



CHOSEN

08

annual report

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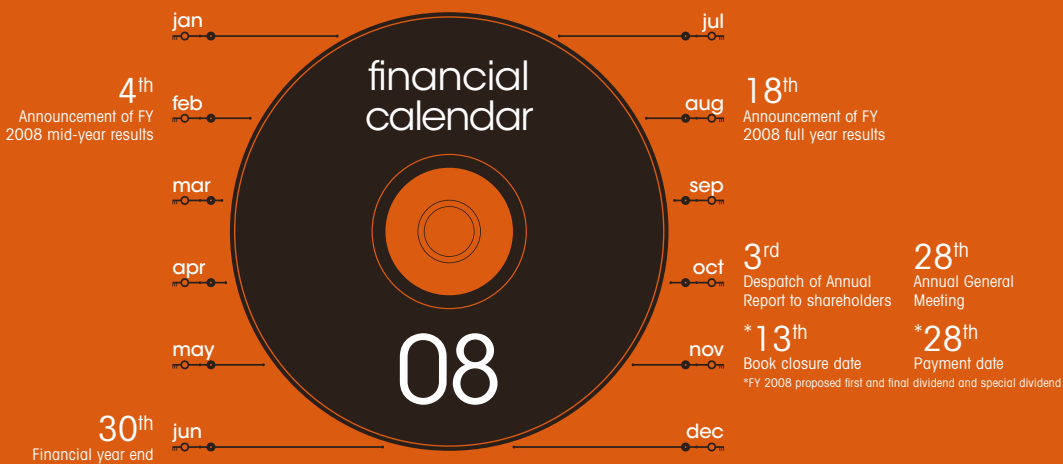


ABOUT CHOSEN

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 technological leaders in the printing and imaging, data storage, 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.



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



singapore

malaysia

thailand

china



SINGAPORE: Chosen Holdings Limited, Chosen Plastic Pte Ltd
Chosen Technologies Pte Ltd, Chosen Dzioz Pte Ltd

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

THAILAND: Chosen (Thailand) Co. Ltd.

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

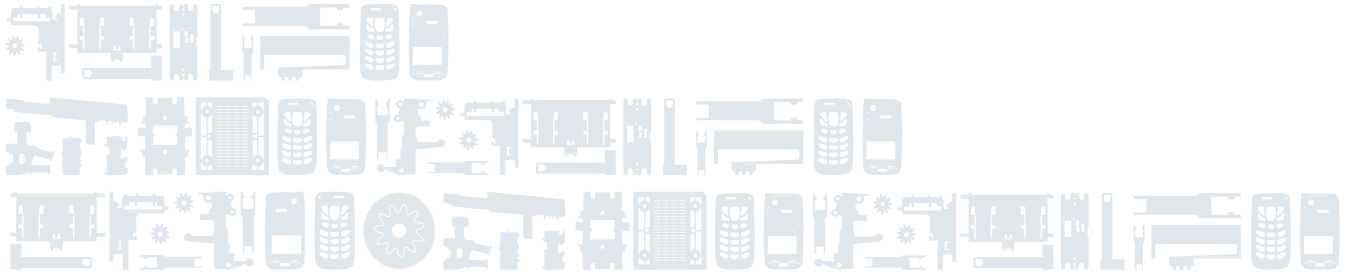


THE CHOSEN MODEL

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.



CHAIRMAN'S MESSAGE



Dear Shareholders

It is my pleasure to present to you, on behalf of the Board, the annual report of the Group for FY 2008.

For the better part of FY 2008, the Group was affected by the weakening US economy as well as the weak US dollar. This had resulted in lower customer demand. Group revenue decreased from \$131 million in FY 2007 to \$126 million 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. The Group also suffered an exchange loss of \$0.6 million. As a result, the Group recorded profit before tax of \$4.5M, a decrease of 26% over that of FY 2007. Net profit attributable to shareholders decreased by 27% to \$3.5 million.

The Singapore operation took opportunity of the lull period to review its processes to enhance efficiencies and accelerate R&D activities. The operation, which is the innovation hub of the Group, invested resources for research and development in product design, moulding processes and material applications. Two patents were filed during the year. One of which, relates to its data media storage product while the other relates to fuel cell. With these latest patents filed, the Group now has four patents under its name, three of which relate to its data media storage products. The patent relating to fuel cell was jointly filed with Gashub Technology Pte Ltd, a company involved

in the manufacture of fuel cells mainly for uninterrupted power supply (UPS) applications. It also marks a new milestone for the Group, with the expansion of our business interest into this promising energy sector.

The Malaysia and Thailand operations suffered below optimal capacity utilisation in the second half of FY 2008 as a result of the slow ramp up of new programmes. The local management implemented cost control programmes and also took advantage of the lull period to phase in more efficient and higher precision machineries and robotic secondary process equipment. Engineering and technical staff were also sent for training to strengthen their engineering know-how.

Performance of the China operations improved in FY 2008 with the increase in revenue in all the operation sites. The Shanghai operation had completed the replacement of lower margin programmes with better margin programmes and had begun to benefit from the diversification of its customer base.

Despite the challenging economic conditions, the Group continued to seek improvements to its quality, service, technology and cost. We received several awards from customers during the year. The Singapore operation received an award from Seagate and one from Showa Denko in recognition of its contribution. 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.

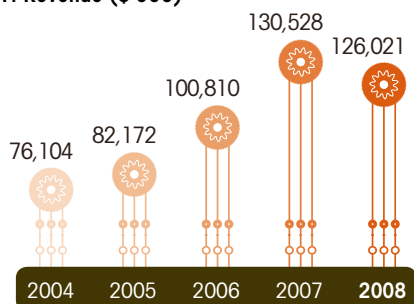


MANAGEMENT DISCUSSION AND ANALYSIS

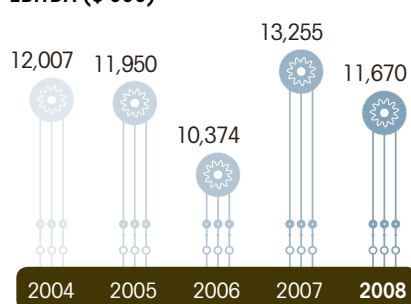
Group Five-Year Financial Highlights and Analysis

	2004	2005	2006	2007	2008
Operating Results					
Revenue (\$'000)	76,104	82,172	100,810	130,528	126,021
EBITDA (\$'000)	12,007	11,950	10,374	13,255	11,670
Profit before tax (\$'000)	7,047	6,099	4,016	6,105	4,529
Profit after tax (\$'000)	6,044	5,013	3,386	4,774	3,509
Earnings per share (cents)	2.11	1.75	1.18	1.67	1.22
Financial Position					
Property, plant and equipment (\$'000)	43,627	46,549	48,384	48,973	44,942
Other assets (\$'000)	419	192	298	397	528
Current assets (\$'000)	51,610	50,086	59,871	65,172	54,044
Total assets (\$'000)	95,656	96,827	108,553	114,542	99,514
Current liabilities (\$'000)	27,473	24,908	37,890	40,352	27,233
Non-current liabilities (\$'000)	1,667	3,122	2,112	1,995	2,250
Net assets/Shareholders' equity (\$'000)	66,516	68,797	68,551	72,195	70,031
Return on average shareholders' equity (%)	9.32	7.41	4.93	6.78	4.93
Net tangible assets per share (cents)	23.21	24.01	23.92	25.19	24.41
Distribution to Shareholders					
Dividend (\$'000)	2,293	2,866	2,149	3,587	2,511
Gross dividend per share (cents)	1.00	1.00	0.75	1.25	0.875
Dividend payout ratio (%)	30%	57%	63%	75%	72%
Liquidity and Capital Resources					
Cash and bank balances (\$'000)	21,521	19,960	17,945	18,523	16,155
Borrowings (\$'000)	6,023	8,178	7,968	9,232	4,606
Net cash (\$'000)	15,498	11,782	9,977	9,291	11,549
Debt equity ratio (times)	0.09	0.12	0.12	0.13	0.07
Current ratio (times)	1.88	2.01	1.58	1.62	1.98
Capital expenditure (\$'000)					
Plant & machinery	8,268	5,348	6,400	5,183	3,063
Production tools	–	1,817	1,001	445	981
Others	1,561	2,504	1,520	881	547
	9,829	9,669	8,921	6,509	4,591
Productivity					
Revenue per employee (\$'000)	81	87	86	96	102

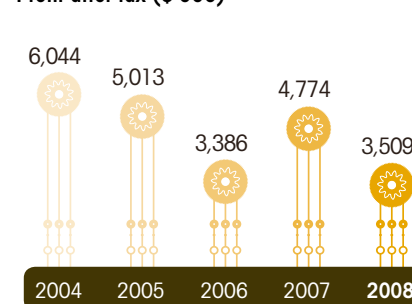
1. Revenue (\$'000)



EBITDA (\$'000)



Profit after tax (\$'000)

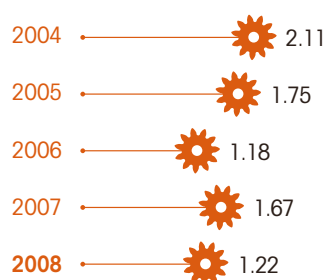


Revenue decreased slightly in FY 2008 due mainly to weak demand for the Singapore operation's data media storage products and the slow ramp up of new programmes for the Singapore, Malaysia and Thailand operations.

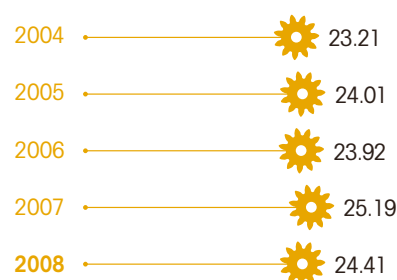
Earnings before interest, tax, depreciation and amortisation ("EBITDA") reduced for FY 2005, FY 2006 and FY 2008 in line with the reduction in profit after tax.

The reduction in profit after tax in FY 2005 was due to lower capacity utilisation in the Malaysia operation as well as higher cost of managing pre-production pilot runs for automotive products in the China operation. 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 operations and printing and imaging products by the Malaysia operations. However, 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.

2. Earnings per share (cents)



3. NTA backing per share (cents)

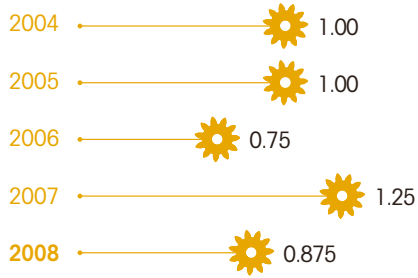


Earnings per share reduced for FY 2005, FY 2006 and FY 2008 due to the lower returns in those years.

