

CHOSEN

Innovation

annual report 2009



CORPORATE PROFILE

Founded in 1986, CHOSEN offers integrated manufacturing solutions consisting of product design & development, mould design & fabrication, precision plastic injection moulding & secondary processes, modular assembly, PCB assembly and final product assembly services. Our customers are some of the world's product leaders in the printing and imaging, hard disk media, wafer semiconductor, automotive, medical devices and communication equipment industries.

Our advanced manufacturing facilities are located in Singapore, Malaysia, Thailand and the People's Republic of China (Dongguan, Shanghai and Wuxi).

Chosen Holdings Limited has been listed on the Main Board of the Singapore Exchange since February 1999.

We To

FINANCIAL CALENDAR

2009

Financial year end	30 June 2009
Announcement of FY 2009 mid-year results	2 February 2009
Announcement of FY 2009 full year results	18 August 2009
Despatch of Annual Report to shareholders	29 September 2009
Annual General Meeting	22 October 2009
FY 2009 proposed first and final dividend	
Book closure date	10 November 2009
Payment date	20 November 2009

2010

Financial year end	30 June 2010
Announcement of FY 2010 mid-year results	February 2010
Announcement of FY 2010 full year results	August 2010

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Innovate Deliver

MISSION

To be chosen by our customers as a value-added partner for the supply of innovative engineering solutions.

SHARED VALUES

Customers first

We put our customers first in everything we do.

Achievement of excellence

We strive for excellence in whatever we do.

Delivering innovative products, services and solutions

We build value-added partnerships with customers through delivering innovative products, services and solutions.

Trust and respect for individuals

We work together to create a culture of inclusion build on trust, respect, and dignity for all.

Results through teamwork

Each person's contribution is critical to our success.

Uncompromising integrity

We are open, honest, and direct in all our dealings.





MALAYSIA
Chosen Plastic Sdn. Bhd.
Chosen Manufacturing Sdn. Bhd.



SINGAPORE
Chosen Holdings Limited, Chosen Plastic Pte Ltd
Chosen Technologies Pte Ltd, Chosen Dzios Pte Ltd
Chosen Innovation Centre

CORPORATE OBJECTIVES

Customer loyalty

We build value-added partnerships with customers by consistently providing innovative products, services and solutions of the highest quality and value.

Profit

We achieve sufficient profit to finance growth, create value for our shareholders, and achieve our other corporate objectives.

Growth

We recognize and seize opportunities for growth that build upon our strengths and competencies.

Market differentiation

We differentiate ourselves by delivering innovative products, services, and solutions.

Commitment to employees

We demonstrate our commitment to employees by promoting and rewarding them based on performance and by creating a work environment that reflects our values.

Leadership capability

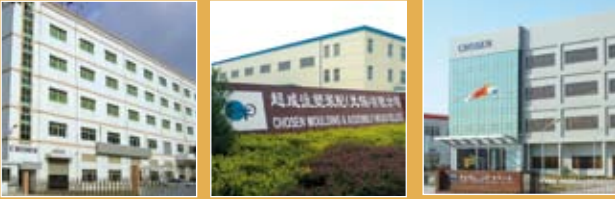
We develop leaders at all levels who achieve business results, exemplify our values, and lead us to grow and win.

Global citizenship

We fulfill our responsibility to society by being an economic, intellectual, environmentally responsible and social asset to each country and community where we do business.

THE CHOSEN MODEL

Chosen's strength in both precision moulding and enclosure moulding of products of the highest complexity and our in-depth knowledge of advanced plastic applications sets us apart from the rest of the players in the industry.



CHINA

Chosen Enterprise (Dongguan) Co., Ltd.
Chosen Moulding & Assembly (Wuxi) Co., Ltd.
Chosen Enterprise (Shanghai) Co., Ltd., Chosen Electronics Assembly (Shanghai) Co., Ltd.



THAILAND

Chosen (Thailand) Co. Ltd.

Product design & development

Our product design and development team is involved in customers' projects right from product conceptualization. We are able to provide valuable input in terms of manufacturability at the product development stage thereby reducing time to market of customers' new products.

Modular assembly

Our manufacturing plants have extensive experience in both automated and manual modular assembly operations as well as controlled environment assembly.

Mould design & fabrication

We are equipped with state-of-the-art high speed precision machines capable of designing and fabricating precision multi-cavity hot and cold runner moulds. Moulds produced by us ranges from intricate precision moulds of 20 machine tonnage to enclosure moulds of up to 650 machine tonnage.

PCB assembly

We offer printed circuit board assemblies (PCBA) of multilayer boards to our customers in a secured environment to protect the customers' intellectual property confidentiality.

Precision plastic injection moulding

We provide conventional moulding, insert moulding, outsert moulding, vertical moulding, multi-component moulding and controlled environment moulding for a wide range of products across various product segments.

Final product assembly

Chosen offers full turnkey manufacturing services including complete box build and complex test acceptance services to our customers. Our niche is in highly complex, high-mix products.

Secondary processes

We offer value-added secondary processes like spray-painting, tempo printing, silkscreening, ENI shielding, automated pin insertion, decorative finishing and ultrasonic welding as part of our integrated turnkey manufacturing service.



Message from the Chairman



Dear Shareholders

On behalf of the Board, I am pleased to present to you the annual report of the Group for FY 2009.

Chosen Group's businesses were adversely affected by the global economic slowdown, which grew to be more pronounced in the latter part of 2008. Major customers were delaying, reducing or cancelling sales orders. The Group had to react swiftly to bring down costs to improve competitiveness, including curtailing of capital expenditures, exercising stringent controls on operating costs, restructuring our overseas operations and general workforce. Grants from the Innovation Development Scheme as well as the Jobs Credit Scheme, a timely economic measure introduced by the Singapore Government, helped alleviate cost pressures.

Whilst the Group is focused on cost reduction during the year, we continue to invest resources in strategic activities and investments. In Singapore, the Group took a 40% stake in Gashub Technology Pte Ltd ("Gashub") in July 2008. Gashub is a company involved in the manufacture of fuel cells mainly for uninterrupted power supply (UPS) applications. With the acquisition, we increased research and development activities in product design, moulding processes and material applications, especially in fuel cell and similar clean energy products during the year. Another patent relating to fuel cell was filed during the year. With this latest patent filed, the Group now has five patents under its name, three of which relate to its data media storage products and the other two were fuel cell related and were jointly filed with Gashub.

Training plays a prominent role in building a technically strong team. We maintained our training budget, continuing to invest in our employees with special emphasis on enhancing the knowledge and skills of our engineers and technical staff. The Malaysia and Thailand operations, in particular, organized training on statistical process techniques and testing techniques to strengthen workforce capabilities and to prepare for the transformation of these overseas plants to manufacture higher precision innovative products.

We also took advantage of the lull period to re-organise our operating facilities to take advantage of new business opportunities. We transferred some mould making capacities from the Shanghai plant to the Dongguan plant to set up a mould making facility there due to demand for precision moulds in southern China. We also transferred some moulding capacities from the Shanghai plant to the Wuxi plant to cater to increased demand. The Shanghai plant, with its reduced machine capacity, now concentrates on delivering turnkey solutions for large format printers and other consumer products.

The Group's drive for operational excellence and competitive cost structure has enabled it to consistently deliver value to its customers. We continue to receive awards from customers during the year. The Singapore operation received an award from Panasonic Refrigeration Devices for its outstanding support during the year. The Thailand operation received an award from Rosemount in recognition of its continuous improvement in the area of quality, speed, flexibility, service, technology and best cost.

The Group ended the financial year with a 24% reduction in sales to \$95.9M. Profit before tax decreased by 28% from \$4.5M in FY 2008 to \$3.3M. Net profit attributable to shareholders decreased by 34% to \$2.3M. Nonetheless, the Group's financial position remains strong. The Group's net cash position increased from \$11.5M to \$13.5M.

Going forward, the Group will continue to face challenges in its operating environment. There is still much uncertainty over the timing and shape of recovery of the global economy. Cautious sentiment among the Group's customers will keep revenue and profitability under pressure in the near term. On-going actions taken to trim operating costs, drive operational excellence and strengthen working capital management will help to sustain the Group through the downturn. We will continue to invest prudently to position ourselves for future growth. In particular, we will continue to develop value-added solutions for our customers and enhance the capabilities of our people for long term competitive advantage.

The Board has recommended a first and final tax exempt one-tier dividend of 0.5 cents per share. The proposed dividends represent a dividend payout of 62% for the financial year.

I would like to thank my fellow Board members for their input and wise counsel and our customers, suppliers and bankers for their continued confidence and support during the year. My heartfelt appreciation goes to our shareholders for your unyielding support. Above all, we want to place on record our appreciation of the commitment, dedication and sacrifices made by the Chosen team to navigate the Group through this challenging period.

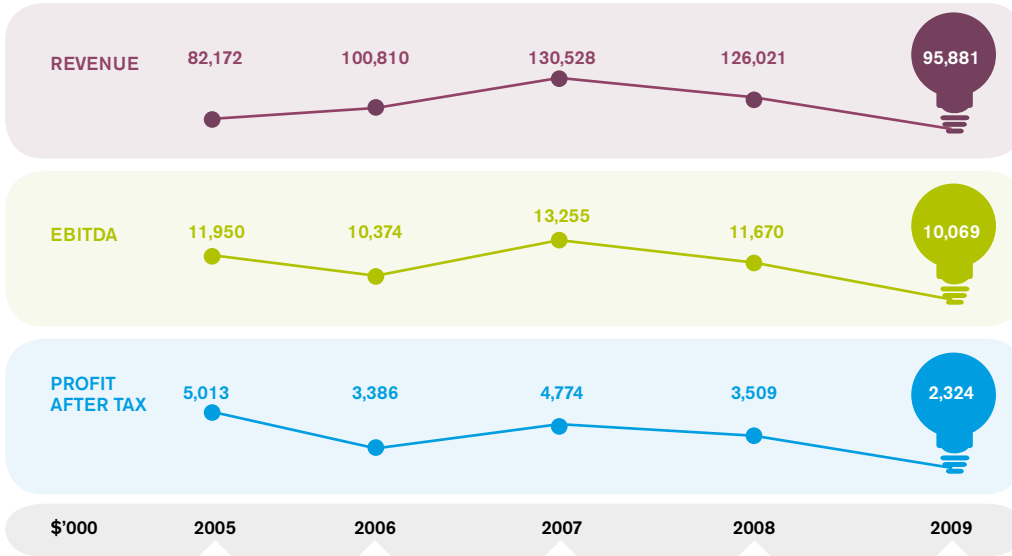
Aloysius Lim Cher Kia
Chairman and Managing Director

18 August 2009



Group Five-Year Financial Highlights And Analysis

	2005	2006	2007	2008	2009
Operating Results					
Revenue (\$'000)	82,172	100,810	130,528	126,021	95,881
EBITDA (\$'000)	11,950	10,374	13,255	11,670	10,069
Profit before tax (\$'000)	6,099	4,016	6,105	4,529	3,272
Profit after tax (\$'000)	5,013	3,386	4,774	3,509	2,324
Earnings per share (cents)	1.75	1.18	1.67	1.22	0.81
Financial Position					
Property, plant and equipment (\$'000)	46,549	48,384	48,973	44,942	42,646
Other assets (\$'000)	192	298	397	528	956
Current assets (\$'000)	50,086	59,871	65,172	54,044	51,222
Total assets (\$'000)	96,827	108,553	114,542	99,514	94,824
Current liabilities (\$'000)	24,908	37,890	40,352	27,233	22,476
Non-current liabilities (\$'000)	3,122	2,112	1,995	2,250	2,197
Net assets/Shareholders' equity (\$'000)	68,797	68,551	72,195	70,031	70,151
Return on average shareholders' equity (%)	7.41	4.93	6.78	4.93	3.32
Net tangible assets per share (cents)	24.01	23.92	25.19	24.41	24.45
Distribution to Shareholders					
Dividend (\$'000)	2,866	2,149	3,587	2,511	1,435
Gross dividend per share (cents)	1.00	0.75	1.25	0.875	0.50
Dividend payout ratio (%)	57%	63%	75%	72%	62%
Liquidity and Capital Resources					
Cash and bank balances (\$'000)	19,960	17,945	18,523	16,155	18,751
Borrowings (\$'000)	8,178	7,968	9,232	4,606	5,252
Net cash (\$'000)	11,782	9,977	9,291	11,549	13,499
Debt equity ratio (times)	0.12	0.12	0.13	0.07	0.07
Current ratio (times)	2.01	1.58	1.62	1.98	2.28
Capital expenditure (\$'000)					
Plant & machinery	5,348	6,400	5,183	3,063	1,048
Production tools	1,817	1,001	445	981	2,210
Others	2,504	1,520	881	547	263
	9,669	8,921	6,509	4,591	3,521
Productivity					
Revenue per employee (\$'000)	87	86	96	102	100



Revenue decreased slightly in FY 2008 due mainly to weak demand for the Singapore operation's data media storage products and the slow ramp up of new programmes for the Singapore, Malaysia and Thailand operations. Revenue decreased by 24% in FY 2009 as a result of the global economic downturn.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") reduced for FY 2006, FY 2008 and FY 2009 in line with the reduction in profit after tax.

Higher prices of raw materials and logistic cost for the Shanghai and Dongguan operations as well as delay in programme transfers by customers for the Dongguan operation resulted in the decrease in profit after tax to \$3.4M in FY 2006. Profit after tax for FY 2007 increased due mainly to increased sales of the specialized packaging and handling products by the Singapore operation and printing and imaging products by the Malaysia operation. The falling USD as well as lower demand from customers who were affected by the slower US economy resulted in the lower profit after tax in FY 2008. The impact of the financial crisis extended to the world economy at large in FY 2009. Most of our customers faced decline in their end market demand and had to delay, reduce or cancel orders resulting in the further decrease in the Group's profit after tax in FY 2009.

2. EARNINGS PER SHARE



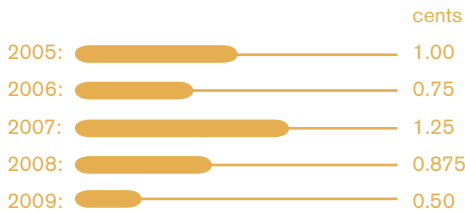
Earnings per share reduced for FY 2006, FY 2008 and FY 2009 due to the lower returns in those years.

3. NTA BACKING PER SHARE

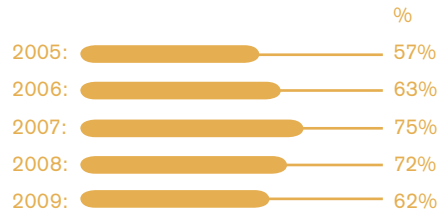


The Group's NTA backing per share decreased in FY 2006 due to lower profit generated. Lower profit generated and higher dividend paid resulted in the decrease in NTA backing per share in FY 2008.

4. GROSS DIVIDEND PER SHARE

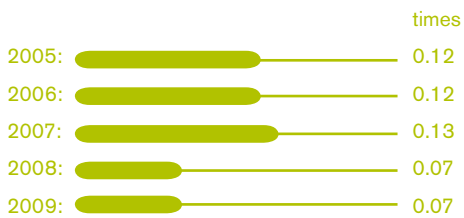


DIVIDEND PAYOUT RATIO



Dividend payout ratio had exceeded 50% since FY 2005. Despite lower earnings in FY 2009, the directors are proposing a dividend of \$0.50 cent per share which represents a dividend payout ratio of 62%.

5. DEBT EQUITY RATIO



CURRENT RATIO



The Group believes in maintaining its debt equity ratio at low levels. Current ratio also remained at high levels over the years due to prudent working capital management.

6. CAPITAL EXPENDITURE

	2005	2006	2007	2008	2009
Plant & machinery	5,348	6,400	5,183	3,063	1,048
Production tools	1,817	1,001	445	981	2,210
Others	2,504	1,520	881	547	263
	9,669	8,921	6,509	4,591	3,521

Capital expenditure in FY 2005 relates mainly to the increase in capacity of the Singapore tooling operation, the set up of the Dongguan operation and the increase in capacity of the Thailand operation while capital expenditure in FY 2006 was mainly for the increase in capacity of the Malaysia operation and the set up of the Wuxi operation. Capital expenditure in FY 2007 and FY 2008 were mainly for machine replacement. Capital expenditure in FY 2009 relates mainly to the manufacturing of production tools for the Group's specialized packaging and handling products and clean energy products.

7. REVENUE PER EMPLOYEE



Revenue per employee increased to \$100,000 and above since FY 2008 despite the decrease in revenue due to increased usage of casual labour during peak production periods so as to maintain overall staff strength at normal operation capacity.

Group Five-Year Value-Added Statement

	2005	2006	2007	2008	2009					
(\$'000)										
Revenue	82,172	100,810	130,528	126,021	95,881					
Less: Purchase of goods and services	(52,495)	(70,105)	(95,320)	(92,903)	(68,117)					
Gross value added from operations	29,677	30,705	35,208	33,118	27,764					
Investment income and interest income	589	310	372	192	76					
Exchange gain/(loss)	(270)	(287)	90	(567)	237					
Other operating income	5	252	482	590	1,004					
Share of results of associate	-	-	-	-	(86)					
Total value added available for distribution	30,001	30,980	36,152	33,333	28,995					
Distribution:										
To employees		%	%	%	%					
(1) Salaries and other staff costs	15,696	52%	17,683	57%	20,695	57%	18,020	54%	16,259	56%
To government										
(1) Income and property taxes	1,148	4%	687	2%	1,384	4%	1,076	3%	1,010	3%
To providers of capital										
(1) Finance costs	283	355	445	381	214					
(2) Dividend to shareholders	2,293	2,866	2,149	3,587	2,511					
	2,576	9%	3,221	10%	2,594	7%	3,968	12%	2,725	9%
Balance retained in the business for re-investment and future growth:										
(1) Depreciation	5,568	6,003	6,705	6,760	6,583					
(2) Accumulated profits	5,013	3,386	4,774	3,509	2,324					
	10,581	35%	9,389	31%	11,479	32%	10,269	31%	8,907	31%
Non-production costs and income:										
(1) Bad debts written off	-	-	-	-	94	1%				
Total distribution	30,001	30,980	36,152	33,333	28,995					

Productivity analysis

No. of employees	945	1,169	1,360	1,233	963
Value added per employee (\$'000)	32	27	27	27	30
Value added per dollar of employment cost (\$)	1.91	1.75	1.75	1.85	1.78
Value added per dollar of investment in fixed assets (before depreciation) (\$)	0.39	0.38	0.40	0.37	0.31
Value added per dollar of revenue (\$)	0.37	0.31	0.28	0.26	0.30

Total value-added created by the Group was \$29M in FY 2009.

