend of 0.5 Singapore cents per share and 0.2 Singapore cents per share respectively for FY2019. This final dividend and special dividend are subjected to the approval of the Company's shareholders at the forthcoming annual general meeting ("**AGM**") of the Company which will be held in April 2020.

Distribution Business

During the year, contribution from our Distribution Business segment decreased marginally by S$232,000 or 0.4%, from S$63,589,000 in FY2018 to S$63,357,000 in FY2019. The decrease was mainly due to the decrease in sales volume as a result of the general slowdown in the economy.

Cost of sales of the Distribution Business segment decreased by S$1,077,000 or 2.4%, from S$45,556,000 in FY2018 to S$44,479,000 in FY2019, due to lower purchasing cost of certain electrical products.

The Distribution Business segment registered a 1.4% marginal increase in gross profit margin from approximately 28.4% in FY2018 to 29.8% in FY2019.

Property Investment Business

Choo Chiang's portfolio of investment properties consists of mainly industrial and commercial developments in Singapore, contributing a stable stream of rental income for the Group.

Rental income from the Property Investment segment increased by S$10,000 or 2.1%, from S$474,000 in FY2018 to S$484,000 in FY2019 mainly due to the rental income generated from the seven (7) investment properties during FY2018. The said properties were fully leased out in FY2019.

Cost of sales of the Property Investment segment decreased by S$8,000 or 1.7%, from S$458,000 in FY2018 to S$450,000 in FY2019. The decrease is largely attributable to the full repayment of bank loans for two (2) investment properties which led to the decrease in interest charge.

Gross profit margin for our Property Investment segment also saw an increase from 3.4% in FY2018 to 7.0% in FY2019.

Outlook for 2020

Enhancing and maintaining relevant skillsets and experience of our employees continue to be a priority for the Group. As a driver of the Group's future plans and growth strategy, the Group strives to ensure that the employees equipped with the appropriate expertise and skillsets are placed in the right position at every level across the Group. The Group also identifies and adopts new technologies to enhance the efficiencies across our businesses.

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 will continue to reinforce and strengthen its market position in Singapore by widening the range of products sold under its "CCM" and "CRM" brands – a business and strategy which had been rolled out since the last financial year. This business strategy together with growth in partnerships, customers and profitability will continue to be the key driver of Choo Chiang's progress for FY2020.

Renovation works at our center warehouse located at 10 Woodlands Loop, Singapore 738388 which began in the second half of 2018 has been completed in March 2020.

Meanwhile, we are closely monitoring the development and impact of the COVID-19 situation and its impact to our business. Since the viral outbreak, COVID-19 had affected many businesses around the world, including well-known global brands. As such, we expect the operating environment in the electrical material sector to be challenging and will put in place, when necessary, plans to tide the Group through this period of uncertainty.

Nevertheless, the Group believes that with our foundation in product innovation, product quality, price, brand recognition and loyalty, the ability to identify and satisfy customer preferences, as well as convenience and service strategies, we will be able to turn the rough tide to our advantage and continue to provide good value to our customers as well as explore business opportunities that can increase our revenue and profit.

Appreciation

On behalf of the Board, I would like to thank everyone at Choo Chiang for being as focused as ever on delivering our vision of being Singapore's leading retailers and distributors of electrical products and accessories.

During the year, I had the opportunity to witness many great virtues of thoughtful collaborative work within the workplace. I have been blessed to get to know many of you personally, and I thank everyone for the opportunities I have had to learn from you and the hard work that is involved in continually creating Choo Chiang's success.

The Group's performance during the year would not have been possible without the expertise, drive and dedication of our employees as well as the continuous support from our customers, stakeholders and suppliers.

The wellbeing of our people and shareholders remain a priority and I look to the future with confidence that we will have a robust platform for continued growth in the coming year.

Yours sincerely,

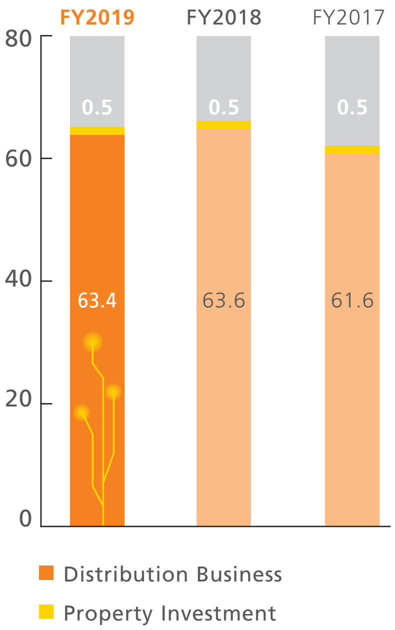
Thomas Lim

Executive Chairman and CEO

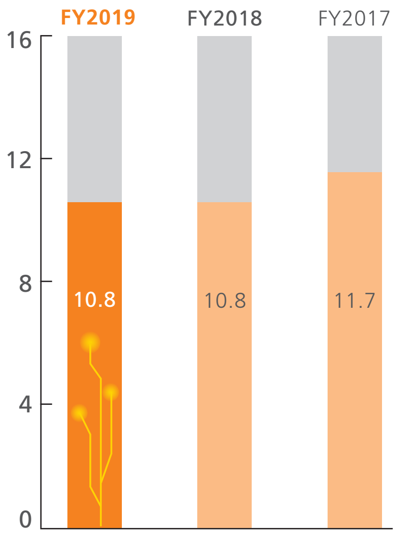
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER

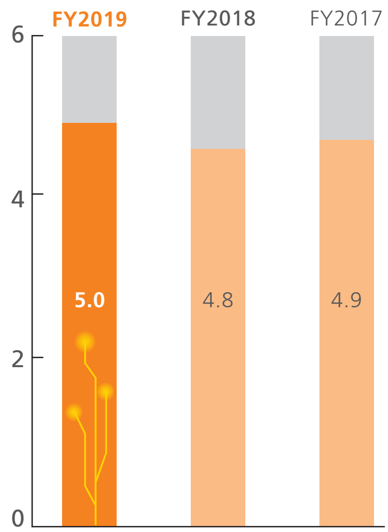
Revenue (S$'m)



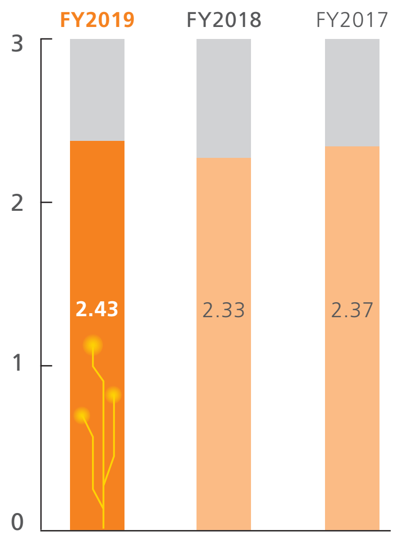
Return on Equity(1) (%)



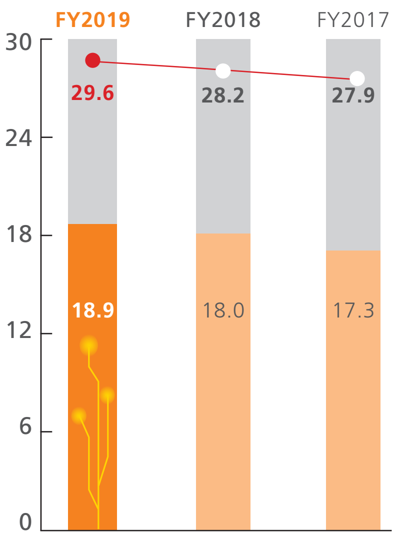
Net Profit (S$'m)



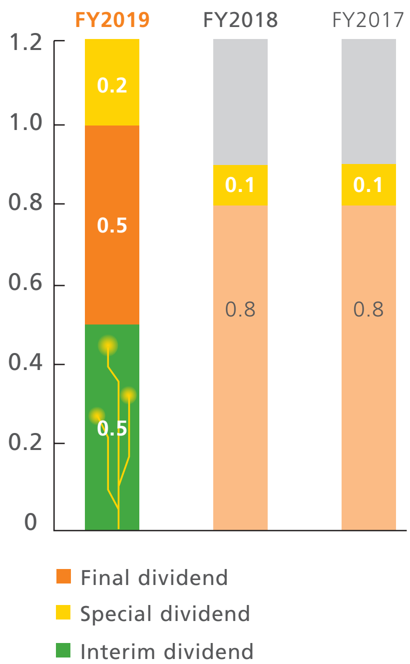
Earnings Per Share (Cents)



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

FINANCIAL PERFORMANCE

Income Statement	The Group Year ended 31 December		Increase (Decrease) %
	2019 S$'000	2018 S$'000	
Revenue	63,841	64,063	(0.3)
Cost of sales	(44,929)	(46,014)	(2.4)
Gross profit	18,912	18,049	4.8
Other operating income	374	357	4.8
Administrative and selling expenses	(11,476)	(11,387)	0.8
Other operating expenses	(1,558)	(1,211)	28.7
Finance costs	(113)	(34)	232.4
Profit before income tax	6,139	5,774	6.3
Income tax expense	(1,104)	(941)	17.3
Profit for the year, representing total comprehensive income for the year	5,035	4,833	4.2
Total comprehensive income attributable to:			
Owners of the Company	5,048	4,845	4.2
Non-controlling interests	(13)	(12)	8.3
	5,035	4,833	4.2

REVIEW OF FINANCIAL PERFORMANCE

Revenue

The Group's revenue is derived from business segments: Distribution Business and Property Investment.

The Group recorded revenue of S$63,841,000 for FY2019 as compared to the revenue of S$64,063,000 recorded in FY2018. The marginal decrease of 0.3% in the Group's revenue was mainly due to the decrease in revenue of the Distribution Business.

Distribution Business

Revenue from Distribution Business segment decreased marginally by S$232,000 or 0.4%, from S$63,589,000 in FY2018 to S$63,357,000 in FY2019. The decrease was mainly due to the decrease in sales volume as a result of the general slowdown in the economy.

Property Investment

Rental income from the Property Investment segment increased by S$10,000 or 2.1%, from S$474,000 in FY2018 to S$484,000 in FY2019 mainly due to the rental income generated from the seven (7) investment properties during FY2018. The Property Investment segment has an occupancy rate of 100% as the said properties were fully leased out in FY2019.

Cost of sales

Cost of sales decreased by S$1,085,000 or 2.4%, from S$46,014,000 in FY2018 to S$44,929,000 in FY2019, which is in line with the decrease in revenue.

Distribution Business

Cost of sales of the Distribution Business segment decreased by S$1,077,000 or 2.4%, from S$45,556,000 in FY2018 to S$44,479,000 in FY2019, due to lower purchasing cost of certain electrical products.

Property Investment

Cost of sales of the Property Investment segment decreased by S$8,000 or 1.7%, from S$458,000 in FY2018 to S$450,000 in FY2019. The decrease is mainly due to the full repayment of bank loans for two (2) investment properties which led to the decrease in interest charge.

OPERATING & FINANCIAL REVIEW

Gross profit and gross profit margin

Gross profit increased by S$863,000 or 4.8% from S$18,049,000 in FY2018 to S$18,912,000 in FY2019. Gross profit margin improved from 28.2% in FY2018 to 29.6% in FY2019.

The gross profit margin of the Distribution Business segment increased by 1.4% from approximately 28.4% in FY2018 to 29.8% in FY2019.

The gross profit margin of the Property Investment segment increased from 3.4% in FY2018 to 7.0% in FY2019.

Other operating income

Other operating income increased by S$17,000 or 4.8% from S$357,000 in FY2018 to S$374,000 in FY2019. The increase in other operating income was mainly due to an increase in, (i) interest income received from short-term deposits; (ii) foreign exchange gain; and (iii) bad debt recovered from customers. These increases were partially offset by an absence of a (i) gain on disposal of property, plant and equipment; and (ii) reversal for stock obsolescence in FY2019, as well as a decrease in government grants in FY2019 compared to FY2018.

Administrative and selling expenses

Administrative expenses increased by S$89,000 or 0.8% from S$11,387,000 in FY2018 to S$11,476,000 in FY2019. The increase in administrative and selling expenses mainly due to an increase in, (i) staff costs; (ii) subscription fee for the ERP system; and (iii) insurance. These increases were offset by a decrease in, (i) rental expenses amounting to S$474,000 following reclassification as lease liabilities and interests expense of right-of-use assets due to the adoption of SFRS(I) 16 Leases; (ii) recruitment expenses; (iii) commission paid to property agents; and (iv) donation and gifts.

Other operating expenses

Other operating expenses increased by S$347,000 or 28.7% from S$1,211,000 in FY2018 to S$1,558,000 in FY2019, mainly due to, (i) depreciation of right-of-use assets amounting to S$455,000 as a result of the adoption of SFRS(I) 16 Leases; (ii) bank charges; (iii) loss on disposal of property, plant and equipment; and (iv) depreciation of investment properties. The increase was offset by the decrease in, (i) depreciation of property, plant and equipment; and (ii) allowances on trade receivables.

Finance costs

Finance costs increased from S$34,000 in FY2018 to S$113,000 in FY2019 as a result of the recognition of lease liability with the adoption of SFRS(I) 16 Leases and offset by interest expense due to full repayment of bank loans.

Profit before income tax

As a result of the reasons mentioned above, the Group's profit before income tax increased by S$365,000 or 6.3% from S$5,774,000 in FY2018 to S$6,139,000 in FY2019.

FINANCIAL POSITION

Statement of Financial Position	The Group as at 31 December		Increase (Decrease) %
	2019 S$'000	2018 S$'000	
ASSETS			
Current assets			
Cash and cash equivalents	15,389	15,180	1.4
Trade receivables	5,564	4,745	17.3
Other receivables and prepayments	416	383	8.6
Inventories	14,367	14,655	(2.0)
Total current assets	**35,736**	34,963	2.2
Non-current assets			
Property, plant and equipment	8,661	7,416	16.8
Right-of-use assets	2,592	–	N.M.
Investment properties	14,003	14,349	(2.4)
Club membership	205	224	(8.5)
Other receivables and prepayments	31	–	N.M.
Total non-current assets	**25,492**	21,989	15.9
Total assets	**61,228**	56,952	7.5
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	8,061	7,082	13.8
Other payables and accruals	2,129	1,615	31.8
Contract liabilities	82	–	N.M.
Bank loans	–	353	N.M.
Lease liabilities	383	–	N.M.
Finance leases	–	55	N.M.
Income tax payable	1,162	1,005	15.6
Total current liabilities	**11,817**	10,110	16.9
Non-current liabilities			
Bank loans	–	1,408	N.M.
Lease liabilities	2,735	–	N.M.
Finance leases	–	195	N.M.
Deferred tax liability	26	137	(81.0)
Total non-current liabilities	**2,761**	1,740	58.7
Total liabilities	**14,578**	11,850	23.0
Total equity	**46,650**	45,102	3.4
Total liabilities and equity	**61,228**	56,952	7.5

N.M. : Not meaningful

OPERATING & FINANCIAL REVIEW

Current assets

Current assets increased by S$773,000 from S$34,963,000 as at 31 December 2018 to S$35,736,000 as at 31 December 2019. The increase in current assets were mainly due to an increase in trade receivables of S$819,000, cash and bank balances of S$209,000 and other receivables and prepayments of S$33,000. The increase was partially offset by a decrease in inventories of S$288,000.

Non-current assets

Non-current assets increased by S$3,503,000 from S$21,989,000 as at 31 December 2018 to S$25,492,000 as at 31 December 2019. The increase in non-current assets were mainly due to the recognition of right-of-use assets of S$2,592,000 as a result of the adoption of SFRS(I) 16 Leases, an increase in property, plant and equipment of S$1,245,000 mainly arising from renovation works at the Group's headquarters and an increase in other receivables and prepayments of S$31,000. The increase was partially offset by a decrease in investment properties and club membership of S$346,000 and S$19,000 respectively.

Current liabilities

Current liabilities increased by S$1,707,000 from S$10,110,000 as at 31 December 2018 to S$11,817,000 as at 31 December 2019. The increase in current liabilities were mainly due to an increase in trade payables of S$979,000, an increase in other payables and accruals of S$514,000, the recognition of lease liabilities of S$383,000 as a result of the adoption of SFRS(I) 16 Leases, an increase in income tax payable of S$157,000 and an increase in contract liabilities of S$82,000. The increase was offset by a decrease in current portion of bank loans and finance leases of S$353,000 and S$55,000 respectively.

Non-current liabilities

Non-current liabilities increased by S$1,021,000 from S$1,740,000 as at 31 December 2018 to S$2,761,000 as at 31 December 2019. The increase in non-current liabilities is mainly due to the recognition of lease liabilities of S$2,735,000 as a result of the adoption of SFRS(I) 16 Leases. The increase was partially offset by a decrease in non-current portion of bank loans of S$1,408,000, finance lease of S$195,000 and deferred tax liability of S$111,000.