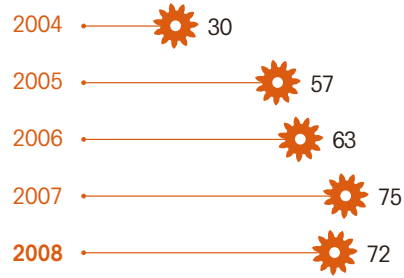
The Group's NTA backing per share decreased in FY 2006 due to lower profit generated. Lower profit generated and higher dividend paid resulted in the decrease in NTA backing per share in FY 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Gross dividend per share (cents)

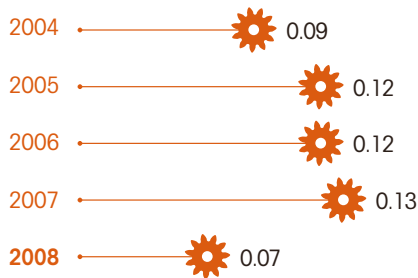


Dividend payout ratio (%)

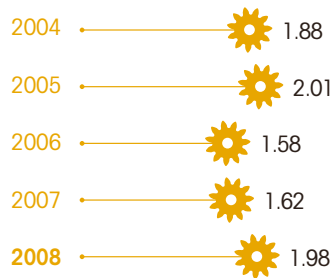


The Group paid dividend of at least 0.75 cent per share for the past years. Dividend payout ratio had exceeded 50% since FY 2005. Despite lower earnings in FY 2008, the directors are proposing a dividend of \$0.875 cent per share which represents a dividend payout ratio of 72%.

5. Debt equity ratio (times)

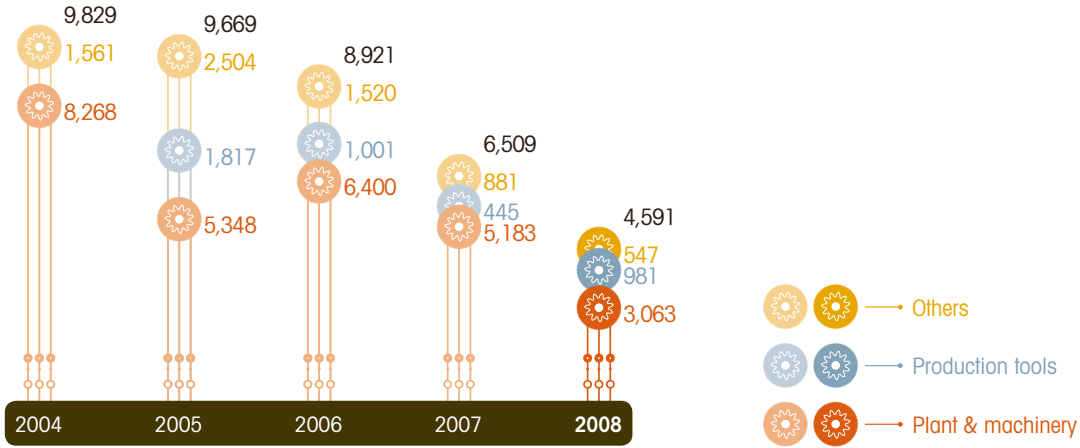


Current ratio (times)



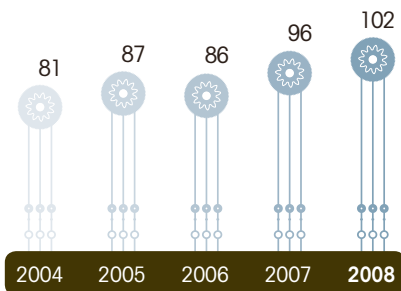
The Group believes in maintaining its debt equity ratio at low levels. Current ratio also remained at high levels over the years due to prudent working capital management.

6. Capital expenditure (\$'000)



The higher acquisition of plant and machinery in FY 2004 was due mainly to the upgrade of machineries for the production of higher precision products and the set up of the Shanghai tool fabrication operation. In FY 2005 and FY 2006, capital expenditure remained at around \$9M due mainly to the manufacturing of production tools for the production of the Group's specialized packaging and handling products. Capital expenditure in FY 2007 and FY 2008 mainly relates to replacement of machineries.

7. Revenue per employee (\$'000)



Revenue per employee increased to \$102,000 in FY 2008 despite the slight decrease in revenue due to higher usage of casual labour during peak production periods so as to maintain overall staff strength at normal operation capacity.



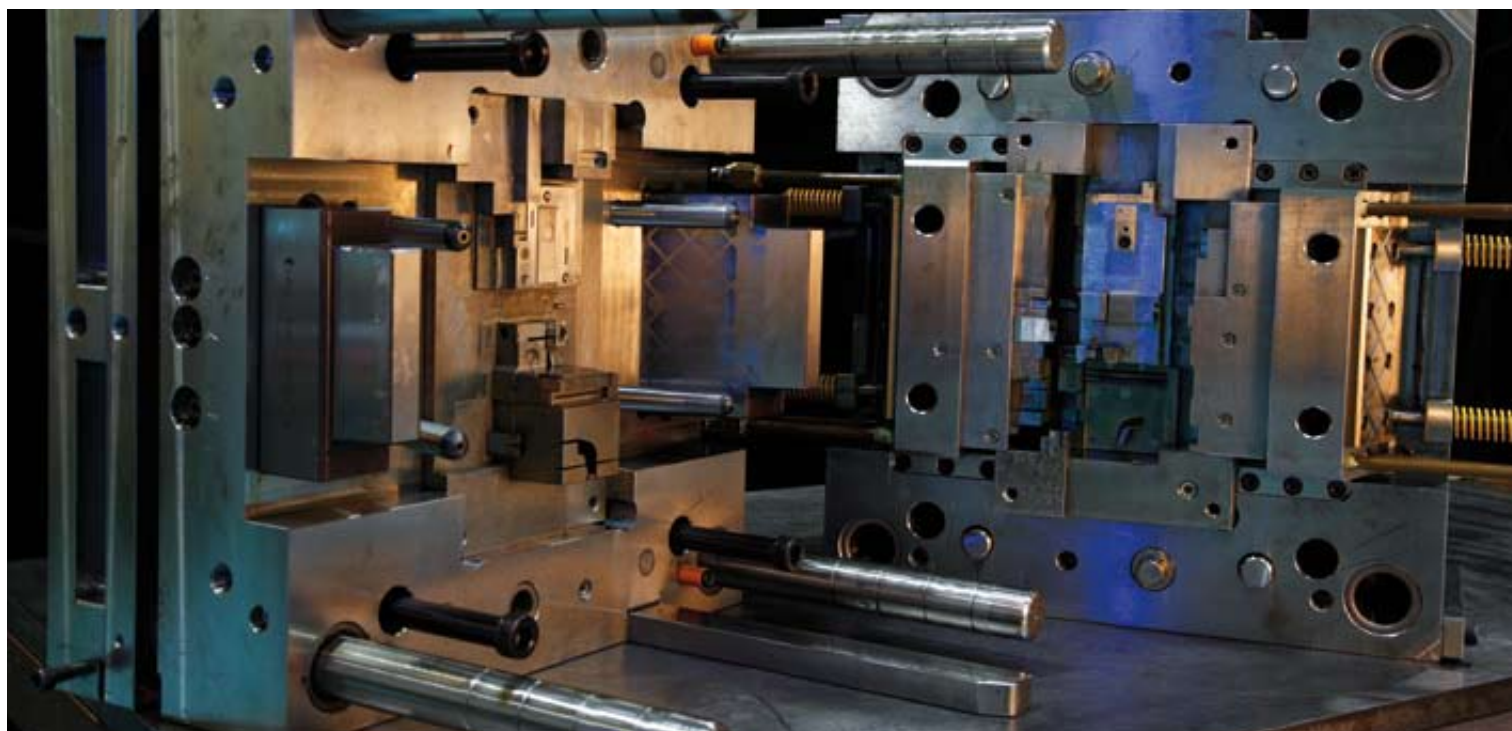
MANAGEMENT DISCUSSION AND ANALYSIS

Group five-year value added statement

	2004	2005	2006	2007	2008					
(\$'000)										
Revenue	76,104	82,172	100,810	130,528	126,021					
Less: Purchase of goods and services	(49,531)	(52,495)	(70,105)	(95,320)	(92,903)					
Gross value added from operations	26,573	29,677	30,705	35,208	33,118					
Investment income and interest income	717	589	310	372	192					
Exchange gain/(loss)	(229)	(270)	(287)	90	(567)					
Other operating income	150	5	252	482	590					
Total value added available for distribution	27,211	30,001	30,980	36,152	33,333					
Distribution:		%	%	%	%					
To employees										
(1) Salaries and other staff costs	12,988	48%	15,696	52%	17,683	57%	20,695	57%	18,020	54%
To government										
(1) Income and property taxes	1,042	4%	1,148	4%	687	2%	1,384	4%	1,076	3%
To providers of capital										
(1) Finance costs	206		283		355		445		381	
(2) Dividend to shareholders	2,232		2,293		2,866		2,149		3,587	
	2,438	9%	2,576	9%	3,221	10%	2,594	7%	3,968	12%
Balance retained in the business for re-investment and future growth:										
(1) Depreciation	4,754		5,568		6,003		6,705		6,760	
(2) Accumulated profits	6,044		5,013		3,386		4,774		3,509	
	10,798	39%	10,581	35%	9,389	31%	11,479	32%	10,269	31%
Non-production costs and income:										
(1) Write-back of doubtful debts (trade)	(55)		–		–		–		–	
Total distribution	27,211		30,001		30,980		36,152		33,333	
Productivity analysis										
No. of employees	945	945	1,169	1,360	1,233					
Value added per employee (\$'000)	29	32	27	27	27					
Value added per dollar of employment cost	2.10	1.91	1.75	1.75	1.85					
Value added per dollar of investment in fixed assets (before depreciation)	0.39	0.39	0.38	0.40	0.37					
Value added per dollar of revenue	0.36	0.37	0.31	0.28	0.26					

Total value-added created by the Group was \$33M in FY 2008.

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. There was a reduction of dividend paid to shareholders in FY 2007 due to lower profits for FY 2006. In FY 2008, the Group paid net dividend of \$3.6M representing a dividend payout of 75%. The dividend payout was the highest since the Group was listed. The balance retained in the business will be used for re-investment and future growth.