Historically, approximately half of the value-added was paid to employees in the form of salaries and other staff costs. Another 2 to 4% was paid to government in the form of income and property taxes. The amount paid to providers of capital had increased over the years with the exception of FY 2007 and FY 2009. There was a reduction of dividend paid to shareholders in FY 2007 and FY 2009 due to lower profits for FY 2006 and FY 2008. In FY 2009, the Group paid net dividend of \$2.5M representing a dividend payout of 72%. The balance retained in the business will be used for re-investment and future growth.

Board of Directors



1. Aloysius Lim Cher Kia
2. Chow Kok Hwee
3. Soong Wee Choo
4. Chew Heng Ching
5. Chow Kok Kee
6. Henry Tan Song Kok

**Aloysius Lim Cher Kia,
Chairman and Managing Director**

Mr Lim is the Group's founding shareholder. He has been the executive director of the Company since its incorporation on 4 September 1998. Mr Lim holds a Diploma in Mechanical Engineering and a Diploma in Industrial Management from the Singapore Polytechnic. He is a member of the Singapore Institute of Directors. Mr Lim was one of the finalists of the 1998 Rotary-ASME Entrepreneur of the Year Award. He is a patron of the Potong Pasir Citizens' Consultative Committee and the Chairman of Pei Cai Secondary School Advisory Committee. Mr Lim has more than 30 years experience in the plastic injection moulding industry, including having worked for General Electric for approximately 10 years before establishing Chosen in 1986.

**Chow Kok Hwee,
Executive Director**

Mr Chow has been an executive director of the Company since 26 October 1998. He was last re-elected on 28 October 2008. Mr Chow graduated with a Diploma in Chemical Process Technology in 1975 from the Singapore Polytechnic where he was awarded the Olivetti prize for overall best performer. In 1992, he went on to complete and graduated with an Advanced Diploma in Manufacturing Automation Technology from the Ngee Ann Polytechnic. Mr Chow is a member of the Singapore Institute of Directors. Mr Chow has more than 25 years of industrial working experience. He worked in several multinationals including Philips and General Electric before joining Chosen in 1991.

**Soong Wee Choo,
Executive Director and Chief Financial Officer**

Ms Soong joined the Group in 1998. She was last re-elected on 28 October 2008. She holds a Bachelor of Accountancy degree from the National University of Singapore. She was an Audit Manager with KPMG before joining a local listed group as a Finance Manager in 1996. Ms Soong is a Fellow Certified Public Accountant of the Institute of Certified Public Accountants of Singapore. She is also a member of the Singapore Institute of Directors. Ms Soong is responsible for the Group's financial functions, corporate affairs and the management of the operations of the Group. She is also the Joint Company Secretary of the Company.

**Chew Heng Ching,
Independent Director**

Mr Chew has been an independent director of the Company since 8 February 1999. He was last re-elected on 20 October 2006. Mr Chew is a graduate, under a Colombo Plan Scholarship, in Industrial Engineering (First Class Honours) and Economics and is a university gold medalist from the University of Newcastle, Australia. He also holds an honorary Doctorate in Engineering from the same university. Mr Chew has more than 30 years of senior management experience in the public and private sectors. Presently, he is the CEO of Ruby Group of companies. He is also a director of various other listed companies. He is the Founding President of the Singapore Institute of Directors and Chairman of its Governing Council. He is also a Board member and past Chairman of the Singapore International Chamber of Commerce. He was a member of both the Corporate Governance Committee and the Council on Corporate Disclosure and Governance. Mr Chew was a former Member of Parliament and Deputy Speaker of the Singapore Parliament. He is a Fellow of the Singapore Institute of Directors and CPA Australia.

The directors' present directorships and partnerships, other than those held in the Company, as at 30 June 2009 and the preceding three years are as follows:-

Name	Present Directorship	Past Directorship
Aloysius Lim Cher Kia	ALBE Holdings Pte Ltd	
Chew Heng Ching	Advisory Pte Ltd Ang Mo Kio-Thye Hua Kwan Hospital Ltd Bonvests Holdings Limited Crocodile Holdings Pte Ltd Evergro Properties Limited Huan Hsin Holdings Ltd Internal Audit (Intl) Pte Ltd Lee Kim Tah Holdings Limited LMA International N.V. Ned Advisory Services Pte Ltd Northern Star Petroleum Pte Ltd NW Star Energy Pte. Ltd. Pharmesis International Ltd Singapore Crocodile (1968) Pte Ltd Singapore Institute of Directors Singapore International Chamber of Commerce Spindex Industries Limited 1331 Private Limitd	Alantac Technology Ltd Crocodile Corporation Ltd
Chow Kok Kee	ACTA Investment & Services Pte Ltd Innovalues Precision Ltd Meiban Group Ltd MobileOne Ltd Thai Village Holdings Ltd Transresources Pte Ltd Transwater Services Pte Ltd Tuan Sing Holdings Ltd Valuetronics Holdings Ltd	Sing Lun Holdings Ltd
Henry Tan Song Kok	AustChina Strategies Pty Ltd China New Town Development Co. Ltd Equity-Link Asia Ltd Medallion Asset Management Pte Ltd Medallion Ventures Limited Nexia China Pte Ltd Nexia International Limited Nexia Limited Nexia Tan & Sitoh Nexia TS Pte Ltd Nexia TS Public Accounting Corporation Nexia TS Risk Advisory Pte Ltd Nexia TS (Shanghai) Co. Ltd Nexia TS Tax Services Pte. Ltd Pertama Holdings Limited Raffles Education Corporation Limited Taskom Advisory Pte Ltd TSA Capital Pte Ltd TSA Recruitment Consultants Pte Ltd Vertex Resources Ltd YHI International Limited 2T Investment Holdings Pte Ltd	Fin2Biz.com Pte Ltd Henry Tan Spirit of Enterprise TSA Management Consultants

**Chow Kok Kee,
Independent Director**

Mr Chow has been an independent director of the Company since 8 February 1999. He was last re-elected on 25 October 2007. He graduated from the University of Newcastle, Australia with Bachelor of Commerce and Bachelor of Engineering (First Class Honours) degrees under a Colombo Plan Scholarship. He also holds a MBA degree from the National University of Singapore. Mr Chow is the Managing Director of ACTA Investment & Services Pte Ltd which provides business and financial related services to companies. He worked in the government administrative service for 6 years from 1976, holding management positions in the Ministries of Defence and Education, before joining DBS Bank in 1982. He has 15 years of extensive experience in the financial services industry. Mr Chow is a Member of the Institute of Engineers, Australia, an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom and a Fellow of the Singapore Institute of Directors.

**Henry Tan Song Kok,
Independent Director**

Mr Tan has been an independent director of the Company since 8 February 1999. He was last re-elected on 25 October 2007. Mr Tan is the Managing Director of Nexia TS Public Accounting Corporation, a firm of Certified Public Accountants and a director of Nexia TS Pte Ltd. He is also the Asia Pacific Chairman and Board of Director of Nexia International which is an international accounting network ranking within the top 10 worldwide. He is also a director in several listed and non-listed companies. Mr Tan graduated with a First Class Honours degree in Bachelor of Accountancy from National University of Singapore. He is a member of the Institute of Certified Public Accountants of Singapore, Institute of Chartered Accountants in Australia, Institute of Internal Auditors, Inc. (Singapore Chapter) and Singapore Institute of Directors.

Management Team

Wong Liang Nam, Chief Operating Officer

Mr Wong joined the Group in 1998. He holds a Bachelor of Science (Physics) degree from the Singapore University. He is a member of the Singapore Institute of Directors. Mr Wong brought with him more than 25 years of industrial working experience with wide exposure in contract manufacturing and line processes. He worked in several multinationals including General Electric and Printronix before joining the Group.

Tay Say Kiat, Senior General Manager (Operations)

Mr Tay joined the Group in 1994 and was the General Manager of Chosen Plastic Sdn. Bhd. till 2003 when he set up the Group's enclosure moulding operations under Chosen Manufacturing Sdn. Bhd. He currently oversees the operation of both the Malaysia operations of the Group. Prior to joining the Group, Mr Tay has more than 8 years industrial working experience in the plastic injection moulding industry.

Tay Thiam Huat, General Manager (Operations)

Mr Tay joined the Group in 1995. Mr Tay is the General Manager of one of the Group's Singapore subsidiary. He holds a Bachelor of Science (Honours) degree in Economics (Management Studies) from the University of London. Prior to joining the Group, he has more than 8 years experience as Quality Assurance Manager in an Australian switchgears manufacturing firm and two American connectors manufacturing firms.

Tan Hong Choon, General Manager (Operations)

Mr Tan joined the Group in 2001. He is currently the General Manager of Chosen Plastic Sdn. Bhd., one of the Group's Malaysian operations. Mr Tan holds a Diploma in Mechanical Engineering and an Advanced Diploma in Tool Engineering & Design from the Singapore Polytechnic. Mr Tan has about 20 years of industrial experience with several multinationals, including Hewlett Packard, Philips and Sony, in the area of plastic injection moulding and factory automation.

Puah Siang Kwang, General Manager (Operations)

Mr Puah joined the Group in 2002 as an Operations Manager. He is currently the General Manager of the Group's Thailand operations. Mr Puah holds a Grade 2 National Trade Certificate. Mr Puah joined the Group with more than 10 years industrial experience, particularly in the plastics industry, with wide exposure in engineering and operations in Singapore, Malaysia and Thailand.

Lim Song Yong, General Manager (Operations)

Mr Lim joined one of the Group's Singapore subsidiary in 2004 with more than 10 years experience in the industry, supporting mainly the hard disk drive, telecommunication and printing and imaging sectors. Mr Lim holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic and a MBA (Strategic Marketing) from the University of Hull, United Kingdom.

Hoo Liong Hock, General Manager (Operations)

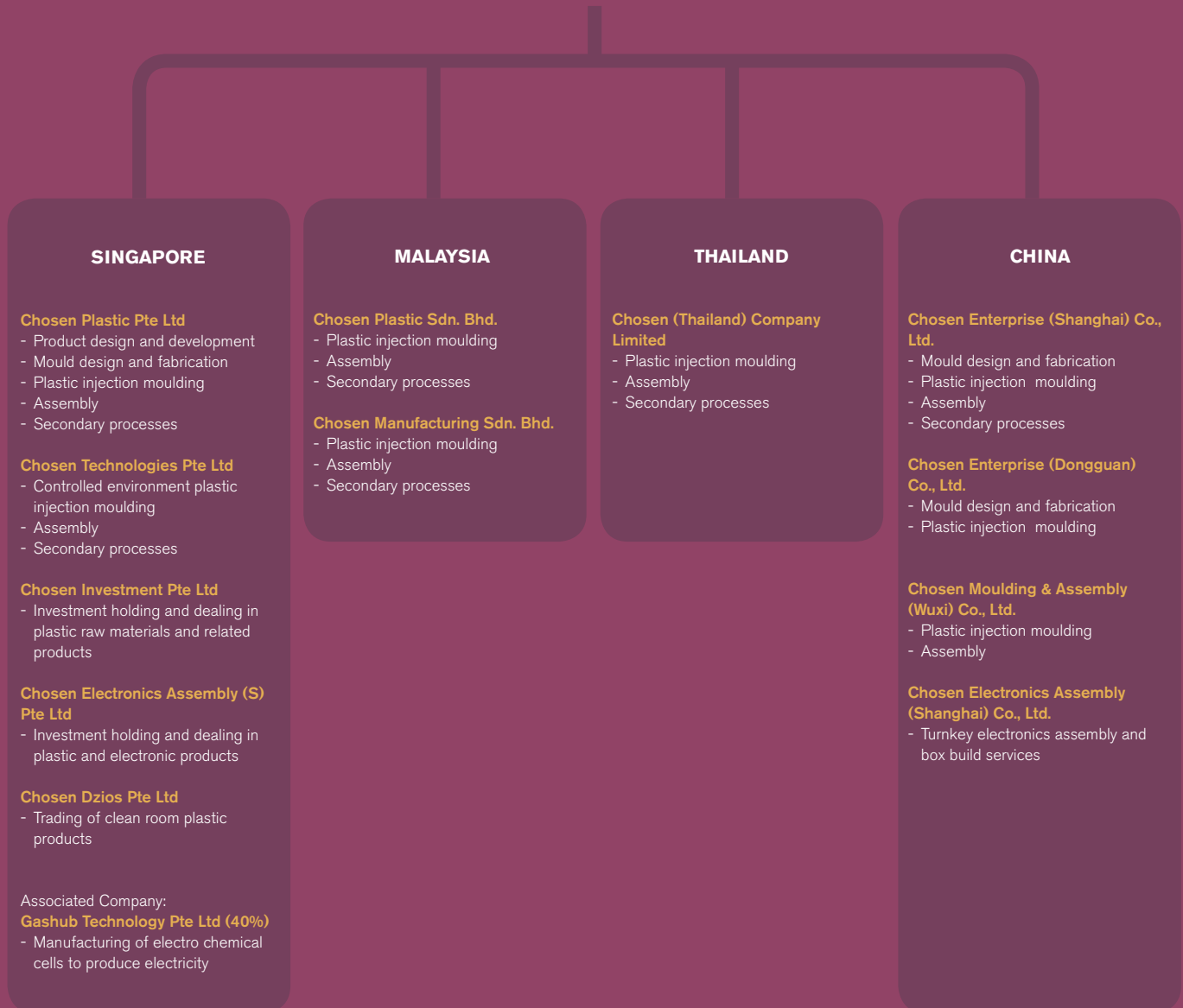
Mr Hoo joined the Group in 2006. He is currently the General Manager responsible for the Group's Shanghai and Wuxi operations. Mr Hoo holds a Diploma in Business Efficiency & Productivity. Prior to joining the Group, Mr Hoo had worked with several multinationals including Hewlett-Packard, Seagate and Wyeth Nutritionals. Mr Hoo joined the Group with more than 17 years experience in manufacturing processes of which, more than 12 years were with multinational companies.

Leong San Woo, General Manager (Operations)

Mr Leong joined the Group in 2008. He is currently the General Manager responsible for the Group's Dongguan operations. Mr Leong holds a Diploma in Industrial Management and a Technical Diploma in Electronic and Communication Engineering from the Singapore Polytechnic and an Advanced Diploma in Computer and Communications Systems from the Ngee Ann Polytechnic. Prior to joining the Group, Mr Leong had worked with several multinationals including General Electric, Seagate and SyQuest. He has extensive experience in electronics assembly operations.

Group Structure

Chosen Holdings Limited



Strategic Direction

While the world economic downturn kept us on alert during the year, it did not detract us from continuing to focus on executing our short and long term plans to increase our competitive advantage. Our approach is to focus on innovation and technology and to drive long term sustainability and shareholders value.

Focus on innovation and technology

The Singapore operation distinguishes itself through innovation and technology. We will extend this focus from Singapore to our overseas units to build the Group into a niche electronic manufacturing service player.

Drive long term sustainability and shareholders value

We will emphasis on driving long term sustainability and shareholders value through:

PRODUCTS

We are constantly finding new ways to apply our core competencies to create and build better products for our customers. We will leverage on the Singapore operation's success to build up research and development capabilities of our overseas units to become known as a product innovation and technology driven Group.

RISK MANAGEMENT

We will continue to strengthen our risk management framework to manage enterprise-wide risks to mitigate and respond swiftly to risks that the Group face. We will also focus on maintaining a strong balance sheet.

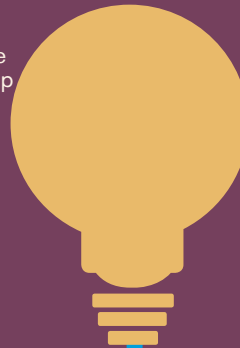
The Group will strive to achieve high stands of corporate governance.

SHAREHOLDERS

We will focus on driving long term sustainability and increase returns to shareholders.

EMPLOYEES

To stay competitive, we continue to invest in continuous training and development programs for our employees. We encourage employees to innovate and bring their business acumen to the projects that we initiate.



Operating Financial Review

SELECTED PROFIT & LOSS DATA

	2009 \$'000	2008 \$'000	Change %
Revenue			
- Singapore	54,827	82,646	(33.7)
- China	27,525	23,955	14.9
- Rest of Asia Pacific (Malaysia and Thailand)	13,529	19,420	(30.3)
Total revenue	95,881	126,021	(23.9)
Cost of sales	(90,005)	(117,908)	(23.7)
Gross profit	5,876	8,113	(27.6)
Other income	1,317	782	68.4
Distribution expenses	(555)	(702)	(20.9)
Administrative expenses	(2,900)	(2,639)	9.9
Finance costs	(214)	(381)	(43.8)
Other expenses	(166)	(644)	(74.2)
Share of results of associate, net of income tax	(86)	-	n/m
Profit before tax	3,272	4,529	(27.8)
Income tax expense	(948)	(1,020)	(7.1)
Profit for the year attributable to shareholders	2,324	3,509	(33.8)

n/m: Not meaningful

Revenue

Group revenue decreased by 23.9% over that of FY 2008 as a result of the economic downturn. Revenue of the China operation increased due mainly to higher assembly sales. This increase was not able to offset the decrease in revenue of the other regions resulting in the overall decrease in revenue for the Group.

Gross Profit

Despite the lower overall group revenue, cost control programs implemented effectively reduced operating cost. Gross profit margin was 6.1% compared to 6.4% in FY 2008.

In Singapore, the increase in gross profit was also due to increased sales of higher value-added products to new customers. Gross profit of the Malaysia and Thailand operations declined due mainly to the lower capacity utilization as a result of the lower sales. In China, capacity utilization was lower even though the operation recorded higher revenue as the higher revenue was a result of higher material content of assembly sales. The lower capacity utilization resulted in losses for the China operation.

Other income

The increase in other income was due largely to foreign exchange gain resulting from the strengthening of the US dollar and higher government grants for the Singapore operation.

Distribution expenses

Distribution expenses decreased due mainly to lower overseas sales.

Administrative expenses

Administrative expenses increased due mainly to increase in wages for the China operation, arising from labour law requirements, and other administrative costs.

Operating Financial Review

Other expenses

Other expenses decreased due mainly to foreign exchange loss in the previous financial year.

Finance costs

The decrease in finance cost was due mainly to lower interest rates on borrowings and lower borrowings during the financial year.

Income tax expense

The decrease in income tax expense was in line with the lower profit before tax. Effective tax rate increased from 23% to 29% due mainly to non-recognition of deferred tax asset arising from losses in the China operation.

Profit for the year

Profit for the year attributable to shareholders decreased by 33.8% over that of the previous financial year to \$2.3M.