CASH FLOW

Consolidated statement of cash flows	The Group Year ended 31 December	
	2019 S$'000	2018 S$'000
Net cash generated from operating activities	7,473	6,423
Net cash used in investing activities	(2,005)	(955)
Net cash used in financing activities	(5,259)	(2,300)
Cash and cash equivalents at end of the year	15,389	15,180

Net cash generated from operating activities

In FY2019, the Group generated net cash inflow from operating activities of approximately S$7,473,000, which was a result of operating cash flows before changes in working capital of approximately S$7,719,000, net working capital inflows of approximately S$529,000, income tax paid of approximately S$947,000 and interest received of approximately S$172,000.

Net cash used in investing activities

In FY2019, the Group's net cash outflow for investing activities amounted to approximately S$2,005,000, mainly due to (i) purchases of property, plant and equipment of S$1,824,000 mainly due to progress payments for construction in progress, (ii) purchase of right-of-use assets of S$150,000 and (iii) prepayments made for strategic brand development exercise of S$31,000.

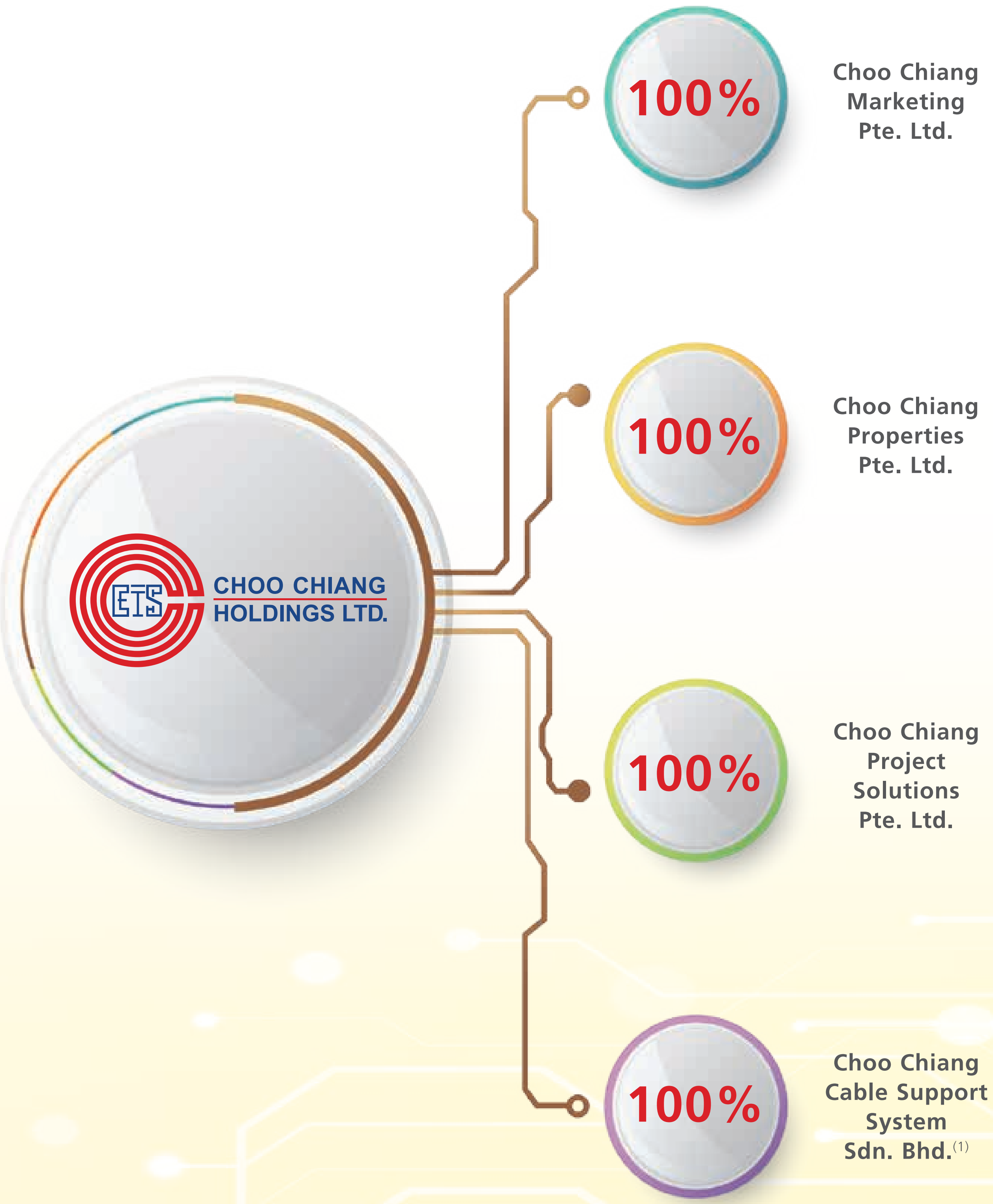
Net cash used in financing activities

In FY2019, the Group's net cash outflow for financing activities amounted to approximately S$5,259,000, mainly due to (i) dividends payment of S$2,912,000; (ii) repayment of bank loans of S$1,761,000; and (iii) lease liabilities and interest payments of S$548,000; and (iv) acquisition of non-controlling interest in a subsidiary of S$38,000.

DIVIDEND

The Company had, on 6 September 2019, paid an interim dividend of 0.50 Singapore cent. Together with the proposed final cash dividend and special cash dividend of 0.50 and 0.20 Singapore cents respectively, the total dividends declared for FY2019 would amount to approximately S$2.496 million (FY2018: S$1.872 million), representing approximately 49.4% (FY2018: 38.6%) of the Group's consolidated net profits attributable to shareholders in FY2019.

GROUP STRUCTURE



1 Incorporated on 4 November 2019

BOARD OF DIRECTORS

Thomas Lim

Executive Chairman and CEO
Date of Appointment: 5 September 2014

Backed by more than 40 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 corporatised when Choo Chiang Marketing Pte. Ltd. ("**CCM**") was incorporated to take over the business in July 1991. Thomas Lim has been a director of CCM since its incorporation and currently does not hold directorships in any public-listed companies. Thomas Lim is the brother of Rocky Lim.

Rocky Lim

Executive Director
Date of Appointment: 5 September 2014

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

Thomas Lim Rocky Lim

Lim Teck Chai, Danny
Lead Independent Director
Date of Appointment: 20 August 2018

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

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

Sho Kian Hin, Eric
Independent Director
Date of Appointment: 13 November 2018

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

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

Tan Soon Liang
Independent Director
Date of Appointment: 20 August 2018

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

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

Mr. Tan currently serves as an Independent Director of ISDN Holdings Limited, which is dual-listed on Main Board of the SGX-ST and SEHK as well as Clearbridge Health Limited and GDS Global Limited which are listed on Catalist Board of the SGX-ST. He also served as a non-executive director of Jubilee Industries Holdings Ltd and Wong Fong Industries Limited listed on Catalist Board of the SGX-ST.

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

KEY MANAGEMENT

Morland Fu
Chief Financial Officer and Company Secretary

Morland Fu joined the Group in August 2014. He is responsible for the financial accounting and reporting functions including accounting, internal controls, financial and management reporting, capital management, tax, compliance and merger and acquisition. Prior to joining the Group, he was a senior manager at Deloitte & Touche LLP. He holds a Master in Business Administration (Distinction) from the University of Manchester and a Bachelor 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.

Wilson Foo
General Manager

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

Josephine Tay
Administrative Manager

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

Andy Tay
Head of Sales (Retail)

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, export sales manager and Purchasing Manager before taking on his current role as the Group's Head of Sales (Retail) in 2020. He is responsible for developing and implementing retail sales strategies of the Group. He started out as an advertising sales executive at Info Ad Publishing Pte Ltd in 1995, following which he took on managerial roles at two other companies and was responsible for identifying and reaching out to new potential customers, responding to sales enquiries and providing solutions to clients' enquiries. Andy Tay is the brother-in-law of Rocky Lim and the brother of Josephine Tay.

MILESTONES

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

1977
A HERITAGE THAT STRETCHES BACK TO 1977
Choo Chiang Electrical Trading Service set up by Thomas Lim with a business partner

1991
A HERITAGE THAT STRETCHES BACK TO 1977
Corporatised the business and set up Choo Chiang Marketing Pte. Ltd. operating from Dunlop Street (retail branch) and Ang Mo Kio (retail branch/warehouse)

1991
DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS
Local distributor for Clipsal, Legrand and MK

1993
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Opened Toa Payoh branch

1995
DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS
Local distributor for Hager

1997
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Opened Sims Avenue branch

2000
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Opened Woodlands branch

2001
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Opened Bendemeer and Pioneer branches

2002
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Opened Rowell branch and acquired warehouse in Woodlands

2004
DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS
Started to carry own brands, CCM and CRM

2006
DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS
Authorised dealer for Philips (light bulbs) and KDK (fans)

2007
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Opened Toh Guan branch

2009
DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS
Acquired 50% stake in Neiken Electric (S) Pte. Ltd. (formerly known as Neiken Switchgear (S) Pte. Ltd.)

2011
DISTRIBUTOR AND DEALER FOR MANY ESTABLISHED BRANDS
Ramped up sales of CCM and CRM brand of electrical products and accessories

2015
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Opened Ubi branch

2015
REACHING GREATER HEIGHTS
Listed on the SGX-ST Catalist on 29 July 2015

2015
RECENT DEVELOPMENTS
Incorporation of Choo Chiang Project Solutions Pte. Ltd.

2016
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
(i) Opened Tampines branch
(ii) Divested Neiken Electric (S) Pte. Ltd.

2016
RECENT DEVELOPMENTS
Incorporation of Choo Chiang Properties Pte. Ltd.

2018
OVER 20 YEARS OF RETAIL PRESENCE IN SINGAPORE
Relocation of existing retail branch from Bendemeer Road to Hamilton Road.

2019
RECENT DEVELOPMENTS
Incorporation of Choo Chiang Cable Support System Sdn. Bhd.

CORPORATE SOCIAL RESPONSIBILITY

Dear Stakeholders,

Since our establishment, we have been trying to create as many positive changes to the communities we serve.

Apart from the usual proactive engagement with our stakeholders in FY2019, we also work with industry associations and potential investors to gain diverse and valuable perspectives, as well as their expectations of us.

Stakeholder Engagement

Our goal is to respectfully engage with stakeholders – those who impact or may be impacted by our business activities – to understand their values and interests, reduce the impact of our operations, and contribute to economic opportunities.

Our approach to stakeholder engagement is guided by the following principles:

- Open communication;
- Aligning investments with community needs and company strategy;
- Proactively identifying and seeking out our most important/new stakeholders;
- Inviting stakeholders to be part of the engagement process design and implementation so as to understand their interests, priorities, concerns and culture;
- Seeking mutually beneficial solutions that offer long-term value for both the company and our stakeholders including incorporating risks into planning and providing a grievance mechanism to remedy impacts;
- Following through on our commitments; and
- Being accountable for the results.

Valuing our People

Our employees' focus on accountability and performance enables us to safely find and deliver solutions to our customers. Besides engaging in best industry practices with each of the suppliers we work with, we also encouraged our employees to adhere to our Code of Ethics at all times when representing the Company.

This Code of Ethics has helped us to recognise the importance of providing a fair and supportive work environment for all employees, responsible employment, diversity and equal opportunities, regardless of their age, gender, marital status, sexual orientation, disability, race, nationality or religion. Our employees are constantly encouraged and reminded to share their expertise and gain new awareness in their professional experiences, through regular communication via sharing sessions and day-to-day operations.

Charities and Communities

Despite a challenging year in FY2019, we continued to contribute back to society through Sian Chay Medical Institution, a Voluntary Welfare Organisation (VWO), which provides free Traditional Consultation Medicine (TCM) consultation as well as subsidised medicine and treatments for the less privileged communities.

Sustaining our Environment

Beyond complying with environmental laws and regulations, we have made a number of commitments to protect and reduce our impact on the environment in recent years. More details on the Group's sustainability practises and efforts can be found in our Sustainability Report 2019, which will be published separately by end of April 2020 and can be assessed on the website of the Singapore Exchange at www.sgx.com.

Whistle-Blowing Policy

Employees can easily report any malpractices such as workplace bullying, bribery, fraud, unfair or unethical treatment and unsafe working practices in complete confidence through our communication channel to the Chairman of the Audit Committee, who will take appropriate action.

Investor Relations

As a listed company, it is part of our heritage and culture to treat our customers fairly and to act with integrity in all that we do. This includes providing transparent, timely and accurate disclosure on our performance and strategic developments. Our key corporate announcements and press releases are released on the website of the Singapore Exchange at www.sgx.com and on our website at www.ccm.sg simultaneously.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mr Lim Teck Seng, Rocky
(Executive Director)

Mr Lim Teck Chai, Danny
(Lead Independent Director)

Mr Sho Kian Hin, Eric
(Independent Director)

Mr Tan Soon Liang
(Independent Director)

AUDIT COMMITTEE

Mr Sho Kian Hin, Eric
(Chairperson)

Mr Tan Soon Liang
(Member)

Mr Lim Teck Chai, Danny
(Member)

REMUNERATION COMMITTEE

Mr Lim Teck Chai, Danny
(Chairperson)

Mr Sho Kian Hin, Eric
(Member)

Mr Tan Soon Liang
(Member)

NOMINATING COMMITTEE

Mr Tan Soon Liang
(Chairperson)

Mr Lim Teck Chuan, Thomas
(Member)

Mr Lim Teck Chai, Danny
(Member)

Mr Sho Kian Hin, Eric
(Member)

COMPANY SECRETARIES

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

SHARE REGISTRAR

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

SPONSOR

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

AUDITOR

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

Partner-in-charge:
Mr Aw Xin-Pei
(Appointed with effect from the financial year
ended 31 December 2019)

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 FY2019

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 2019 ("**FY2019**"), with specific reference to the principles and provisions of the Code of Corporate Governance 2018, which was issued by Monetary Authority of Singapore on 6 August 2018 (the "**2018 Code**").

The Board is pleased to confirm that the Company has adhered to the core principles of the 2018 Code and any deviations from its provisions are explained in this report.

Principle 1: The Board's Conduct of its Affairs

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1 – Principal functions of the Board

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) set the Company's code of conduct, values and standards (including ethical standards), and ensures that obligations to Shareholders and other stakeholders are understood and duly met;

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

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

d) 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;

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

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

g) providing oversight in the proper conduct of the Group's business and assuming responsibility for corporate governance, including ensuring proper accountability within the Group; and

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

Each director is required to promptly disclose any conflicts or potential conflicts of interest, whether direct or indirect, in relation to a transaction contemplated by the Group. Where a potential conflict of interest arises, the Director concerned does not participate in discussion and refrains from exercising any influence over other members of the Board.

Provision 1.2 – Directors' orientation and training

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 new incoming directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties. A formal letter will be sent to newly appointed directors upon their appointment explaining, among other things, their roles, duties and responsibilities as members of the Board. The Board ensures that any incoming Director will be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of his duties. A visit to the Company's principal place of operations and warehouse will be arranged where necessary.

The NC will going forward and in accordance with Rule 406(3)(a) of the Catalist Rules, ensure that any new director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, must undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST. During FY2019, no new Director was appointed to the Board.

The Board as a whole is kept up-to-date on pertinent business developments in the business, including the key changes in the relevant regulatory requirements and financial reporting standards, risk management, corporate governance and industry specific knowledge so as to enable them to properly discharge their duties as Board or Board Committee members. During FY2019, the following briefings and updates were provided to the Board:

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

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

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

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

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

Provision 1.3 – Matters requiring Board approval

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated to the Management. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to the respective Board Committees and specific members of the key management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary.

Matters specifically reserved for the Board's approval include 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.

Provision 1.4 – Delegation by the Board

All of the Company's 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 includes the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (each a "**Board Committee**"), operates within clearly defined terms of reference and functional procedures. Each of these committees reports its activities regularly to the Board.

The composition of the Board and Board Committees are as follows:

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

Further information on the respective Board Committees are set out under the various Principles in this report.

Provision 1.5 – Board meetings, attendance and multiple commitments

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

CORPORATE GOVERNANCE REPORT FY2019

The number of Board and Board Committee meetings during FY2019 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 Lim Teck Chai, Danny (**"Danny Lim"**)	2	2	2	2	1	1	1	1
Mr Sho Kian Hin, Eric (**"Eric Sho"**)	2	2	2	2	1	1	1	1
Mr Tan Soon Liang	2	2	2	2	1	1	1	*1*

(1) Represents the number of meetings during FY2019. Our Audit committee and Board of Directors meetings were held on 27 February 2019 and 8 August 2019.