Operating Financial Review

Selected Profit & Loss Data:

	2008 \$'000	2007 \$'000	Change %
Revenue			
- Singapore	82,646	94,815	(12.8)
- China	23,955	18,651	28.4
- Rest of Asia Pacific (Malaysia and Thailand)	19,420	17,062	13.8
Total revenue	126,021	130,528	(3.5)
Cost of sales	(117,908)	(121,198)	(2.7)
Gross profit	8,113	9,330	(13.0)
Other income	782	944	(17.1)
Distribution expenses	(702)	(955)	(26.5)
Administrative expenses	(2,639)	(2,765)	(4.6)
Other expenses	(644)	(4)	16,000.0
Finance costs	(381)	(445)	(14.4)
Profit before tax	4,529	6,105	(25.8)
Income tax expense	(1,020)	(1,331)	(23.4)
Profit for the year attributable to shareholders	3,509	4,774	(26.5)

Revenue

Revenue of the Malaysia, Thailand and China operations increased due mainly to higher sales of printing and imaging products, communication products, and point-of-sale ("POS") products. Revenue of the Singapore operation decreased due mainly to lower demand for its data media storage products and printing and imaging products. Overall revenue decreased slightly by about 3.5%.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Despite the reduction of operating costs, gross profit declined due mainly to lower capacity utilization of the Singapore, Malaysia and Thailand operations in the second half of the financial year. Consequently, gross profit margin of the Group declined from 7.1% to 6.4%.

Other income

The decrease in other income was due largely to gain on sale of quoted equity securities, increase in fair value of these securities and exchange gain in FY 2007 partly offset by higher government grant in FY 2008.

Distribution expenses

Distribution expenses decreased due mainly to lower overseas sales.

Administrative expenses

Administrative expenses were maintained at about the same level as FY2007.

Other expenses

Other expenses increased due mainly to decrease in fair value of quoted equity securities and exchange loss suffered as a result of the depreciation of the US dollar.

Finance costs

The decrease in finance costs was due mainly to lower interest rate on borrowings and lower borrowings.

Income tax expense

The decrease in income tax expense was in line with the decrease in profit before tax.

Profit for the year

Profit for the year attributable to shareholders decreased by 26.5% over that of the previous financial year to \$3.5M.

Breakdown of cost and expenses:

	2008 \$'000	2007 \$'000	Change %
Material	78,876	82,761	(4.7)
Staff costs:			
- Directors' remuneration	1,447	1,799	(19.6)
- Salaries and other staff costs	15,548	17,691	(12.1)
- Contributions to defined contribution plans	1,214	1,331	(8.8)
Total staff costs	<u>18,209</u>	<u>20,821</u>	<u>(12.5)</u>
Factory maintenance costs:			
- Depreciation	6,760	6,705	0.8
- Rental expenses	1,939	1,892	2.5
- Utilities, upkeep and maintenance	7,097	7,442	(4.6)
Total factory maintenance costs	<u>15,796</u>	<u>16,039</u>	<u>(1.5)</u>
Casual labour	3,475	3,254	6.8
Finance costs	381	445	(14.4)
Other costs (included in cost of sales, distribution expenses and administrative expenses) of which amounts are not individually significant	4,893	2,043	139.5
Total operating expenses	<u>121,630</u>	<u>125,363</u>	<u>(3.0)</u>

Overall costs decreased by 3% over that of the previous financial year in line with the lower revenue.

Cost control programs implemented effectively reduced material and staff cost in response to the lower revenue. Casual labour increased by 6.8% due mainly to increased usage of casual labour during peak production periods so as to maintain overall staff strength at normal operation capacity. The decrease in finance costs was due mainly to lower interest rate on borrowings and lower borrowings.

Half Yearly Results

	First Half \$'000	First Half %	Second Half \$'000	Second Half %	Total \$'000
Revenue					
2008	71,880	57	54,141	43	126,021
2007	67,504	52	63,024	48	130,528
Profit after tax					
2008	2,457	70	1,052	30	3,509
2007	2,958	62	1,816	38	4,774
Earnings per share (cents)					
2008	0.86	70	0.36	30	1.22
2007	1.03	62	0.64	38	1.67

Revenue for the first half of the financial year increased over that of the previous corresponding period as a result of increased sales of printing and imaging products, communication products and point-of-sale ("POS") products by the Malaysia, Thailand and China operations. The increase had more than offset the decrease in sales of data media storage products by the Singapore operation.

Revenue for the second half of the financial year decreased over that of the previous corresponding period due mainly to the slower than expected stabilization of 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 as a result of the slower US economy.

Profit after tax was lower in the first half of FY 2008 despite revenue increase due mainly to exchange loss suffered as a result of the weakening of the US dollar. The decrease in profit after tax in the second half of FY 2008 was in line with the lower capacity utilization of the Singapore, Malaysia and Thailand operations during the period.

Selected Balance Sheet Data:

	2008 \$'000	2007 \$'000	Change %
Property, plant and equipment	44,942	48,973	(8.2)
Inventories	10,660	12,987	(17.9)
Trade and other receivables	26,708	33,071	(19.2)
Cash and cash equivalents	16,155	18,523	(12.8)
Other assets	1,049	988	6.2
Total assets	99,514	114,542	(13.1)
Trade and other payables	(22,240)	(30,404)	(26.9)
Interest-bearing bank loans	(4,606)	(9,232)	(50.1)
Other liabilities	(2,637)	(2,711)	(2.7)
Shareholders' equity	70,031	72,195	(3.0)

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.

Decrease in inventories, trade and other receivables and trade and other payables were due mainly to lower sales in May and June 2008 as compared to that of the previous corresponding period as a result of the slow ramp up of new programmes for the Singapore, Malaysia and Thailand operations.

Interest-bearing bank loans decreased due to repayment.



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

Cash Flow Statement

	2008 \$'000	2007 \$'000
Cash flows from operating activities	12,132	9,812
Cash flows from investing activities	(5,381)	(7,953)
Cash flows from financing activities	(8,445)	(1,517)
Net increase/(decrease) in cash and cash equivalents	(1,694)	342
Cash and cash equivalents at beginning of year	18,054	17,568
Effects of exchange rate fluctuation on cash held	(676)	144
Cash and cash equivalents at end of year	15,684	18,054
Fixed deposits pledged to banks for banker guarantees granted to certain subsidiaries	471	469
Cash and bank balances at end of the year	16,155	18,523

In the current financial year under review, the Group generated net cash from operating activities of \$12.1M as compared to \$9.8M in the previous financial year. Lower net cash was incurred for investing activities due mainly to lesser machineries purchased while the increase in cash flows in respect of financing activities was due to the repayment of bank loans and higher dividend paid.

Cash Conversion Cycle

	2008 Days	2007 Days
Days of sales outstanding in accounts receivable (DAR)	74	87
Days of supply in inventory (DOI)	33	39
Days of purchases outstanding in accounts payable (DAP)	64	83
Cash conversion cycle	43	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, we effectively maintained our cash conversion cycle at 43 days.



Indebtedness

	2008	2007
	\$'000	\$'000
Short term bank loans (unsecured)	4,606	8,732
Term loan (unsecured)	–	500
Total borrowings	<u>4,606</u>	<u>9,232</u>

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 1.88% to 6.63% (2007: 3.27% to 7.25%) per annum.

The term loan was fully repaid during the financial year.

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 hedged via various forward foreign exchange structures.



MANAGEMENT DISCUSSION AND ANALYSIS

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. Procedures for escalation of risks identified are drawn up to ensure mitigating measures are quickly developed to address these risks.

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 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.

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 hedge 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.

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. 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 2008, 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 \$0.5M (FY 2007: \$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 2008 is as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade and other receivables	19,410	25,324	–	–
Cash and cash equivalents	6,920	4,925	27	719
Trade and other payables	(12,188)	(17,636)	–	–
Interest bearing bank loan	(2,721)	(3,065)	–	–
	11,421	9,548	27	719

A 5% strengthening of Singapore dollar against US dollars at balance date, with all other variables held constant, will result in a decrease in profit after tax of \$0.6M (2007: \$0.8M) for the Group. Conversely, a 5% weakening of Singapore dollars against US dollar will result in an increase in profit after 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.

A 5% strengthening of Ringgit Malaysia against US dollars at balance date, with all other variables held constant, will result in an increase in profit after tax of \$0.1M (2007: \$0.4M) for the Group. Conversely, a 5% weakening of Ringgit Malaysia against US dollar will result in a decrease in profit after 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Sensitivity Analysis (cont'd)

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 after 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.

Investment

In June 2008, 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 2007, except for the adoption of several Financial Reporting Standards ("FRS"), interpretations and revisions to FRS that became effective. The adoption of these FRS does not have any material impact to the Group's financial statements.

Moving Forward

FY 2009 is expected to be a challenging year. The global economic condition remains uncertain and may affect the Group's business. The Group will remain focused on research and development activities to enhance competitiveness. We will continue to distinguish ourselves from the industry through innovation and technology.



Operations Sustainability

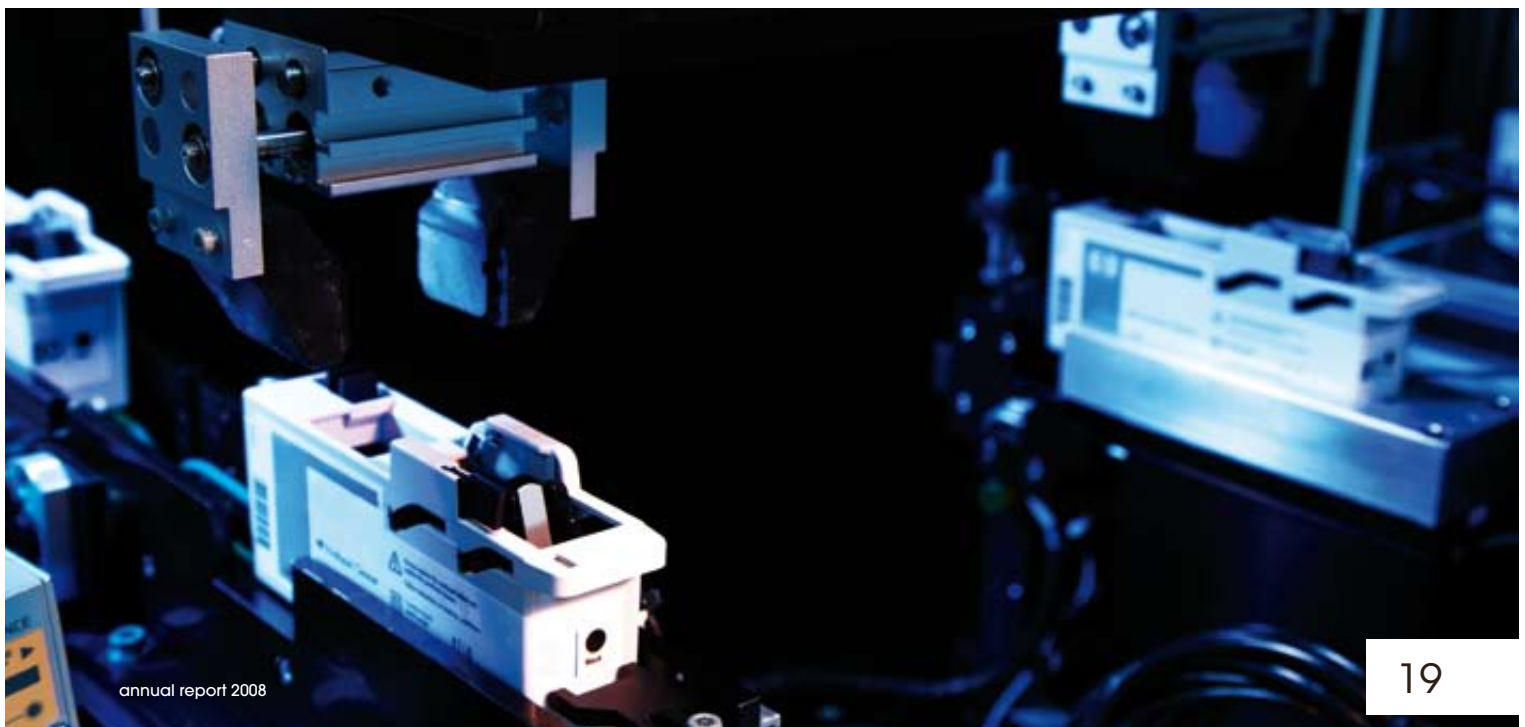
Chosen has evolved over these years to become a significant supplier to several key business sectors especially printing and imaging, medical devices, data storage handling and wafer automation. We believe that our presence in these business sectors will provide us with sustainable growth. We will continue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