BREAKDOWN OF COST AND EXPENSES

	2009 \$'000	2008 \$'000	Change %
Material	54,756	78,876	(30.6)
Staff costs:			
- Directors' remuneration	1,560	1,447	7.8
- Salaries and other staff costs	13,587	15,548	(12.6)
- Contributions to defined contribution plans	1,257	1,214	3.5
Total staff costs	16,404	18,209	(9.9)
Factory maintenance costs:			
- Depreciation	6,583	6,760	(2.6)
- Rental expenses	1,955	1,939	0.8
- Utilities, upkeep and maintenance	6,730	7,097	(5.2)
Total factory maintenance costs	15,268	15,796	(3.3)
Casual labour	3,182	3,475	(8.4)
Finance costs	214	381	(43.8)
Other costs (included in cost of sales, distribution expenses and administrative expenses) of which amounts are not individually significant	3,850	4,893	(21.3)
Total operating expenses	93,674	121,630	(23.0)

Cost control programs implemented to control discretionary expenses, optimize our workforce levels and resources and the continuous push for operational efficiency through process management effectively reduced operating cost during the year in response to the lower revenue.

HALF YEARLY RESULTS

	First Half \$'000	First Half %	Second Half \$'000	Second Half %	Total \$'000
Revenue					
2009	57,080	60	38,801	40	95,881
2008	71,880	57	54,141	43	126,021
Profit after tax					
2009	1,831	79	493	21	2,324
2008	2,457	70	1,052	30	3,509
Earnings per share (cents)					
2009	0.64	79	0.17	21	0.81
2008	0.86	70	0.36	30	1.22

Revenue for the first half of the financial year decreased over the previous corresponding period as a result of lower sales of printing and imaging products which more than offset the higher sales of data media storage and point-of-sale ("POS") products.

Revenue for the second half of the financial year decreased over that of the previous corresponding period due mainly to the global economic downturn affecting most of the Group's customers.

Profit after tax was lower in the first half of FY 2009 due mainly to the lower capacity utilization in those plants affected by the lower demand for printing and imaging products. The decrease was partly offset by exchange gain and lower operating expenses and income tax. Profit after tax was lower in the second half of FY 2009 due mainly to overall lower capacity utilization which more than offset exchange gain, lower operating expenses and the higher profits from the increased sales of higher value-added products to new customers by the Singapore operation.

Operating Financial Review

SELECTED BALANCE SHEET DATA

	2009 \$'000	2008 \$'000	Change %
Property, plant and equipment	42,646	44,942	(5.1)
Inventories	11,931	10,660	11.9
Trade and other receivables	20,085	26,708	(24.8)
Cash and cash equivalents	18,751	16,155	16.1
Other assets	1,411	1,049	34.5
Total assets	94,824	99,514	(4.7)
Trade and other payables	(16,789)	(22,240)	(24.5)
Interest-bearing bank loans	(5,252)	(4,606)	14.0
Other liabilities	(2,632)	(2,637)	(0.2)
Shareholders' equity	70,151	70,031	0.2

Decrease in property, plant and equipment was due mainly to depreciation which more than offset the acquisition of plant and machinery for replacement and addition of production tools.

Inventories increased as a result of more assembly projects in China. More inventories are carried in the books as such assembly projects have higher material content.

Trade receivables and other receivables and trade and other payables decreased due mainly to lower sales in May and June 2009 as compared to the previous corresponding year as a result of the weak economic conditions.

The increase in other assets relates mainly to the 40% equity investment in an associate, Gashub Technology Pte Ltd, in July 2008, and the Group's share of post-acquisition results up to 30 June 2009.

Interest-bearing bank loan increased by \$646,000 because of short term financing purposes.

INVESTMENT

In June 2008, the Chosen Investment Pte Ltd, one of the Group's wholly-owned subsidiary, signed a Subscription Agreement to subscribe for 300,000 new ordinary shares (representing 40% of the enlarged share capital) of Gashub Technology Pte Ltd ("Gashub"), a company involved in the manufacture of fuel cells mainly for uninterrupted power supply. The investment of \$2,000,000 is payable in four tranches upon the achievement of certain milestones. On 31 July 2008, the first tranche of the investment of \$500,000 was paid upon the issuance of the said shares by Gashub.

ACCOUNTING POLICIES

The Group's significant accounting policies are presented in Note 2 to the Notes to the Financial Statements. The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the previous financial year ended 30 June 2008, except for the adoption of Interpretation Financial Reporting Standards ("FRS") 112, 113 and 114, that became effective. The adoption of these FRS does not have any material impact to the Group's financial statements.

Liquidity And Capital Resources

CASH FLOW STATEMENT

	2009	2008
	\$'000	\$'000
Cash flows from operating activities	9,523	12,132
Cash flows from investing activities	(4,098)	(5,381)
Cash flows from financing activities	(1,857)	(8,445)
Net increase/(decrease) in cash and cash equivalents	3,568	(1,694)
Cash and cash equivalents at beginning of year	15,684	18,054
Effects of exchange rate fluctuation on cash held	(674)	(676)
Cash and cash equivalents at end of year	18,578	15,684
Fixed deposits pledged to banks for banker guarantees granted to certain subsidiaries	173	471
Cash and bank balances at end of the year	18,751	16,155

In the current financial year under review, the Group generated net cash from operating activities of \$9.5M as compared to \$12.1M in the previous financial year. Lower net cash was incurred for investing activities due mainly to lower payment for acquisition of property, plant and equipment while the decrease in cash flows in respect of financing activities was due mainly to decrease in net repayment of bank loans and lower dividend paid.

CASH CONVERSION CYCLE

	2009	2008
	Days	Days
Days of sales outstanding in accounts receivable (DAR)	68	74
Days of supply in inventory (DOI)	48	33
Days of purchases outstanding in accounts payable (DAP)	64	64
Cash conversion cycle	53	43

Days of sales outstanding in accounts receivable ("DAR") measures the average number of days our receivables are outstanding. Days of supply in inventory ("DOI") measures the average number of days from procurement to sale of our products while days of purchases outstanding in accounts payable ("DAP") measures the average number of days our accounts payable balances are outstanding.

Our working capital requirements depend upon our effective management of cash conversion cycle, which represents effectively the number of days that elapse from the day we pay for the purchase of raw materials and production costs to the collection of cash from our customers. The cash conversion cycle is the sum of DAR and DOI less DAP. During the year, our cash conversion cycle increased from 43 days to 53 days due mainly to higher inventory held at year end arising from the assembly sales.

Liquidity And Capital Resources

INDEBTEDNESS

	2009 \$'000	2008 \$'000
Short term bank loans (unsecured)	5,252	4,606

The Group maintains debt levels taking into consideration several factors including cash flow expectations, cash requirement for operations, investment plans, geographical location of cash generated by operations and the overall cost of capital.

The unsecured short term loans are revolving bank loans which bear interest at rates ranging from 2.12% to 4.176% (2008: 1.88% to 6.63%) per annum.

TREASURY POLICY AND MANAGEMENT

The Group's treasury function is managed by the corporate head office.

The corporate treasury's objective is to maintain adequate liquidity to meet operational requirements and to invest the cash and cash equivalents according to guidelines set by the Board. Each operation unit maintains sufficient cash for its daily operational needs. Excess cash is channeled to corporate treasury and managed centrally.

Similarly, the Group's foreign exchange exposure is also centrally managed. Foreign exchange exposure of each operation unit is matched by corporate treasury and net exposures are minimised via various forward foreign exchange structures.

Risk Assessment And Management

To stay ahead of the challenges in today's risk environment, the Group has placed great emphasis on strengthening its risk management framework to manage enterprise-wide risks. The objective of the framework is to enable us to mitigate and respond swiftly to various risks that we face.

The Group seeks to inculcate a strong risk culture within the organization. Management of all levels, together with the Risk Control Manager, constantly reviews the business operations and the environment that we operate in to identify key risk areas. Each of the Group's operating subsidiaries is subjected to review at least once a year. Procedures for escalation of risks identified are drawn up to ensure mitigating measures are quickly developed to address these risks. Key risks together with its mitigating measures are reported to the Audit Committee periodically.

Business risk

We encounter keen competition in all areas of our business activity. The industry is fragmented and characterised by a few major players and many other smaller firms concentrating on different areas of the supply chain and different product segments. The Group's business is not protected by long term exclusive contracts with its customers. It is the market practice that master manufacturing agreements are signed with customers. These agreements outlined broad based framework of customer and supplier relationships but do not oblige the customers to place minimum orders with the suppliers and are not exclusive. Customers' contracts are awarded by programmes representing new product models launched. The master agreements do not oblige the customers to continue to award the suppliers with new programmes when they are launched.

The Group competes for new programmes primarily on the basis of our expertise in the area of materials application, innovative moulding processes, performance, price, product quality, service reliability, reputation and account relationships. The Group also sets aside budget for research and development in the area of material applications and moulding processes to build core competencies to penetrate niche sectors and work with our customers as a value added partner so as to ensure the securing of continuous flow of new programmes.

Product concentration risk

The Group is known in the market as a supplier of printing and imaging products. While we still specialise in this segment, we have, as part of our business strategy, continuously seek to increase the proportion of business in other product segments. Apart from printing and imaging products, the Group now concentrates on four other major product segments which are data storage, automotive, medical devices and communication products. A more diversified product base will minimise seasonal revenue fluctuations and the effects of a downturn in any of the industry on the Group's overall earnings.

Material price fluctuation risk

The Group purchases most of its materials and components from approved vendors of its customers based on binding prices agreed between the customers and these vendors. This reduces the impact of fluctuation in materials and component prices. In respect of the portion of its purchases that is exposed to price fluctuation, the Group monitors the prices of such materials and components closely and re-negotiates selling prices with customers when necessary.

Investment risk

The Group seeks to grow its business through organic growth of its existing activities, development of new capabilities and acquisition of business entities. All new investments, increase in investment in businesses, subsidiaries, and any divestments are approved by the Group's Board of Directors.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and generally does not require collaterals from customers. The Group's exposure and the creditworthiness of its counterparties are monitored on an ongoing basis. Customers are also assessed based on their historical payment records. Where necessary, customers may be requested to provide advance payment before goods are delivered or services are rendered.

The maximum exposure to credit risk is the carrying amount of financial assets which are mainly trade receivables and bank balances and fixed deposits. Trade receivables of the Group are mainly due from contract manufacturers operating in the electronics industry and with good collection track record with the Group. Cash balances and fixed deposits are placed with reputable banks and financial institutions which are regulated.

Risk Assessment And Management

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of business, the Group also maintains flexibility in funding by ensuring that ample credit facilities and working capital lines are available at any point in time.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return of risk.

Interest rate risk

The Group's exposure to interest rate risk arises primarily from its bank deposits and bank borrowings. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. The Group has cash balances and fixed deposits placed with banks and financial institutions. Those deposits are generally with short term maturities to provide the Group the flexibility to meet working capital and other investment needs. The Group's borrowings for short term working capital requirements are repriced at intervals of not more than 12 months.

Foreign currency risk

Foreign exchange exposures are naturally hedged as a significant portion of the Group's trade sales and purchases are primarily denominated in the same currency. This reduces the impact of movements in foreign exchange rates. The Group is a net receiver of the US dollar and therefore benefits from a stronger US dollar and is adversely affected by a weaker US dollar relative to the functional currencies of the companies in the Group.

Derivative financial instrument risk

The Group uses forward foreign exchange structures to minimise its net foreign currency exposures in the management of foreign exchange risk. These derivative financial instruments are used for hedging and not for speculative trading purposes.

Legal and political risk

The Group operates in four countries with assets and activities spreading across Asia Pacific. Management monitors closely the respective country's regulatory, political, and environmental developments and their impact on the Group's business. All legal contracts are vetted and approved by corporate head office before signing.

Capital risk

The Group manages its capital to ensure that the Group will be able to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. The capital structure of the Group consists of debt and equity attributable to equity holders, comprising issued capital, reserves and retained earnings and bank loans. The Board reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and makes adjustments to the capital structure, where appropriate, in light of changes in economic conditions, investment requirements and the risk characteristics of the underlying assets. There were no changes in the Group's approach to capital management during the financial year. The Company and its subsidiaries are not subject to externally imposed capital requirements.

Sensitivity Analysis

Gross profit margin

The Group constantly faces price squeeze due to keen competition. As most of its materials and components are purchased based on binding prices agreed between the customers and their approved vendors, the portion of the selling price relating to materials and components is not highly exposed to price reductions. The remaining non-material portion of the selling price is exposed to price reductions which will result in gross profit reduction. Based on the Group's turnover for FY 2009, a hypothetical one percentage point reduction in the non-material portion of the selling price of the Group's products, with all other variables held constant, will lead to \$0.4M (FY 2008: \$0.5M) reduction in the gross profit of the Group.

Foreign currency risk

The Group's exposure to the US dollar as at 30 June 2009 and 30 June 2008 are as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade and other receivables	15,231	19,410	-	-
Cash and cash equivalents	9,665	6,920	1,215	27
Trade and other payables	(8,744)	(12,188)	-	-
Interest bearing bank loan	(2,752)	(2,721)	-	-
	13,400	11,421	1,215	27

A 5% strengthening of Singapore dollar against US dollars at the reporting date, with all other variables held constant, will result in a decrease in profit before tax of \$0.7M (2008: \$0.6M) for the Group. Conversely, a 5% weakening of Singapore dollars against US dollar will result in an increase in profit before tax of an equal amount. A similar change in exchange rate will not have a significant impact on the Company. There is no impact on the equity of the Group and Company.

Interest rate risk

At balance sheet date, a hypothetical 100 basis points movement in interest rate, with all other variables held constant, will have an insignificant offsetting impact on the profit before tax for the Group and Company. There is no impact on the equity of the Group and Company.

Others

Other risk factors that affect the Group's revenue and profits are project specific and are not practical to perform sensitivity analysis on.

Corporate Social Responsibility Report



We believe it is our responsibility to conduct our business in an accountable and sustainable manner. The Group continuously seeks improvement in accountability, business sustainability, employee well-being and contribute to environmentally conscious operations and products.

Responsible corporate citizen

We believe it is our responsibility to conduct our business in an accountable and sustainable manner. The Group continuously seeks improvement in accountability, business sustainability, employee well-being and contribute to environmentally conscious operations and products. We invest significant resources to ensure that our policies and activities are consistent with our corporate objectives and shared values. The management constantly reviews the impact of our policies and activities on our customers, employees, shareholders, suppliers and the communities in which we do business.

Integrity and ethics in the conduct of business

We believe that each employee at Chosen is individually responsible for maintaining the highest standards of ethical behaviour. The Chosen's Code of Business Conduct ("Code") forms part of the company's personnel policies. The Code is aligned to the EICC Code which sets out a code of conduct for the electronics industry on five areas of social responsibility including:

- Labour
- Health and safety
- Environmental
- Management system
- Ethics

Violation of the Code could result in disciplinary action, up to and including termination of employment. Internal audits and investigations are regularly carried out by our Risk Control Department for possible and suspected violations. A whistle-blower policy is also in place to protect employees who report possible violations.

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Our Customers

Management priorities are centered on enhancing our position as a value-added partner to our customers for the supply of innovative solutions, excellent services and products of the highest quality at cost competitive prices. Our focus is on innovation and quality.

Innovation

Innovation is central to Chosen's business approach. We are constantly finding new ways to apply our core competencies to build better products. The Singapore operation, with its expertise in specialized material applications, design and process development, initiates development projects with customers to build more sophisticated and cost effective products. It is such initiatives that earned us the competitive advantage that customers have come to recognise in their relationships with the Group. The Group aims to gear up our overseas operations with such expertise to build value-added partnerships with all our customers.

Quality

The Group is dedicated to continuous improvement to achieve the highest quality standards in our products and services. All our factories are ISO 9001:2000 certified. Our plants in Shanghai, Dongguan and Thailand are also TS16949 certified to meet the most stringent product quality requirements for automotive products.

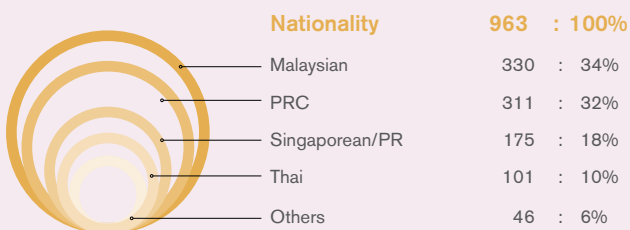
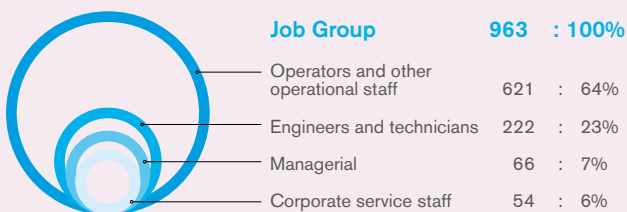
We receive numerous quality awards from customers each year. These awards represent customers' recognition of our outstanding product quality and service excellence.





Our Employees

Manpower Analysis



The management strongly believes that an organisation is as good as its people. The Group achieves strategic advantage through our people. To stay innovative and competitive, we must attract and retain the best employees.

Many of our employees have been with the Group since the set up of the respective operations. These employees have chosen to contribute and grow with us as we are committed to fostering workplaces that are safe and professional and that promote teamwork, diversity, personal development and trust. The Group always strives to be the preferred employer and emphasises good employer principle in all the locations we operate in.

The Group provides employees of each operation sites with living, transportation, medical, professional subscription benefits and insurances including healthcare, workmen and travel insurances, based on the local regulatory and market norms. Non-regulatory benefits available to employees include marriage, paternity and examination leaves.

We believe in building a culture of camaraderie among employees across the region, prioritising people development and promoting a well-balanced work life.

People development

We attach great importance to the grooming of our employees not only to perform better in their current jobs but also to nurture them for career development within the Group. Employees can take advantage of our company-sponsored courses to upgrade themselves for career development opportunities.

All employees of the Group are required to undergo training, either internal or external, that cover job-related skills and soft skills. Apart from in-house on-the-job training to equip employees with the ability to perform their respective tasks within the first month of assuming their job positions, regular workshops are conducted in areas such

as technical know-how, productivity, quality control, quality system, industrial safety and housekeeping habits. The Group also sponsors its employees for external specialised courses as part of its continuing program to upgrade the skills of its employees. Employees are sent for external courses, seminars and workshops on technical updates, laws and regulations update, productivity, quality control, project management, risk control and skills upgrading. Some employees of our overseas plants are sent for language courses so as to improve the communication between them and the other employees in the region. Teambuilding programs are also held to foster close working relationships and teamwork among employees. These programs received many positive feedbacks from participants.

External trainers are regularly invited to help managerial level staff enhance leadership and management skills and explore new business concepts.