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

All Directors are required to declare their board appointments. When a director has multiple board representation, the NC will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments. The NC has reviewed and is satisfied that notwithstanding their multiple board appointments, Mr Danny Lim, Mr Eric Sho and Mr Tan Soon Liang who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Director of the Company.

Provision 1.6 – 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 needed to make informed decisions.

Provision 1.7 – Access to Management and Company Secretary

The Directors have separate and unrestricted access to the Management, and the company secretaries and where it is necessary for the Directors to seek independent professional advice to effectively discharge their duties, the Directors can, whether as a group or individually, seek the requisite advice at the Company's expense.

The company secretaries and/or their representatives are required to attend all Board and Board Committee meetings and assists the Board and the Board Committees in ensuring that the respective 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.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 – Board Independence

As set out under the 2018 Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. The NC assess and reviews annually the independence of a director bearing in mind the salient factors as set out under the 2018 Code as well as all other relevant circumstances and facts.

Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the 2018 Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the 2018 Code. Based on the confirmation of independence submitted by the Independent Directors, the NC was of the view that each Independent Director is independent on the following basis:

(a) The Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration on is determined by the RC.

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

(c) None of the Independent Directors and their immediate family member had in the current or immediate past financial year (i) provided or received payments from the Group aggregated over any financial year in excess of S$50,000 for services other than compensation for board service; or (ii) was a substantial shareholder, partner, executive officer or a director of any organisation which provided or received payments from the Group aggregated over any financial year in excess of S$200,000 for services rendered.

(d) None of the Independent Directors are directly associated with a substantial Shareholder of the company in the current or immediate past financial year.

Provision 2.2, 2.3 and 2.4 – Board composition and diversity

The Board currently comprises five (5) Directors, three (3) of whom are Independent and Non-Executive Directors and two (2) are Executive Directors. The Chairman is not independent. As the Independent Directors make up a majority of the Board, the Company has complied with Provisions 2.2 and 2.3 of the 2018 Code.

The Company is committed to build a diverse, inclusive and collaborative culture. The Company recognises and embraces the benefits of diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board's Diversity Policy provides that, in reviewing Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including diversity of skills, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. Diversity is a key criterion in the instructions to external search consultants.

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.

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.

Provision 2.5 – Non-executive directors and/or independent directors meet without presence of management

During the year, the Non-Executive Directors communicated among themselves and met without the presence of the Management as and when warranted. The Lead Independent Director subsequently provides material feedback received to the Board.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 – Separation of the role of the Chairman and the CEO

Mr Thomas Lim is the Company's Executive Chairman and CEO. He 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. Taking into account the size, scope and the nature of the operations of the Group, as well as the familiarity of Mr Thomas Lim at managing the affairs of the Group, the Board is of the view that it is in the interest of the Group to adopt a single leadership structure.

Provision 3.2 – Role of the Chairman and the CEO

Mr Thomas Lim, as the Executive Chairman and the CEO, is responsible for implementing the Group's strategies and policies as well as the day-to-day management of the Group's operations. He also 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.

Provision 3.3 – Lead Independent Director

In view of the combining of the Chairman and CEO roles, the Board is mindful of the need to appoint a lead independent director to provide focal leadership in situations where the Chairman is conflicted. In this regard, the Board has appointed Mr Danny Lim as the Lead Independent Director to co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on board issues between the Independent Directors and the Executive Chairman. He is available to any Shareholders who may have concerns, where contact through the normal channels via the Executive Chairman and CEO, the Executive Director 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.

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.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 and 4.2 – Composition of the NC

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

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

The key terms of reference of the NC include:

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

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

c) review and approve all promotions of key Management;

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, the Board Committees and the contribution of each Director;

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, the CEO and key Management; and

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

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

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

Provision 4.3 – Board Renewal

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.

Provision 4.4 – Independence review of Directors

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually based on the 2018 Code and the Catalist Rules and have affirmed that Mr Danny Lim, Mr Eric Sho and Mr Tan Soon Liang are independent.

Based on Rule 720(4) of the Catalist Rules, a listed issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years. Regulation 114 of the Company's Constitution also provides that at least one-third of the Directors shall retire from office at the AGM. Accordingly, Mr Rocky Lim and Mr Danny Lim 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-election, 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 and affirmed the independence of Mr Danny Lim and is of the view that there are no relationships identified in the 2018 Code and the Catalist Rules which would affect his independence.

The key information on the Directors as at the date of this Report is set out below:

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Job Title	Executive Chairman and CEO, NC Member.	Executive Director.	Lead Independent Director, Chairperson of RC, AC Member and NC Member.	Independent Director, Chairperson of AC, RC Member and NC Member.	Independent Director, Chairperson of NC, RC Member and AC Member.
Date of initial appointment	5 September 2014	5 September 2014	20 August 2018	13 November 2018	20 August 2018
Date of last re-appointment (if applicable)	24 April 2019	26 April 2018	24 April 2019	24 April 2019	24 April 2019
Age	64	58	46	50	47
Country of principal residence	Singapore	Singapore	Singapore	Malaysia	Singapore
Professional qualifications	Nil	Nil	Bachelor of Law (Honours) degree from the National University of Singapore and Master of Science (Applied Finance) degree from the Nanyang Technological University	Fellow Membership of Association of Certified Chartered Accountant	Bachelor of Business (Honours) (Financial Analysis) from Nanyang Technological University, Master of Business Administration from University of Hull and CFA Charterholder from CFA Institute

CORPORATE GOVERNANCE REPORT FY2019

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Working experience and occupation(s) during the past 10 years	More than 40 years of experience in the electrical retail business.	More than 40 years of experience in the electrical retail business.	Mr. Danny Lim joined Rajah & Tann Singapore LLP upon graduation in May 1998 and has since been practicing and advising on all aspects of corporate legal advisory and transactional work, both locally and regionally. He has experience in acquisitions, investments, takeovers, initial public offerings and restructurings, and his clients include multinational corporations, small medium enterprises, private equity and institutional investors, Singapore and foreign listed companies, financial institutions and others.	Mr. Eric Sho has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimisation. Mr. Eric Sho started off his professional training with Victor & Company in 1990. He was with Ernst & Young Kuala Lumpur from 1995 as Assurance and Advisory Business Service Manager and left in 2002 to join the private sector. In 2007, Mr. Eric Sho was appointed as Executive Director and Chief Financial Officer of China Farm Equipment Limited, a company formerly listed on the Mainboard of the SGX-ST. After China Farm Equipment Limited was privatised in 2013, Mr. Eric Sho remains involved in the ongoing corporate exercise to list the China Farm Equipment's assets in China. From February 2013 to December 2017, he was Corporate Development Director of Hunan Longzhou Farm Equipment Holdings Co., Ltd.	Mr. Tan Soon Liang is the Founder and Managing Director of Ti Ventures Pte. Ltd., which invests in growing businesses and partnering business owners through leading its corporate development, business transformation and mergers and acquisitions functions since May 2009. He is also the Managing Director of Omnibridge Capital Pte. Ltd., which focuses on early stage angel and venture capital investments in start-ups and fast- growing companies in Asia. He currently serves as an independent director of ISDN Holdings Limited, which is dual-listed on Main Board of the SGX-ST and SEHK as well as Clearbridge Health Limited and GDS Global Limited which is listed on Catalist Board of the SGX-ST. Between 2006 and 2010, Mr. Tan Soon Liang was Head of Business Advisory and later, an Advisor at BDO Raffles Advisory Pte Ltd. He was responsible for corporate advisory work for Asian family businesses and corporations, including business transformation advisory work. Early in his career, he held various positions in companies within the financial industry.

CORPORATE GOVERNANCE REPORT FY2019

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Other Principal commitments (including Directorships)					
(i) Current					
– **Public companies**	Nil	Nil	(i) Stamford Land Corporation Ltd; (ii) Kimly Limited; and (iii) Advancer Global Limited.	(i) OUE Lippo Healthcare Ltd.; and (ii) QT Vascular Ltd.	(i) ISDN Holdings Limited; (ii) Clearbridge Health Limited; and (iii) GDS Global Limited.
– **Private companies**	(i) TL Investment Holdings Pte. Ltd. (formerly known as Lim Trust Pte. Ltd.); (ii) Choo Chiang Marketing Pte. Ltd.; (iii) Choo Chiang Properties Pte. Ltd.; (iv) Choo Chiang Project Solutions Pte. Ltd.; and (v) Choo Chiang Cable Support System Sdn. Bhd.	(i) Choo Chiang Marketing Pte. Ltd.; (ii) Choo Chiang Properties Pte. Ltd.; and (iii) Choo Chiang Project Solutions Pte. Ltd.	Domestic Employees Welfare Fund ("**DEWF**") (as trustee)	(i) China Farm Equipment Pte Ltd.; and (ii) Hartanah Kencana Sdn. Bhd.	(i) ACH Investors Pte. Ltd; (ii) Allin Holdings Pte. Ltd.; (iii) Omnibridge Capital Ltd; (iv) Omnibridge Capital Pte. Ltd.; (v) Omnibridge Investments Ltd; (vi) Omnibridge Investment Partners Ltd; (vii) Omnibridge Investment Partners Pte. Ltd; (viii) Omnibridge Investments Pte. Ltd.; (ix) Ti Investment Holdings Pte. Ltd.; and (x) Ti Ventures Pte. Ltd.

CORPORATE GOVERNANCE REPORT FY2019

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
(ii) Past Directorships (within the last 5 years)					
– **Public companies**	Nil	Nil	(i) Deskera Holdings Ltd; (ii) SinCap Group Limited; (iii) China Star Food Group Limited; (iv) UG Healthcare Corporation Limited; (v) Tee Land Limited and (vi) Trans-Cab Holdings Ltd	Nil	(i) Wong Fong Industries Limited.
– **Private companies**	(i) Neiken Electric (S) Pte. Ltd.; (ii) CCM International Holdings Pte. Ltd. (struck off); (iii) Chastan Pte. Ltd. (struck off); (iv) Grimm Industries Pte. Ltd.; (v) Grimm Industries Company Limited; (vi) CCM Ventures Pte. Ltd.; and (vii) CCM Australia Pty. Ltd. (struck off)	(i) TL Investment Holdings Pte. Ltd. (formerly known as Lim Trust Pte. Ltd.); (ii) Neiken Electric (S) Pte. Ltd.; (iii) CCM International Holdings Pte. Ltd. (struck off); (iv) Chastan Pte. Ltd. (struck off); and (v) Grimm Industries Pte. Ltd.	Nil	Nil	(i) T10 Lifestyle Concepts Pte. Ltd. (dissolved); (ii) Epika Pte. Ltd. (struck off); (iii) Allin International Holdings Pte. Ltd (struck off); (iv) MG Investors Pte. Ltd (struck off); and (v) The Learning Fort Pte Ltd (struck off)
Shareholding interest in the Company and its subsidiaries	Please refer to Directors' Statement, Directors' interests in shares or debentures of this Annual Report	Please refer to Directors' Statement, Directors' interests in shares or debentures of this Annual Report	Please refer to Directors' Statement, Directors' interests in shares or debentures of this Annual Report	Nil	Nil

Name of Director	Mr Thomas Lim	Mr Rocky Lim	Mr Danny Lim	Mr Eric Sho	Mr Tan Soon Liang
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Thomas Lim and Mr Rocky Lim are brothers. Mr Thomas Lim is a controlling shareholder of the Company while Mr Rocky Lim is a substantial Shareholder of the Company	Mr Thomas Lim and Mr Rocky Lim are brothers. Mr Thomas Lim is a controlling shareholder of the Company while Mr Rocky Lim is a substantial Shareholder of the Company.	Nil	Nil	Nil
Conflicts of interest	Nil	Nil	Nil	Nil	Nil
Appendix 7H undertaking	Yes	Yes	Yes	Yes	Yes

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

	Name of Director to be re-elected	
	Mr Rocky Lim	**Mr Danny Lim**
Date of appointment announcement (“**Previous Announcement**”)	Offer document dated 15 July 2015	20 August 2018
Changes from the Previous Announcement	No.	No changes, expect for information disclosed below.
Changes to the Previous Announcement, if applicable		
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;	N.A.	Mr. Danny Lim is an Independent Director of Kimly Limited, which had on 29 November 2018 announced that it was subject to investigations in relation to a possible offence under the Securities and Futures Act, Chapter 289 of Singapore, by the Commercial Affairs Department and Monetary Authority of Singapore. Mr. Danny Lim was interviewed by the Commercial Affairs Department in connection with the ongoing investigation. For the avoidance of doubt, Mr. Danny Lim is not personally the subject of any investigations or proceedings involving Kimly Limited.

(iv) any entity or business trust which has been investigated for a breach at any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust.		

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

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

Provision 4.5 – Directors' time commitments

As set out under Provision 1.2, a formal letter will be sent to newly appointed directors to explain their roles, duties and responsibilities to the Company. Directors are also required to declare their board appointments as mentioned in Provision 1.5 above. 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. Details on directorships and principal commitments of the Directors are set out under "Director's profile" section.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1 and 5.2 – Board Evaluation Process

A review of the Board, Board Committee and individual Director'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, the Board Committees and individual Directors. Each Board member will be required to complete an appraisal form, which takes into consideration factors such as Board structure, conduct of meetings, risk management and internal controls, commitment to and attendance at meetings, level of participation and contribution by the Directors. The appraisal form will be returned to the Company Secretary who will collate the results for the Chairman of the NC who will present the results and 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 Board has not engaged any external facilitator in conducting the assessment of Board performance. Where relevant, the NC will consider such engagement.

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

Principle 6 – Procedures for developing remuneration policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 and 6.2 – Composition of the RC

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

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

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

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

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

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

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

Provision 6.3 – Remuneration framework

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy and for determining the remuneration packages of individual directors and key management personnels ("**KMP**"). The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director and key Management.

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 are paid basic salary and performance bonus.

On an annual basis, the RC reviews and approves the annual increments, variable bonus to be granted to the Executive Directors and the key Management which are within specific mandates sought from the Board.

The RC also reviews the Company's obligations arising in the event of termination of the Executive Directors and key Management to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

Provision 6.4 – Remuneration consultant

The RC, has explicit authority within its terms of reference to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary. There being no specific necessity, the RC did not seek the service of an external remuneration consultant in FY2019.

Principle 7 – Level and mix of remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 and 7.3 – Remuneration of Executive Directors and key Management

The RC conducts annual reviews of the compensation to ensure that the remuneration of the Executive Directors and key Management commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

In addition, to ensure the alignment of the Executive Directors and the key Management with the interests of Shareholders and to promote the long-term success of the Company, the Company has adopted the Choo Chiang Performance Share Plan before its listing on the SGX-ST in July 2015 (the "**Listing**"). The RC will at the relevant time look into granting share awards under the Choo Chiang Performance Share Plan.

All revisions to the remuneration packages for the Executive Directors and key Management are subject to the review by and approval of the Board while Directors' fees are further subject to the approval of Shareholders.

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).

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. 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.

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

Provision 7.2 – Remuneration of Non-Executive Directors

In reviewing the structure and level of directors' fees for the Independent Non-Executive Directors, the RC considers their level of contribution taking into account factors such as effort and time spent, and their respective roles and responsibilities on the Board and the Board Committees. The Independent Directors receive a basic fee for their services. The RC also ensures that the Independent Directors should not be over-compensated to the extent that their independence may be compromised. No Director is involved in deciding his own remuneration package.

Principle 8 – Disclosure on remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 – Disclosure of remuneration

While the 2018 Code recommends that companies fully disclose the amount and breakdown of remuneration for 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 Provision 8.1 of the 2018 Code and has provided a breakdown, showing the level and mix of for each Director and the CEO in bands of S$250,000 for FY2019:–

Remuneration Band and Name of Director	Salary %	Bonus/Profit Sharing %	Fees %	Benefits in Kind %	Total %
Up to S$250,000					
Mr Danny Lim	–	–	100	–	100
Mr Eric Sho	–	–	100	–	100
Mr Tan Soon Liang	–	–	100	–	100
S$500,001 to S$750,000					
Mr Rocky Lim	76	22	–	2	100
S$1,000,001 to S$1,250,000					
Mr Thomas Lim	81	17	–	2	100

Provision 8.1 of the 2018 Code recommends disclosure of remuneration of the top five key management personnel (who are not Directors or the CEO) on a named basis and in bands of S$250,000.

The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the names, remuneration and annual aggregate of total remuneration of key Management due to competitiveness in the industry for talent. In addition, the Group only has four key Management who are not Directors or the CEO. A breakdown, showing the level of the top four key management personnel's remuneration (who are not Directors or the CEO) in bands of S$250,000 for FY2019 is set out below:–

Remuneration Band	Salary and Bonus %	Benefits in Kind %	Number of Executives
Up to S$250,000	96	4	3
S$250,001 to S$500,000	100	–	1

Provision 8.2 – Remuneration of related employees

Ms Josephine Tay, the administrative manager and a key Management of the Group, is the spouse of Mr Rocky Lim, the Group's Executive Director, and her annual remuneration for FY2019 was between S$200,000 and S$250,000. Save for Ms Josephine Tay, there are no other employees of the Group who are substantial Shareholders of the Company or are immediate family members of a Director, the CEO or a substantial Shareholder of the Company and whose remuneration exceeds S$100,000.