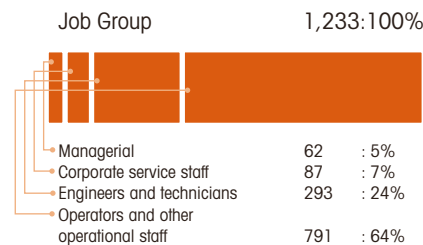
Safety awareness and preparedness of staff for emergency situations

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

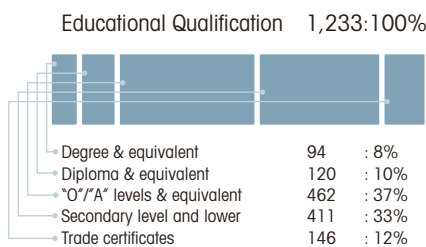




Manpower Analysis

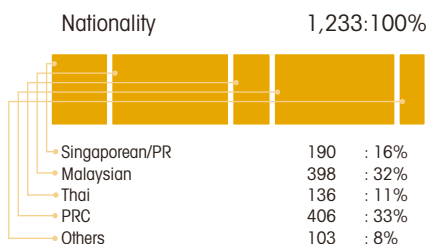


Many of our employees have been with the Group since the set up of the respective operations. These employees have chosen to contribute and grow with us as the Group always strives to be the preferred employer and emphasises good employer principle in all the locations we operate in. We believe in building a culture of camaraderie among employees across the region, prioritising people development and promoting a well-balanced work life.



People development

Our people remain a valuable asset to the Group. 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.



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. This year, we kicked off a program in Singapore to send production employees to a workforce teamwork course. The program received many positive feedbacks from participants. 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. External trainers are regularly invited to help managerial level staff enhance leadership and management skills and explore new business concepts.

Employee wellness and work-life balance

The Group believes in work-life balance as an important factor to maintaining a positive working environment. Activities are organised regularly to promote employee wellness and work-life balance.

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 Dinner & Dance at the Wangree Resort in Nakhon Nayok Province. Our Dongguan operation also organised excursion to the picturesque Kwan-yin Mountain Forest Park in Zhangmutou Town as well as the Shilong Beach Garden.

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





COMMUNITY AND SOCIAL RESPONSIBILITY



Education

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 offered such initiatives. This year, our Johor Bahru operations offered industrial attachment programmes to university students from as far as Kuala Lumpur and Perlis.

The Group also hosts industrial visits and talks for students of various schools to provide them with valuable insights into the various services that we provide.

Charitable causes

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

During the year, the Group also donated and raised funds through in-house donation drives for the Sichuan Earthquake victims.

Quality Certifications and Product Safety

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.

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

In line with the global trend towards environmental friendly manufacturing processes, we are committed to minimise the impact that our business activities have on the environment. All our plants are ISO 14001 Environmental Management System certified for our environmentally friendly manufacturing processes.

As a result of increased awareness on the detrimental impact that hazardous materials have on the environment and on human health, there is increasing requirement and also legislation to compel electronics manufacturers to minimise the use of hazardous materials in their products. With effect from 1 July 2006, it is a mandatory requirement that products put on the market in the European Union comply with the European Union's Restriction of the use of Hazardous Substances (RoHS) legislation which restricts the use of lead, cadmium and certain other substances. Similar legislation is currently being proposed in other parts of the world. We have implemented lead free manufacturing processes and our products meet the RoHS standards for shipment to the European Union.

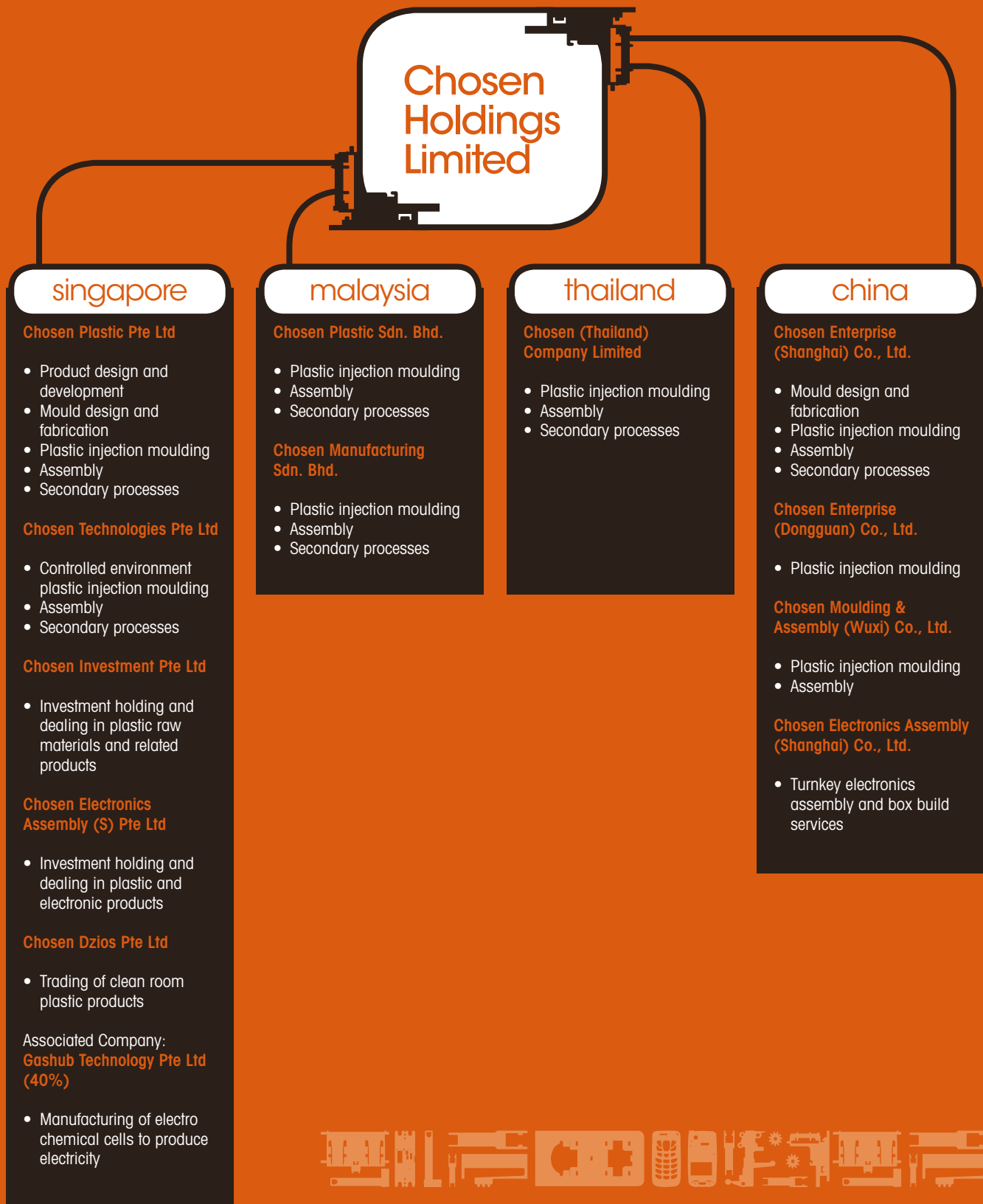
The Group also adopts environmentally friendly practices including reducing of electricity and water consumption, minimising paper consumption and collecting of used paper, carton boxes and wooden pallets for recycling. Plastic resin from part runners are collected and sold for recycling for other industrial and commercial uses.

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. During the year, the Group invested resources in the development of fuel cell related components in collaboration with Gashub Technology Pte Ltd, a company dealing with the manufacturing of fuel cell systems mainly for uninterrupted power supply (UPS) applications. A fuel cell is a clean power generator that converts stored chemical energy into electrical energy through electrochemical process. The by-product of the process is non-polluting. Conversion efficiency is more than twice that of conventional electrical generator powered by fossil fuel.





GROUP STRUCTURE





OUR SHAREHOLDERS AND INVESTORS



The Group believes in cultivating long-term relationships with our current and potential shareholders and analysts. We are committed to maximizing returns for our shareholders and to achieve best practices in corporate governance and disclosure.

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 2008 represents a dividend yield of 72%.

Transparency

The Group believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Group gives full disclosure in all public announcements. Price sensitive information is first publicly released via SGXnet, either before the Company issues any press releases, meets with any group of investors or analysts or simultaneously with such releases and meetings. All material announcements are also available on our corporate website. The Group also constantly reviews its disclosures in its annual report to provide stakeholders with more comprehensive information of the business policies and strategies as well as performance of the Group.

Results and annual reports are announced or issued within the mandatory period. The Group also makes it a point to announce audited full-year results to shareholders.

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.