The Group supports and accommodates employees who upgrade themselves academically by making special work schedule arrangements for them. One of our employees who has benefited from such support has obtained her Bachelor Degree and gone on to obtain her Masters Degree through this arrangement. The Group is proud of her achievements.

Employee wellness and work-life balance

We also constantly review and amend our policies and practices with a view of helping employees stay healthy and keep their work and home lives in balance. We engage our employees and value their ideas to transform the work place and improve work life as we believe in improvement through feedback. In Singapore, employees have virtual private network (VPN) access to the company's network enabling them to work out of office. This initiative will be implemented in the Group's overseas operations.

Regular luncheons, dinners, monthly birthday celebrations and outings are organised during the year. Christmas and New Year celebrations are also organised in some of our plants to increase employee interaction.

Our Thailand operation organises an annual games day for its employees. This yearly event has always been well participated by employees of all levels. To promote health awareness, all employees of some of our China plants do daily morning exercises together before they start work.

Tours to various holiday destinations within the country are organised by some of our subsidiaries to enhance interaction among employees. This year, our Thailand operation held its annual New Year Party and Rally Day at the Learning Resort in Pattaya. Our Wuxi operation also organised excursion to the picturesque Mashan National Holiday Resort area in Wuxi.

The Group will continue with such employee wellness initiatives and organise exciting programmes to build employee cohesion and make work life in CHOSEN colourful and vibrant.

Safety awareness and preparedness of staff for emergency situations

Ensuring that our employees go home safely every day is of paramount importance. All operation sites have safety committees and safety officers to constantly review and enhance security and safety procedures. Regular safety awareness programmes are conducted in-house to reinforce safety awareness among employees. Disciplinary actions are taken on employees who violate safety rules and do not take safety precautions.

All the operation sites carry out annual fire drills to inculcate awareness and preparedness of employees for emergency situations. Debrief meetings are carried out to identify improvements to layout of facilities and procedures for emergency evacuation.





Our Community

Government laws and regulations

We are committed to conducting business in compliance with the law, local regulatory requirements and other accepted standards of business conduct and co-operating with legislators and government agencies.

Community and social responsibility

The Group supports education through annual intake of students from various universities, polytechnics, secondary schools and institutes under their industrial training programmes. Students are from various courses including chemical process technology, mechanical engineering, electronics and business information technology. They undergo on-the-job training of between 3 to 6 months. Apart from Singapore, our Malaysia and China operations also offer such initiatives.

We also reach out to students through hosting industrial visits and talks for students of various schools to provide them with valuable insights into the various services that we provide. This year, our Shanghai subsidiary hosts banking and accounting students from the Ngee Ann Polytechnic with the objective of exposing the students to business and culture in China.

The Group participates generously to donation drives and sponsorships to various charitable organisations each year. We also participate and co-sponsor charity golf competitions.

Product Safety

All our operations have met the requirements of Underwriters' Laboratories Inc's (UL) Standards for Safety to ensure public safety when using our products.



Environmental Responsibility

We are firmly committed to reducing the environmental impact of our activities and promoting the sustainable use of the natural resources on which we depend, while providing quality products that meet the needs of our customers.

The Group seeks to minimize the use of potentially hazardous substances in our products and we continue to find ways to incorporate materials and components that reduce the environmental impact of our products and packaging. We have implemented lead free manufacturing processes and our products meet the RoHS standards for shipment to the European Union.

We have established internal sustainability programs aimed at:

- Lowering energy consumption
- Monitoring and properly disposing of hazardous materials
- Recycling of reuseable materials thereby reducing wastes
- Managing industrial wastes
- Improving our Environmental Management System
- Inspiring employees to help make the workplace more energy and resource-efficient as effective initiatives often require education and support to influence behaviour.

We have achieved ISO 14001 certification at all our sites through independent third-party audits.

The Group believes that, with its expertise in specialized material applications, design and processes, it could play a role in improving the quality of life and minimizing the ecological impact of the environment it operates in. Through our associated company, Gashub Technology Pte Ltd, the Group participates in developing energy saving products and industrial appliances that operate using renewable energy sources. Some of these developments are sponsored by various grants and incentives from several Singapore government agencies.

Our Suppliers

Supplier diversity

We seek to establish and maintain productive relationships with our suppliers. In addition to our major suppliers, the Group also works with local suppliers in each location that we operate. Many of these suppliers represent small businesses that provide a number of services. Such diversity provides access to regional skills and markets and business resilience if disruptions should occur in a particular location and also helps reduce transportation cost and lead time.

Our Shareholders

We seek to create long-term sustainability of our business, maximise returns for our shareholders and commit to transparency and integrity in our reporting.

Operations Sustainability

Chosen has evolved over these years to become a significant supplier to several key business sectors especially printing and imaging, medical devices, data storage handling and wafer automation. We believe that our presence in these business sectors will provide us with sustainable growth. We will continue to invest and innovate in our products and services to stay ahead of competition.

Business continuity and crisis management

The Group has in place a group-wide business continuity plan to respond to major operational disruptions. It aims to respond seamlessly to external events while minimising operational disruptions. The plan involves the identification of critical business functions and measures to ensure continuity of such functions during a crisis. A crisis team is identified for each operation site and an emergency response checklist is in place to provide a clear, systematic and consistent process of operational recovery during a crisis.

Maximising returns

Many of our shareholders have been stakeholders of the Group since we were listed. We are grateful to these shareholders who have provided us with unyielding support through the years. We have returned our shareholders' support with high dividend payout. Dividend payout ratio has increased to more than 50% in recent years. Proposed dividend for FY 2009 represents a dividend yield of 62%.

Engaging the investing community

The Group engages current and potential investors and analysts in one-on-one meetings to provide more insights of our business, niches, growth drivers and strategies. Where appropriate, plant tours are conducted to help them better understand the operations of the Group. We believe that those who are interested in us should know us well and have confidence in us. All investor and analyst discussions are conducted by the management to ensure that the investors and analysts hear our strategies and operations direct from management. Such meetings also enable management to garner invaluable feedback from the investor community.

Our corporate website provides up to date and detailed information on the Group's operations and corporate information. Current and past annual reports can be retrieved from our website. All material announcements are also available on our corporate website. The investor community is also able to email feedback and queries through our website and receive reply from us.

Corporate Governance

The Board believes in achieving high standards of corporate governance to protect the interests of shareholders and to enhance shareholder value. The Board is focused on strengthening its checks and balances to ensure transparent corporate practices, integrity and accountability to its stakeholders.

This report outlines the Company's corporate governance processes with specific reference to the Code of Corporate Governance 2005 (the "Code"). The Company has adhered to the principles and guidelines of the Code where appropriate and deviations from the Code, in particular, Guideline 3.1, are explained in this report.

BOARD MATTERS

The Board's Conduct of Affairs

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

The Board comprises 6 directors: 3 executive and 3 non-executive and independent directors, as follows:-

Executive Directors

Aloysius Lim Cher Kia
Chow Kok Hwee
Soong Wee Choo

Independent Directors

Chew Heng Ching
Chow Kok Kee
Henry Tan Song Kok

Apart from fulfilling its statutory responsibilities, the Board provides entrepreneurial leadership, reviews management performance, approves strategic plans, major investment and funding decisions, key operational and financial matters and ensures that the Company's strategies are in the interest of the Company and its shareholders. The Board is also responsible for overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and ensuring the adequacy of such processes.

All new investments, increase in investment in businesses, subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Company's Board of Directors.

The Board has established self-regulatory and monitoring mechanisms, which enable risk to be assessed and managed and ensure and maintain effective corporate governance. In this regard, the Board has established several board committees, including an Audit Committee, a Nomination Committee, a Remuneration Committee and a Share Option Committee, which operate within defined terms of reference.

The Board holds at least 3 scheduled meetings each year. However, non-scheduled meetings may be convened to deliberate on urgent matters. The attendance of the directors at meetings of the Board and Board committees during the year, as well as the frequency of such meetings, is disclosed below:

Corporate Governance

BOARD MATTERS (CONT'D)

The Board's Conduct of Affairs (cont'd)

Directors' Attendance at Board and Board Committee Meetings during the financial year:

Name	CHOSEN Board		Audit Committee	Nomination Committee	Remuneration Committee	Share Option Committee
	Scheduled	Non-scheduled				
Aloysius Lim Cher Kia	4	0		1		0
Chow Kok Hwee	4	0		1		0
Soong Wee Choo	4	0				
Chew Heng Ching	4	0	4	1	1	0
Chow Kok Kee	4	0	4	1	1	0
Henry Tan Song Kok	4	0	4	1	1	0
No. of Meetings Held	4	0	4	1	1	0

Apart from the above meetings, the Board also holds strategic retreats for all board members where certain issues like group business strategy, executive remuneration, succession planning and leadership development are discussed. Non-executive directors also meet without the presence of management as and when required.

The directors are also accessible to management for guidance and exchange of views outside such formal meetings.

Newly appointed directors will receive a formal appointment letter explaining their duties and obligations and will be briefed by the management on the Group's operations, directions and their duties and responsibilities. They will be given training (either in-house or externally) appropriate to the level of their previous experience and will undergo an orientation program to familiarise themselves with the Group's operations and governance practices. Existing directors are also arranged to visit the Group's operational facilities in the region and meet with management to gain a better understanding of business operations and for operational updates. Changes to laws and regulations and accounting standards affecting the Group are monitored by the management. Where such changes have an important bearing on the Group and the directors, the directors will be briefed by the Company Secretaries either during Board meetings or at ad hoc sessions. Directors constantly undergo external training on issues beyond basic director duties and liabilities but relevant to corporate and operational matters.

Board Composition and Guidance

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

Currently, the Board consists of six Directors, half of whom are considered independent by the Nomination Committee. The Nomination Committee determines on an annual basis whether or not a director is independent, bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. None of the independent directors are considered to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent. The Board exercises independent judgement on corporate affairs, reviews the performance of management, provide management with objective perspective on issues and help shape the Group's strategic direction. The Independent Directors constructively challenge and help develop proposals on strategy. They also review and monitor the performance of management.

The Board examines its size annually, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself taking into account the scope and nature of the operations of the Company. Key information of the directors, who as a group provide core competencies required by the Company, is provided in the "Board of Directors" section of the annual report.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Company is of the view that it is in the best interests of the Company that the founder and substantial shareholder of the Group, who plays an instrumental role in developing the business of the Group and has also provided the Group with strong leadership and vision, be the Chairman and Managing Director of the Company so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Company and is thereby able to guide decisions and ensure that the Board receives clear information and is properly briefed in a timely manner on pertinent issues and developments and at the same time have the benefit of objective and independent views from the Independent Directors. The Chairman is primarily responsible for ensuring a balance of power and authority at the top of the Company and the effective working of the Board. The Independent Directors form 50% on the Board. They actively participate during Board meetings and challenge the assumptions and proposals of the management unreservedly, both during and outside the meetings via e-mail and telephone, on pertinent issues affecting the affairs and business of the Group. The Managing Director and the rest of the 2 Executive Directors are responsible for the day-to-day management of the Company's businesses and affairs.

All major decisions made by the Chairman and Managing Director are reviewed by the Board. His re-election is reviewed by the Nomination Committee and his remuneration package is being reviewed periodically by the Remuneration Committee. The Nomination Committee comprises a majority of independent directors of the Company while the Remuneration Committee comprises entirely of independent directors. As such, the Company believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Chairman, with the assistance of the Company Secretaries, schedules Board meetings and ensures that the Board performs its duties reasonably. As a general rule, Board papers are sent to Directors at least 3 working days before Board meetings so that the members may better understand the matters for discussion before the meetings. Managers who can provide additional information to the Board may be invited to the meetings. The Chairman also initiates informal meetings to brief the Board on project developments and relevant matters before certain formal resolutions are passed. The Chairman encourages constructive relations between executive directors, independent directors and management and also ensures effective communication with shareholders. The Chairman also assists the Board to ensure that policies and procedures are introduced to comply with the Code.

Board Membership and Performance

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

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Nomination Committee of the Company comprises the following 5 Board members, majority of whom, including the Chairman, are independent directors:-

Chow Kok Kee (Chairman)
Chew Heng Ching
Henry Tan Song Kok
Aloysius Lim Cher Kia
Chow Kok Hwee

The Nomination Committee was established by the Board to ensure a formal and transparent procedure for the appointment and re-nomination of directors.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The sourcing of candidates for the selection may involve search consultants and advertisements. Directors and management may also make suggestions. The Nominating Committee then nominates the most suitable candidate for appointment to the Board.

Corporate Governance

BOARD MATTERS (CONT'D)

Board Membership and Performance (cont'd)

The Nomination Committee is charged with the responsibility of re-nomination of directors. The Company's Articles of Association requires one third of the Board to retire by rotation at every AGM. The Managing Director is not subjected to retirement by rotation. However, each term of appointment of the Managing Director shall not exceed 5 years.

The Nomination Committee's responsibilities also include the determination annually whether or not a director is independent. In this respect, the Nomination Committee has reviewed and is of the view that Chew Heng Ching, Chow Kok Kee and Henry Tan Song Kok are independent. When a director has multiple board representations, the Nomination Committee also considers, on an annual basis, whether or not the director is able to and has adequately carried out his duties as a director of the Company.

The Board is of the view that the purpose of a board assessment exercise is to create another channel for the Board members to exchange constructive feedback on the Board's strengths and shortcomings with a view of strengthening the effectiveness of the Board. As such, the exercise should not be confined to the Nomination Committee but should be performed by the Board as a whole. The Board has implemented a formal process to carry out the exercise on an annual basis. Individual board members provide feedback on their assessment of the board's performance based on a set of qualitative criteria and financial performance indicators as well as share price performance. Financial performance indicators used are those which not only reflect return on shareholders' investment, profitability and debt equity ratios but also enable comparison with industry peers on the same basis. The performance evaluation also considers the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and the share price performance of its industry peers. Discussions are carried out at a Nomination Committee meeting and subsequently at a board meeting to evaluate the feedback and decide on follow-up actions, if any.

Appraisal of individual directors, to assess whether they contribute effectively and demonstrate commitment to the role including commitment of time for board and committee meetings, is conducted before their nomination for re-election at the AGM. Appraisals are provided by all other board members and discussed at a Nomination Committee meeting and subsequently at a board meeting to evaluate the feedback and decide on follow-up actions, if any.

Access to Information

Principle 6: In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Company recognises that the continual flow of complete and relevant information on an accurate and timely basis is critical for the Board to be effective in the discharge of its duties. Management is therefore expected to update the Board with information concerning the Company's activities at each board meeting and when necessary, on an ad hoc basis so that urgent substantive matters could be deliberated immediately. The Directors are also provided with the names and contact details of the Company's senior management and company secretaries to facilitate direct access.

The Board may take independent professional advice as and when necessary to enable it or the Independent Directors to discharge their responsibilities effectively. Subject to the approval of the Chairman, directors may either individually or as a group, seek and obtain independent professional advice to assist them in their duties.

The company secretaries attend all board meetings and are responsible to ensure that board procedures are followed. The company secretaries' responsibilities include ensuring good information flow within the Board and its committees and between senior management and independent directors, as well as facilitating orientation and assisting with professional development as required. Together with the Board of Directors, the company secretaries are responsible for compliance with the Companies Act and all laws and regulations applicable to the Company. The appointment and removal of the company secretaries are subject to the approval of the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee comprises 3 Board members, all of whom are independent directors. The members of the Remuneration Committee are:-

Henry Tan Song Kok (Chairman)
Chew Heng Ching
Chow Kok Kee

The Committee recommends to the Board the structure of remuneration package for Directors and executives to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully. All aspects of remuneration, including director's fees, salaries, bonuses, incentives and benefits in kind, except for share options, which is administered by the Share Option Committee, are covered. The Committee also recommends to the Board, the specific remuneration packages for each Executive Director upon appointment and renewal of each 2 years service period. All directors of the Committee are required to abstain from deciding his own remuneration.

The Committee has access to expert advice in the field of executive compensation outside the Company when required.

Level and Mix of Remuneration and Disclosure on Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Executive Directors have service contracts of not more than 3 years and with notice period of not more than 6 months. Executive Directors and executives' remuneration packages consist of annual fixed salaries and annual performance incentive, which is linked to corporate and individual performance. There are no compensation commitments provided in the service contracts for early termination of services. All Directors and executives, except for the Managing Director, are eligible for share options pursuant to the Chosen Share Option Scheme. Independent directors do not have service contracts with the Company and have remuneration packages consisting of directors' fees, the amount of which is dependent on their level of responsibilities, and share options pursuant to the Chosen Share Option Scheme.

ANNUAL REMUNERATION REPORT

(i) Remuneration of Directors for the financial year ended 30 June 2009:

Remuneration Band & Name of Director	Base/ Fixed Salary	Variable or Performance related Income/ Bonuses	Benefits in kind	Directors' Fees	Share Options Granted
\$500,000 to \$999,999 Aloysius Lim Cher Kia	97%	— ⁽¹⁾	3%	—	—
\$250,000 to \$499,999 Chow Kok Hwee Soong Wee Choo	97% 96%	— ⁽¹⁾ — ⁽¹⁾	3% 4%	— —	— —
Below \$250,000 Chew Heng Ching Chow Kok Kee Henry Tan Song Kok	— — —	— — —	— — —	100% 100% 100%	— — —

⁽¹⁾ Did not qualify based on criterias set.

Corporate Governance

ANNUAL REMUNERATION REPORT (CONT'D)

(ii) Key executives of the Group:

<u>Name</u>	<u>Position</u>
Wong Liang Nam	Chief Operating Officer
Hoo Liong Huat	General Manager (Operations)
Leong San Woo	General Manager (Operations)
Lim Song Yong	General Manager (Operations)
Puah Siang Kwang	General Manager (Operations)
Tan Hong Choon	General Manager (Operations)
Tay Say Kiat	General Manager (Operations)
Tay Thiam Huat	General Manager (Operations)

(iii) Ranges of gross remuneration received in bands of \$250,000

No. of key executives in remuneration bands for the financial year ended 30 June 2009

\$250,000 to \$499,999	1
Below \$250,000	7

(iv) No employee of the Company and its subsidiaries was an immediate family member of a Director or the Chief Executive Officer and whose remuneration exceeded \$150,000 during the financial year ended 30 June 2009. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

SHARE OPTION COMMITTEE

The Chosen Share Option Scheme (the "Scheme") was adopted by the Shareholders in 2002. The Scheme is administered by the Share Option Committee which has 5 Board members, majority of whom are independent directors. The Chairman of the committee, who is the Chairman of the Company, does not participate in the Scheme. The members of the Share Option Committee are:-

Aloysius Lim Cher Kia (Chairman)
Chow Kok Hwee
Chew Heng Ching
Chow Kok Kee
Henry Tan Song Kok

Details of the Scheme and the options granted under the Scheme are set out in the current year's Directors' Report and Notes to the Financial Statements.