Provision 8.3 – Forms of remuneration and details of employee share schemes

Details pertaining to the form of remuneration and other payments and benefits of Directors and key Management are disclosed under Provisions 8.1 and 8.2 above.

The Company has adopted the Choo Chiang Performance Share Plan ("**PSP**") before the Listing which aims to reward eligible employees including, Executive Directors, Independent Directors, key Management and other employees of the Group. Controlling Shareholders and their associates who meet the eligibility criteria shall be eligible to participate in the PSP provided that (a) the participation of, and (b) the terms of each grant and the actual number of awards granted to, such persons are approved by the independent Shareholders in separate resolutions for each such person.

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

The PSP is administered by the RC comprising Mr Danny Lim (Chairperson), Mr Eric Sho and Mr Tan Soon Liang. Since its commencement till the date hereof, no awards 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.

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 – Nature and extent of risks

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against the occurrence of material errors or poor judgment in decision-making.

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 AC has engaged the services of an independent accounting and auditing firm, Crowe Horwath First Trust Risk Advisory Pte Ltd, as its internal auditors ("**IA**") to review on a regular basis and 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 controls of the Group addressing financial, operational, compliance and information technology controls. Subsequent to the review, the IA will report its findings to the AC and will propose recommendations to enhance the Group's internal controls and to resolve any instances of inadequate internal control processes. The Management is responsible for the implementation of the various recommendations and will report the progress of implementation to the AC. No material high risk findings were noted in the IA report for FY2019 and all other findings have been addressed by Management.

The Board and the AC work closely with the IA, external auditors and the Management to institute, execute and monitor relevant controls with a view to enhance the Group's risk management system. The Board did not establish a separate Board risk committee as it is currently assisted by the AC, IA and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

An overview of the key risks, the extent of the Group's exposure and the approach to managing these risks are set out on pages 81 to 85 of this Annual Report.

<u>Provision 9.2 – Assurance from the CEO and CFO</u>

For FY2019, 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.

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the IA and the external auditors, 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 in place during FY2019 are adequate and effective.

Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Principle 10: Audit Committee

The Board has an AC which discharges its duties objectively.

<u>Principle 10.1, 10.2 and 10.3 – Composition of the AC</u>

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

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

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

a) review the adequacy, effectiveness, independence, scope of the Company's external audit and internal audit function, and review 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 the assurance from the CEO and CFO on the financial records and financial statements, 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 2018 Code;

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

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

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

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

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

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

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

Provision 10.4 – Internal audit function

The internal audit function of the Group is currently undertaken by Crowe Horwath First Trust Risk Advisory Pte Ltd. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

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

The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all of the Group's documents, records, properties and personnel, including the AC, and has appropriate standing within the Group.

Further information on the Group's internal audit function are set out under the section "Risk Management and Internal Controls" in this report.

Provision 10.5 – AC activities during the year

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 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 FY2019 is as below.

External Auditor Fees for FY2019	**S$'000**
Audit fees	77

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 that there has not been any non-audit services provided and non-audit fees paid during the financial year, the AC is satisfied with the independence and objectivity of Deloitte and has recommended to the Board the nomination of Deloitte for re-appointment as auditors of the Company at the forthcoming AGM.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to the Management and full discretion to invite any Director or key management personnel or any Executive Officer to attend its meetings. The AC is reasonably resourced to enable it to discharge its functions properly. During FY2019, 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. Save for Choo Chiang Cable Support System Sdn. Bhd. a wholly-owned subsidiary of the Company incorporated on 4 November 2019 in Malaysia which is dormant in FY2019 and not subjected to audit, the Company and all its subsidiaries are incorporated in Singapore and have been audited by Deloitte & Touche LLP. Deloitte is registered with the Accounting and Corporate Regulatory Authority of Singapore.

Mr Eric Sho, the AC Chairperson has extensive and practical accounting and financial management knowledge and experience and is competent to lead the AC and keep its members abreast of changes to accounting standards and issues which have a direct impact on financial statements. In addition, the AC is also briefed by the external auditors for updates on any changes to relevant accounting standards 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 FY2019, there were no reported incidents pertaining to whistle blowing. Due to a change in the Chairman of AC, the name and the email address of the new AC in the Whistle-Blowing Policy has been updated accordingly.

In line with the recommendations by ACRA, the Monetary Authority of Singapore and SGX-ST, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("**KAM**"). The AC having reviewed the KAM presented by Deloitte in their financial report, have concurred and agreed with Deloitte and Management on their assessment, judgements and estimates on the significant matters reported.

Principle 11: Shareholders' Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company.

The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1, 11.2, 11.3 and 11.4 – Conduct of general meetings

Shareholders are encouraged to participate during the general meetings. Shareholders are informed of Shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are also published in the Business Times and posted onto the SGXNET.

All Shareholders are invited to participate and are given the right to vote on resolutions at general meetings. The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. A proxy form is sent with the notice of general meeting to the Shareholders. 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.

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

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

Provision 11.5 – Minutes of general meetings

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 does not publish minutes of general meetings of Shareholders on its corporate website as anticipated by Provision 11.5 as there are potential adverse implications for the Company if the minutes of general meetings are published to the public at large, including risk of disclosure of sensitive information to the Group's competitors. The Company is of the view that its position is consistent with intent of Principle 11 as Shareholders have a right to attend general meetings either in person or by proxy, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, Shareholders are treated fairly and equitably by the Company.

Provision 11.6 – Dividend policy

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

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

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

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

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

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

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

The declaration and payment of final dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may declare an interim dividend without the approval of Shareholders. For FY2019, the Company had paid an interim dividend of 0.50 Singapore cents and is recommending a final dividend and special dividend of 0.50 Singapore cents and 0.20 Singapore cents respectively to be approved at the forthcoming AGM. The total amount of dividend declared, if the final dividend is approved by shareholders in the coming general meeting, in respect of FY2019 is approximately S$2,496,000 (2018: S$1,872,000) which represents 49.4% of the Group's profit attributable to owners of the Company in FY2019.

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1, 12.2 and 12.3 – Stakeholder engagement

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 https://www.ccm.sg.

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.

Principle 13: Managing stakeholder relationships

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1, 13.2 and 13.3 – Stakeholder engagement

The Company undertakes a formal stakeholder engagement exercise, such as press releases, publications, surveys and customer feedback which conducted to identify material stakeholder groups which include shareholders, government and regulator, employees, media and public relations, suppliers, customers as well as the local communities. The Group has identified the environmental, social and governance factors that are important to these stakeholders. These factors form the materiality matrix upon which targets, metrics, programmes and progress are reviewed by and approved by the Board, before they are published annually in our sustainability report. Further details can be found in our sustainability report for the year ended 31 December 2019 which will be released by April 2020.

Contact details of our investor relations function are also listed on our corporate website to facilitate dialogue and queries from stakeholders.

Dealing in Securities

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

Material Contracts

Save for the material contracts as summarised below, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling Shareholder either still subsisting as at 31 December 2019 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.

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 the date of this report, CCM Australia and CCM Ventures have been struck off. Accordingly, the following documents have been terminated.

- 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.

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, SAC Capital Private Limited during the financial year under review.

Interested Person Transactions

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

Non-Audit Fees

For FY2019, there were no non-audit fees paid to the Company's auditors, Deloitte.

DIRECTORS' STATEMENT

The Directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 54 to 107 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and based on the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Lim Teck Chuan
Lim Teck Seng
Lim Teck Chai, Danny
Sho Kian Hin
Tan Soon Liang

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, Chapter 50 except as follows:

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

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

Name of Directors and company 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	131,040,000	131,040,000
Lim Teck Seng	260,000	260,000
Lim Teck Chai, Danny	–	130,000

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Lim Teck Chuan is deemed to have an interest in all the related corporations of the Company.

The Directors' interests in the shares of the Company at 21 January 2020 were the same at 31 December 2019.

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

5 AUDIT COMMITTEE

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

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

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

(c) The audit plans of the external auditors;

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

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

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

……………………………………..
Lim Teck Chuan

……………………………………..
Lim Teck Seng

24 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHOO CHIANG HOLDINGS LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Choo Chiang Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 107.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

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

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

(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 Aw Xin-Pei.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

24 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**15,389**	15,180	**272**	469
Trade receivables	7	**5,564**	4,745	**473**	174
Other receivables and prepayments	8	**416**	383	**17,041**	15,922
Inventories	9	**14,367**	14,655	**–**	–
Total current assets		**35,736**	34,963	**17,786**	16,565
Non-current assets					
Property, plant and equipment	10	**8,661**	7,416	**–**	–
Investment properties	11	**14,003**	14,349	**–**	–
Club membership	12	**205**	224	**–**	–
Other receivables and prepayments	8	**31**	–	**–**	–
Investment in subsidiaries	13	**–**	–	**2,238**	2,340
Right-of-use assets	14	**2,592**	–	**–**	–
Total non-current assets		**25,492**	21,989	**2,238**	2,340
Total assets		**61,228**	56,952	**20,024**	18,905
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	15	**8,061**	7,082	**–**	–
Other payables and accruals	16	**2,129**	1,615	**63**	129
Contract liabilities	17	**82**	–	**–**	–
Bank loans	18	**–**	353	**–**	–
Finance leases	19	**–**	55	**–**	–
Lease liabilities	20	**383**	–	**–**	–
Income tax payable		**1,162**	1,005	**28**	15
Total current liabilities		**11,817**	10,110	**91**	144
Non-current liabilities					
Bank loans	18	**–**	1,408	**–**	–
Finance leases	19	**–**	195	**–**	–
Lease liabilities	20	**2,735**	–	**–**	–
Deferred tax liabilities	21	**26**	137	**–**	–
Total non-current liabilities		**2,761**	1,740	**–**	–
Total liabilities		**14,578**	11,850	**91**	144
Capital, reserves and non-controlling interests					
Share capital	22	**8,020**	8,020	**8,020**	8,020
Accumulated profits		**38,630**	37,034	**11,913**	10,741
Equity attributable to the owners of the Company		**46,650**	45,054	**19,933**	18,761
Non-controlling interests		**–**	48	**–**	–
Total equity		**46,650**	45,102	**19,933**	18,761
Total liabilities and equity		**61,228**	56,952	**20,024**	18,905

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	2018 $'000
Revenue	23	**63,841**	64,063
Cost of sales		**(44,929)**	(46,014)
Gross profit		**18,912**	18,049
Other operating income	24	**374**	357
Administrative and selling expenses		**(11,476)**	(11,387)
Other operating expenses		**(1,558)**	(1,211)
Finance costs	25	**(113)**	(34)
Profit before income tax		**6,139**	5,774
Income tax expense	26	**(1,104)**	(941)
Profit for the year, representing total comprehensive income for the year	27	**5,035**	4,833
Total comprehensive income attributable to:			
Owners of the Company		**5,048**	4,845
Non-controlling interests		**(13)**	(12)
		5,035	4,833
Earnings per share (in cents):			
Basic and diluted	29	**2.43**	2.33

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Accumulated profits	Attributable to the owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Balance at 1 January 2018	8,020	34,061	42,081	60	42,141
Profit (Loss) for the year, representing total comprehensive income for the year	–	4,845	4,845	(12)	4,833
Dividend paid, representing transactions with owners, recognised directly in equity (Note 31)	–	(1,872)	(1,872)	–	(1,872)
Balance at 31 December 2018	8,020	37,034	45,054	48	45,102
Adjustment on adoption of SFRS(I) 16 (Note 2)	–	(537)	(537)	–	(537)
Balance at 1 January 2019 (Restated)	**8,020**	**36,497**	**44,517**	**48**	**44,565**
Profit (Loss) for the year, representing total comprehensive income for the year	–	**5,048**	**5,048**	**(13)**	**5,035**
Transactions with owners, recognised directly in equity:	–	**(3)**	**(3)**	**(35)**	**(38)**
Effects of acquiring part of non-controlling interests in a subsidiary (Note 13)					
Dividend paid (Note 31)	–	**(2,912)**	**(2,912)**	–	**(2,912)**
Transactions with owners, recognised directly in equity	–	**(2,915)**	**(2,915)**	**(35)**	**(2,950)**
Balance at 31 December 2019	**8,020**	**38,630**	**46,650**	–	**46,650**

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Accumulated profits	Total
	$'000	$'000	$'000
Company			
Balance at 1 January 2018	8,020	12,360	20,380
Profit for the year, representing total comprehensive income for the year	–	253	253
Dividend paid, representing transactions with owners, recognised directly in equity (Note 31)	–	(1,872)	(1,872)
Balance at 31 December 2018	8,020	10,741	18,761
Profit for the year, representing total comprehensive income for the year	–	4,084	4,084
Dividend paid, representing transactions with owners, recognised directly in equity (Note 31)	–	(2,912)	(2,912)
Balance at 31 December 2019	**8,020**	**11,913**	**19,933**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	$'000	$'000
Operating activities		
Profit before income tax	**6,139**	5,774
Adjustments for:		
Interest expenses	**8**	34
Interest expenses of lease liabilities	**105**	–
Interest income	**(172)**	(60)
Depreciation of property, plant and equipment	**624**	712
Depreciation of investment properties	**346**	333
Depreciation of right-of-use assets	**455**	–
Amortisation of club membership	**19**	19
Loss (Gain) on disposal of property, plant and equipment	**8**	(120)
Loss allowance for trade receivables	**197**	247
Bad debts recovered	**(10)**	(6)
Reversal of stock obsolescence	**–**	(50)
Operating cash flows before movements in working capital	**7,719**	6,883
Trade receivables	**(1,006)**	(192)
Other receivables and prepayments	**(33)**	358
Inventories	**288**	1,381
Trade payables	**979**	(1,366)
Other payables and accruals	**219**	5
Contract liabilities	**82**	–
Cash generated from operations	**8,248**	7,069
Income tax paid	**(947)**	(706)
Interest received	**172**	60
Net cash from operating activities	**7,473**	6,423
Investing activities		
Purchase of property, plant and equipment (Note A)	**(1,824)**	(955)
Addition of right-of-use assets (Note C)	**(150)**	–
Prepayment of intangible asset	**(31)**	–
Net cash used in investing activities	**(2,005)**	(955)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	$'000	$'000
Financing activities		
Acquisition of additional interests in a subsidiary	**(38)**	–
Proceeds from bank loans	–	2,000
Repayment of bank loans	**(1,761)**	(2,349)
Repayment of finance leases (Note B)	–	(45)
Repayment of lease liabilities	**(435)**	–
Dividend paid	**(2,912)**	(1,872)
Interest paid	**(113)**	(34)
Net cash used in financing activities	**(5,259)**	(2,300)
Net increase in cash and cash equivalents	**209**	3,168
Cash and cash equivalents at beginning of year	**15,180**	12,012
Cash and cash equivalents at end of year (Note 6)	**15,389**	15,180

Note A

Additions to property, plant and equipment (Note 10)	**2,119**	1,349
Offset from trade-in of property, plant and equipment	–	(111)
Acquired under finance lease	–	(164)
Reclassification from other receivables and prepayments	–	(119)
Accrual of construction in progress	**(295)**	–
Net cash outflow for purchase of property, plant and equipment	**1,824**	955

Note B

Repayment of finance leases	–	102
Offset from trade-in of property, plant and equipment	–	(57)
Net cash outflow for repayment of finance leases	–	45

Note C

Additions to right-of-use assets (Note 14)	**410**	–
Acquired under lease liabilities	**(260)**	–
Net cash outflow for purchase of right-of-use assets	**150**	–

See accompanying notes to financial statements.

1 General

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 24 March 2020.

2 Summary of significant accounting policies

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

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

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

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 1 January 2019, the Group has adopted all the new and revised FRSs that are relevant to its operations and effective from that date. The adoption of these new/revised FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

2 **Summary of significant accounting policies** (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- Does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

(i) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as an adjustment to the opening balance of retained earnings at the date of initial application, as if the Standard had been applied since the commencement date;

(ii) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income;

2 **Summary of significant accounting policies** (Continued)

SFRS(I) 16 Leases (Continued)

(b) Impact on lessee accounting (Continued)

Former operating leases (Continued)

(iii) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows; and

(iv) Recognises deferred tax as depreciation of right-of-use assets on a straight-line basis exceeds the rate at which lease liabilities reduce (due to lease payments made less interest recognised under the effective interest method), resulting in a deductible temporary difference.

Lease incentives (eg. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and lease of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of comprehensive income.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from 1 January 2019.