Feedback

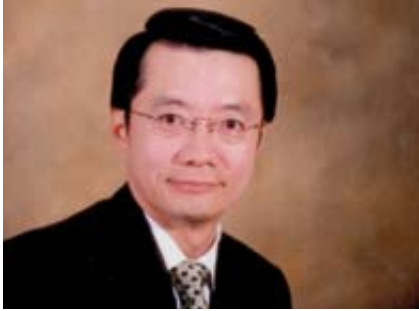
Our corporate website provides up to date and detailed information on the Group's operations and corporate information. Current and past annual reports can be retrieved from our website. The investor community is also able to email feedback and queries through our website and receive reply from us.

AGM

Shareholders are given the opportunity to air their views and ask questions informally or formally before, at and after the Annual General Meetings. The Chairmen of the Audit, Nomination and Remuneration 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.

The Group will continue to build on its investor relation efforts to better address the needs of the investing and analyst communities.





From left:
Mr Aloysius Lim Cher Kia
Mr Chow Kok Hwee
Ms Soong Wee Choo

**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 14 October 2005. 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 was appointed as an executive director of the Company on 1 July 2008. She joined the Group in 1998. 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



From left:
Mr Chew Heng Ching
Mr Chow Kok Kee
Mr Henry Tan Song Kok

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 the non-executive Chairman of Evergro Properties Limited as well as being 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 immediate 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.

**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.

The directors' present directorships, other than those held in the Company, as at 30 June 2008 and the preceding three years are as follows:-

Aloysius Lim Cher Kia

Present Directorship
ALBE Holdings Pte Ltd

Chew Heng Ching

Present Directorship
Advisory Pte Ltd
Bonvests Holdings Limited
Changzhou Fushi Housing Development Pte. Ltd
Crocodile Holdings Pte Ltd
Evergro Properties Limited
Huan Hsin Holdings Ltd
Internal Audit (Intl) Pte Ltd
Jiangyin Evergro Properties Co. Ltd
Jiangyin Yangtze International Country Club Co. 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

Past Directorship
Alantac Technology Ltd
Crocodile Corporation Ltd
Hiap Hoe Limited

Chow Kok Kee

Present Directorship
ACTA Investment & Services Pte Ltd
Innovalues Precision Ltd
Meiban Group Ltd
Thai Village Holdings Ltd
Transresources Pte Ltd
Transwater Services Pte Ltd
Tuan Sing Holdings Ltd
Valuetronics Holdings Ltd

Past Directorship
ChinaCast Communications Holdings Limited
HLN Technologies Ltd
Singapore Food Industries Ltd
Sing Lun Holdings Ltd

Henry Tan Song Kok

Present Directorship
AustChina Strategies Pty Ltd
China New Town Development Co. Ltd
Equity-Link Asia Ltd
Fin2Biz.com Pte Ltd
Henry Tan
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 (Shanghai) Co. Ltd
Pertama Holdings Limited
Raffles Education Corporation Limited
Red Chips Pte Ltd
Spirit of Enterprise
TSA Capital Pte Ltd
TSA Management Consultants
TSA Recruitment Consultants Pte Ltd
Vertex Resources Ltd
YHI International Limited
2T Investment Holdings Pte Ltd

Past Directorship
Nera Electronics Ltd





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 Liang 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.





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)

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>

Audit Committee

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

Share Registrar

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

Nomination Committee

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

Auditors

KPMG
Public Accountants and
Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Audit Partner: Leong Kok Keong
Year appointed: 2007

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

Tan Hwee Eng Blossom, LL.B (Hons)
Soong Wee Choo, FCPA



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 (appointed wef 1 July 2008)

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:

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	3	1		1	1	0
Chow Kok Hwee	3	1				0
Ang Lay Chuan ⁽¹⁾	1	NA				
Wang Chew Hoon ⁽²⁾	3	1		1		
Chew Heng Ching	3	1	3	1	1	0
Chow Kok Kee	3	1	3	1	1	0
Henry Tan Song Kok	3	1	3	1	1	0
No. of Meetings Held	3	1	3	1	1	0

Note:

⁽¹⁾ Mr Ang Lay Chuan resigned as Executive Director wef 28 September 2007.

⁽²⁾ Mr Wang Chew Hoon ceased to be a Non-executive Director from 30 June 2008 pursuant to his service agreement with the Company.

Apart from the above meetings, the Board also holds strategic retreats for all board members where certain issues like group business strategy and 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 operations, directions and their duties and responsibilities. They will be given training appropriate (either in-house or externally) 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 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.

Board Matters (cont'd)

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 and non-executive directors 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
 Wang Chew Hoon (ceased as member wef 30 June 2008)
 Chow Kok Hwee (appointed wef 1 July 2008)

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

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 Options 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. The Non-executive director have service contract for a 1 year term and is paid directors' fees, the amount of which is determined based on his level of responsibilities. 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.

Remuneration Matters (cont'd)

Annual Remuneration Report

Remuneration of Directors for the financial year ended 30 June 2008:

Remuneration Band & Name of Director	Base/ Fixed Salary	Variable or Performance related Income/ Bonuses	Benefits in kind	Director's Fees	Share Options Granted
\$500,000 to \$999,999 Aloysius Lim Cher Kia	97%	— ⁽¹⁾	3%	—	—
\$250,000 to \$499,999 Chow Kok Hwee	97%	— ⁽¹⁾	3%	—	—
Below \$250,000 Ang Lay Chuan ⁽²⁾	91%	— ⁽¹⁾	9%	—	—
Wang Chew Hoon	—	—	—	100%	—
Chew Heng Ching	—	—	—	100%	—
Chow Kok Kee	—	—	—	100%	—
Henry Tan Song Kok	—	—	—	100%	—

⁽¹⁾ Did not qualify based on criterias set.

⁽²⁾ Mr Any Lay Chuan resigned as Executive Director wef 28 September 2007.

One of Company's executives, who were not also Directors of the Company, receives remuneration of between \$250,000 to \$499,999 for the financial year ended 30 June 2008. The Company believes that, given the sensitive nature of employee remuneration, disclosure of breakdown of each executive's remuneration is not advantageous to the Company.

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 2008. "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)
Wang Chew Hoon (ceased as a member wef 30 June 2008)
Chow Kok Hwee (appointed wef 1 July 2008)
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 and position 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 (appointed wef 1 July 2008)
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; and
- f. makes recommendation to the Board on the appointment/re-appointment of the external auditors and reviews their independence.

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 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 may in confidence, raise concerns about possible improprieties in financial reporting or other matters. 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.

Accountability and Audit (cont'd)

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 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.

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 Company 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 companies within the Group are subjected to audit.

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.

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 and the Non-executive Director 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 2008 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

• Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters.	31
• 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
• The type of material transactions that require board approval under internal guidelines.	31
• 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
• Relationship between the Chairman and CEO where they are related to each other.	33
• Composition of nominating committee.	33
• Process for the selection and appointment of new directors to the board.	33
• Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent.	26 to 28, 31 and 34
• 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
• 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
• Composition of remuneration committee.	35
• 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.	36
• Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be in bands of S\$250,000 and include a breakdown of remuneration.	36
• 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 \$250,000 and include a breakdown of remuneration.	36
• Details of employee share schemes.	68
• Composition of audit committee and details of the committee's activities.	37
• Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.	38



DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2008

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 2008.

Directors

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

Aloysius Lim Cher Kia
 Chow Kok Hwee
 Soong Wee Choo (Appointed on 1 July 2008)
 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	–	–
Wang Chew Hoon (Resigned on 30 June 2008)	15,397,024	15,397,024	–	–
Chew Heng Ching	100,000	200,000	–	–
Chow Kok Kee	–	100,000	–	–
Henry Tan Song Kok	450,156	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	–	–
Wang Chew Hoon	300,000	–	–	–

Directors' interests (cont'd)

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 (cont'd)				
Options to subscribe for ordinary shares between 4 September 2003 to 3 September 2007 at an exercise price of \$0.205 per share				
Chew Heng Ching	100,000	—	—	—
Chow Kok Kee	100,000	—	—	—
Henry Tan Song Kok	100,000	—	—	—

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 2008.

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 18 and 19 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 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 2007	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding at 30 June 2008	Number of option holders at 30 June 2008	Exercise period	% exercisable
4 Sept 2002	\$0.205	300,000	–	(300,000)	–	–	–	4 Sept 2003 to 3 Sept 2007	Up to 100%
4 Sept 2002	\$0.205	2,631,000	–	(56,000)	(800,000)	1,775,000	18	4 Sept 2003 to 3 Sept 2005 4 Sept 2005 to 3 Sept 2007 4 Sept 2007 to 7 Feb 2012	Up to 30% Up to 60% (including the first 30%) Up to 100% (including the 60% as mentioned above)
4 Sept 2002	\$0.205	646,000	–	–	(52,000)	594,000	25	4 Sept 2003 to 7 Feb 2012	Up to 100%
		<u>3,577,000</u>	<u>–</u>	<u>(356,000)</u>	<u>(852,000)</u>	<u>2,369,000</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 2008	Aggregate options granted since commencement of Scheme to 30 June 2008	Aggregate options exercised since commencement of Scheme to 30 June 2008	Aggregate options outstanding as at 30 June 2008
Chow Kok Hwee	–	300,000	–	300,000
Wang Chew Hoon	–	300,000	–	–
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 holding 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.