ACCOUNTABILITY AND AUDIT

Accountability

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

In presenting the interim and annual financial statements and other price sensitive announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and competitive conditions of the industry and any known factors or events that may affect the Group for a 1 year period. This responsibility extends to reports to regulators.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The members of the Audit Committee, who are all independent directors, are:

Chew Heng Ching (Chairman)
Chow Kok Kee
Henry Tan Song Kok

The Audit Committee members were selected based on their expertise and prior experience in the area of financial management. All members of the Audit Committee have accounting or related financial management expertise and experience to discharge their responsibilities as members of the Committee.

The Audit Committee's principal responsibility is to assist the Board in raising and maintaining a high standard of corporate governance and in so doing, performs the following duties:

- a. reviews the audit plan of the external auditors, their management letter and response from management;
- b. reviews the accounts of the Company, the consolidated accounts of the Group and the auditor's report as well as the interim and full year results announcements before submission to the Board for approval;
- c. reviews the adequacy of the Group's internal control system with the internal and external auditors;
- d. reviews the scope and findings of the Group's internal audit plan and programme including management's responses to the recommendations made;
- e. reviews interested persons transactions;
- f. makes recommendation to the Board on the appointment/re-appointment of the external auditors and reviews their independence annually; and
- g. reviews interested party transactions, if any.

The Audit Committee has full access to the Company's internal auditor and management and has full discretion to invite any director and executive officer to attend its meetings and investigate any matter within its terms of reference. In performing its functions, the Audit Committee also reviews the assistance given by the Company's officers to the auditors as well as the adequacy of the internal audit function, its effectiveness and its resources. The Audit Committee meets with the internal auditor annually. The internal auditor can approach any of the members of the Audit Committee without the presence of the Company's management.

The Audit Committee meets with the external auditors, without the presence of the Company's management at least annually. The Audit Committee has reviewed the quantum and nature of fees, expenses and emoluments paid for non-audit services performed by the external auditors and are satisfied that the provision of such services would not affect the independence of the external auditors.

High ethical standards and professional conduct is expected of staff. The Group has communicated to all staff the conduct and discipline expected of them. It has implemented the Whistle-Blower Policy which provides for the mechanisms by which employees, of all levels, may in confidence, raise concerns about possible improprieties in financial reporting or other matters. All complaints are channeled to the Risk Control Manager, who reports to the Audit Committee. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. All investigations, results and actions taken are documented.

Internal Controls and Internal Audit

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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

The Group's internal auditor, who is a member of The Institute of Internal Auditors, has adopted and met with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor reports to the Chairman of the Audit Committee and administratively to the Managing Director.

Corporate Governance

ACCOUNTABILITY AND AUDIT (CONT'D)

Internal Controls and Internal Audit (cont'd)

The Group has established risk management strategies and control procedures to manage its exposure to risks that it is exposed to in the conduct of its business. Details of the various risk factors and the management of such risks are outlined in the section on Risk Assessment and Management of this Annual Report.

The Group's internal auditor performs reviews of the major risks that the Group is exposed to and ensures these risks are properly addressed. The internal auditor also continuously performs financial and operational audits and the audit of other management processes to ensure effectiveness of and compliance with the Company's system of internal controls. All operating companies within the Group are subjected to audit at least once a year.

The Audit Committee and the Board are satisfied as to the adequacy of the Company's internal controls, including financial, operational and compliance controls and risk management policies and systems to meet the needs of the Company in its current business environment.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company gives full disclosure in all public announcements and annual reports. Price sensitive information is first publicly released via SGXnet, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period. The Company makes it a point to announce audited full year results to shareholders within 60 days from its year end.

Shareholders are informed of shareholders' meetings through notices published in the newspaper, the SGXnet and on the Company's website. Shareholders are given the opportunity to air their views and ask questions informally or formally before, at and after the AGM. The Chairmen of the Audit, Nomination, Remuneration and Share Option Committees are normally available at the AGM to answer those questions relating to the work of these committees. External auditors are also present at all AGMs to answer queries about the conduct of audit and the preparation and content of the auditors report. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Company's Articles of Association allow a member of the Company to appoint one or two proxies to attend and vote instead of the member.

SECURITIES TRANSACTIONS

The Company has adopted an Internal Code of Conduct on Dealing in the Company's securities. The Code has been modeled along the rules of the Singapore Exchange Listing Manual. Directors and all officers from the lines of executive level and above are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are also prohibited from dealing in the Company's securities during certain periods of the year in accordance with the rules. Internal memorandums are issued by the Company Secretaries to inform all Directors and officers of such window periods. If there are any dealings, such dealings should be reported immediately to the Company Secretaries for attention and follow-up.

MATERIAL CONTRACTS

Save for the service contracts of the Executive Directors with the Company, there were no material contracts of the Company or its subsidiaries involving the interests of any Directors, Chief Executive Officer or controlling shareholders either still subsisting at the end of the financial year ended 30 June 2009 or if not then subsisting, entered into since the end of the previous financial year.

CODE OF CORPORATE GOVERNANCE 2005

Specific principles and guidelines for disclosure

Page reference

Guideline 1.3		
• Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters.		31
Guideline 1.4		
• The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings.		32
Guideline 1.5		
• The type of material transactions that require board approval under internal guidelines.		31
Guideline 2.2		
• Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed.		32
Guideline 3.1		
• Relationship between the Chairman and CEO where they are related to each other.		33
Guideline 4.1		
• Composition of nominating committee.		33
Guideline 4.5		
• Process for the selection and appointment of new directors to the board.		33
Guideline 4.6		
• Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent.		10 to 11, 31 and 34
Guideline 5.1		
• Process for assessing the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board.		34
Principle 9		
• Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance.		35
Guideline 9.1		
• Composition of remuneration committee.		35
Guideline 9.2		
• Names and remuneration of each director. The disclosure of remuneration should be in bands of S\$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives.		35
• Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be made in bands of S\$250,000 and include a breakdown of remuneration.		36
Guideline 9.3		
• Remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceed S\$150,000 during the year. The disclosure should be made in bands of S\$250,000 and include a breakdown of remuneration.		36
Guideline 9.4		
• Details of employee share schemes.		67
Guideline 11.8		
• Composition of audit committee and details of the committee's activities.		36 to 37
Guideline 12.2		
• Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.		38

Corporate Information

Board of Directors

Aloysius Lim Cher Kia (Chairman and Managing Director)
Chow Kok Hwee (Executive)
Soong Wee Choo (Executive)
Chew Heng Ching (Independent)
Chow Kok Kee (Independent)
Henry Tan Song Kok (Independent)

Audit Committee

Chew Heng Ching (Chairman)
Chow Kok Kee
Henry Tan Song Kok

Nomination Committee

Chow Kok Kee (Chairman)
Chew Heng Ching
Henry Tan Song Kok
Aloysius Lim Cher Kia
Chow Kok Hwee

Remuneration Committee

Henry Tan Song Kok (Chairman)
Chew Heng Ching
Chow Kok Kee

Share Option Committee

Aloysius Lim Cher Kia (Chairman)
Chow Kok Hwee
Chew Heng Ching
Chow Kok Kee
Henry Tan Song Kok

Company Secretaries

Liew Meng Ling, ACIS
Soong Wee Choo, FCPA

Registered Office

Company Registration No: 199804325C
No 17 Woodlands Terrace
Woodlands East Industrial Estate
Singapore 738442
Tel: 6753 0800
Fax: 6753 7988
<http://www.chosen.com.sg>

Share Registrar

M&C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

Auditors

KPMG LLP
Public Accountants and Certified Public
Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Audit Partner: Leong Kok Keong
Financial year appointed: 30 June 2008

Investor Relations

For enquires, please contact the
Investor Relations Department at
Email: ir@chosen.com.sg or
Tel: 6753 0800
Fax: 6753 7988

Stock Data

Stock Code : CHOS.SP (Bloomberg)
CHOS.SI (Reuters)
ISIN Code : SG1G50869484
Stock Code : C10

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50	Consolidated Cash Flow Statement
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Directors' Report

Year ended 30 June 2009

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 30 June 2009.

DIRECTORS

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

Aloysius Lim Cher Kia
Chow Kok Hwee
Soong Wee Choo
Chew Heng Ching
Chow Kok Kee
Henry Tan Song Kok

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Deemed holdings at beginning of the year	Deemed holdings at end of the year
Chosen Holdings Limited				
Ordinary shares				
Aloysius Lim Cher Kia	26,329,600	26,329,600	91,611,744	91,611,744
Chow Kok Hwee	6,457,140	6,457,140	–	–
Soong Wee Choo	1,530,060	1,530,060	–	–
Chew Heng Ching	200,000	200,000	–	–
Chow Kok Kee	100,000	100,000	–	–
Henry Tan Song Kok	550,156	550,156	–	–
Options to subscribe for ordinary shares between 4 September 2003 to 7 February 2012 at an exercise price of \$0.205 per share				
Chow Kok Hwee	300,000	300,000	–	–
Soong Wee Choo	200,000	200,000	–	–

By virtue of Section 7 of the Act, Aloysius Lim Cher Kia is deemed to have an interest in the shares held by the Company in its wholly-owned subsidiaries, at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 July 2009.

Except as disclosed under the "Share Options" section of this report, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in notes 19 and 20 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

Chosen Share Option Scheme

The Chosen Share Option Scheme (the "Scheme") was adopted by the shareholders of the Company on 7 February 2002. The Scheme is administered by a Share Option Committee whose members are:

- Aloysius Lim Cher Kia (Chairman)
- Chow Kok Hwee
- Chew Heng Ching
- Chow Kok Kee
- Henry Tan Song Kok

Details of the Scheme were set out in the Directors' Report for the financial year ended 30 June 2002.

As at the end of the financial year, details of the unexercised options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of option	Exercise price per share	Options outstanding at 1 July 2008	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding at 30 June 2009	Number of option holders at 30 June 2009	Exercise period	% exercisable
4 Sept 2002	\$0.205	1,775,000	–	–	255,000	1,520,000	15	4 Sept 2007 to 7 Feb 2012	Up to 100%
4 Sept 2002	\$0.205	594,000	–	–	12,000	582,000	24	4 Sept 2003 to 7 Feb 2012	Up to 100%
		<u>2,369,000</u>	<u>–</u>	<u>–</u>	<u>267,000</u>	<u>2,102,000</u>			

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 30 June 2009	Aggregate options granted since commencement of Scheme to 30 June 2009	Aggregate options exercised since commencement of Scheme to 30 June 2009	Aggregate options outstanding as at 30 June 2009
Chow Kok Hwee	–	300,000	–	300,000
Soong Wee Choo	–	200,000	–	200,000
Chew Heng Ching	–	100,000	100,000	–
Chow Kok Kee	–	100,000	100,000	–
Henry Tan Song Kok	–	100,000	100,000	–

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Since the commencement of the Scheme, no options have been granted to employees of the Company or its related companies.

Since the commencement of the Scheme, no options have been granted at a discount and no incentive price options have been granted under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Directors' Report

Year ended 30 June 2009

AUDIT COMMITTEE

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

- Chew Heng Ching (Chairman), non-executive and independent director
- Chow Kok Kee, non-executive and independent director
- Henry Tan Song Kok, non-executive and independent director

The principal responsibility of the Committee is to assist the Board of Directors in the identification and monitoring of the following:

- the effectiveness of the management of financial business risks and the reliability of management reporting;
- compliance with laws and regulations, particularly those of the Companies Act, Chapter 50 and the Singapore Exchange Listing Manual;
- the appropriateness of half year and full year announcements and reports;
- the effectiveness and efficiency of internal and external audits; and
- interested person transactions.

Specific functions of the Committee include reviewing the scope of work of the internal and external auditors, and receiving and considering the reports of the internal and external auditors. The Committee also recommends the appointment of the external auditors.

In addition, the Audit Committee has, in accordance with Chapter 9 of the Singapore Exchange Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Audit Committee has reviewed the quantum and nature of fees, expenses and emoluments paid to the auditors for non-audit services and are satisfied that the provision of such services does not affect their independence.

The Audit Committee has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Aloysius Lim Cher Kia

Director

Chow Kok Hwee

Director

18 August 2009

Statement by Directors

Year ended 30 June 2009

In our opinion:

- (a) the financial statements set out on pages 47 to 75 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

Aloysius Lim Cher Kia

Director

Chow Kok Hwee

Director

18 August 2009

Independent Auditors' Report

To The Members of the Company, Chosen Holdings Limited

We have audited the financial statements of Chosen Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 47 to 75.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

- (a) 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 profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Certified Public Accountants*

Singapore

18 August 2009

Balance Sheets

As at 30 June 2009

	Note	Group		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Non-current assets					
Property, plant and equipment	3	42,646,244	44,941,910	211,502	295,268
Subsidiaries	4	–	–	21,049,448	21,049,448
Associate	5	414,022	–	–	–
Club membership		154,000	154,000	–	–
Deferred tax assets	6	387,622	373,658	1,604	4,137
		<u>43,601,888</u>	<u>45,469,568</u>	<u>21,262,554</u>	<u>21,348,853</u>
Current assets					
Inventories	7	11,930,847	10,659,527	–	–
Trade and other receivables	8	20,085,422	26,707,880	8,424	16,641
Amounts due from subsidiaries	10	–	–	9,051,163	9,323,609
Other investments	11	454,652	522,061	–	–
Cash and cash equivalents	12	18,751,287	16,155,298	5,626,490	4,318,476
		<u>51,222,208</u>	<u>54,044,766</u>	<u>14,686,077</u>	<u>13,658,726</u>
Total assets		<u>94,824,096</u>	<u>99,514,334</u>	<u>35,948,631</u>	<u>35,007,579</u>
Equity attributable to equity holders of the Company					
Share capital	13	33,450,613	33,450,613	33,450,613	33,450,613
Reserves	14	36,700,532	36,580,498	1,992,891	1,055,553
Total equity		<u>70,151,145</u>	<u>70,031,111</u>	<u>35,443,504</u>	<u>34,506,166</u>
Non-current liabilities					
Deferred tax liabilities	6	2,197,549	2,249,824	–	–
Current liabilities					
Trade and other payables	15	16,788,521	22,240,008	460,126	432,667
Amounts due to subsidiaries	10	–	–	17,246	17,246
Interest-bearing bank loans (unsecured)	16	5,251,889	4,606,458	–	–
Provision	17	–	105,109	–	–
Current tax payable		434,992	281,824	27,755	51,500
		<u>22,475,402</u>	<u>27,233,399</u>	<u>505,127</u>	<u>501,413</u>
Total liabilities		<u>24,672,951</u>	<u>29,483,223</u>	<u>505,127</u>	<u>501,413</u>
Total equity and liabilities		<u>94,824,096</u>	<u>99,514,334</u>	<u>35,948,631</u>	<u>35,007,579</u>

Consolidated Income Statement

Year ended 30 June 2009

	Note	2009 \$	2008 \$
Revenue	18	95,880,641	126,021,217
Cost of sales		(90,004,299)	(117,907,977)
Gross profit		<u>5,876,342</u>	<u>8,113,240</u>
Other income	19(a)	1,317,506	782,047
Distribution expenses		(555,400)	(701,728)
Administrative expenses		(2,900,443)	(2,639,611)
Other expenses		(166,246)	(644,182)
Finance costs	21	(213,656)	(380,762)
Share of results of associate, net of income tax		(85,978)	—
Profit before income tax	19	<u>3,272,125</u>	<u>4,529,004</u>
Income tax expense	22	(947,982)	(1,019,804)
Profit for the year		<u><u>2,324,143</u></u>	<u><u>3,509,200</u></u>
Earnings per share (in cents):	23		
Basic		<u>0.81</u>	<u>1.22</u>
Diluted		<u>0.81</u>	<u>1.22</u>

Consolidated Statement of Changes in Equity

Year ended 30 June 2009

	Note	Share capital \$	Capital reserve \$	Foreign currency translation reserve \$	Accumulated profits \$	Total equity \$
At 1 July 2007		33,377,633	579,172	(684,274)	38,922,519	72,195,050
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	(2,159,289)	–	(2,159,289)
Net loss recognised directly in equity		–	–	(2,159,289)	–	(2,159,289)
Profit for the year		–	–	–	3,509,200	3,509,200
Total recognised income and expense for the year		–	–	(2,159,289)	3,509,200	1,349,911
Issue of shares under share option scheme	13	72,980	–	–	–	72,980
Final tax exempt dividend paid of 0.5 cents per share in respect of year ended 30 June 2007		–	–	–	(1,434,732)	(1,434,732)
Special tax exempt dividend paid of 0.75 cents per share in respect of year ended 30 June 2007		–	–	–	(2,152,098)	(2,152,098)
At 30 June 2008		<u>33,450,613</u>	<u>579,172</u>	<u>(2,843,563)</u>	<u>38,844,889</u>	<u>70,031,111</u>
At 1 July 2008		33,450,613	579,172	(2,843,563)	38,844,889	70,031,111
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	306,672	–	306,672
Net gain recognised directly in equity		–	–	306,672	–	306,672
Profit for the year		–	–	–	2,324,143	2,324,143
Total recognised income and expense for the year		–	–	306,672	2,324,143	2,630,815
Final tax exempt dividend paid of 0.5 cents per share in respect of year ended 30 June 2008		–	–	–	(1,434,732)	(1,434,732)
Special tax exempt dividend paid of 0.375 cents per share in respect of year ended 30 June 2008		–	–	–	(1,076,049)	(1,076,049)
At 30 June 2009		<u>33,450,613</u>	<u>579,172</u>	<u>(2,536,891)</u>	<u>38,658,251</u>	<u>70,151,145</u>

Consolidated Cash Flow Statement

Year ended 30 June 2009

	Note	2009 \$	2008 \$
Operating activities			
Profit before income tax		3,272,125	4,529,004
Adjustments for:			
Depreciation of property, plant and equipment		6,582,656	6,760,258
Gain on disposal of property, plant and equipment		(59,236)	(65,954)
Property, plant and equipment written off		4,559	8,870
Reversal of provision for parts replacement		(105,109)	–
Interest income		(57,539)	(166,902)
Interest expense		213,656	380,762
Change in fair value of quoted equity securities		67,410	68,654
Share of results of associate		85,978	–
		<u>10,004,500</u>	<u>11,514,692</u>
Changes in working capital:			
Inventories		(1,271,320)	2,327,356
Trade and other receivables		6,654,001	5,953,444
Trade and other payables		<u>(5,000,823)</u>	<u>(6,898,232)</u>
Cash generated from operations		10,386,358	12,897,260
Income taxes paid		<u>(863,381)</u>	<u>(764,713)</u>
Cash flows from operating activities		<u>9,522,977</u>	<u>12,132,547</u>
Investing activities			
Interest received		61,151	171,697
Proceeds from disposal of property, plant and equipment		236,763	381,094
Purchase of property, plant and equipment		(3,895,492)	(5,933,777)
Investment in associate		<u>(500,000)</u>	<u>–</u>
Cash flows from investing activities		<u>(4,097,578)</u>	<u>(5,380,986)</u>
Financing activities			
Dividend paid		(2,510,781)	(3,586,830)
Interest paid		(289,897)	(303,751)
Proceeds from issue of shares under share option scheme		–	72,980
Proceeds from bank loans		5,251,889	4,606,458
Repayment of bank loans		(4,606,458)	(9,231,662)
Fixed deposits pledged with banks		297,584	(1,751)
Cash flows from financing activities		<u>(1,857,663)</u>	<u>(8,444,556)</u>
Net increase/(decrease) in cash and cash equivalents		3,567,736	(1,692,995)
Cash and cash equivalents at beginning of year		15,684,689	18,053,750
Effect of exchange rate fluctuations on cash held		(674,163)	(676,066)
Cash and cash equivalents at end of year	12	<u>18,578,262</u>	<u>15,684,689</u>

Notes to the Financial Statements

Year ended 30 June 2009

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 18 August 2009.