(c) Financial impact of initial application of SFRS(I) 16

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

2 **Summary of significant accounting policies** (Continued)

SFRS(I) 16 Leases (Continued)

(d) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 1 January 2019 is 3.01%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	Group
	2019
	$'000
Operating lease commitments at 31 December 2018	**4,783**
Less: Short-term leases and leases of low value assets	**(124)**
Less: Effect of discounting the above amounts	**(1,616)**
Add: Finance lease liabilities recognised under SFRS(I) 1-17 at 31 December 2018	**250**
Lease liabilities recognised at 1 January 2019	**3,293**

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application, except for the right-of-use assets for property leases which were measured on a retrospective basis as an adjustment to the opening balance of retained earnings at the date of initial application, as if the Standard had been applied since the commencement date. Consequently, right-of-use assets of $2,395,000 (Note 14) were recognised on 1 January 2019, deferred tax increased by $111,000 (Note 21) and the net impact on retained earnings of $537,000 was recognised on 1 January 2019.

On adoption of SFRS(I) 16, the Group recognises additional right-of-use assets and additional lease liabilities, recognising the differences in retained earnings. The impact on adoption of SFRS(I) 16 is summarised below:

	Group
	1 January 2019
	$'000
Right-of-use assets (excluding amount reclassed from property, plant and equipment)	**2,395**
Lease liabilities (excluding amount reclassed from finance leases)	**(3,043)**
Cumulative impact of difference between right-of-use assets and lease liabilities upon adoption of SFRS(I) 16	**(648)**
Deferred tax impact on adoption of SFRS(I) 16 (Note 21)	**111**
Impact on retained earnings on adoption of SFRS(I)16 at 1 January 2019	**(537)**

During the year, property, plant and equipment previously held under finance lease applying SFRS(I) 1-17, which amounted to $242,000 (Note 10), have been reclassified to 'right-of-use assets' under SFRS(I) 16 at date of initial application.

2 Summary of significant accounting policies (Continued)

SFRS(I) 16 Leases (Continued)

STANDARDS ISSUED BUT NOT EFFECTIVE – At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements relevant to the Group and Company were issued but not effective:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*.
- Amendments to SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- Amendments to SFRS(I) 3 *Business Combinations: Definition of a Business*.
- Amendments to *References to the Conceptual Framework* in SFRS(I) Standards.

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

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

Control is achieved when the Company:

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

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

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

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

2 **Summary of significant accounting policies** (Continued)

Effective for annual periods beginning on or after 1 January 2020 (Continued)

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 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.

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

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

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

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

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

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

Financial assets

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

2 **Summary of significant accounting policies** (Continued)

Financial assets (Continued)

All recognised financial assets are subsequently measured in their entirety at amortised cost.

Classification of financial assets

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

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

Amortised cost and effective interest method

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

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

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

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

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

Interest income is recognised in profit or loss and is included in the “other operating income” line.

2 **Summary of significant accounting policies** (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

Significant increase in credit risk

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

2 **Summary of significant accounting policies** (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Definition of default

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

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

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

2 **Summary of significant accounting policies** (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

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

- Past-due status;

2 **Summary of significant accounting policies** (Continued)

Financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

2 **Summary of significant accounting policies** (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

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

Foreign exchange gains and losses

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

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

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

Offsetting arrangements

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

Leases (before 1 January 2019)

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.

2 Summary of significant accounting policies (Continued)

Leases (before 1 January 2019) (Continued)

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.

<u>The Group as lessee</u>

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

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

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

Leases (from 1 January 2019)

<u>The Group as lessor</u>

The Group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

<u>The Group as lessee</u>

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

2 **Summary of significant accounting policies** (Continued)

Leases (from 1 January 2019) (Continued)

The Group as lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

2 **Summary of significant accounting policies** (Continued)

Leases (from 1 January 2019) (Continued)

The Group as lessee (Continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.* To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset as follows:

Leasehold land	60 years
Leasehold buildings	3 years
Office equipment	5 years
Motor vehicle	5 to 10 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the consolidated statement of comprehensive income.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

2 **Summary of significant accounting policies** (Continued)

Property, plant and equipment (Continued)

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

Building and shop units	30 to 81 years
Motor vehicles	5 to 10 years
Furniture and fittings	5 years
Office equipment	3 to 5 years
Renovation	3 years
Machinery and equipment	5 years

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

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

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

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

Freehold properties	50 years
Shop units	27 to 57 years

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

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

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

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.

2 Summary of significant accounting policies (Continued)

Club membership (Continued)

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

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

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

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

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

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

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

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

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

- Sale of goods, comprising of electrical products and accessories.

- Rental income.

2 **Summary of significant accounting policies** (Continued)

Revenue recognition (Continued)

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

Sale of goods

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

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

Rental income

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

Interest income

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

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

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

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

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 consolidated statement of 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).

2 **Summary of significant accounting policies** (Continued)

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

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

Calculation of loss allowance

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

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

Calculation of loss allowance (Continued)

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

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

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

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.

Estimation of lease term

When estimating the lease term of the respective lease arrangement, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further. During the financial year ended 31 December 2019, the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $2,039,000 and $1,532,000 respectively.

4 Financial instruments, financial risks and capital management

(a) Categories of financial instruments

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets				
Financial assets at amortised cost	**21,126**	20,114	**17,758**	16,540
Financial liabilities				
Lease liabilities	**3,118**	–	–	–
Financial liabilities at amortised cost	**10,190**	10,708	**63**	129

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

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

4 Financial instruments, financial risks and capital management (Continued)

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

(ii) Credit risk management (Continued)

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

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

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

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

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	**6,202**	**(638)**	**5,564**
Other receivables (external parties)	8	Performing	12-month ECL	**63**	–	**63**
Refundable deposits	8	Performing	12-month ECL	**110**	–	**110**
					(638)	
2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	5,196	(451)	4,745
Other receivables (external parties)	8	Performing	12-month ECL	70	–	70
Refundable deposits	8	Performing	12-month ECL	119	–	119
					(451)	

4 **Financial instruments, financial risks and capital management** (Continued)

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

(ii) Credit risk management (Continued)

Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	**473**	**–**	**473**
Other receivables	8	Performing	12-month ECL	**5**	**–**	**5**
Amounts due from subsidiaries	8	Performing	12-month ECL	**17,008**	**–**	**17,008**
					–	
2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	174	–	174
Other receivables	8	Performing	12-month ECL	18	–	18
Amounts due from subsidiaries	8	Performing	12-month ECL	15,879	–	15,879
					–	

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

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

(iii) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial assets

The Group's and Company's non-derivative financial assets are repayable on demand or due within one year from the end of the reporting period.

4 Financial instruments, financial risks and capital management (Continued)

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

(iii) Liquidity risk management (Continued)

Liquidity and interest risk analyses (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	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Group						
2019						
Non-interest bearing	–	10,190	–	–	–	10,190
Lease liabilities (fixed rate)	3.10	477	800	3,421	(1,580)	3,118
		10,667	800	3,421	(1,580)	13,308
2018						
Non-interest bearing	–	8,697	–	–	–	8,697
Variable interest rate instruments	2.60	395	1,480	–	(114)	1,761
Finance leases liability (fixed rate)	3.40	63	237	–	(50)	250
		9,155	1,717	–	(164)	10,708

The Company's non-derivative financial liabilities are repayable on demand or due within one year from the end of the reporting period.

(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.

The fair values of the bank loans and finance leases are deemed at Level 2 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.

4 Financial instruments, financial risks and capital management (Continued)

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

(v) Foreign exchange risk management

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

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

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

	Assets		Liabilities	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
United States dollar	**190**	321	**734**	376

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	
	2019	2018
	$'000	$'000
United States dollar impact	**54**	6

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

4 Financial instruments, financial risks and capital management (Continued)

(c) Capital management policies and objectives

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

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

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

5 Ultimate holding company and related party transactions

The Company is a subsidiary of TL Investment Holdings Pte. Ltd., 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, there was no significant transactions with related companies.

Call option granted by CCM Australia Pty Ltd

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

Call option granted by Lim Teck Chuan

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

5 Ultimate holding company and related party transactions (Continued)

Call option granted by Lim Teck Chuan (Continued)

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

On 21 July 2017, the Company announced that Lim Teck Chuan had informed the Company of his intention for the business of CCM Australia to be discontinued and consequently for both CCM Ventures and CCM Australia to be struck off and that the Company had entered into various side letters with each of Lim Teck Chuan, CCM Ventures and CCM Australia for the Australian TM Call Option and TL Call Option to be terminated upon the effective date of striking off of CCM Ventures and CCM Australia. As at 31 December 2019, CCM Australia has been struck off and CCM Ventures is in the process of being struck off.

Compensation of directors and key management personnel

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

	Group	
	2019	2018
	$'000	$'000
Short-term benefits	**3,057**	2,935
Post-employment benefits	**91**	116
Total	**3,148**	3,051

6 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash on hand	**135**	131	**–**	–
Cash at bank	**11,234**	15,019	**272**	469
Fixed deposit	**4,020**	30	**–**	–
	15,389	15,180	**272**	469

During the year, the Group's fixed deposits carry fixed interest on prevailing market rates at 1.8% (2018: 0.1%) per annum with a tenure of 3 months.

7 Trade receivables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Outside parties	**6,202**	5,196	**–**	–
Subsidiary (Note 5)	**–**	–	**473**	174
	6,202	5,196	**473**	174
Loss allowance				
– Outside parties	**(638)**	(451)	**–**	–
Total	**5,564**	4,745	**473**	174

7 Trade receivables (Continued)

The average credit period for trade receivables is approximately 30 to 90 days (2018: 30 to 90 days). No interest is charged on the outstanding trade receivables.

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

Loss allowance has been made for receivables from the sale of goods of $638,000 (2018: $451,000). Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

	Group days past due				
	Not past due $'000	< 30 days $'000	31 – 90 days $'000	> 90 days $'000	Total $'000
2019					
Trade receivables identified to be credit impaired	2	50	10	510	572
Estimated gross carrying amount at default	4,003	1,096	35	496	5,630
Expected credit loss rate	0.05%	0.50%	1.00%	11.8%	–
Expected credit loss	2	5	*	59	66
Lifetime ECL	4	55	10	569	638
2018					
Trade receivables identified to be credit impaired	32	30	49	289	400
Estimated gross carrying amount at default	3,206	1,108	123	359	4,796
Expected credit loss rate	0.05%	0.50%	1.00%	11.8%	–
Expected credit loss	2	6	1	42	51
Lifetime ECL	34	36	50	331	451

* Denotes less than $1,000.

7 Trade receivables (Continued)

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

	Lifetime ECL
	$'000
Group	
Balance as at 1 January 2018	210
Amounts recovered	(6)
Change in loss allowance due to new trade receivables originated	247
Balance as at 31 December 2018	451
Amounts recovered	(10)
Change in loss allowance due to new trade receivables originated	197
Balance as at 31 December 2019	**638**

8 Other receivables and prepayments

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Amount due from subsidiaries (Note 5)	**–**	–	**17,008**	15,879
Outside parties	**63**	70	**5**	18
Deposits	**110**	119	**–**	–
Prepayments	**274**	194	**28**	25
	447	383	**17,041**	15,922
Less: Non-current	**(31)**	–	**–**	–
Current	**416**	383	**17,041**	15,922

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

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

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

9 Inventories

	Group	
	2019	2018
	$'000	$'000
At cost:		
Finished goods	**16,309**	16,162
Goods in transit	**237**	672
	16,546	16,834
Less: Allowance for stock obsolescence	**(2,179)**	(2,179)
	14,367	14,655
Movement in the allowance for stock obsolescence:		
Balance at beginning of the year	**2,179**	2,229
Reversal of allowance during the year	**–**	(50)
Balance at end of the year	**2,179**	2,179

10 Property, plant and equipment

	Building and shop units	Motor vehicles	Furniture and fittings	Office equipment	Renovation	Machinery and equipment	Renovation in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost:								
At 1 January 2018	6,969	1,179	317	933	301	204	–	9,903
Additions	–	742	–	272	26	–	309	1,349
Disposals	–	(438)	–	(174)	–	–	–	(612)
At 31 December 2018	6,969	1,483	317	1,031	327	204	309	10,640
Adoption of SFRS(I) 16 (Note 14)	–	–	–	(296)	–	–	–	(296)
At 1 January 2019 (Restated)	**6,969**	**1,483**	**317**	**735**	**327**	**204**	**309**	**10,344**
Additions	**–**	**–**	**–**	**103**	**–**	**–**	**2,016**	**2,119**
Disposals	**–**	**–**	**–**	**(27)**	**–**	**–**	**–**	**(27)**
At 31 December 2019	**6,969**	**1,483**	**317**	**811**	**327**	**204**	**2,325**	**12,436**

10 Property, plant and equipment (Continued)

	Building and shop units	Motor vehicles	Furniture and fittings	Office equipment	Renovation	Machinery and equipment	Renovation in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Accumulated depreciation:								
At 1 January 2018	1,437	776	184	295	267	117	–	3,076
Depreciation for the year	156	244	59	191	38	24	–	712
Disposals	–	(438)	–	(126)	–	–	–	(564)
At 31 December 2018	1,593	582	243	360	305	141	–	3,224
Adoption of SFRS(I) 16 (Note 14)	–	–	–	(54)	–	–	–	(54)
At 1 January 2019 (Restated)	**1,593**	**582**	**243**	**306**	**305**	**141**	**–**	**3,170**
Depreciation for the year	**143**	**249**	**48**	**147**	**13**	**24**	**–**	**624**
Disposals	**–**	**–**	**–**	**(19)**	**–**	**–**	**–**	**(19)**
At 31 December 2019	**1,736**	**831**	**291**	**434**	**318**	**165**	**–**	**3,775**
Carrying amount:								
At 31 December 2019	**5,233**	**652**	**26**	**377**	**9**	**39**	**2,325**	**8,661**
At 1 January 2019 (Restated)	**5,376**	**901**	**74**	**429**	**22**	**63**	**309**	**7,174**
At 31 December 2018	5,376	901	74	671	22	63	309	7,416

Details of the building and shop units fully paid by the Group are as follow:

Address of property	Tenure	Remaining tenure	Existing use
10 Woodlands Loop Singapore 738388	66 years	46 years	Warehouse and Retail
61 Ubi Road #01-11, Oxley Bizhub Singapore 408727	60 years	51 years	Retail
Blk 640 Rowell Road #01-70, Singapore 200640	81 years	64 years	Retail
Blk 3 Soon Lee Street #01-09 Pioneer Junction Singapore 627606	30 years	22 years	Retail

11 Investment properties

	Freehold properties	Shop units	Total
	$'000	$'000	$'000
Group			
Cost:			
At 1 January 2018,			
At 31 December 2018 and 31 December 2019	9,680	6,508	16,188
Accumulated depreciation:			
At 1 January 2018	723	783	1,506
Depreciation for the year	194	139	333
At 31 December 2018	917	922	1,839
Depreciation for the year	194	152	346
At 31 December 2019	**1,111**	**1,074**	**2,185**
Carrying amount:			
At 31 December 2019	**8,569**	**5,434**	**14,003**
At 31 December 2018	8,763	5,586	14,349

Details of the shop units fully paid by the Group for commercial use are as follow:

Address of property	Tenure	Remaining tenure	Fair value 2019 $'000	Fair value 2018 $'000
48 Toh Guan East #01-102, Singapore 608586	60 years	38 years	**1,100**	1,100
8B Admiralty Street #01-06, Singapore 757440	60 years	41 years	**1,570**	1,570
8B Admiralty Street #01-07, Singapore 757440	60 years	41 years	**1,560**	1,560
65 Ubi Road 1 #02-65, Oxley Bizhub, Singapore 408729	60 years	51 years	**1,220**	1,220
5 Soon Lee Street, Pioneer Point #01-66, Singapore 627607	30 years	22 years	**638**	638
5 Soon Lee Street, Pioneer Point #01-67, Singapore 627607	30 years	22 years	**560**	560

11 Investment properties (Continued)

Details of freehold properties fully paid by the Group for commercial use are as follows:

	Fair value	
	2019	2018
	$'000	$'000
9 Tagore Lane #02-06 9@Tagore, Singapore 787472	**1,520**	1,520
9 Tagore Lane #02-07 9@Tagore, Singapore 787472	**1,820**	1,820
9 Tagore Lane #03-16 9@Tagore, Singapore 787472	**1,660**	1,660
23 New Industrial Road #02-08, Solstice Business Centre, Singapore 536209	**1,400**	1,400
421 Tagore Industrial Avenue #01-22, Tagore 8, Singapore 787805	**2,000**	2,000
421 Tagore Industrial Avenue #01-23, Tagore 8, Singapore 787805	**2,000**	2,000

The investment properties listed above are used for commercial purposes.

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

The property rental income from the Group's investment properties all of which are leased out under operating leases, amounted to $484,000 (2018: $474,000) during the year. Direct operating expenses arising on the investment properties amounted to $450,000 (2018: $458,000).

