

**CHOSEN**

Annual Report 2011

# Delivering Precision & Innovative Solutions

**25<sup>TH</sup>**  
Anniversary  
YEAR 1986 TO 2011

## Corporate Profile

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

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

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

### FINANCIAL CALENDAR

## 2011

Financial year end  
30 June 2011

Announcement of FY 2011 mid-year results  
11 February 2011

Announcement of FY 2011 full year results  
26 August 2011

Despatch of Annual Report to shareholders  
5 October 2011

Annual General Meeting  
27 October 2011

FY 2011 proposed first and final dividend:

Book closure date  
11 November 2011

Payment date  
23 November 2011

## 2012

Financial year end  
30 June 2012

Announcement of FY 2012 mid-year results  
February 2012

Announcement of FY 2012 full year results  
August 2012

## MISSION

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

## SHARED VALUES

### Customers First

*We put our customers first in everything we do.*

### Achievement of Excellence

*We strive for excellence in whatever we do.*

### Delivering Innovative Products, Services and Solutions

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

### Trust and Respect for Individuals

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

### Results through Teamwork

*Each person's contribution is critical to our success.*

### Uncompromising Integrity

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

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## Corporate Objectives



### SINGAPORE

*Chosen Holdings Limited  
Chosen Plastic Pte Ltd  
Chosen Technologies Pte Ltd  
Chosen Dzios Pte Ltd  
Chosen Innovation Centre*



### MALAYSIA

*Chosen Plastic Sdn. Bhd.  
Chosen Manufacturing Sdn. Bhd.*



### THAILAND

*Chosen (Thailand) Co. Ltd.*



### CHINA

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

### Customer Loyalty

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

### Profit

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

### Growth

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

### Market Differentiation

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

### Commitment to Employees

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

### Leadership Capability

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

### Global Citizenship

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

*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.*

### **Product Design & Development**

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

### **Mould Design & Fabrication**

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

### **Precision Plastic Injection Moulding**

We provide conventional moulding, insert moulding, outsert moulding, vertical moulding, multi-component moulding and controlled environment moulding for a wide range of products across various product segments. Our team is highly experienced in managing the moulding of plastics to enhance the physical properties and precision.

### **Secondary Processes**

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

### **Modular Assembly**

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

### **PCB Assembly**

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

### **Final Product Assembly**

We offer full turnkey manufacturing services including complete box build and complex test acceptance services to our customers.

Message from the Chairman



Aloysius Lim Cher Kia  
Executive Chairman

## Dear Shareholders

On behalf of the Board, I am pleased to present to you the annual report of the Group for FY 2011.

The Group ended the financial year with a 16% reduction in revenue from \$103M to \$87M. Net profit attributable to shareholders decreased from \$3M to \$0.03M. Revenue contribution from printing and imaging products was lower as our key customer shifted most of its printer assembly business from Singapore and Malaysia to Southern China. Revenue from data media storage products was also affected by manufacturing disruption created by the post quake crisis in Japan in the second half of the year. The weakening of the US dollar added to the adversity.

Whilst we were focused on developing new customers, our Singapore operation took advantage of the lull period to upgrade to serve new customers in the health care sector. We achieved ISO 13485 after the upgrade of our Singapore plant. With this latest certification, both the Singapore plants are now ISO 13485 certified for the manufacturing of medical devices. The lull period also enabled the Singapore operation to focus its efforts on product development activities in collaboration with potential customers. Several health care related products were being developed and will be progressively launched.

The Malaysia operation streamlined its resources to manage cost and stepped up its efforts to grow its business with existing and new customers. Several new programs had successfully progressed into mass production in the new financial year.

The Thailand operation had performed well during the year and is now operating at full capacity.

In China, several new automotive products were developed together with customers in Shanghai and Wuxi. These programs will be scheduled for mass production in early FY 2012. In Dongguan, we had expanded our manufacturing base to regain the printing

and imaging business that was shifted into Southern China. To stay at the forefront of the printing and imaging business, we had put in place highly automated mould making and precision moulding machines to supply components for printer mechanism. This area of business will gain traction.

This year, we again received award from Rosemount for continuous improvement in the area of quality, speed, flexibility, service, technology and best cost. The Group's comprehensive and transparent disclosure to its shareholders also won us the Best Annual Report Gold Award at the Singapore Corporate Awards 2011.