1 DOMICILE AND ACTIVITIES

Chosen Holdings Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 17 Woodlands Terrace, Woodlands East Industrial Estate, Singapore 738442.

The principal activities of the Company are those relating to investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are those relating to product design and development, mould design and fabrication, plastic injection moulding and secondary processes and final product assembly.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are stated at fair value.

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 4, 5 and 11 – valuation of investments
- Note 8 and 10 – valuation of trade and other receivables.

2.2 Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Financial Statements

Year ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

Associate

Associate is an entity in which the Group has significant influence, but not control, over its financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

An associate is accounted for using the equity method. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence ceases. For this purpose, the latest financial statements are used. Where audited financial statements are not available, unaudited management financial statements are used.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

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

Accounting for subsidiaries and associate by the Company

Investments in subsidiaries and associate are stated in the Company's balance sheet at cost less any accumulated impairment losses.

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Foreign currency differences arising on such translation are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at the average exchange rates for the year which approximates exchange rates prevailing at the dates of the transactions.

Foreign currency differences arising on such currency translation are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

No depreciation is provided on freehold land and construction in progress. Depreciation is provided on a straight-line basis so as to write off the items of property, plant and equipment over their estimated useful lives as follows:

Freehold building	50 years
Land use rights	Over the remaining lease period commencing 1999
Leasehold land and building	50 years or over the remaining lease period, whichever is shorter
Plant and machinery	10 years
Renovations, furniture and fittings	8 years
Office equipment	5 years
Computers	3 years
Motor vehicles	6 years
Production tools	Over units of production

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.5 Club membership

Club membership held for long-term is stated at cost less impairment loss.

2.6 Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short term or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement. The fair value of equity securities classified as held-for-trading is determined as the quoted bid price at the balance sheet date.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the Financial Statements

Year ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in progress, cost includes an appropriate share of overheads based on normal operating capacities.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Impairment

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

Impairment of non-financial assets

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment loss is charged to the income statement.

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

2.9 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Employee share options

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Provision

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision for parts replacement relates to plastic moulded parts sold and is calculated based on historical data and a weighting of all possible outcomes against their associated probabilities.

2.11 Share capital

Ordinary shares are classified as equity.

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

2.12 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.13 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants, which are designated for operating expenditure, are recognised on a systematic basis in the income statement over the period necessary to match the related costs which they are intended to compensate.

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

2.14 Revenue recognition

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and other sales taxes.

Revenue and profit from mould fabrication contracts are recognised by the percentage of completion method. The percentage of completion is measured by reference to the stage of completion of the contract activity at the balance sheet date.

Dividends

Dividend income is recognised in the income statement when the Group's shareholder's right to receive payment is established.

Interest income

Interest income from bank deposits is recognised on an effective interest basis.

Notes to the Financial Statements

Year ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the terms of the leases. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

2.16 Finance costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

2.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on terms agreed between segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business segments

The Group comprises predominantly one business segment which is the mould fabrication and manufacture of plastic injection components.

Geographical segments

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

2.18 Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building \$	Land use rights \$	Leasehold land and building \$	Plant Renovations, and machinery \$	furniture and fittings \$	Office equipment \$	Computers \$	Motor vehicles \$	Production tools \$	Construction in progress \$	Total \$
Cost											
At 1 July											
2007	4,573,325	1,378,815	9,849,461	59,925,022	5,446,779	431,208	2,460,486	2,028,329	3,227,113	-	89,320,538
Translation difference	-	(13,652)	(421,611)	(1,818,271)	(119,483)	(13,188)	(32,322)	(18,993)	-	-	(2,437,520)
Additions	-	-	16,360	3,063,454	283,544	21,345	124,812	100,598	980,762	-	4,590,875
Transfers	-	-	-	(422)	-	422	-	-	-	-	-
Disposals	-	-	-	(2,170,721)	(36,793)	(3,444)	(159,532)	(196,769)	-	-	(2,567,259)
At 30 June											
2008	4,573,325	1,365,163	9,444,210	58,999,062	5,574,047	436,343	2,393,444	1,913,165	4,207,875	-	88,906,634
Translation difference	-	81,910	405,011	899,688	76,284	11,743	34,457	16,722	-	-	1,525,815
Additions	-	-	-	1,048,089	83,784	8,597	111,301	6,665	2,209,632	53,000	3,521,068
Disposals/ write-offs	-	-	-	(1,054,665)	(369,740)	(7,263)	(173,424)	(162,432)	-	-	(1,767,524)
At 30 June											
2009	4,573,325	1,447,073	9,849,221	59,892,174	5,364,375	449,420	2,365,778	1,774,120	6,417,507	53,000	92,185,993
Accumulated depreciation											
At 1 July											
2007	230,634	204,522	2,163,730	29,848,732	3,365,587	299,382	2,167,399	1,044,216	1,023,706	-	40,347,908
Translation difference	-	(1,874)	(36,078)	(744,265)	(70,370)	(9,714)	(26,886)	(11,006)	-	-	(900,193)
Depreciation charge for the year	-	27,153	296,935	4,959,964	533,880	56,079	162,470	268,441	455,336	-	6,760,258
Disposals	-	-	-	(1,846,078)	(36,035)	(4,052)	(116,879)	(240,205)	-	-	(2,243,249)
At 30 June											
2008	230,634	229,801	2,424,587	32,218,353	3,793,062	341,695	2,186,104	1,061,446	1,479,042	-	43,964,724
Accumulated depreciation											
At 1 July											
2008	230,634	229,801	2,424,587	32,218,353	3,793,062	341,695	2,186,104	1,061,446	1,479,042	-	43,964,724
Translation difference	-	13,420	54,630	433,543	30,131	8,707	31,674	5,702	-	-	577,807
Depreciation charge for the year	-	29,310	304,645	4,958,391	518,409	39,146	183,768	238,395	310,592	-	6,582,656
Disposals/ write-offs	-	-	-	(1,025,304)	(264,741)	(6,125)	(173,694)	(115,574)	-	-	(1,585,438)
At 30 June											
2009	230,634	272,531	2,783,862	36,584,983	4,076,861	383,423	2,227,852	1,189,969	1,789,634	-	49,539,749
Carrying amount											
At 1 July											
2007	4,342,691	1,174,293	7,685,731	30,076,290	2,081,192	131,826	293,087	984,113	2,203,407	-	48,972,630
At 30 June											
2008	4,342,691	1,135,362	7,019,623	26,780,709	1,780,985	94,648	207,340	851,719	2,728,833	-	44,941,910
At 30 June											
2009	4,342,691	1,174,542	7,065,359	23,307,191	1,287,514	65,997	137,926	584,151	4,627,873	53,000	42,646,244

Notes to the Financial Statements

Year ended 30 June 2009

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Computers \$	Motor vehicles \$	Total \$
Cost			
At 1 July 2007	21,000	864,005	885,005
Disposals	–	(196,769)	(196,769)
At 30 June 2008	21,000	667,236	688,236
Additions	12,343	–	12,343
At 30 June 2009	33,343	667,236	700,579
Accumulated depreciation			
At 1 July 2007	21,000	457,531	478,531
Depreciation charge for the year	–	111,206	111,206
Disposals	–	(196,769)	(196,769)
At 30 June 2008	21,000	371,968	392,968
Depreciation charge for the year	2,316	93,793	96,109
At 30 June 2009	23,316	465,761	489,077
Carrying amount			
At 1 July 2007	–	406,474	406,474
At 30 June 2008	–	295,268	295,268
At 30 June 2009	10,027	201,475	211,502

4 SUBSIDIARIES

	Company	
	2009	2008
	\$	\$
Investment in subsidiaries	21,049,448	21,049,448

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2009 %	2008 %
(1) Chosen Plastic Pte Ltd and its subsidiaries:	Singapore	100	100
(1) Newtech Plastics Pte Ltd	Singapore	100	100
(1) Chosen Technologies Pte Ltd	Singapore	100	100
(1) Chosen Dzios Pte Ltd	Singapore	100	100
(2) Chosen Plastic Sdn. Bhd. and its subsidiaries:	Malaysia	100	100
(2) Chosen Manufacturing Sdn. Bhd.	Malaysia	100	100
(2)(5) Chosen Electronics Sdn. Bhd.	Malaysia	–	100
(1) Chosen Investment Pte Ltd and its subsidiaries:	Singapore	100	100
(3),(4) Chosen Enterprise (Shanghai) Co., Ltd.	People's Republic of China	100	100
(1) Chosen Electronics Assembly (Singapore) Pte Ltd and its subsidiary:	Singapore	100	100
(3),(4) Chosen Electronics Assembly (Shanghai) Co., Ltd.	People's Republic of China	100	100
(3),(4) Chosen Enterprise (Dongguan) Co., Ltd.	People's Republic of China	100	100
(3),(4) Chosen Moulding & Assembly (Wuxi) Co., Ltd	People's Republic of China	100	100
(2) Chosen (Thailand) Company Limited	Thailand	100	100

(1) Audited by KPMG LLP Singapore.

(2) Audited by other member firms of KPMG International.

(3) Audited by another firm of auditors, Shanghai LSC Certified Public Accountants Co., Ltd.

(4) The subsidiaries are required to have a financial year ending 31 December each year in the People's Republic of China. The Company has obtained an approval from the Accounting and Corporate Regulatory Authority ("ACRA") under Section 200(3) and (4) of the Companies Act authorising the subsidiaries to have a financial year end which do not coincide with the financial year end of the Company. The consolidated financial statements of the Group include the non-statutory results and financial position of the subsidiaries as at 30 June 2009 audited/reviewed by KPMG LLP Singapore for consolidation purposes.

(5) Currently under voluntary liquidation.

In accordance with Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company has confirmed that they are satisfied that the appointment of different auditors for its subsidiaries has not compromised the standard and effectiveness of the audit of the Group.

Notes to the Financial Statements

Year ended 30 June 2009

5 ASSOCIATE

	Group	
	2009	2008
	\$	\$
Investment in associate	414,022	–

During the year, one of the Group's wholly-owned subsidiary, Chosen Investment Pte Ltd entered into a Subscription Agreement with Gashub Technology Pte Ltd ("Gashub") and Gashub existing shareholder to subscribe for 300,000 new ordinary shares (representing 40% of the enlarged share capital) of Gashub. The investment is payable in four tranches. The payment of first tranche of \$500,000 by the Group has been made on 31 July 2008 upon the issuance of the said shares by Gashub. The remaining balance is subject to the achievement of certain milestones.

Details of the associate are as follows:

Name of associate	Country of incorporation	Effective equity held by the Group	
		2009	2008
		%	%
Gashub Technology Pte Ltd	Singapore	40%	–

The associate is audited by KPMG LLP Singapore.

The summarised financial information relating to the associate is not adjusted for the percentage of ownership held by the Group. The financial information of the associate based on the unaudited management financial statements is as follows:

	2009
	\$
Assets and liabilities	
Total assets	1,154,821
Total liabilities	338,980
Results	
Revenue	668,922
Loss after tax	214,945

Investment in associate at 30 June 2009 include goodwill of \$87,406 (2008: \$Nil).

6 DEFERRED TAX

Movements in deferred tax (assets)/liabilities (prior to offsetting of balances) during the year are as follows:

Group	At 1 July 2007 \$	(Credited)/ Charged to income statement (note 22) \$	Translation difference \$	At 30 June 2008 \$
Deferred tax liabilities				
Property, plant and equipment	3,229,198	(2,706)	(117,293)	3,109,199
Provisions and allowances	–	6,399	(2,083)	4,316
	<u>3,229,198</u>	<u>3,693</u>	<u>(119,376)</u>	<u>3,113,515</u>
Deferred tax assets				
Provisions and allowances	(71,188)	70,633	555	–
Unutilised tax losses	(98,695)	(271,189)	363	(369,521)
Unutilised reinvestment allowance	(1,300,399)	374,471	64,373	(861,555)
Other items (net)	(7,070)	797	–	(6,273)
	<u>(1,477,352)</u>	<u>174,712</u>	<u>65,291</u>	<u>(1,237,349)</u>

Group	At 1 July 2008 \$	(Credited)/ Charged to income statement (note 22) \$	Translation difference \$	At 30 June 2009 \$
Deferred tax liabilities				
Property, plant and equipment	3,109,199	(55,953)	(19,819)	3,033,427
Provisions and allowances	4,316	(84,990)	758	(79,916)
	<u>3,113,515</u>	<u>(140,943)</u>	<u>(19,061)</u>	<u>2,953,511</u>
Deferred tax assets				
Provisions and allowances	–	(869)	–	(869)
Unutilised tax losses	(369,521)	6,627	(22,255)	(385,149)
Unutilised reinvestment allowance	(861,555)	97,105	8,488	(755,962)
Other items (net)	(6,273)	4,669	–	(1,604)
	<u>(1,237,349)</u>	<u>107,532</u>	<u>(13,767)</u>	<u>(1,143,584)</u>

Company	At 1 July 2007 \$	Charged to income statement \$	At 30 June 2008 \$	Charged to income statement \$	At 30 June 2009 \$
Other items (net)	(4,934)	797	(4,137)	2,533	(1,604)

Notes to the Financial Statements

Year ended 30 June 2009

6 DEFERRED TAX (CONT'D)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to income taxes levied by the same taxation authority. The deferred tax liabilities and assets, determined after appropriate offsetting are as follows:

	Group		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Deferred tax liabilities	2,197,549	2,249,824	–	–
Deferred tax assets	(387,622)	(373,658)	(1,604)	(4,137)
	<u>1,809,927</u>	<u>1,876,166</u>	<u>(1,604)</u>	<u>(4,137)</u>

The unutilised reinvestment allowances and unutilised tax losses are available for offset against future taxable income subject to agreement with the relevant tax authorities and tax conditions prevailing in their respective countries.

In the current financial year, the Group had recognised a deferred tax asset amounting to \$210,895 in relation to unutilised tax losses of a subsidiary which has suffered a loss in the current financial year. The deferred tax asset was recognised on the basis of a profit forecast of the subsidiary.

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

	Group		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Tax losses	<u>10,905,009</u>	<u>7,274,855</u>	–	–

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

7 INVENTORIES

	Group	
	2009 \$	2008 \$
Raw materials	5,573,516	4,885,192
Work-in-progress	2,576,291	2,060,851
Finished goods	<u>3,807,105</u>	<u>3,739,549</u>
	11,956,912	10,685,592
Allowance for inventory obsolescence	(26,065)	(26,065)
	<u>11,930,847</u>	<u>10,659,527</u>

8 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Trade receivables		16,886,031	24,587,103	–	–
Unbilled receivables		911,838	707,367	–	–
GST recoverable		171,920	156,488	–	–
Deposits, prepayments and other receivables	9	<u>2,115,633</u>	<u>1,256,922</u>	<u>8,424</u>	<u>16,641</u>
		<u>20,085,422</u>	<u>26,707,880</u>	<u>8,424</u>	<u>16,641</u>

At the balance sheet date, approximately 58% (2008: 56%) of the Group's trade receivables were due from 5 major customers, which are multi-national companies.

8 TRADE AND OTHER RECEIVABLES (CONT'D)

The ageing of trade receivables at the reporting date is:

	Gross 2009 \$	Gross 2008 \$
Group		
Not past due	11,530,017	14,580,497
Past due less than 3 months	4,547,992	9,262,113
Past due more than 3 months and less than 6 months	496,264	419,440
Past due more than 6 months	311,758	325,053
	<u>16,886,031</u>	<u>24,587,103</u>

Trade receivables that are neither past-due nor impaired relate mainly to companies with good collection track record with the Group. Trade receivables that are past due are individually assessed and impairment allowance is made for debtors that are in financial difficulties and have defaulted on payments. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of these trade receivables as they relate to customers that have a good payment record with the Group.

9 DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	Group		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Deposits	838,998	628,910	-	-
Prepayments	489,448	271,218	7,493	12,650
Interest receivable	2,719	6,331	931	3,991
Tax recoverable	353,417	318,262	-	-
Government grant receivable	400,026	-	-	-
Other receivables	31,025	32,201	-	-
	<u>2,115,633</u>	<u>1,256,922</u>	<u>8,424</u>	<u>16,641</u>

10 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2009 \$	2008 \$
Trade	9,051,163	7,823,609
Non-trade	-	1,500,000
Amounts due from subsidiaries	<u>9,051,163</u>	<u>9,323,609</u>
Non-trade amounts due to subsidiaries	<u>(17,246)</u>	<u>(17,246)</u>

The non-trade amounts due from/to subsidiaries are unsecured, interest free and repayable on demand. There is no allowance for doubtful debts arising on the outstanding balances.

Notes to the Financial Statements

Year ended 30 June 2009

11 OTHER INVESTMENTS

	Group	
	2009	2008
	\$	\$
Quoted equity securities, at fair value through profit or loss	454,652	522,061

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	14,755,090	11,500,667	2,114,873	134,454
Fixed deposits with banks and non-bank financial institutions	3,996,197	4,654,631	3,511,617	4,184,022
	<u>18,751,287</u>	<u>16,155,298</u>	<u>5,626,490</u>	<u>4,318,476</u>
Fixed deposits pledged to a bank	(173,025)	(470,609)		
Cash and cash equivalents in consolidated statement of cash flows	<u>18,578,262</u>	<u>15,684,689</u>		

Fixed deposits of \$173,025 (2008: \$470,609) of the Group are pledged to banks for banker guarantees granted to certain subsidiaries.