12 Club membership

	Group
	$'000
Cost:	
At 1 January 2018, 31 December 2018 and 31 December 2019	265
Accumulated amortisation:	
At 1 January 2018	22
Amortisation for the year	19
At 31 December 2018	41
Amortisation for the year	19
At 31 December 2019	**60**
Carrying amount:	
At 31 December 2019	**205**
At 31 December 2018	224

13 Investment in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost	**2,340**	2,340
Additions	**48**	–
Less: Impairment	**(150)**	–
	2,238	2,340

Movement in the impairment of subsidiaries:

	Company	
	2019	2018
	$'000	$'000
Balance at beginning of year	**–**	–
Increase in allowance recognised in profit or loss	**150**	–
Balance at end of year	**150**	–

The Company assesses impairment of its investments in subsidiaries whenever there is any indication that the investment may be impaired. Impairment is made if the recoverable amount of the investment is less than its carrying amount. Management uses the net tangible asset position of the subsidiaries which they determine approximates the recoverable amount. There was an impairment charge amounting to $150,000 on its subsidiary, Choo Chiang Project Solutions Pte. Ltd. based on the entity's net tangible position and the entity became dormant at the end of the reporting period.

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owners of the parent:

	Company	
	2019	2018
	$'000	$'000
Amount paid on changes in ownership interest in subsidiary	**38**	–
Non-controlling interest acquired	**(35)**	–
Difference recognised in equity	**3**	–

13 Investment in subsidiaries (Continued)

Details of the Group's subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiary/ Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
		2019	2018
		%	%
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)(2)]	Supply of electrical products and accessories.	**100**	80
Choo Chiang Properties Pte. Ltd. Singapore[(1)]	Property investment and real estate management.	**100**	100
Choo Chiang Cable Support Systems Sdn. Bhd.[(3)] Malaysia	Manufacturing of cable support systems.	**100**	–

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

(2) On 30 April 2019, the Company acquired the remaining equity interest of 20% from its non-controlling interest for $38,000. The entity became dormant at the end of the reporting period.

(3) On 6 November 2019, the Company contributed 100% of the share capital for the incorporation of its subsidiary, Choo Chiang Cable Support System Sdn. Bhd., amounting to $10,000 (Malaysian Ringgit 30,000) which was unpaid at the end of the reporting period.

Details of composition of the Group

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2019	2018
Supply of electrical products and accessories; and assemblers of lighting fittings and fixtures.	Singapore	**2**	1
Property investment and real estate management.	Singapore	**1**	1
Manufacturing of cable support systems.	Malaysia	**1**	–
		4	2

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiary	
		2019	2018
Supply of electrical products and accessories	Singapore	**–**	1

13 Investment in subsidiaries (Continued)

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

The table below shows details of the non-wholly owned subsidiary of the Group in 2018:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests	Accumulated non-controlling interests
		2018	2018	2018
		%	$'000	$'000
Choo Chiang Project Solutions Pte. Ltd.	Singapore	20	(12)	48

14 Right-of-use assets

The Group leases several leasehold land and buildings, equipment and a motor vehicle. The average lease term is 7 years (2018: 8 years).

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group has option to exercise extension at the end of the lease term. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

	Leasehold land and buildings	Office equipment	Motor vehicle	Total
	$'000	$'000	$'000	$'000
Group				
Cost:				
At 1 January 2019	4,102	296	–	4,398
Additions	210	–	200	410
At 31 December 2019	4,312	296	200	4,808
Accumulated depreciation:				
At 1 January 2019	1,707	54	–	1,761
Depreciation	387	59	9	455
At 31 December 2019	2,094	113	9	2,216
Carrying amount:				
At 31 December 2019	2,218	183	191	2,592

15 Trade payables

	Group	
	2019 $'000	2018 $'000
Outside parties	7,768	6,724
Others	293	358
	8,061	7,082

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 (2018: 30 to 90 days). No interest is charged on the outstanding trade payables.

16 Other payables and accruals

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Outside parties	69	109	13	8
Subsidiary	–	–	9	–
Rental deposits received	82	76	–	–
Rental received in advance	9	10	–	–
Accruals	1,969	1,420	41	121
	2,129	1,615	63	129

17 Contract liabilities

	Group	
	2019 $'000	2018 $'000
Advances received from customers	82	–

Revenue relating to sale of goods is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer makes an advanced payment, the consideration received at that point by the Group is recognised as a contract liability until the goods have been delivered to the customer.

18 Bank loans

	Group	
	2019	2018
	$'000	$'000
Bank loans	–	1,761
Less: Amount due for settlement within 12 months	–	(353)
Amount due for settlement after 12 months	–	1,408

The Group has fully repaid its bank loan previously held as at 31 December 2019. Accordingly, the legal mortgage over the Group's properties has been discharged.

The Group's bank loan previously held consisted of the facilities described below:

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

19 Finance leases

	Group	
	Minimum lease payments 2018 $'000	**Present value of minimum lease payments** 2018 $'000
Amounts payable under finance leases:		
Due within one year	63	55
Due within two to five years	237	195
	300	250
Less: Future finance charges	(50)	
Present value of obligations lease	250	
Less: Amount due for settlement within 12 months (shown under current liabilities)		(55)
Amount due for settlement after 12 months		195

As at 31 December 2018, the Group leased certain of its office equipment under finance leases.

The lease terms are between 3 to 5 years. The effective interest rates range from 2.37% to 6.77% 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.

20 Lease liabilities

The Group as lessee

	Group
	2019
	$'000
Maturity analysis:	
Year 1	477
Year 2	289
Year 3	200
Year 4	185
Year 5	126
Year 6 onwards	3,421
	4,698
Less: Unearned interest	(1,580)
	3,118
Analysed as:	
Current	383
Non-current	2,735
	3,118

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

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.

	Bank loans (Note 18)	Finance leases (Note 19)	Lease liabilities (Note 20)	Total
	$'000	$'000	$'000	$'000
Group				
1 January 2018	2,110	188	–	2,298
Financing cash flow[(i)]	(349)	(45)	–	(394)
New lease liabilities	–	107	–	107
31 December 2018	1,761	250	–	2,011
Adoption of SFRS(I) 16	–	(250)	3,293	3,043
1 January 2019 (Restated)	1,761	–	3,293	5,054
Financing cash flow[(i)]	(1,761)	–	(435)	(2,196)
Non-cash (New lease liabilities)	–	–	260	260
31 December 2019	–	–	3,118	3,118

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

21 Deferred tax liability

Deferred tax liability arises from the excess of tax over book depreciation of property, plant and equipment and temporary differences as right-of-use assets are depreciated and lease liabilities are repaid.

	Group
	$'000
Excess of tax over book depreciation	
At 1 January 2018	120
Charge to profit or loss (Note 27)	17
At 31 December 2018	137
Adjustment due to adoption of SFRS(I) 16 (Note 2)	(111)
At 1 January 2019 and 31 December 2019	**26**

22 Share capital

	2019	2018	**2019**	2018
	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.

23 Revenue

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

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

	Group	
	2019	2018
	$'000	$'000
Segment revenue		
Sales of goods	**63,357**	63,589
Rental income (Note 11)	**484**	474
	63,841	64,063

	Group	
	2019	2018
	$'000	$'000
Timing of revenue recognition		
At a point in time:		
Sales of goods	**63,357**	63,589
Over time:		
Rental income	**484**	474
	63,841	64,063

24 Other operating income

	Group	
	2019 $'000	2018 $'000
Bad debts recovered	10	6
Net foreign exchange gain	9	2
Gain on disposal of property, plant and equipment	–	120
Government grants	47	54
Interest income	172	60
Sponsorship	112	95
Sundry income	24	20
	374	357

25 Finance costs

	Group	
	2019 $'000	2018 $'000
Bank loan interest	8	21
Finance leases interest	–	13
Interest on lease liabilities	105	–
	113	34

26 Income tax expense

	Group	
	2019 $'000	2018 $'000
Income tax		
Current	1,162	1,010
Overprovision in prior year	(58)	(86)
	1,104	924
Deferred tax		
Current (Note 21)	–	17
Total	1,104	941

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable income for the year.

	Group	
	2019 $'000	2018 $'000
Profit before income tax	6,139	5,774
Income tax expense calculated at 17% (2018: 17%)	1,044	982
Non-allowable items	177	130
Tax exemption	(35)	(88)
Tax rebate	(17)	(14)
Overprovision of tax expense in prior year	(58)	(86)
Others	(7)	17
	1,104	941

27 Profit for the year

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

	Group	
	2019	2018
	$'000	$'000
Directors' remuneration:		
Short-term benefits	**1,923**	1,751
Post-employment benefits	**22**	22
Staff costs	**6,603**	6,351
Cost of defined contribution plans included in staff costs	**676**	631
Cost of inventories included in expense	**44,479**	45,556
Expense relating to short-term leases	**175**	–
Loss (Gain) on disposal of property, plant and equipment	**8**	(120)
Net foreign exchange gain	**(9)**	(2)
Audit fees paid to auditors of the Group	**77**	74
Non-audit related fees – sustainability reporting	**–**	9

28 Commitments

(i) Operating lease arrangements

The Group as lessee

At 31 December 2019, the Group is committed to $24,000 for short-term leases.

At 31 December 2018, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group
	2018
	$'000
Within one year	539
Within two to five years	705
After five years	3,539
	4,783

The Group as lessor

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between 1 to 3 years, with one year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last 8 years. The Group did not identify any indications that this situation will change.

28 **Commitments** (Continued)

(i) **Operating lease arrangements** (Continued)

The Group as lessor (Continued)

	Group
	2019
	$'000
Maturity analysis of operating lease payments:	
Year 1	**260**
Year 2	**35**
Total	**295**

During the year ended 31 December 2019, property rental income earned was $484,000 (2018: $474,000). The Group's investment properties were expected to generate rental yields of 3.4% on an ongoing basis. All of the properties held had committed tenants for the next one year. All operating lease contracts contained market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Group
	2018
	$'000
Within one year	457
Within two to five years	282
	739

(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	
	2019	2018
	$'000	$'000
Capital commitment	**48**	1,927

29 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:

	2019	2018
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company) ($'000)	**5,048**	4,845
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)[i]	**208,000**	208,000
Earnings per share (cents) – basic and diluted	**2.43**	2.33

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

(i) Earnings per ordinary share is calculated based on the profit attributable to owners of the Company for FY2019 and FY2018.

30 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.

30 Segment information (Continued)

Segment revenue and results:

	Distribution business	Property investment business	Total
	$'000	$'000	$'000
2019			
Revenue			
External sales of goods	63,357	–	63,357
Rental income	–	484	484
Segment revenue	63,357	484	63,841
Cost of sales			
External purchases	(44,479)	–	(44,479)
Cost of property maintenance	–	(450)	(450)
Segment cost of sales	(44,479)	(450)	(44,929)
Results			
Segment result	18,878	34	18,912
Other operating income	374	–	374
Administrative and selling expenses	(11,450)	(26)	(11,476)
Other operating expenses	(1,532)	(26)	(1,558)
Finance costs	(105)	(8)	(113)
Profit (Loss) before income tax	6,165	(26)	6,139
Income tax expense			(1,104)
Profit after income tax			5,035
2018			
Revenue			
External sales of goods	63,589	–	63,589
Rental income	–	474	474
Segment revenue	63,589	474	64,063
Cost of sales			
External purchases	(45,556)	–	(45,556)
Cost of property maintenance	–	(458)	(458)
Segment cost of sales	(45,556)	(458)	(46,014)
Results	18,033	16	18,049
Segment result			
Other operating income	357	–	357
Administrative and selling expenses	(11,336)	(51)	(11,387)
Other operating expenses	(1,187)	(24)	(1,211)
Finance costs	(28)	(6)	(34)
Profit (Loss) before income tax	5,839	(65)	5,774
Income tax expense			(941)
Profit after income tax			4,833

30 Segment information (Continued)

Segment assets, liabilities and other information

	Distribution business	Property investment business	Total
	$'000	$'000	$'000
2019			
Assets			
Segment assets	**46,590**	**14,334**	**60,924**
Unallocated assets			**304**
Combined total assets			**61,228**
Liabilities			
Segment liabilities	**14,319**	**177**	**14,496**
Unallocated liabilities			**82**
Combined total liabilities			**14,578**
Other information			
Purchase of property, plant and equipment	**2,119**	–	**2,119**
Addition of right-of-use assets	**410**	–	**410**
Depreciation of property, plant and equipment	**624**	–	**624**
Depreciation of right-of-use assets	**455**	–	**455**
Depreciation of investment properties	–	**346**	**346**
Amortisation of club membership	**19**	–	**19**
2018			
Assets			
Segment assets	41,917	14,523	56,440
Unallocated assets			512
Combined total assets			56,952
Liabilities			
Segment liabilities	9,756	1,949	11,705
Unallocated liabilities			145
Combined total liabilities			11,850
Other information			
Capital expenditure	1,349	–	1,349
Depreciation of property, plant and equipment	712	–	712
Depreciation of investment properties	–	333	333
Amortisation of club membership	19	–	19

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.

31 Dividends paid

On 17 May 2018, 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 cents per ordinary share totaling $1,872,000 was paid to shareholders.

On 3 May 2019, 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 cents per ordinary share totaling $1,872,000 was paid to shareholders.

On 6 September 2019, an interim one-tier tax exempt dividend of 0.5 cents per ordinary share totaling $1,040,000 was paid to shareholders.

In respective of the financial year ended 31 December 2019, Directors of the Group proposed that a final one-tier tax exempt dividend of 0.5 cents per ordinary share and a special one-tier tax exempt dividend of 0.2 cents 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 $1,456,000.

32 Event after the reporting period

As a result of the spread of the coronavirus, economic uncertainties have arise. Given the dynamic nature of the circumstances and uncertainty around the duration, the related impact on the Group's financial statements could not be reasonably estimated at this stage. Notwithstanding this, management has assessed that the Group is still able to maintain sufficient liquidity to enable the Group to continue as a going concern for at least the next 12 months from the end of the reporting period. The related impacts, if any, will be reflected in the Group's 2020 financial statements.

SHAREHOLDING STATISTICS

AS AT 23 MARCH 2020

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 20 March 2020, 29.75% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	22	9.65	20,200	0.01
1,001 – 10,000	104	45.61	524,900	0.25
10,001 – 1,000,000	93	40.79	10,740,400	5.16
1,000,001 and above	9	3.95	196,714,500	94.58
	228	100.00	208,000,000	100.00

TOP 21 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	TL INVESTMENT HOLDINGS PTE LTD	131,040,000	63.00
2	LIM TECK SENG	14,560,000	7.00
3	UOB KAY HIAN PTE LTD	13,987,900	6.72
4	RAFFLES NOMINEES (PTE) LIMITED	9,869,800	4.75
5	KHWAJA ASIF RAHMAN	9,400,000	4.52
6	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	6,653,900	3.20
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,410,000	2.60
8	HSBC (SINGAPORE) NOMINEES PTE LTD	4,161,000	2.00
9	DBS NOMINEES PTE LTD	1,631,900	0.78
10	TAN YEOW SONG	1,000,000	0.48
11	TAN GUAN	925,000	0.44
12	FU LIN	756,800	0.36
13	D'OASIS PTE LTD	450,000	0.22
14	SIM CHENG HUAT	400,000	0.19
15	CITIBANK NOMINEES SINGAPORE PTE LTD	380,400	0.18
16	TAY SOK CHENG	260,000	0.13
17	TEO HAN KHENG (ZHANG HANQING)	250,000	0.12
18	GOH GUAT BEE (WU YUEMEI)	249,000	0.12
19	NG SHEAU LIAN	200,000	0.10
20	ONG KHENG KWANG (WANG QINGGUANG)	200,000	0.10
21	WONG YOKE MENG	200,000	0.10
		201,985,700	97.11

SUBSTANTIAL SHAREHOLDERS

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

Notes:–

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

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

APPENDIX DATED 13 APRIL 2020

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

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

This Appendix is circulated to the Shareholders (as defined herein) of Choo Chiang Holdings Ltd. ("**Company**") together with the Company's annual report for the financial year ended 31 December 2019 ("**Annual Report**"). Its purpose is to explain to Shareholders the rationale and provide information relating to, and to seek Shareholders' approval for, the proposed adoption of the Share Buy-back Mandate (as defined herein) to be tabled at the AGM (as defined herein) of the Company to be held on Tuesday, 28 April 2020 at 11:00 a.m. at Sapphire I & II, Orchid Country Club, 1 Orchid Club Road, Singapore 769162.

The notice of AGM and the proxy form are enclosed with the Annual Report.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix with the notice of AGM and the accompanying proxy form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Appendix, together with the Annual Report, the notice of AGM and the accompanying proxy form, to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Appendix has been reviewed by the Company's Sponsor, SAC Capital Private Limited ("**Sponsor**"). This Appendix has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix. The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

CHOO CHIANG HOLDINGS LTD.