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, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Aloysius Lim Cher Kia

Director

Chow Kok Hwee

Director

18 August 2008



STATEMENT BY DIRECTORS

YEAR ENDED 30 JUNE 2008

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 2008 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 2008



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 2008, and 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 2008 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

*Public Accountants and
Certified Public Accountants*

Singapore

18 August 2008



BALANCE SHEETS

AS AT 30 JUNE 2008

	Note	Group		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Non-current assets					
Property, plant and equipment	3	44,941,910	48,972,630	295,268	406,474
Subsidiaries	4	–	–	21,049,448	21,049,448
Club membership		154,000	154,000	–	–
Deferred tax assets	5	373,658	243,508	4,137	4,934
		<u>45,469,568</u>	<u>49,370,138</u>	<u>21,348,853</u>	<u>21,460,856</u>
Current assets					
Inventories	6	10,659,527	12,986,883	–	–
Trade and other receivables	7	26,707,880	33,071,547	16,641	32,745
Amounts due from subsidiaries	9	–	–	9,323,609	5,857,693
Other investments	10	522,061	590,716	–	–
Cash and cash equivalents	11	16,155,298	18,522,608	4,318,476	7,800,614
		<u>54,044,766</u>	<u>65,171,754</u>	<u>13,658,726</u>	<u>13,691,052</u>
Total assets		<u>99,514,334</u>	<u>114,541,892</u>	<u>35,007,579</u>	<u>35,151,908</u>
Equity attributable to equity holders of the Company					
Share capital	12	33,450,613	33,377,633	33,450,613	33,377,633
Reserves	13	36,580,498	38,817,417	1,055,553	1,202,854
Total equity		<u>70,031,111</u>	<u>72,195,050</u>	<u>34,506,166</u>	<u>34,580,487</u>
Non-current liabilities					
Deferred tax liabilities	5	2,249,824	1,995,354	–	–
Current liabilities					
Trade and other payables	14	22,240,008	30,404,133	432,667	487,941
Amounts due to subsidiaries	9	–	–	17,246	17,246
Interest-bearing bank loans (unsecured)	15	4,606,458	9,231,662	–	–
Provision for parts replacement	16	105,109	105,124	–	–
Current tax payable		281,824	610,569	51,500	66,234
		<u>27,233,399</u>	<u>40,351,488</u>	<u>501,413</u>	<u>571,421</u>
Total liabilities		<u>29,483,223</u>	<u>42,346,842</u>	<u>501,413</u>	<u>571,421</u>
Total equity and liabilities		<u>99,514,334</u>	<u>114,541,892</u>	<u>35,007,579</u>	<u>35,151,908</u>

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



CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Revenue	17	126,021,217	130,528,326
Cost of sales		(117,907,977)	(121,197,849)
Gross profit		<u>8,113,240</u>	<u>9,330,477</u>
Other income	18(a)	782,047	943,725
Distribution expenses		(701,728)	(954,722)
Administrative expenses		(2,639,611)	(2,765,402)
Other expenses		(644,182)	(3,811)
Finance costs	20	(380,762)	(444,891)
Profit before income tax	18	<u>4,529,004</u>	<u>6,105,376</u>
Income tax expense	21	(1,019,804)	(1,331,050)
Profit for the year		<u><u>3,509,200</u></u>	<u><u>4,774,326</u></u>
Earnings per share (in cents):	22		
Basic		<u>1.22</u>	<u>1.67</u>
Diluted		<u>1.22</u>	<u>1.67</u>

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2008

Note	Share capital \$	Capital reserve \$	Foreign currency translation reserve \$	Accumulated profits \$	Total equity \$
At 1 July 2006	33,377,633	579,172	(1,703,845)	36,297,621	68,550,581
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	1,019,571	–	1,019,571
Net gain recognised directly in equity	–	–	1,019,571	–	1,019,571
Profit for the year	–	–	–	4,774,326	4,774,326
Total recognised income and expense for the year	–	–	1,019,571	4,774,326	5,793,897
Final tax exempt dividend paid of 0.5 cents per share in respect of year ended 30 June 2006	–	–	–	(1,432,952)	(1,432,952)
Special tax exempt dividend paid of 0.25 cents per share in respect of year ended 30 June 2006	–	–	–	(716,476)	(716,476)
At 30 June 2007	33,377,633	579,172	(684,274)	38,922,519	72,195,050
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 12	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	33,450,613	579,172	(2,843,563)	38,844,889	70,031,111

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



CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Operating activities			
Profit before income tax		4,529,004	6,105,376
Adjustments for:			
Depreciation of property, plant and equipment		6,760,258	6,705,015
Gain on disposal of property, plant and equipment		(65,954)	(103,920)
Property, plant and equipment written off		8,870	3,811
Gain on sale of quoted equity securities		–	(101,686)
Interest income		(166,902)	(242,770)
Interest expense		380,762	444,891
Reversal of impairment loss on club membership		–	(39,000)
Change in fair value of quoted equity securities		68,654	(81,669)
		<u>11,514,692</u>	<u>12,690,048</u>
Changes in working capital:			
Inventories		2,327,356	(2,205,166)
Trade and other receivables		5,953,444	(2,815,374)
Trade and other payables		(6,898,232)	2,895,381
Cash generated from operations		<u>12,897,260</u>	<u>10,564,889</u>
Income taxes paid		(764,713)	(752,460)
Cash flows from operating activities		<u>12,132,547</u>	<u>9,812,429</u>
Investing activities			
Interest received		171,697	247,145
Proceeds from disposal of property, plant and equipment		381,094	201,282
Purchase of property, plant and equipment		(5,933,777)	(8,681,843)
Proceeds from sale of quoted equity securities		–	281,133
Cash flows from investing activities		<u>(5,380,986)</u>	<u>(7,952,283)</u>
Financing activities			
Dividend paid		(3,586,830)	(2,149,428)
Interest paid		(303,751)	(540,453)
Proceeds from issue of shares under share option scheme		72,980	–
Proceeds from bank loans		4,606,458	6,418,735
Repayment of bank loans		(9,231,662)	(5,155,000)
Fixed deposits pledged with banks		(1,751)	(92,024)
Cash flows from financing activities		<u>(8,444,556)</u>	<u>(1,518,170)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,692,995)</u>	<u>341,976</u>
Cash and cash equivalents at beginning of year		18,053,750	17,567,711
Effect of exchange rate fluctuations on cash held		(676,066)	144,063
Cash and cash equivalents at end of year	11	<u>15,684,689</u>	<u>18,053,750</u>

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



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

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 2008.

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 as described below.

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.

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.

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.

Accounting for subsidiaries by the Company

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



2 Summary of significant accounting policies (cont'd)

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. 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.

2.4 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 Summary of significant accounting policies (cont'd)

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.

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 Summary of significant accounting policies (cont'd)

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.

2.10 Provision for parts replacement

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 Summary of significant accounting policies (cont'd)

2.11 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.

2.12 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 accrued on a time-apportioned basis.

2.13 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.

2.14 Finance costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, 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 Summary of significant accounting policies (cont'd)

2.15 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 predominately of one business segment which is the 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.

2.16 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	Construction in progress	Plant and machinery	Renovations, furniture and fittings	Office equipment	Computers	Motor vehicles	Production tools	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost											
At 1 July											
2006	4,573,325	1,361,750	9,525,028	224,606	54,198,524	4,719,352	418,881	2,362,680	2,293,366	2,818,577	82,496,089
Translation difference	–	17,065	289,044	2,815	930,531	58,409	7,967	18,612	10,995	–	1,335,438
Additions	–	–	35,389	–	5,183,239	460,298	49,111	138,384	197,565	445,036	6,509,022
Transfers	–	–	–	(227,421)	–	226,795	626	–	–	–	–
Disposals	–	–	–	–	(387,272)	(18,075)	(45,377)	(59,190)	(473,597)	(36,500)	(1,020,011)
At 30 June											
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/write-offs	–	–	–	–	(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
Accumulated depreciation											
At 1 July											
2006	230,634	174,756	1,842,863	–	25,156,052	2,828,596	274,108	1,957,708	1,194,265	452,975	34,111,957
Translation difference	–	2,599	24,252	–	363,309	32,376	5,071	15,972	6,195	–	449,774
Depreciation charge for the year	–	27,167	296,615	–	4,700,855	521,783	65,927	251,146	270,791	570,731	6,705,015
Disposals	–	–	–	–	(371,484)	(17,168)	(45,724)	(57,427)	(427,035)	–	(918,838)
At 30 June											
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/write-offs	–	–	–	–	(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
Carrying amount											
At 1 July											
2006	4,342,691	1,186,994	7,682,165	224,606	29,042,472	1,890,756	144,773	404,972	1,099,101	2,365,602	48,384,132
At 30 June											
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



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

3 Property, plant and equipment (cont'd)

Company	Computers \$	Motor vehicles \$	Total \$
Cost			
At 1 July 2006	21,000	1,163,799	1,184,799
Disposals	–	(299,794)	(299,794)
At 30 June 2007	21,000	864,005	885,005
Disposals	–	(196,769)	(196,769)
At 30 June 2008	<u>21,000</u>	<u>667,236</u>	<u>688,236</u>
Accumulated depreciation			
At 1 July 2006	21,000	605,089	626,089
Depreciation charge for the year	–	121,844	121,844
Disposals	–	(269,402)	(269,402)
At 30 June 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	<u>21,000</u>	<u>371,968</u>	<u>392,968</u>
Carrying amount			
At 1 July 2006	–	558,710	558,710
At 30 June 2007	–	406,474	406,474
At 30 June 2008	–	<u>295,268</u>	<u>295,268</u>

4 Subsidiaries

	Company	
	2008	2007
	\$	\$
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	
		2008 %	2007 %
⁽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⁾ Chosen Electronics Sdn. Bhd.	Malaysia	100	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 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 does 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 2008 audited/reviewed by KPMG Singapore for consolidation purposes.

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 2008

5 Deferred tax

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

Group	At 1 July 2006 \$	Charged to income statement (note 21) \$	Translation difference \$	At 30 June 2007 \$
Deferred tax liability				
Property, plant and equipment	3,051,350	127,973	49,875	3,229,198
Deferred tax assets				
Provisions and allowances	(99,379)	28,988	(797)	(71,188)
Unutilised tax losses	(92,263)	–	(6,432)	(98,695)
Unutilised reinvestment allowance	(1,423,227)	158,892	(36,064)	(1,300,399)
Other items (net)	(7,869)	799	–	(7,070)
	<u>(1,622,738)</u>	<u>188,679</u>	<u>(43,293)</u>	<u>(1,477,352)</u>

Group	At 1 July 2007 \$	(Credited)/ Charged to income statement (note 21) \$	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>

5 Deferred tax (cont'd)

Company	At 1 July 2006 \$	Charged to income statement \$	At 30 June 2007 \$	Charged to income statement \$	At 30 June 2008 \$
Other items (net)	(5,733)	799	(4,934)	797	(4,137)

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	
	2008 \$	2007 \$	2008 \$	2007 \$
Deferred tax liabilities	2,249,824	1,995,354	–	–
Deferred tax assets	(373,658)	(243,508)	(4,137)	(4,934)
	<u>1,876,166</u>	<u>1,751,846</u>	<u>(4,137)</u>	<u>(4,934)</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.

During the year, the Group had recognised a deferred tax asset amounting to \$369,520 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	
	2008 \$	2007 \$	2008 \$	2007 \$
Tax losses	<u>7,274,855</u>	<u>7,931,634</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.