The effective interest rates per annum relating to cash and cash equivalents at the balance sheet date for the Group and the Company range from 0.05% to 3.70% (2008: 0.05% to 3.70%) and from 0.05% to 0.35% (2008: 0.05% to 2.4275%) respectively. Interest rates reprice within a period of twelve months.

13 SHARE CAPITAL

	Group and Company	
	2009	2008
	No. of shares	No. of shares
Fully paid ordinary shares, with no par value:		
At 1 July	286,946,424	286,590,424
Exercise of share options	–	356,000
At 30 June	<u>286,946,424</u>	<u>286,946,424</u>

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

The Group has issued share options under its Chosen Share Option Scheme (see note 20).

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group consists of debt and equity attributable to equity holders, comprising issued capital, reserves, retained earnings and bank loans. The Board reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and makes adjustments to the capital structure, where appropriate, in light of changes in economic conditions, investment requirements and the risk characteristics of the underlying assets.

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

The Company and its subsidiaries are not subject to externally imposed capital requirements.

14 RESERVES

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Capital reserve	579,172	579,172	—	—
Foreign currency translation reserve	(2,536,891)	(2,843,563)	—	—
Accumulated profits	38,658,251	38,844,889	1,992,891	1,055,553
	<u>36,700,532</u>	<u>36,580,498</u>	<u>1,992,891</u>	<u>1,055,553</u>

Capital reserve

The wholly foreign-owned entities in the People's Republic of China (PRC) follow the accounting principles and relevant financial regulations of the PRC (PRC GAAP) applicable to wholly foreign-owned enterprises in the preparation of its accounting records and statutory financial statements. The subsidiaries are required to appropriate 10% of their profits arrived at under PRC GAAP for each year to a statutory reserve. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the subsidiaries. This statutory reserve is not distributable in the form of cash dividends.

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose measurement currency is different from that of the Company.

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade payables and accrued operating expenses	15,647,687	20,634,533	460,126	432,667
Amounts due to suppliers for purchase of plant and equipment	1,081,690	1,456,113	—	—
Interest payable	17,150	93,391	—	—
Other payables	41,994	55,971	—	—
	<u>16,788,521</u>	<u>22,240,008</u>	<u>460,126</u>	<u>432,667</u>

16 INTEREST-BEARING BANK LOANS (UNSECURED)

The contractual terms of the Group's interest-bearing bank loans are as follows:

	2009	2008
	Due	Due
	within	within
	1 year	1 year
	\$	\$
Group		
Short-term bank loans	<u>5,251,889</u>	<u>4,606,458</u>

Notes to the Financial Statements

Year ended 30 June 2009

16 INTEREST-BEARING BANK LOANS (UNSECURED) (CONT'D)

The effective interest rates per annum relating to interest-bearing bank loans at the balance sheet date and the periods in which they mature or reprice, whichever is earlier, are as follows:

Group	Effective interest rate %	Total \$	Within 1 year \$
2009			
Financial liabilities			
Short-term bank loans	2.12 – 4.176	<u>5,251,889</u>	<u>5,251,889</u>
2008			
Financial liabilities			
Short-term bank loans	1.88 – 6.63	<u>4,606,458</u>	<u>4,606,458</u>

17 PROVISION

Provision relates to provision for replacement of plastic moulded parts sold.

	Group	
	2009 \$	2008 \$
Movements in the provision for parts replacement are as follows:		
At 1 July	105,109	105,124
Write back	(105,108)	–
Translation difference	(1)	(15)
At 30 June	<u>–</u>	<u>105,109</u>

18 REVENUE

	Group	
	2009 \$	2008 \$
Sale of goods	<u>95,880,641</u>	<u>126,021,217</u>

19 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	2009 \$	Group 2008 \$
(a) Other income		
Dividend income from quoted equity securities	18,085	24,815
Gain on disposal of property, plant and equipment	59,236	65,954
Exchange gain	237,112	–
Interest income from bank deposits	57,539	166,902
Income from Jobs Credit Scheme	220,417	–
Income from government grant	400,026	306,897
Others	325,091	217,479
	<u>1,317,506</u>	<u>782,047</u>
(b) Other expenses		
Exchange loss	–	566,657
Bad debts written off	94,137	–
Non-audit fees paid to:		
- auditors of the Company	28,105	26,700
- other auditors	10,789	9,749
Net change in fair value of financial assets at fair value through profit or loss	67,410	68,654
Operating lease expenses	1,954,597	1,939,257
Directors' fees	145,000	190,000
Property, plant and equipment written off	4,559	8,870
Staff costs	16,259,207	18,019,085
Contributions to defined contribution plans included in staff costs	1,257,383	1,213,537
Remuneration to key management included in staff costs	1,415,160	1,256,530

20 EQUITY COMPENSATION BENEFITS

The Company has a share option scheme ("Chosen Share Option Scheme") to grant options to all directors and employees in an executive capacity of the Group except for controlling shareholders or their associates. Options are granted at market price, at a fixed discounted price or at a discounted price which may be subjected to adjustment at the end of an incentive period. Where discounted price option or incentive price option are granted, the discount shall not exceed 20% of the market price as at the date of grant. No option shall be granted at an exercise price of less than \$0.10. Market price option may be exercisable on or after the first anniversary of the date of grant while discount price option and incentive price option may be exercisable on or after the second anniversary of the date of grant. An option granted may be exercisable, in the case of employees and executive directors, from the date the option vests and expires on the day preceding the tenth anniversary of its date of grant and, in the case of non-executive directors, from the date the option vests and expires the day preceding the fifth anniversary of its date of grant.

Details of the unexercised options granted under the Scheme on the unissued ordinary shares of the Company at the end of the financial year are as follows:

<-----Year ended 30 June 2009 ----->									
Date of grant of options	Exercise price per share	Options outstanding 1 July 2008	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding 30 June 2009	Options exercisable 1 July 2008	Options exercisable 30 June 2009	Exercise period
4/9/2002	\$0.205	1,775,000	–	–	(255,000)	1,520,000	1,775,000	1,520,000	4/9/07 to 7/2/12
4/9/2002	\$0.205	594,000	–	–	(12,000)	582,000	594,000	582,000	4/9/03 to 7/2/12
		<u>2,369,000</u>	–	–	<u>(267,000)</u>	<u>2,102,000</u>	<u>2,369,000</u>	<u>2,102,000</u>	

Included in the above outstanding options are 500,000 (2008: 300,000) options held by directors.

Notes to the Financial Statements

Year ended 30 June 2009

21 FINANCE COSTS

	Group	
	2009	2008
	\$	\$
Interest paid and payable to banks	213,656	380,762

22 INCOME TAXES

	Group	
	2009	2008
	\$	\$
Current tax expense		
Current year	1,065,767	824,095
(Over)/Under provision in respect of prior years	(84,373)	17,304
	981,394	841,399

Deferred tax expense

Current year	(35,710)	301,881
Reduction in tax rate	(72,663)	(77,997)
Under/(Over) provision in respect of prior years	74,962	(45,479)
	(33,411)	178,405
Total income tax expense in income statement	947,982	1,019,804

Reconciliation of effective tax rate

Profit before income tax	3,272,125	4,529,004
Tax calculated using Singapore tax rate of 17% (2008: 18%)	556,261	815,221
Effect of tax rates in foreign jurisdictions	101,480	370,111
Effect of reduction in tax rate	(72,664)	(77,997)
Non-deductible expenses	62,304	234,986
Utilisation of reinvestment and investment allowances	4,410	(29,122)
Unrecognised tax losses	708,848	254,759
Recognition of previously unrecognised tax losses	6,627	(369,520)
Non-taxable income	(409,873)	(150,459)
Overprovision in respect of prior years	(9,411)	(28,175)
	947,982	1,019,804

23 EARNINGS PER SHARE

	Group	
	2009	2008
	\$	\$
The basic earnings per share is based on:		
Profit for the year	2,324,143	3,509,200
	No. of shares	No. of shares
Weighted average number of shares in issue during the year	286,946,424	286,938,424
	\$	\$
The diluted earnings per share is based on:		
Profit for the year	2,324,143	3,509,200

In calculating diluted earnings per share, outstanding options to purchase 2,102,000 (2008: 2,369,000) ordinary shares at \$0.205 (2008: \$0.205) per share were not included in the computation of diluted earnings per share because these options were antidilutive.

24 COMMITMENTS

As at the balance sheet date, the Group had the following commitments:

(a) Operating lease commitment

- (i) The Group has a land lease commitment with Jurong Town Corporation ("JTC") for a duration of 30 years expiring in 2026. In addition, the Group has the option to extend the lease for another 30 years upon the expiration of the initial terms in 2026. The total current annual land rent payable is \$83,851 (2008: \$85,504) subject to an annual revision not exceeding 5.5% (2008: 5.5%) of the previous year's rental.
- (ii) The Group leases its offices, warehouses and factory facilities under operating leases. The leases typically run for an initial period between one to five years. Minimum lease payments under these non-cancellable operating leases with a term of more than one year are as follows:

	2009 \$	Group 2008 \$
Payable:		
Within one year	991,375	2,248,344
Within two to five years	559,701	1,786,973
	<u>1,551,076</u>	<u>4,035,317</u>

(b) Capital commitment

	Note	2009 \$	Group 2008 \$
Capital contribution in associate	5	1,500,000	–
Capital expenditure contracted but not provided for		–	23,970
		<u>–</u>	<u>23,970</u>

25 FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group is exposed to a variety of financial risks, comprising credit, liquidity and market risk (including interest rate and currency risk) in the normal course of the Group's business. The manner in which the Group manages each of these risks is summarised below:

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and generally does not require collaterals from customers. The Group's credit exposure and the creditworthiness of its counterparties are monitored on an ongoing basis. Customers are also assessed based on their historical payment records. Where necessary, customers may be requested to provide advance payment before goods are delivered or services are rendered.

The maximum exposure to credit risk is the carrying amount of financial assets which are mainly trade receivables and bank balances and fixed deposits. Trade receivables of the Group are mainly due from contract manufacturers operating in the electronics industry and with good collection track record with the Group. Cash balances and fixed deposits are placed with reputable banks and financial institutions which are regulated.

Notes to the Financial Statements

Year ended 30 June 2009

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of business, the Group also maintains flexibility in funding by ensuring that ample credit facilities and working capital lines are available at any point in time.

The following are the expected contractual cashflows of financial liabilities, including interest payments and excluding the impact of netting agreements.

Group	Carrying amount \$	Contractual cash flows (including interest payments)	
		Total \$	Within 1 year \$
2009			
Non-derivative financial liabilities			
Trade and other payables	16,788,521	16,788,521	16,788,521
Interest-bearing bank loans	5,251,889	5,260,741	5,260,741
	<u>22,040,410</u>	<u>22,049,262</u>	<u>22,049,262</u>
2008			
Non-derivative financial liabilities			
Trade and other payables	22,240,008	22,240,008	22,240,008
Interest-bearing bank loans	4,606,458	4,623,945	4,623,945
	<u>26,846,466</u>	<u>26,863,953</u>	<u>26,863,953</u>
Company			
2009			
Non-derivative financial liabilities			
Trade and other payables	460,126	460,126	460,126
	<u>460,126</u>	<u>460,126</u>	<u>460,126</u>
2008			
Non-derivative financial liabilities			
Trade and other payables	432,667	432,667	432,667
	<u>432,667</u>	<u>432,667</u>	<u>432,667</u>

Market risk

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

Interest rate risk

The Group's exposure to interest rate risk arises primarily from its bank deposits and bank borrowings. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. The Group has cash balances and fixed deposits placed with banks and financial institutions. Those deposits are generally with short term maturities to provide the Group the flexibility to meet working capital and other investment needs. The Group's borrowings for short term working capital requirements are repriced at intervals of not more than 12 months.

25 FINANCIAL RISK MANAGEMENT (CONT'D)***Sensitivity analysis***

At balance sheet date, a hypothetical 100 basis points movement in interest rate, with all other variables held constant, will have an insignificant net impact on the profit before tax for the Group and Company. There is no impact on the equity of the Group and Company.

Foreign currency risk

Foreign exchange exposures are naturally hedged as a significant portion of the Group's trade sales and purchases are primarily denominated in the same currency. This reduces the impact of movements in foreign exchange rates. The Group is a net receiver of the US dollar and therefore benefits from a stronger US dollar and is adversely affected by a weaker US dollar relative to the functional currencies of the companies in the Group.

The Group uses forward foreign exchange structures to minimise its net foreign currency exposures in the management of foreign exchange risk. These derivative financial instruments are used for hedging and not for speculative trading purposes and the Group closes off their open positions at each financial year end.

The Group's exposure to US dollar as at 30 June 2009 and 30 June 2008 are as follows:

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade and other receivables	15,231,007	19,409,521	–	–
Cash and cash equivalents	9,665,216	6,920,204	1,214,506	27,073
Trade and other payables	(8,744,409)	(12,187,635)	–	–
Interest bearing bank loan	(2,751,889)	(2,721,000)	–	–
	<u>13,399,925</u>	<u>11,421,090</u>	<u>1,214,506</u>	<u>27,073</u>

Sensitivity analysis

A 5% strengthening of Singapore dollar against US dollars at the reporting date, with all other variables held constant, will result in a decrease in profit before tax of \$0.7 million (2008: \$0.6 million) for the Group. Conversely, a 5% weakening of Singapore dollar against US dollar will result in an increase in profit before tax of an equal amount. A similar change in exchange rate will not have a significant impact on the Company. There is no impact on the equity of the Group and Company.

Fair values of financial assets and liabilities

The carrying values of the financial assets and financial liabilities approximate their fair values as they are either short term in nature or repriced within 12 months.

26 SEGMENTAL REPORTING**(a) Business segments**

The Group's business comprises predominately one business segment which is the mould fabrication and manufacture of plastic injection components.

Notes to the Financial Statements

Year ended 30 June 2009

26 SEGMENTAL REPORTING (CONT'D)

(b) Geographical segments

2009	Singapore \$'000	China \$'000	Rest of Asia Pacific \$'000	Elimination \$'000	Consolidated \$'000
Revenue and expenses					
Total revenue from external customers	54,827	27,525	13,529	–	95,881
Inter-segment revenue	7,451	2,695	27,582	(37,728)	–
Total revenue	62,278	30,220	41,111	(37,728)	95,881
Segment results	4,115	(2,681)	2,138	–	3,572
Unallocated expenses:					
- finance costs					(214)
Share of results of associate	(86)	–	–	–	(86)
Income tax expense					(948)
Profit for the year					2,324
Assets and liabilities					
Segments assets	38,648	26,467	28,907	–	94,022
Investment in associate	414	–	–	–	414
Unallocated assets:					
- deferred tax assets					388
					94,824
Segments liabilities	5,966	8,105	7,969	–	22,040
Unallocated liabilities:					
- current tax payable					435
- deferred tax liabilities					2,197
					24,672
Other segmental information					
Depreciation	2,016	1,894	2,673	–	6,583
Capital expenditure	2,489	493	539	–	3,521

26 SEGMENTAL REPORTING (CONT'D)

(b) Geographical segments (cont'd)

2008	Singapore \$'000	China \$'000	Rest of Asia Pacific \$'000	Elimination \$'000	Consolidated \$'000
Revenue and expenses					
Total revenue from					
external customers	82,646	23,955	19,420	–	126,021
Inter-segment revenue	6,396	606	47,267	(54,269)	–
Total revenue	<u>89,042</u>	<u>24,561</u>	<u>66,687</u>	<u>(54,269)</u>	<u>126,021</u>
Segment results	1,843	(1,709)	4,776	–	4,910
Unallocated expenses:					
- finance costs					(381)
Income tax expense					(1,020)
Profit for the year					<u>3,509</u>
Assets and liabilities					
Segments assets	39,583	27,762	31,796	–	99,141
Unallocated assets:					
- deferred tax assets					374
					<u>99,515</u>
Segments liabilities	7,576	9,099	10,276	–	26,951
Unallocated liabilities:					
- current tax payable					282
- deferred tax liabilities					2,250
					<u>29,483</u>
Other segmental information					
Depreciation	2,322	1,734	2,704	–	6,760
Capital expenditure	<u>1,898</u>	<u>883</u>	<u>1,810</u>	<u>–</u>	<u>4,591</u>

27 SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the directors proposed the following dividends. The dividends have not been provided for at the balance sheet date:

	Group and Company	
	2009	2008
	\$	\$
Final tax exempt dividend proposed of 0.5 cents (2008: 0.5 cents) per share	1,434,732	1,434,732
Special tax exempt dividend proposed of Nil cents (2008: 0.375 cents) per share	–	1,076,049
	<u>1,434,732</u>	<u>2,510,781</u>

Notes to the Financial Statements

Year ended 30 June 2009

28 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 1 (revised 2008) *Presentation of Financial Statements*
- FRS 23 (revised 2007) *Borrowing Costs*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 102 *Share-based Payment – Vesting Conditions and Cancellations*
- FRS 103 (revised) *Business Combinations* and FRS 27 (revised) *Separate and Consolidated Financial Statements*
- Amendments to FRS 107 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- FRS 108 *Operating Segments*
- *Improvements to FRSs 2008*
- *Improvements to FRSs 2009*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- INT FRS 117 *Distributions of Non-cash Assets to Owners*
- INT FRS 118 *Transfer of Assets from Customers*

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending 30 June 2010. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

The amendments to FRS 101 and FRS 27 on the cost of an investment in a subsidiary, jointly controlled entity or associate will become effective for the Group's financial statements for the year ending 30 June 2010. The amendments remove the definition of "cost method" currently set out in FRS 27, and instead require an entity to recognise all dividend from a subsidiary, jointly controlled entity or associate as income in its separate financial statements when its right to receive the dividend is established. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 30 June 2010, except for the amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* which will become effective for the year ending 30 June 2011. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

28 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

Improvements to FRSs 2009 will become effective for the Group's financial statements for the year ending 30 June 2010 for amendments relating to:

- FRS 102 *Share-based payment*
- FRS 38 *Intangible assets*
- INT FRS 109 *Reassessment of embedded derivatives*
- INT FRS 116 *Hedges of a net investment in a foreign operation*

Improvements to FRSs 2009 will become effective for the Group's financial statements for the year ending 30 June 2011 for amendments relating to:

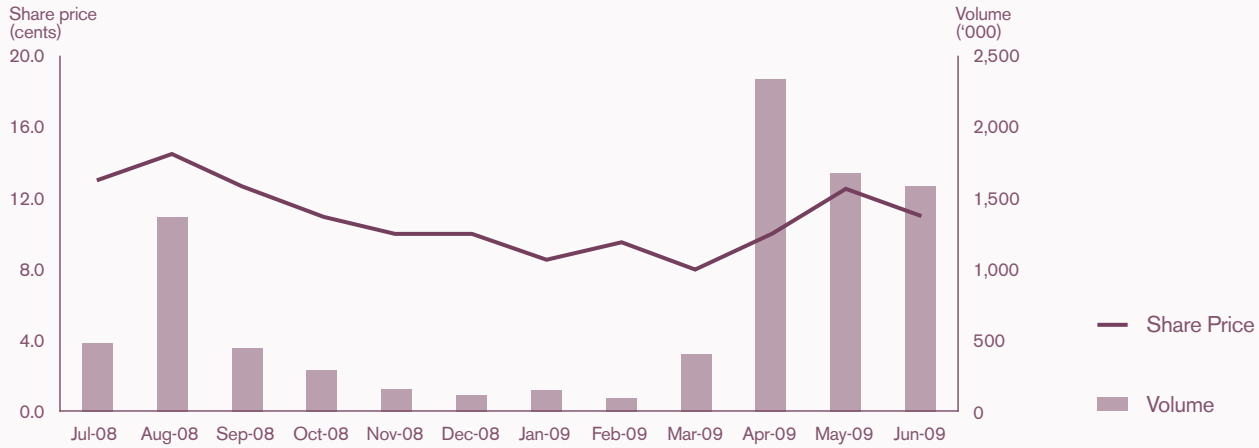
- FRS 1 *Presentation of financial statements*
- FRS 7 *Statement of cash flows*
- FRS 17 *Leases*
- FRS 36 *Impairment of assets*
- FRS 39 *Financial Instruments: Recognition and measurement*
- FRS 105 *Non-current assets held for sale and discontinued operations*
- FRS 108 *Operating segments*

Improvements to FRSs 2009 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The Group is in the process of assessing the impact of these amendments.