CHOO CHIANG HOLDINGS LTD.

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

APPENDIX IN RELATION TO

THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

DEFINITIONS

In this Appendix, the following definitions apply throughout except where the context otherwise requires:

"ACRA"	:	The Accounting and Corporate Regulatory Authority of Singapore
"AGM"	:	The Annual General Meeting of the Company
"Appendix"	:	This Appendix to Shareholders dated 13 April 2020 in relation to the proposed adoption of the Share Buy-back Mandate
"Approval Date"	:	The date of the forthcoming AGM, being 28 April 2020, whereby the approval for the adoption of the Share Buy-back Mandate is sought
"Associate"	:	(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more, or such other definition as the Catalist Rules may from time to time prescribe
"associated company"	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
"Board"	:	The board of Directors of the Company as at the date of this Appendix
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
"Company"	:	Choo Chiang Holdings Ltd.

APPENDIX

"Constitution"	:	The constitution of the Company, as amended, modified or supplemented from time to time
"Control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
"Controlling Shareholder"	:	A person (including a corporation) who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting Shares. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises Control over the Company
"Directors"	:	The directors of the Company as at the date of this Appendix
"EPS"	:	Earnings per Share
"FY"	:	Financial year of the Company ended or ending 31 December (as the case may be)
"Group"	:	The Company and its subsidiaries
"Latest Practicable Date"	:	20 March 2020, being the latest practicable date prior to the printing of this Appendix
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"NAV"	:	Net asset value
"Relevant Period"	:	The period commencing from the date on which the ordinary resolution relating to the proposed adoption of the Share Buy-back Mandate is passed in a general meeting and expiring on the earliest of (a) the date on which the next AGM is held or is required by law to be held, (b) the date on which the Share Buy-back are carried out to the full extent mandated, or (c) the date the Share Buy-back Mandate is revoked or varied by the Shareholders in a general meeting
"Securities Account"	:	The securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
"SFA"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Share Buy-back(s)"	:	The purchase or acquisition by the Company of its own issued and fully paid-up Shares
"Share Buy-back Mandate"	:	The proposed mandate given by the Shareholders to authorise the Directors to carry out Share Buy-backs, in accordance with the terms set out in this Appendix and in compliance with the rules and regulations set forth in the Companies Act and the Catalist Rules

"Shareholders"	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares
"Shares"	:	Ordinary shares in the issued share capital of the Company
"SIC"	:	The Securities Industry Council of Singapore
"Substantial Shareholder"	:	A person (including a corporation) who holds directly or indirectly 5% or more of the total voting Shares
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
"**$**" and "**cents**"	:	Singapore dollars and cents respectively, being the lawful currency of the Republic of Singapore
"**%**" or "**per cent.**"	:	Percentage or per centum

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the same meanings ascribed to them, respectively, in Section 81SF of the SFA or any statutory modification thereof, as the case may be.

The term "**subsidiary**" shall have the same meaning ascribed to it in Section 5 of the Companies Act. The term "**treasury shares**" shall have the same meaning ascribed to it in Section 4 of the Companies Act. The term "**subsidiary holdings**" is defined in the Catalist Rules to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

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

APPENDIX

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

Any reference to a time of day and to dates in this Appendix shall be a reference to Singapore time and dates, respectively, unless otherwise stated.

Any discrepancies in this Appendix between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures which precede them.

CHOO CHIANG HOLDINGS LTD.

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

Directors

Mr Lim Teck Chuan, Thomas *(Executive Chairman and CEO)*
Mr Lim Teck Seng, Rocky *(Executive Director)*
Mr Lim Teck Chai, Danny *(Lead Independent Director)*
Mr Sho Kian Hin, Eric *(Independent Director)*
Mr Tan Soon Liang *(Independent Director)*

Registered Office

10 Woodlands Loop
Singapore 738388

13 April 2020

To: The Shareholders of Choo Chiang Holdings Ltd.

Dear Sir/Madam,

THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

1.1 The Directors propose to seek the approval of Shareholders at the forthcoming AGM to be held on Tuesday, 28 April 2020 at 11:00 a.m. at Sapphire I & II, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 for the proposed adoption of the Share Buy-back Mandate.

1.2 The purpose of this Appendix is to provide Shareholders with information relating to, and to seek approval for the proposed adoption of the Share Buy-back Mandate.

1.3 This Appendix has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

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

2. THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

2.1 Background

The Companies Act allows a Singapore-incorporated company to purchase or otherwise acquire its issued ordinary shares, stocks and preference shares if such purchase or acquisition is permitted under its constitution. Any purchase or acquisition of shares by the company would also have to be made in accordance with, and in the manner prescribed by, the Companies Act, its constitution and the Catalist Rules (in particular Part XI of Chapter 8 of the Catalist Rules which relates to Share Buy-backs) and such other laws and regulations as may for the time being be applicable. Regulation 70(2) of the Company's Constitution expressly permits the Company to carry out Share Buy-backs.

It is a requirement under the Companies Act and the Catalist Rules that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. In this regard, the approval of Shareholders is being sought at the forthcoming AGM for the adoption of the Share Buy-back Mandate.

Reference is made to the notice of AGM dated 13 April 2020 in relation to forthcoming AGM of the Company to be held on 28 April 2020. Ordinary Resolution 9 relating to the proposed adoption of the Share Buy-back Mandate, if approved by Shareholders will authorise the Directors to exercise all powers of the Company to conduct Share Buy-backs on the terms of the Share Buy-back Mandate.

If approved by Shareholders at the AGM, the authority conferred by the Share Buy-back Mandate will continue to be in force until the conclusion of the next AGM or the date by which such an AGM is required to be held (whereupon it will lapse, unless renewed at such meeting) or the date on which the Share Buy-backs have been carried out to the full extent mandated or the date the Share Buy-back Mandate is varied or revoked by the Shareholders at a general meeting (if so varied or revoked prior to the next AGM), whichever is the earliest.

Subject to its continued relevance to the Company, the Share Buy-back Mandate will be put to Shareholders for renewal at each subsequent AGM.

2.2 Rationale for the Share Buy-back Mandate

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

(a) The Share Buy-back Mandate will help to mitigate short-term price volatility (by way of stabilising the supply and demand of Shares) and offset the effects of short-term speculation, supporting the fundamental value of the Shares, thereby bolstering Shareholders' confidence.

(b) The Share Buy-back Mandate would provide the Company with the flexibility to conduct Share Buy-backs up to the 10% limit described in paragraph 2.3 (a) below at any time, during the period when the Share Buy-back Mandate is in force. This would allow the Board to better manage the capital structure, dividend payout and cash reserves of the Group.

(c) It is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of its financial requirements, taking into account its growth and expansion plans, to its Shareholders.

(d) In managing the business of the Group, the management team strives to increase Shareholders' value by improving, inter alia, the return on equity of the Group. In addition to growth and expansion of the business, Share Buy-backs may be considered as one of the ways through which the return on equity of the Group may be enhanced.

(e) Repurchased Shares which are held in treasury may be transferred for the purposes of or pursuant to employees' share schemes implemented by the Company.

Shareholders should note that Share Buy-backs will be made only when the Board considers it to be in the best interests of the Company and the Shareholders and in circumstances which will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

2.3 Authority and limits of the Share Buy-back Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buy-back Mandate are summarised below:

(a) **Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired pursuant to the Share Buy-back Mandate is limited to such number of Shares representing not more than 10% of the total number of issued Shares of the Company as at Approval Date, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for the purposes of computing the 10% limit.

For illustrative purposes, based on the existing issued and paid-up share capital of the Company comprising 208,000,000 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming that there are no changes made to the share capital of the Company on or prior to the forthcoming AGM, not more than 20,800,000 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate.

While the Share Buy-back Mandate would authorise Share Buy-backs up to 10% of the issued and paid-up Shares as at Approval Date, the Share Buy-backs may not be carried out to the full extent mandated to comply with the public float requirements in Rule 723 of the Catalist Rules or should the Share Buy-backs result in market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

(b) **Duration of authority**

Pursuant to the Share Buy-back Mandate, Share Buy-backs may be made during the Relevant Period, at any time and from time to time, from the Approval Date, up to the earliest of:

(i) the date on which the next AGM is held or required by law to be held;

(ii) the date on which the Share Buy-backs are carried out to the full extent mandated under the Share Buy-back Mandate; or

(iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by the Shareholders at a general meeting.

The Share Buy-back Mandate may be renewed at each AGM or any other general meeting of the Company.

(c) **Manner of Share Buy-backs**

Share Buy-backs under the Share Buy-back Mandate can be effected by the Company by way of:

(i) on-market purchases, transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Buy-back ("**Market Purchases**"); and/or

(ii) off-market purchases transacted otherwise than on the SGX-ST, in accordance with an equal access scheme (as defined in Section 76C of the Companies Act) ("**Off-Market Purchase**").

For Off-Market Purchase, the Directors may impose such terms and conditions, which are consistent with the Share Buy-back Mandate, the Companies Act, the Catalist Rules, the Constitution and other applicable laws and regulations in respect of an equal access scheme. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

(i) offers for the Share Buy-backs shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:

(A) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;

(B) differences in consideration attributable to the fact that the offers may relate to Shares with different amounts remaining unpaid; and

(C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, Rule 870 of the Catalist Rules provides that, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must, as required by the Catalist Rules, issue an offer document to all Shareholders containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the Share Buy-back;

(iv) the consequences, if any, of the Share Buy-backs by the Company that will arise under the Take-over Code or other applicable take-over rules;

(v) whether the Share Buy-backs, if made, would have any effect on the listing of the Shares on the SGX-ST;

(vi) details of any Share Buy-backs made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions; and

(vii) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

(d) **Maximum price to be paid for the Shares**

The purchase price (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting Share Buy-backs under the Share Buy-back Mandate. However, the purchase price to be paid for the Shares for the Share Buy-backs must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below),

in either case, excluding related expenses of the Share Buy-back (**"Maximum Price"**).

For the above purposes:

"Average Closing Price" means the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, immediately preceding the day on which the Market Purchase was made, or as the case may be, the Offer Date (as defined below) for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Day period; and

"Offer Date" means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of purchased or acquired Shares

Shares purchased or otherwise acquired by the Company under a Share Buy-back are deemed cancelled immediately on completion of the Share Buy-back (and all rights and privileges attached to those Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares to the extent permitted under the Companies Act. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST. Certificates (where applicable) in respect thereof will be cancelled by the Company as soon as reasonably practicable following settlement of any such Share Buy-back.

2.5 Treasury shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum holdings

The total aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within 6 months beginning on the date on which the contravention occurs or such further periods as ACRA may allow.

As at the Latest Practicable Date, the Company does not hold any treasury shares.

(b) Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at general meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(i) sell the treasury shares (or any of them) for cash;

(ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

(iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares (or any of them); or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister for Finance may by order prescribe.

2.6 Reporting requirements

(a) Notification to the ACRA

Within 30 days of the passing of a Shareholders' resolution to approve the proposed adoption of the Share Buy-back Mandate, the Company shall lodge a copy of such resolution with the ACRA.

The Company shall also lodge with ACRA a notice of the Share Buy-back, within 30 days of such purchase or acquisition. Such notification shall include, *inter alia*, the date of the Share Buy-back, the total number of Shares purchased or acquired, the number of Shares cancelled or held as treasury shares, the Company's issued share capital before and after the Share Buy-backs, the amount of consideration paid for the Share Buy-backs and whether such consideration is paid out of profits or capital of the Company, and such other information as may be prescribed from time to time.

In addition, within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Company shall lodge with ACRA a notice of cancellation or disposal of treasury shares with such information as may be prescribed from time to time.

(b) **Notification to the SGX-ST**

Rule 871 of the Catalist Rules specifies that a listed company must make an announcement on SGXNET of all purchases or acquisitions of its shares no later than 9.00 a.m.:

(i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made, and

(ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer.

Such announcement shall include, *inter alia*, the maximum number of Shares authorised for purchase or acquisition, the date of the Share Buy-backs, the number of Shares purchased or acquired, the number of Shares cancelled or held as treasury shares, the purchase price per Share or (in the case of Market Purchases) the highest price and lowest price per Share, the total consideration paid for the Shares, the number of issued Shares after purchase or acquisition and such other information as may be prescribed from time to time. The announcement must be in the form of Appendix 8D prescribed by the Catalist Rules.

In addition, under Rule 704(31) of the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include the date of usage, the purpose of usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued Shares before and after the usage, the value of the treasury shares comprised in the usage and such other information as may be prescribed from time to time.

2.7 Sources of funds

In purchasing Shares under the Share Buy-back Mandate, the Company may only apply funds legally available for Share Buy-backs as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, Share Buy-backs may be made out of the Company's distributable profits or capital so long as the Company is solvent. In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimation of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

Pursuant to Section 76F(4) of the Companies Act, a company is "solvent" if, at the date of payment for the relevant Share Buy-back, the following conditions are satisfied:

(a) there is no ground on which the company could be found to be unable to pay its debts;

(b) if,

  (i) it is intended to commence the winding up of the company within the period of 12 months immediately after the date of payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

  (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's Share Buy-backs pursuant to the Share Buy-back Mandate. The Directors do not propose to exercise the Share Buy-back Mandate in a manner and to such extent that it would have a material adverse effect on the financial position, liquidity and/or the capital adequacy of the Group.

2.8 Financial effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buy-back Mandate on the NAV and EPS of the Company and the Group as the resultant effect would depend on, inter alia, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Share Buy-back scenarios discussed below in this Section 2.8 are for illustrative purposes only and under the following assumptions:

(a) The Share Buy-back Mandate has been effective from 1 January 2019;

(b) Based on 208,000,000 Shares in issue as at the Latest Practicable Date and assuming no change in share capital on or prior to Approval Date, the Company carried out Share Buy-backs in respect of 20,800,000 Shares (representing 10% of the total number of Shares);

(c) **In the case of Market Purchases by the Company**, assuming that the Company purchases or acquires 20,800,000 Shares at the Maximum Price of $0.238 for each Share (being the price equivalent to 105% of the Average Closing Price immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately $4,950,000.

In the case of Off-Market Purchases by the Company, assuming that the Company purchases or acquires 20,800,000 Shares at the Maximum Price of $0.272 for each Share (being the price equivalent to 120% of the Average Closing Price immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately $5,657,000;

(d) The Share Buy-backs are funded entirely by internal resources; and

(e) Transaction costs incurred for the Share Buy-backs are assumed to be insignificant and have been disregarded for the purpose of computing the financial effects.