6 Inventories

	Group	
	2008 \$	2007 \$
Raw materials	4,885,192	5,315,200
Work-in-progress	2,060,851	3,083,192
Finished goods	3,739,549	4,614,556
	<u>10,685,592</u>	<u>13,012,948</u>
Allowance for inventory obsolescence	(26,065)	(26,065)
	<u>10,659,527</u>	<u>12,986,883</u>



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

7 Trade and other receivables

	Note	Group		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Trade receivables		24,587,103	30,421,349	–	–
Impairment losses		–	(134,031)	–	–
		<u>24,587,103</u>	<u>30,287,318</u>	<u>–</u>	<u>–</u>
Unbilled receivables		707,367	708,429	–	–
GST recoverable		156,488	159,267	–	–
Deposits, prepayments and other receivables	8	1,256,922	1,916,533	16,641	32,745
		<u>26,707,880</u>	<u>33,071,547</u>	<u>16,641</u>	<u>32,745</u>

Impairment losses

The ageing of trade receivables at the reporting date is:

Group	Group		Company	
	Gross 2008 \$	Impairment losses 2008 \$	Gross 2007 \$	Impairment losses 2007 \$
Not past due	14,580,497	–	17,510,312	–
Past due less than 3 months	9,262,113	–	12,121,822	–
Past due more than 3 months and less than 6 months	744,493	–	667,766	–
Past due more than 6 months	–	–	121,449	134,031
	<u>24,587,103</u>	<u>–</u>	<u>30,421,349</u>	<u>134,031</u>

The change in impairment loss in respect of trade receivables during the year is as follows:

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
At 1 July	(134,031)	(130,464)	–	–
Provisions utilised	134,031	–	–	–
Translation difference	–	(3,567)	–	–
At 30 June	<u>–</u>	<u>(134,031)</u>	<u>–</u>	<u>–</u>

Trade receivables that are neither past-due nor impaired are mainly relating 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.

8 Deposits, prepayment and other receivables

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Deposits	628,910	689,651	–	–
Prepayments	271,218	470,335	12,650	21,619
Interest receivable	6,331	11,126	3,991	11,126
Tax recoverable	318,262	723,690	–	–
Other receivables	32,201	21,731	–	–
	<u>1,256,922</u>	<u>1,916,533</u>	<u>16,641</u>	<u>32,745</u>

9 Amounts due from/to subsidiaries

	Company	
	2008 \$	2007 \$
Trade	7,823,609	5,857,693
Non-trade	1,500,000	–
Amounts due from subsidiaries	<u>9,323,609</u>	<u>5,857,693</u>
Non-trade amounts due to subsidiaries	<u>(17,246)</u>	<u>(17,246)</u>

Transactions with subsidiaries are unsecured and priced on arm's length basis. There is no allowance for doubtful debts arising from the outstanding balances.

The non-trade amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

10 Other investments

	Group	
	2008 \$	2007 \$
Quoted equity securities held-for-trading	<u>522,061</u>	<u>590,716</u>



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

11 Cash and cash equivalents

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash at bank and in hand	11,500,667	11,621,717	134,454	1,385,779
Fixed deposits with banks and non-bank financial institutions	4,654,631	6,900,891	4,184,022	6,414,835
	<u>16,155,298</u>	<u>18,522,608</u>	<u>4,318,476</u>	<u>7,800,614</u>
Fixed deposits pledged to a bank	(470,609)	(468,858)		
Cash and cash equivalents in consolidated statement of cash flows	<u>15,684,689</u>	<u>18,053,750</u>		

Fixed deposits of \$470,609 (2007: \$468,858) 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% (2007: 0.05% to 3.70%) and from 0.05% to 2.4275% (2007: 0.05% to 2.4275%) respectively. Interest rates reprice within a period of twelve months.

12 Share capital

	Note	Group and Company	
		2008 No. of shares	2007 No. of shares
Fully paid ordinary shares, with no par value:			
At 1 July		286,590,424	286,590,424
Exercise of share options	19	356,000	–
At 30 June		<u>286,946,424</u>	<u>286,590,424</u>

The Group has issued share options under its Chosen Share Option Scheme (see note 19).

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.

13 Reserves

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Capital reserve	579,172	579,172	–	–
Foreign currency translation reserve	(2,843,563)	(684,274)	–	–
Accumulated profits	38,844,889	38,922,519	1,055,553	1,202,854
	<u>36,580,498</u>	<u>38,817,417</u>	<u>1,055,553</u>	<u>1,202,854</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.

14 Trade and other payables

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade payables and accrued operating expenses	20,634,533	27,587,668	432,667	487,941
Amounts due to suppliers for purchase of plant and equipment	1,456,113	2,799,015	–	–
Interest payable	93,391	16,380	–	–
Other payables	55,971	1,070	–	–
	<u>22,240,008</u>	<u>30,404,133</u>	<u>432,667</u>	<u>487,941</u>



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

15 Interest-bearing bank loans (unsecured)

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

Group	2008		2007	
	Due within 1 year \$	Due after 1 year but within 5 years \$	Due within 1 year \$	Due after 1 year but within 5 years \$
(a) Term loan of S\$3,000,000 Repayable in 6 half yearly instalments of S\$500,000 each commencing from 19 November 2004	–	–	500,000	–
(b) Short-term bank loans	4,606,458	–	8,731,662	–
	<u>4,606,458</u>	<u>–</u>	<u>9,231,662</u>	<u>–</u>

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 \$
2008			
Financial liabilities			
Short-term bank loans	1.88 – 6.63	<u>4,606,458</u>	<u>4,606,458</u>
2007			
Financial liabilities			
Short-term bank loans	3.27 – 7.25	8,731,662	8,731,662
Term loan	3.00	500,000	500,000
		<u>9,231,662</u>	<u>9,231,662</u>

16 Provision for parts replacement

Movements in the provision for parts replacement are as follows:

	Group	
	2008 \$	2007 \$
At 1 July	105,124	105,117
Translation difference	(15)	7
At 30 June	<u>105,109</u>	<u>105,124</u>

17 Revenue

	2008	Group	2007
	\$		\$
Sale of goods	126,021,217		130,528,326

18 Profit before income tax

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

	2008	Group	2007
	\$		\$
(a) Other income			
Dividend income from quoted equity securities	24,815		27,150
Gain on disposal of property, plant and equipment	65,954		103,920
Exchange gain	–		89,637
Gain on sale of quoted equity securities	–		101,686
Net change in fair value of financial assets at fair value through profit or loss held-for-trading	–		81,669
Interest income from bank deposits	166,902		242,770
Income from government grant	306,897		102,033
Reversal of impairment loss on club membership	–		39,000
Others	217,479		155,860
	<u>782,047</u>		<u>943,725</u>
(b) Other expenses			
Exchange loss	566,657		–
Non-audit fees paid to:			
- auditors of the Company	26,700		25,200
- other auditors	9,749		11,057
Net change in fair value of financial assets at fair value through profit or loss held-for-trading	68,654		–
Operating lease expenses	1,939,257		1,891,961
Directors' fees	190,000		126,250
Property, plant and equipment written off	8,870		3,811
Staff costs	18,019,085		20,695,172
Contributions to defined contribution plans included in staff costs	1,213,537		1,330,760
Remuneration to key management included in staff costs	1,256,530		1,672,447



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

19 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 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 2008 ----->									
Date of grant of options	Exercise price per share	Options outstanding 1 July 2007	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding 30 June 2008	Options exercisable 1 July 2007	Options exercisable 30 June 2008	Exercise period
4/9/2002	\$0.205	300,000	–	(300,000)	–	–	300,000	–	4/9/03 to 3/9/07
4/9/2002	\$0.205	2,631,000	–	(56,000)	(800,000)	1,775,000	2,631,000	1,775,000	4/9/03 to 3/9/05 ⁽¹⁾ 4/9/05 to 3/9/07 ⁽²⁾ 4/9/07 to 7/2/12 ⁽³⁾
4/9/2002	\$0.205	646,000	–	–	(52,000)	594,000	646,000	594,000	4/9/03 to 7/2/12
		<u>3,577,000</u>	<u>–</u>	<u>(356,000)</u>	<u>(852,000)</u>	<u>2,369,000</u>	<u>3,577,000</u>	<u>2,369,000</u>	

⁽¹⁾ Up to 30%

⁽²⁾ Up to 60% (including the first 30%)

⁽³⁾ Up to 100% (including the 60% as mentioned above)

Included in the above outstanding options are 300,000 (2007: 1,200,000) options held by directors.

20 Finance costs

	Group	
	2008 \$	2007 \$
Interest paid and payable to banks	<u>380,762</u>	<u>444,891</u>

21 Income taxes

	2008	Group	2007
	\$		\$
Current tax expense			
Current year	824,095		1,021,454
Under/(Over) provision in respect of prior years	17,304		(7,056)
	<u>841,399</u>		<u>1,014,398</u>
Deferred tax expense			
Current year	301,881		564,352
Reduction in tax rate	(77,997)		(257,062)
(Over)/Under provision in respect of prior years	(45,479)		9,362
	<u>178,405</u>		<u>316,652</u>
Total income tax expense in income statement	<u>1,019,804</u>		<u>1,331,050</u>
Reconciliation of effective tax rate			
Profit before income tax	<u>4,529,004</u>		<u>6,105,376</u>
Tax calculated using Singapore tax rate of 18% (2007: 18%)	815,221		1,098,968
Effect of tax rates in foreign jurisdictions	370,111		(51,756)
Effect of reduction in tax rate	(77,997)		(257,062)
Non-deductible expenses	234,986		1,269,957
Utilisation of reinvestment and investment allowances	(29,122)		(585,492)
Unrecognised tax losses	254,759		-
Recognition of previously unrecognised tax losses	(369,520)		-
Non-taxable income	(150,459)		(145,871)
(Over)/Under provision in respect of prior years	(28,175)		2,306
	<u>1,019,804</u>		<u>1,331,050</u>



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

22 Earnings per share

	Group	
	2008	2007
	\$	\$
The basic earnings per share is based on:		
Profit for the year	3,509,200	4,774,326
	<u> </u>	<u> </u>
	No. of	No. of
	shares	shares
Weighted average number of shares in issue during the year	286,938,424	286,590,424
	<u> </u>	<u> </u>
	\$	\$
The diluted earnings per share is based on:		
Profit for the year	3,509,200	4,774,326
	<u> </u>	<u> </u>

In calculating diluted earnings per share, outstanding options to purchase 2,369,000 (2007: 3,577,000) ordinary shares at \$0.205 (2007: \$0.205) per share were not included in the computation of diluted earnings per share because these options were antidilutive.

23 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 \$85,504 (2007: \$83,851) subject to an annual revision not exceeding 5.5% (2007: 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:

	Group	
	2008	2007
	\$	\$
Payable:		
Within one year	2,248,344	1,704,094
Within two to five years	1,786,973	1,558,469
	<u>4,035,317</u>	<u>3,262,563</u>

(b) Capital commitment

Contracted but not provided for	23,970	452,333
	<u> </u>	<u> </u>

24 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 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 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.

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.

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 offsetting impact on the profit after tax for the Group and Company. There is no impact on the equity of the Group and Company.