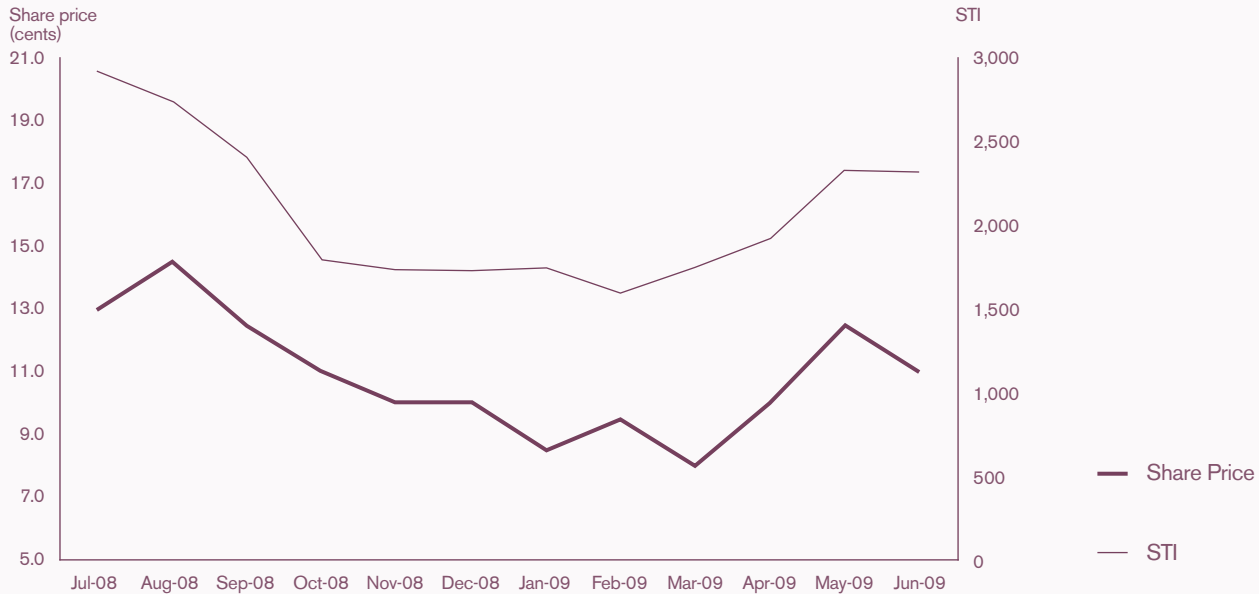
Other than the changes in disclosures relating to FRS 1, the initial application of these standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

Share Price Performance

CHOSEN SHARE PRICE AND TRADING VOLUME



CHOSEN SHARE PRICE VIS-À-VIS STI INDEX



Share Price

\$

Last transacted	0.09
High	0.19
Low	0.05

Volume

No. of shares

High	847,000
Low	0

Shareholding Statistics

As at 31 August 2009

Class of shares	: Ordinary share
Voting rights	: One vote per share
Treasury shares	: Nil

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	113	2.92	46,580	0.02
1,000 - 10,000	1,878	48.52	9,673,452	3.37
10,001 - 1,000,000	1,857	47.97	83,442,964	29.08
1,000,001 and above	23	0.59	193,783,428	67.53
Total	3,871	100.00	286,946,424	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	No. of Shares		%
	Direct Interests	Deemed Interests	
ALBE Holdings Pte Ltd	91,611,744	–	31.93
Aloysius Lim Cher Kia	26,329,600	91,611,744*	41.11
Wang Chew Hoon	14,496,024	–	5.05

* Mr Aloysius Lim Cher Kia is deemed to have an interest in the 91,611,744 shares held by ALBE Holdings Pte Ltd by virtue of Section 7 of the Companies Act.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Approximately 51% of the shareholdings is held by the hands of the public and Rule 723 of the Singapore Exchange Listing Manual is complied with.

TWENTY LARGEST SHAREHOLDERS

S/No.	Name of Shareholders	No. of Shares	%
1	Albe Holdings Pte Ltd	91,611,744	31.93
2	Aloysius Lim Cher Kia	26,329,600	9.18
3	Wang Chew Hoon	14,496,024	5.05
4	Chia Mui Lin	6,481,404	2.26
5	Chow Kok Hwee	6,457,140	2.25
6	United Overseas Bank Nominees Pte Ltd	6,384,800	2.23
7	Ang Lay Chuan	5,987,296	2.09
8	DBS Vickers Securities (S) Pte Ltd	5,830,000	2.03
9	UOB Kay Hian Pte Ltd	3,550,400	1.24
10	DBS Nominees Pte Ltd	3,110,000	1.08
11	OCBC Securities Private Ltd	2,768,200	0.96
12	Kim Eng Securities Pte. Ltd.	2,589,800	0.90
13	Mayban Nominees (S) Pte Ltd	2,397,400	0.84
14	Phillip Securities Pte Ltd	2,315,800	0.81
15	Chew Chen Ming	2,111,000	0.74
16	Lee Woot Chon	1,875,000	0.65
17	OCBC Nominees Singapore Pte Ltd	1,624,400	0.57
18	Kwa Ching Tze	1,613,000	0.56
19	Eoo Ged Booy	1,385,160	0.48
20	Soong Wee Choo	1,319,060	0.46
		<u>190,237,228</u>	<u>66.31</u>

Notice of the Eleventh Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of CHOSEN HOLDINGS LIMITED (the "Company") will be held on Thursday, 22 October 2009, at 17 Woodlands Terrace, Woodlands East Industrial Estate, Singapore 738442, at 10.00 a.m. for purposes of the following:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2009, together with the Auditors' Report. **(Resolution 1)**
2. To declare the First and Final Tax Exempt One-Tier Dividend of 0.5 cents per share for the financial year ended 30 June 2009. **(Resolution 2)**
3. To approve Directors' Fees of \$145,000 for the financial year ending 30 June 2010 to be paid to the Independent Directors quarterly in arrears. **(Resolution 3)**
4. To re-elect the following Directors who are retiring pursuant to Article 96 of the Articles of Association:
 - a. Mr Chew Heng Ching **(Resolution 4a)**
 - b. Mr Chow Kok Kee **(Resolution 4b)**
5. To re-appoint Messrs KPMG LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

6. Authority to Issue Shares

"That pursuant to Section 161 of the Companies Act, and the listing rules of the SGX-ST, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

- (a)
 - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares, and for the purpose of this Resolution, the total number of issued shares excluding treasury shares shall be the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for;
 - (i) new shares arising from the conversion or exercise of convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issues, consolidation or subdivision of shares,

AS SPECIAL BUSINESS (CONT'D)

6. Authority to Issue Shares (cont'd)

- (2) the 50% limit in sub-paragraph (1) above may be increased to 100% for issues of shares and/or Instruments by way of a renounceable rights issue where shareholders of the Company are entitled to participate in the same on a pro-rata basis;
- (3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.” **(Resolution 6)**

7. Discount Limit for Share Placement

“That subject to and conditional upon the passing of Resolution 6 above, approval be and is hereby given to the Directors of the Company at any time to allot and issue shares (other than on a pro-rata basis to shareholders of the Company) at an issue price which shall be determined by the Directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than 20% to the weighted average price per share for trades done on the SGX-ST (as determined in accordance with the requirements of SGX-ST).” **(Resolution 7)**

8. Authority to offer and grant Options in accordance with the provisions of the Chosen Share Option Scheme

“That the Directors be and are hereby authorised to offer and grant Options in accordance with the provisions of the Chosen Share Option Scheme (“Scheme”) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the Scheme PROVIDED THAT the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the issued shares in the capital of the Company from time to time.” **(Resolution 8)**

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

BY ORDER OF THE BOARD

Soong Wee Choo / Liew Meng Ling

Joint Company Secretaries
Singapore
29 September 2009

Explanatory Notes:

Ordinary Resolution 4a

Mr Chew Heng Ching, if re-elected, will remain as a member of the Audit Committee and its Chairman; he is also a member of the Remuneration Committee, Nominating Committee as well as Share Option Committee of the Company. Mr Chew Heng Ching is considered to be an independent Director of the Company.

Ordinary Resolution 4b

Mr Chow Kok Kee, if re-elected, will remain as a member of the Nominating Committee and its Chairman, as well as a member of the Remuneration, Audit and Share Option Committee of the Company. Mr Chow Kok Kee is considered to be an independent Director of the Company.

Notice of the Eleventh Annual General Meeting

Explanatory Notes: (cont'd)

Ordinary Resolution 6

- (i) The Ordinary Resolution proposed in item 6 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company of which (a) the aggregate number of shares (including shares to be issued in pursuance of convertible securities granted) by way of a rights issue does not exceed 100% of the total number of issued shares excluding treasury shares, (b) the aggregate number of shares (including shares to be issued in pursuance of convertible securities granted) to be issued on a pro rata but non-renounceable basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares, and (c) the aggregate number of shares (including shares to be issued in pursuance of convertible securities granted) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares.
- (ii) The increased limit of up to 100% for renounceable rights issue will be effective up to 31 December 2010 pursuant to SGX-ST's notification dated 19 February 2009 and the increased limit is subject to the conditions that the issuer makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

Ordinary Resolution 7

The Ordinary Resolution proposed in item 7 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to undertake share placements pursuant to the general share issue mandate proposed in Ordinary Resolution 6 at a discount not exceeding 20% of the weighted average trading price. The increase in the discount limit of up to 20% for the issue of shares on a non-pro rata issue basis is effective up to 31 December 2010 pursuant to SGX-ST's notification dated 19 February 2009.

Ordinary Resolution 8

The Ordinary Resolution proposed in item 8 above, if passed, will empower the Directors to issue shares pursuant to the Chosen Share Option Scheme (the "Scheme") which was approved at the Extraordinary General Meeting of the Company held on 7 February 2002, of up to an amount not exceeding in total fifteen percent (15%) of the issued share capital of the Company calculated based on the issued share capital at the time this mandate is passed pursuant to the exercise of the Options under the Scheme. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:

1. A member of the Company 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/her behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Company's Registered Office at 17 Woodlands Terrace, Woodlands East Industrial Estate, Singapore 738442, not less than 48 hours before the time set for holding the Annual General Meeting.
3. The Transfer Book and Register of Members of the Company will be closed on 10 November 2009 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Share Registrars, M&C Services Private Limited of 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 9 November 2009 will be registered to determine shareholders' entitlement to the proposed first and final dividend. Shareholders whose securities account with The Central Depository (Private) Limited are credited with shares at 5.00 p.m. on 9 November 2009 will be entitled to the proposed first and final dividend. Payment of the said dividends, if approved by shareholders at the Annual General Meeting, will be made on 20 November 2009.

CHOSEN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Registration No. 199804325C)

PROXY FORM**ELEVENTH ANNUAL GENERAL MEETING
TO BE HELD ON 22 OCTOBER 2009****IMPORTANT**

1. For investors who have used their CPF monies to buy CHOSEN HOLDINGS LIMITED shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____
(Name)

of _____
(Full Address)

being a member/members of the above-named Company hereby appoint the Chairman of the Meeting or:

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 to vote for me/us and, if necessary, to demand for a poll on my/our behalf at the Annual General Meeting of the Company to be held on 22 October 2009 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting in the manner indicated below:

NO.	RESOLUTION	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	No. of votes for	No. of votes against
	ORDINARY BUSINESS:				
1.	Directors' Report and Financial Statements				
2.	Declaration of First and Final Tax Exempt One-Tier Dividend				
3.	Approval of Directors' Fees				
4.	Re-election of Directors (Article 96)				
	a. Mr. Chew Heng Ching				
	b. Mr. Chow Kok Kee				
5.	Re-appointment of Auditors				
	SPECIAL BUSINESS:				
6.	Authority to issue shares				
7.	Discount Limit for Share Placement				
8.	Authority to offer and grant Options in accordance with the provisions of the Chosen Share Option Scheme				
9.	Any other business				

* Please indicate your vote "For" or "Against" with a "v" within the box provided.

Dated this _____ day of _____ 2009.

Total No. of Shares

Signature of Member / Common Seal

To be valid, this form must be lodged at the Company's registered office at 17 Woodlands Terrace, Woodlands East Industrial Estate, Singapore 738442, not less than 48 hours before the time appointed for the Annual General Meeting.

IMPORTANT: Please read notes overleaf

Explanatory Notes for Proxy Form

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered against your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member of the Company appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding expressed as a percentage of the whole to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 17 Woodlands Terrace, Woodlands East Industrial Estate, Singapore 738442, not less than 48 hours before the time appointed for the Annual General Meeting.
5. 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 Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have their names entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Company.

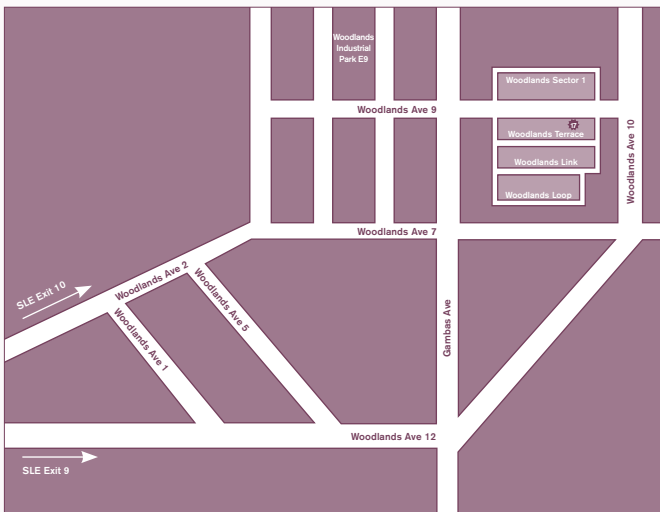
Registered office

Chosen Holdings Limited
17 Woodlands Terrace
Woodlands East Industrial Estate
Singapore 738442

Directions to registered office

By public bus: SMRT Service No 964

By own vehicle:



map not drawn to scale

CORPORATE DIRECTORY

SINGAPORE

Chosen Holdings Limited
Chosen Plastic Pte Ltd
No. 17, Woodlands Terrace
Woodlands East Industrial Estate
Singapore 738442
Tel: (65) 6753 0800
Fax: (65) 6753 7988

Tay Thiam Huat (General Manager)

Chosen Innovation Centre
Block 207, Woodlands Avenue 9
#01-55 Woodlands Spectrum II
Singapore 738958
Tel: (65) 6754 1663
Fax: (65) 6754 1698

Lim Song Yong (General Manager)

Chosen Technologies Pte Ltd
Chosen Dzios Pte Ltd
2, Woodlands Sector 1
#03-22 Woodlands Spectrum
Singapore 738068
Tel: (65) 6753 6911
Fax: (65) 6753 3261

Lim Song Yong (General Manager)

MALAYSIA

Chosen Plastic Sdn. Bhd.
No. 21 Jalan Gemilang 1
Taman Perindustrian Cemerlang
81800 Ulu Tiram
Johor, Malaysia
Tel: (607) 867 7867
Fax: (607) 867 7767

Tan Hong Choon (General Manager)

Chosen Manufacturing Sdn. Bhd.
PLO 268, Jalan Firma 3
Kawasan Perindustrian Tebrau IV
81100 Johor Bahru
Johor, Malaysia
Tel: (607) 357 7861
Fax: (607) 357 9961

Tay Say Kiat (Senior General Manager)

CHINA

Chosen Enterprise (Shanghai) Co., Ltd.
Chosen Electronics Assembly (Shanghai) Co., Ltd.
No. 238, Ri Ying Road (South)
Wai Gao Qiao Free Trade Zone
Pudong, Shanghai 200131
People's Republic of China
Tel: (8621) 5048 0118
Fax: (8621) 5048 1119

Hoo Liong Hock (General Manager)

Chosen Enterprise (Dongguan) Co., Ltd.
No. 18 Xi-hu Hi-Tech Information Industrial Park,
Shilong Town, Dongguan City
Guangdong 523325
People's Republic of China
Tel: (86769) 8849 3338
Fax: (86769) 8849 3238

Leong San Woo (General Manager)

Chosen Moulding & Assembly (Wuxi) Co., Ltd.
No. 231-1 Chengnan Road,
Wangzhuang Industrial Development Zone,
Wuxi New District
Wuxi 214028
Jiangsu Province
People's Republic of China

Tel: (86510) 8536 0618
Fax: (86510) 8536 0518

Hoo Liong Hock (General Manager)

THAILAND

Chosen (Thailand) Company Limited
107 Moo 1 Hi-Tech Industrial Estate
Asia-Nakornsawan Road, Tambol Banlane
Amphur Bangpa-in, Ayutthaya 13160
Thailand
Tel: (6635) 351 571
Fax: (6635) 351 576

Puah Siang Kwang (General Manager)

CHOSEN HOLDINGS LIMITED

Reg. No. 199804325C

No 17 Woodlands Terrace
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<http://www.chosen.com.sg>