For illustrative purposes only, and based on the assumptions set out above, the financial effects of (i) Share Buy-backs of 20,800,000 Shares by the Company made entirely out of capital and the purchased shares are held in treasury; and (ii) Share Buy-backs of 20,800,000 Shares by the Company made entirely out of capital and the purchased shares are cancelled on the audited consolidated financial statements of the Company and the Group for FY2019 are set out below:

Scenario 1 – Purchases made entirely out of capital and held as treasury shares

(i) **Market Purchases**

As at 31 December 2019	Before Share Buy-back	After Share Buy-back	Before Share Buy-back	After Share Buy-back
	Group		Company	
	$'000	$'000	$'000	$'000
Share capital	8,020	8,020	8,020	8,020
Accumulated profits	38,630	38,630	11,913	11,913
Treasury shares	–	(4,950)	–	(4,950)
Equity attributable to owners of the Company	46,650	41,700	19,933	14,983
Non-controlling interests	–	–	–	–
NAV(1)	46,650	41,700	19,933	14,983
Cash and cash equivalents	15,389	10,439	272	272(2)
Current Assets	35,736	30,786	17,786	17,786
Current Liabilities	11,817	11,817	91	5,041
Working capital	23,919	18,969	17,695	12,745
Total borrowings	–	–	–	4,950
Profit attributable to owners of the Company	5,048	5,048	4,084	4,084
Number of Shares	208,000,000	187,200,000	208,000,000	187,200,000
Financial Ratios				
NAV per Share (cents)(2)	22.43	22.28	9.58	8.00
Current Ratio (times)(3)	3.02	2.61	195.45	3.53
Basic EPS (cents)(5)	2.43	2.70	1.96	2.18

(ii) **Off-Market Purchases**

As at 31 December 2019	Before Share Buy-back	After Share Buy-back	Before Share Buy-back	After Share Buy-back
	Group		Company	
	$'000	$'000	$'000	$'000
Share capital	8,020	8,020	8,020	8,020
Accumulated profits	38,630	38,630	11,913	11,913
Treasury shares	–	(5,657)	–	(5,657)
Equity attributable to owners of the Company	46,650	40,993	19,933	14,276
Non-controlling interests	–	–	–	–
NAV[1]	46,650	40,993	19,933	14,276
Cash and cash equivalents	15,389	9,732	272	272[2]
Current Assets	35,736	30,079	17,786	17,786
Current Liabilities	11,817	11,817	91	5,748
Working capital	23,919	18,262	17,695	12,038
Total borrowings	–	–	–	5,657
Profit attributable to owners of the Company	5,048	5,048	4,084	4,084
Number of Shares	208,000,000	187,200,000	208,000,000	187,200,000
Financial Ratios				
NAV per Share (cents)[3]	22.43	21.90	9.58	7.63
Current Ratio (times)[4]	3.02	2.55	195.45	3.09
Basic EPS (cents)[5]	2.43	2.70	1.96	2.18

<u>Scenario 2 – Purchases made out of capital and cancelled</u>

(i) **Market Purchases**

As at 31 December 2019	Before Share Buy-back	After Share Buy-back	Before Share Buy-back	After Share Buy-back
	Group		Company	
	$'000	$'000	$'000	$'000
Share capital	8,020	3,070	8,020	3,070
Accumulated profits	38,630	38,630	11,913	11,913
Treasury shares	–	–	–	–
Equity attributable to owners of the Company	46,650	41,700	19,933	14,983
Non-controlling interests	–	–	–	–
NAV(1)	46,650	41,700	19,933	14,983
Cash and cash equivalents	15,389	10,439	272	272(2)
Current Assets	35,736	30,786	17,786	17,786
Current Liabilities	11,817	11,817	91	5,041
Working capital	23,919	18,969	17,695	12,745
Total borrowings	–	–	–	4,950
Profit attributable to owners of the Company	5,048	5,048	4,084	4,084
Number of Shares	208,000,000	187,200,000	208,000,000	187,200,000
Financial Ratios				
NAV per Share (cents)(3)	22.43	22.28	9.58	8.00
Current Ratio (times)(4)	3.02	2.61	195.45	3.53
Basic EPS (cents)(5)	2.43	2.70	1.96	2.18

(ii) **Off-Market Purchases**

As at 31 December 2019	Before Share Buy-back (Group)	After Share Buy-back (Group)	Before Share Buy-back (Company)	After Share Buy-back (Company)
	$'000	$'000	$'000	$'000
Share capital	8,020	2,363	8,020	2,363
Accumulated profits	38,630	38,630	11,913	11,913
Treasury shares	–	–	–	–
Equity attributable to owners of the Company	46,650	40,993	19,933	14,276
Non-controlling interests	–	–	–	–
NAV[(1)]	46,650	40,993	19,933	14,276
Cash and cash equivalents	15,389	9,732	272	272[(2)]
Current Assets	35,736	30,079	17,786	17,786
Current Liabilities	11,817	11,817	91	5,748
Working capital	23,919	18,262	17,695	12,038
Total borrowings	–	–	–	5,657
Profit attributable to owners of the Company	5,048	5,048	4,084	4,084
Number of Shares	208,000,000	187,200,000	208,000,000	187,200,000
Financial Ratios				
NAV per Share (cents)[(3)]	22.43	21.90	9.58	7.63
Current Ratio (times)[(4)]	3.02	2.55	195.45	3.09
Basic EPS (cents)[(5)]	2.43	2.70	1.96	2.18

Notes:

(1) NAV represents total assets less total liabilities.

(2) The Company will procure loans from its subsidiaries of an amount sufficient to finance the Share Buy-backs being S$4.950 million for Market Purchases and S$5.657 million for Off-Market Purchases.

(3) NAV per Share is computed based on NAV divided by the number of Shares in issue.

(4) Current ratio equals current assets divided by current liabilities.

(5) Basic EPS is computed based on profit attributable to owners of the Company divided by the number of Shares in issue.

Shareholders should note that the financial effects set out above are based on certain assumptions and are purely for illustrative purposes only. In particular, it is important to note that the above illustration is based on the audited consolidated financial statements of the Company and the Group for FY2019, and is not necessarily representative of the future financial performance of the Company or the Group.

The Board will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a Share Buy-back before execution. Although the Share Buy-back Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or be able to purchase the entire 10% of the total number of its issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury.

2.9 Take-over Code implications

Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any Share Buy-backs are set out below.

(a) **Obligations to make a take-over offer**

If, as a result of any Share Buy-back, a Shareholder's proportionate interest in the voting capital of the Company and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make a mandatory take-over offer under Rule 14 of the Take-over Code, unless the conditions for exemption pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code are satisfied.

(b) **Persons acting in concert**

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of the company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(i) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any companies whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

(ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(iii) a company with any of its pension funds and employee share schemes;

(iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(vi) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(vii) partners; and

(viii) an individual, his close relatives, his related trusts, any person who is accustomed to act in accordance to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with each of them, will incur an obligation to make a mandatory take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

(c) **Effect of Rule 14 and Appendix 2 of the Take-over Code**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code, a Director and his concert parties will incur an obligation to make a mandatory take-over offer under Rule 14 if, as a result of the Company carrying out a Share Buy-back, the voting rights of such Director and his concert parties would increase to 30% or more, or in the event that such Director and his concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Director and his concert parties would increase by more than 1% in any period of 6 months. In calculating the percentages of voting rights of such Shareholder and his concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a mandatory take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed adoption of the Share Buy-back Mandate.

(d) **Application of the Take-over Code**

Details of the shareholdings of the Directors and Substantial Shareholders as at the Latest Practicable Date are set out in Section 3 below.

As at the Latest Practicable Date, Mr Lim Teck Chuan our Executive Chairman and Chief Executive Officer holds 63% of the issued and paid-up share capital of the Company while Mr Lim Teck Seng, our Executive Director holds 7.13% of the issued and paid-up share capital of the Company (collectively, the "**Relevant Shareholders**"). Mr Lim Teck Chuan and Mr Lim Teck Seng are brothers and hence are presumed to be parties acting in concert in relation to their interests in the Company.

As the Relevant Shareholders hold more than 50.0% of the voting rights in the Company, the Relevant Shareholders and parties acting in concert with them are not expected to incur an obligation to make a mandatory take-over offer for the Shares under Rule 14.1 of the Take-over Code as a result of the Company buying back its Shares under the Share Buy-back Mandate.

The statements in this Appendix do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Singapore Securities Industry Council and/or their professional advisers at the earliest opportunity.

APPENDIX

2.10 Tax implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of purchase or acquisition of Shares by the Company or who may be subject to tax, whether in or outside Singapore, should consult their professional advisers.

2.11 Catalist Rules

(a) While the Catalist Rules do not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any purchase or acquisition of its issued shares, the Company will not undertake Share Buy-backs at any time after any matter or development of a price-sensitive or trade-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive or trade-sensitive information has been publicly announced. Further, in line with the best practices on dealing with securities stipulated in the Catalist Rules, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period commencing one month immediately preceding the announcement of the Company's half-year or full-year results.

(b) The Company does not have any individual shareholding limit or foreign shareholding limit. Rule 723 of the the Catalist Rules requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed must be held by public Shareholders. Where such percentage falls below 10%, the SGX-ST may at any time suspend trading of the shares of the listed company. The term "**public**", as defined under the Catalist Rules, are persons other than (i) the Directors, Chief Executive Officer, Substantial Shareholders or Controlling Shareholder of the Company and its subsidiaries; and (ii) Associates of the persons in (i).

As at the Latest Practicable Date, approximately 61,890,000 Shares, representing 29.75% of the total number of issued Shares are held by public Shareholders. **For illustrative purposes only**, assuming the Company exercises the Share Buy-back Mandate in full and purchases 10% of the total number of issued Shares through Market Purchases from the public, the public float would be reduced to approximately 41,090,000 Shares, representing approximately 19.75% of the total number of issued Shares.

The Directors will use their best efforts to ensure that the Company does not effect Share Buy-backs if it would result in the number of issued Shares remaining in the hands of the public falling below 10% of the total number of issued Shares, thereby affecting the listing status of the Company. Before deciding to effect a Share Buy-back, the Directors will ensure that, a sufficient float in the hands of the public will be maintained to provide for an orderly market for trading in the Shares.

2.12 Share Buy-backs in the previous 12 months

The Company has not purchased or acquired any Shares during the 12-month period immediately preceding the Latest Practicable Date.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and the Substantial Shareholders in the issued share capital of the Company, as recorded in the register of Directors' shareholdings and the register of Substantial Shareholders of the Company respectively, as at the Latest Practicable Date, are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	%[1]	Number of Shares	%[1]
Directors				
Mr Lim Teck Chuan, Thomas[2]	–	–	131,040,000	63.00
Mr Lim Teck Seng, Rocky[3]	14,560,000	7.00	260,000	0.13
Mr Lim Teck Chai, Danny	–	–	130,000	0.06
Substantial Shareholders				
TL Investment Holdings Pte. Ltd.	131,040,000	63.00	–	–

Notes:

(1) Based on the issued share capital of the Company of 208,000,000 Shares as at the Latest Practicable Date.

(2) Mr Lim Teck Chuan holds 100% of the issued share capital of TL Investment Holdings Pte. Ltd.. Accordingly, Mr Lim Teck Chuan is deemed to be interested in all the shares held by TL Investment Holdings Pte. Ltd. in the Company by virtue of Section 7 of the Companies Act, Chapter 50.

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

Save for their respective shareholding interests in the Company, none of the Directors and to the best of the Directors' knowledge, none of the Substantial Shareholders has any direct or indirect interest in the proposed adoption of the Share Buy-back Mandate.

4. DIRECTORS' RECOMMENDATION

After having considered the rationale and the information relating to the proposed adoption of the Share Buy-back Mandate, the Directors are of the opinion that the proposed adoption of the Share Buy-back Mandate is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution in respect of the proposed adoption of the Share Buy-back Mandate as set out in the notice of AGM.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

A Shareholder who is unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on his behalf must complete, sign and return the proxy form attached to the Company's annual report for FY2019 in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at 10 Woodlands Loop Singapore 738388, not less than 48 hours before the time appointed for holding the AGM.

The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the AGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the time appointed for holding the AGM.

APPENDIX

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed adoption of the Share Buy-back Mandate and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

7. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the registered office of the Company at 10 Woodlands Loop Singapore 738388, during normal business hours from the date of this Appendix up to and including the date of the AGM:

(a) the Company's Constitution; and

(b) the annual report of the Company for FY2019.

Yours faithfully

For and on behalf of the Board of Directors of
Choo Chiang Holdings Ltd.

Lim Teck Chuan, Thomas
Executive Chairman and Chief Executive Officer

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 Sapphire I & II, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Tuesday, 28 April 2020 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 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt one-tier dividend of 0.5 Singapore cents per ordinary share (2018: 0.8 Singapore cents per ordinary share) and special dividend of 0.2 Singapore cents per ordinary share (2018: 0.1 Singapore cents per ordinary share) for the financial year ended 31 December 2019. **(Resolution 2)**

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

4. To re-elect Mr Lim Teck Chai Danny, 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 2020 and the payment thereof on a half yearly basis. (2019: 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.

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 convertible securities; (ii) new Shares arising from exercising of any share options or vesting of share awards 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;

Adjustments in accordance with (i) and (ii) are only made in respect of new shares arising from convertible securities, share options or share awards which were issued outstanding or subsisting at the time of passing this resolution.

(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)**

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)**

10. **Proposed adoption of the Share Buy-back Mandate**

That:

(a) for the purposes of the Companies Act, Cap. 50 of Singapore ("**Companies Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (defined below), at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price (defined below), whether by way of:

(i) on-market purchases ("**Market Purchase(s)**") transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which shares may for the time being be listed and quoted, the SGX-ST through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchase(s)**") transacted otherwise on the SGX-ST, in accordance with an equal access scheme (as defined in Section 76C of the Company Act);

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

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution relating to the Share Buy-Back Mandate and expiring on:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is the earlier;

(ii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the shareholders of the Company in a general meeting; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated,

whichever is the earliest (the "**Relevant Period**");

(c) in this resolution relating to the Share Buy-Back Mandate:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be, Offer Date pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Day period and the day on which the purchases are made;

"**Offer Date**" means the day on which the Company announces its intention to make an offer for an off-market purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

"**Maximum Limit**" means that number of Shares representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the resolution passed by Shareholders for the Share Buy-Back Mandate, unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered after such capital reduction (excluding any treasury shares and subsidiary holdings as may be held by the Company from time to time);

"**Maximum Price**" in relation to a Share to be purchased, means the purchase price (excluding applicable brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price; and

(d) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act; and

(e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution relating to the Share Buy-Back Mandate.

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

By Order of The Board

Sharon Yeoh
Morland Fu
Company Secretaries
Singapore, 13 April 2020

Explanatory Notes on Ordinary Resolutions to be passed:

(i) Mr Lim Teck Chai Danny, if re-elected, will remain as the Company's Lead Independent Director and the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. The Board considers Mr Lim Teck Chai Danny 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, and to allot and issue Shares pursuant to the vesting of Awards granted under the PSP, provided that the aggregate number of Shares issued and issuable pursuant to the PSP, when added to (1) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (2) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or Awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed fifteen percent (15%) of the total number of issued share capital (excluding treasury shares and subsidiary holdings) of the Company on the day preceding the relevant date of Award and from time to time.

(iv) Ordinary Resolution 9, if passed, will empower the Directors during the Relevant Period, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the resolution passed by Shareholders for the Share Buy-Back Mandate on the terms of the Share Buy-back Mandate as set out in the Annexure.

The Company may use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Buy-back Mandate. The Directors do not propose to exercise the Share-Buy Mandate in a manner and to such extent that it would have a material adverse effect on the financial position, liquidity and/or the capital adequacy of the Group.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

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

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

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

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

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

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

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

PERSONAL DATA PRIVACY

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

Measures to Minimise Risk of Community Spread of COVID-19:

In view of the evolving COVID-19 situation, we may be required to change our AGM arrangements at short notice. For any subsequent changes to the AGM, we will provide an update via an announcement on SGX. The Company reserves the right to take such precautionary measures as may be required or recommended by government agencies at the Annual General Meeting, in order to minimise the risk of community spread of COVID-19. We would appreciate shareholders to adhere to the cautionary measures in place, as specified below:

1. All persons attending the Annual General Meeting will be required to undergo a temperature check and submit a health and travel declaration (which may be used for the purposes of contact tracing, if required).

2. Any person who is unwell as well as those with travel history to certain countries and regions will be declined entry to the Annual General Meeting.

3. Shareholders and other attendees who are feeling unwell or have been placed under quarantine orders or stay-at-home notices are advised not to attend the Annual General Meeting. Shareholders and attendees are also advised to arrive at the venue of the Annual General Meeting early given that the abovementioned measures may cause delay in the registration process.

4. To reduce close contact, there will not be any food served at the Annual General Meeting.

5. As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimize any risk to shareholders and other attending the Annual General Meeting.

The Company seeks the understanding and cooperation of all shareholders to minimize the risk of community spread of the COVID-19.

In view of the COVID-19 situation, we wish to advise shareholders that it is not essential for you to attend the AGM in person. Shareholders should refrain from attending the AGM under the present circumstances as long as the DORSCON level remains at Orange, or higher.

To vote on any or all of the resolutions at the AGM, you are encouraged to send in your votes in advance by proxy. You may appoint the Chairman as your proxy. The proxy form is attached to the Notice of the AGM.

CHOO CHIANG HOLDINGS LTD.

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

PROXY FORM

IMPORTANT

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

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

of ____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Sapphire I & II, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Tuesday, 28 April 2020 at 11.00 a.m. and at any adjournment thereof.

I/We have direct 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:	Number of Votes		
		For*	Against*	Abstain*
	AS ORDINARY BUSINESS			
1	Adoption of Directors' Statement and the audited financial statements of the Company for the financial year ended 31 December 2019 together with the Auditors' Report thereon			
2	Payment of proposed final tax exempt one-tier dividend of 0.5 Singapore cents per ordinary share and special dividend of 0.2 Singapore cents per ordinary share for the financial year ended 31 December 2019			
3	Re-election of Mr Lim Teck Seng as a Director			
4	Re-election of Mr Lim Teck Chai Danny as a Director			
5	Approval of Directors' fees for the financial year ending 31 December 2020			
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			
9.	Proposed adoption of the Share Buy-back Mandate			

* *If you wish to exercise all your votes, please indicate your vote "For" or "Against" or "Abstain" with a "✓" within the boxes provided. Alternatively, if you wish to exercise some and not all of your votes "For" and "Against" the resolution and/or to abstain from voting in respect of the resolutions, please indicate the number of votes "For", the number of votes "Against" and/or the number "Abstain" in the boxes provided for the resolutions.*

Dated this ________ day of ____________________ 2020

Total Number of Shares Held

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

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2020.

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OUR RETAIL NETWORK

CHOO CHIANG HEADQUARTERS
10 Woodlands Loop
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