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

24 Financial risk management (cont'd)

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 hedge 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 the US dollar as at 30 June 2008 is as follows:

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and other receivables	19,409,521	25,323,908	–	–
Cash and cash equivalents	6,920,204	4,925,608	27,073	718,559
Trade and other payables	(12,187,635)	(17,636,177)	–	–
Interest bearing bank loan	(2,721,000)	(3,065,000)	–	–
	<u>11,421,090</u>	<u>9,548,339</u>	<u>27,073</u>	<u>718,559</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 after tax of \$0.6 million (2007: \$0.8 million) for the Group. Conversely, a 5% weakening of Singapore dollars against US dollar will result in an increase in profit after 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.

A 5% strengthening of Ringgit Malaysia against US dollars at the reporting date, with all other variables held constant, will result in an increase in profit after tax of \$0.1 million (2007: \$0.4 million) for the Group. Conversely, a 5% weakening of Ringgit Malaysia against US dollar will result in a decrease in profit after 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.

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 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. 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.

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 repayable on demand.

25 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.

(b) Geographical segments

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	1,898	883	1,810	–	4,591



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

25 Segmental reporting (cont'd)

(b) Geographical segments (cont'd)

2007	Singapore \$'000	China \$'000	Rest of Asia Pacific \$'000	Elimination \$'000	Consolidated \$'000
Revenue and expenses					
Total revenue from external customers	94,815	18,651	17,062	–	130,528
Inter-segment revenue	9,306	800	52,222	(62,328)	–
Total revenue	<u>104,121</u>	<u>19,451</u>	<u>69,284</u>	<u>(62,328)</u>	<u>130,528</u>
Segment results	6,074	(4,238)	4,714	–	6,550
Unallocated expenses:					
- finance costs					(445)
Income tax expense					(1,331)
Profit for the year					<u>4,774</u>
Assets and liabilities					
Segments assets	50,821	27,609	35,868	–	114,298
Unallocated assets:					
- deferred tax assets					244
					<u>114,542</u>
Segments liabilities	13,186	8,087	18,468	–	39,741
Unallocated liabilities:					
- current tax payable					611
- deferred tax liabilities					1,995
					<u>42,347</u>
Other segmental information					
Depreciation	2,465	1,766	2,474	–	6,705
Capital expenditure	<u>1,859</u>	<u>891</u>	<u>3,759</u>	<u>–</u>	<u>6,509</u>

26 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	
	2008	2007
	\$	\$
Final tax exempt dividend proposed of 0.5 cents (2007: 0.5 cents) per share	1,434,732	1,434,732
Special tax exempt dividend proposed of 0.375 cents (2007: 0.75 cents) per share	1,076,049	2,152,098

In addition, one of the Group's wholly-owned subsidiary, Chosen Investment Pte Ltd has on 23 June 2008 entered into a Subscription Agreement with Gashub Technology Pte Ltd ("Gashub") and Gashub's 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 upon the achievement of certain milestones. On 31 July 2008, the said shares were issued by Gashub upon the payment of the first tranche of \$500,000 by the Group.

27 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 102 *Share-based payments – vesting conditions and cancellations*
- FRS 108 *Operating Segments*
- INT FRS 112 *Service Concession Arrangements*
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 114 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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 (ie 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 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.



SHAREHOLDING STATISTICS

AS AT 8 SEPTEMBER 2008

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	112	2.85	46,530	0.01
1,000 - 10,000	1,903	48.31	9,804,352	3.42
10,001 - 1,000,000	1,903	48.31	82,663,114	28.81
1,000,001 and above	21	0.53	194,432,428	67.76
Total	3,939	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	15,397,024	–	5.37

* 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 56% 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	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	15,397,024	5.37
4	Ang Lay Chuan	7,335,296	2.56
5	UOB Kay Hian Pte Ltd	6,678,400	2.33
6	Chia Mui Lin	6,481,404	2.26
7	Chow Kok Hwee	6,457,140	2.25
8	DBS Vickers Securities (S) Pte Ltd	6,035,000	2.10
9	United Overseas Bank Nominees Pte Ltd	3,820,200	1.33
10	DBS Nominees Pte Ltd	3,239,600	1.13
11	Kim Eng Securities Pte Ltd	2,993,800	1.04
12	OCBC Securities Private Ltd	2,549,200	0.89
13	Phillip Securities Pte Ltd	2,389,800	0.83
14	Mayban Nominees (S) Pte Ltd	2,118,400	0.74
15	Lee Wool Chon	1,875,000	0.65
16	Hong Leong Finance Nominees Pte Ltd	1,732,000	0.60
17	Chew Chen Ming	1,720,000	0.60
18	OCBC Nominees Singapore Pte Ltd	1,680,400	0.59
19	Eoo Ged Booy	1,385,160	0.48
20	Soong Wee Choo	1,319,060	0.46
		193,148,228	67.32



NOTICE OF THE TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of CHOSEN HOLDINGS LIMITED (the "Company") will be held on Tuesday, 28 October 2008, 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 Accounts for the financial year ended 30 June 2008, 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, as well as a Special Tax Exempt One-Tier Dividend of 0.375 cents per share, for the financial year ended 30 June 2008. *(Resolution 2)*
3.
 - a. To approve Directors' fees for Non-executive Director of \$11,250 for the 4th quarter ended 30 June 2008. *(Resolution 3a)*
 - b. To approve Directors' fees of \$145,000 for the financial year ending 30 June 2009 to be paid to the Independent Directors quarterly in arrears. *(Resolution 3b)*
4. To re-elect the following Directors who are retiring pursuant to Article 96 and Article 93 (respectively) of the Articles of Association:
 - a. Mr. Chow Kok Hwee *(Resolution 4a)*
 - b. Ms. Soong Wee Choo *(Resolution 4b)*
5. To re-appoint Messrs. KPMG as Auditors and to authorise the Directors to fix their remuneration. *(Resolution 5)*

As Special Business:***

6. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:
 - 6a. "THAT pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby authorised to issue shares in the Company (whether by way of bonus issue, rights issue or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit provided that:
 - (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20% of the Company's issued Share Capital;
 - (ii) for the purposes of determining the aggregate number of shares that may be issued under (i) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities or employee share options that are outstanding when this Resolution is passed; and
 - (b) any subsequent consolidation or sub-division of shares; and

unless revoked or varied by the Company in a General Meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *(Resolution 6a)*



NOTICE OF THE TENTH ANNUAL GENERAL MEETING

As Special Business:*** (cont'd)

6. (cont'd)

6b. "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 6b)

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

By Order of the Board

Soong Wee Choo / Blossom Tan Hwee Eng

Joint Company Secretaries

Singapore

3 October 2008

*** *Explanatory Note on Special Business to be Transacted (Article 64(2) of the Company's Articles of Association):*

Ordinary Resolution 6a

Ordinary Resolution 6a will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting to issue further shares in the Company. The maximum number of shares, which the Directors may issue under this resolution, shall not exceed the quantum set out in the resolution.

Ordinary Resolution 6b

The Ordinary Resolution proposed in Item 6b 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 a proxy 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 13 November 2008 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 pm on 12 November 2008 will be registered to determine shareholders' entitlement to the proposed first and final dividend and special dividend. Shareholders whose securities account with The Central Depository (Private) Limited are credited with shares at 5:00 pm on 12 November 2008 will be entitled to the proposed first and final dividend as well as the special dividend payment. Payment of the said dividends, if approved by shareholders at the Annual General Meeting, will be made on 28 November 2008.

CHOSEN HOLDINGS LIMITED(Incorporated in the Republic of Singapore)
(Registration No. 199804325C)**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.

PROXY FORM**TENTH ANNUAL GENERAL MEETING
TO BE HELD ON 28 OCTOBER 2008**

I/We _____
of (full address) _____
being a member/members of the above-named Company hereby appoint the Chairman of the Meeting or:

Name	Address	NRIC/ Passport Number	Proportion of Shareholding (%)

and/or (delete as appropriate)

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 28 October 2008 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 Accounts				
2.	Declaration of First and Final Tax Exempt One-Tier Dividend as well as Special Tax Exempt One-Tier Dividend				
3.	Approval of Directors' Fees				
	a. \$11,250 for 4 th quarter ended 30 June 2008				
	b. \$145,000 for FY2009				
4.	Re-election of Directors (Article 96/93)				
	a. Mr. Chow Kok Hwee				
	b. Ms. Soong Wee Choo				
5.	Re-appointment of Auditors				
	SPECIAL BUSINESS:				
6.	a. Authority to directors to issue and allot shares pursuant to Section 161 of the Companies Act (Cap. 50).				
	b. Authority to offer and grant Options in accordance with the provisions of the Chosen Share Option Scheme.				

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

Dated this _____ day of _____ 2008

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, Cap 50, Singapore Statutes), 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 the 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 (Cap.50, Singapore Statutes).

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of 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.

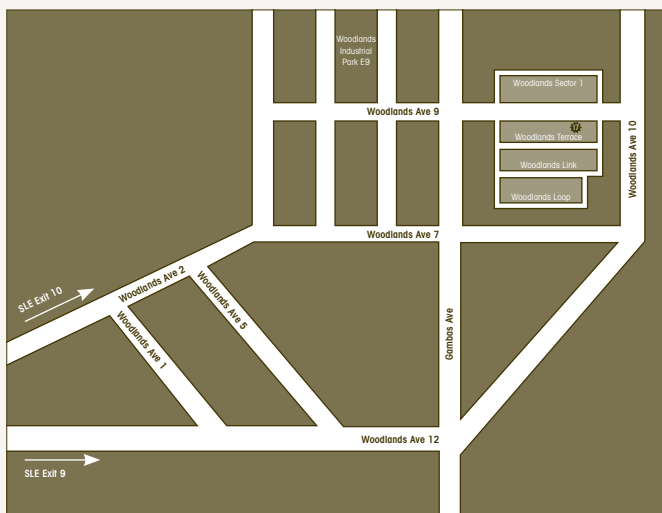
Registered office

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

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

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Lim Song Yong (Operations Manager)

Chosen Technologies Pte Ltd Chosen Dzos Pte Ltd

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#03-22 Woodlands Spectrum
Singapore 738068
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Lim Song Yong (General Manager)

malaysia

Chosen Plastic Sdn. Bhd.

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Tan Hong Choon (General Manager)

Chosen Manufacturing Sdn. Bhd.

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Tay Say Kiat (General Manager)

thailand

Chosen (Thailand) Company Limited

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Puah Siang Kwang (General Manager)

china

Chosen Enterprise (Shanghai) Co., Ltd. Chosen Electronics Assembly (Shanghai) Co., Ltd.

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Fax: (8621) 5048 1119

Hoo Liong Hock (General Manager)

Chosen Enterprise (Dongguan) Co., Ltd.

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People's Republic of China
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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)

CHOSEN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No: 199804325C

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