Despite the reduction in profitability, the Group maintained a healthy balance sheet with net cash balance of \$14M and positive cash flow of \$3M from operating activities. In view of the healthy cash position of the Group, the Board is recommending a first and final tax exempt one-tier dividend of 0.66 cents per share.

Revenue contribution for the Singapore operation is improving as supply of key components resumes after several months of supply disruption in Japan. New programs in Malaysia, Thailand and China have commenced production. We are mindful that price pressures, rising operating costs and fluctuations in exchange rates will continue to challenge us. To increase our competitive advantage, we will enhance our core strength as a precision component supplier to our customers. We are also positioned to take advantage of growth opportunities.

I am pleased that my fellow Executive Director Chow Kok Hwee had assumed the role as Chief Executive Officer of the Group. Kok Hwee is a founding member of the Group and has more than 30 years of experience in the industry. I am confident he will be able to lead the Group to greater heights.

I would like to thank our fellow Board members for their invaluable advice, counsel and support. I wish to acknowledge

and commend our staff and management for their perseverance in the execution of their respective functions amidst a very challenging year. I would also like to extend my gratitude to our shareholders, customers and suppliers for their continued support and confidence in CHOSEN.

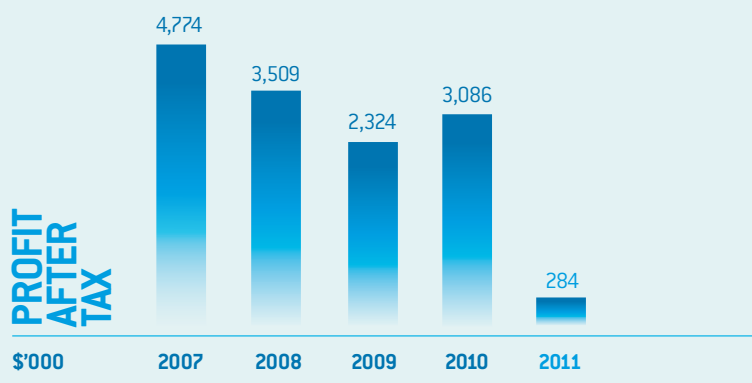
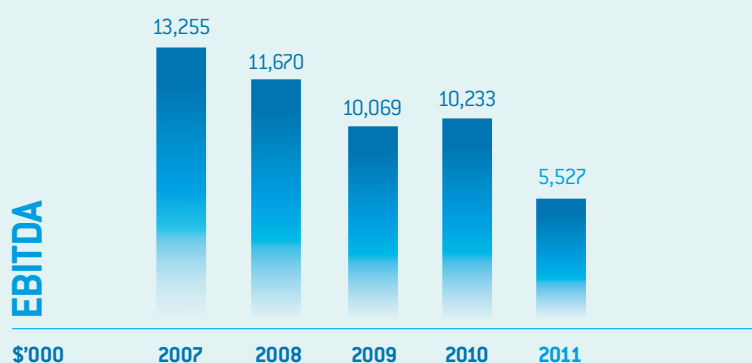
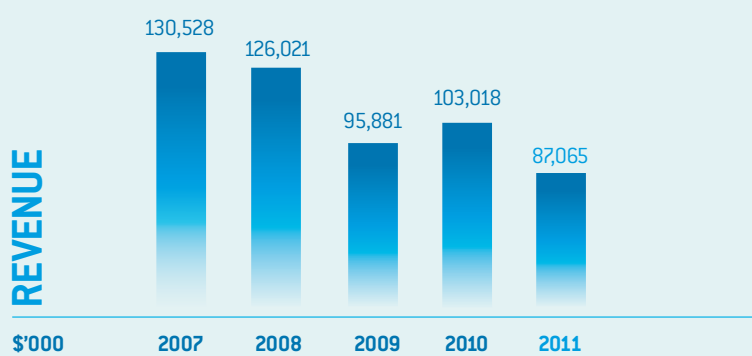
**Aloysius Lim Cher Kia**  
*Executive Chairman*

26 August 2011

## Group Five-Year Financial Highlights and Analysis

	2007	2008	2009	2010	2011
<b>Operating Results</b>					
Revenue (\$'000)	130,528	126,021	95,881	103,018	87,065
EBITDA (\$'000)	13,255	11,670	10,069	10,233	5,527
Profit before tax (\$'000)	6,105	4,529	3,272	4,185	70
Profit after tax (\$'000)	4,774	3,509	2,324	3,086	284
Earnings per share (cents)	1.67	1.22	0.81	1.08	0.05
<b>Financial Position</b>					
Property, plant and equipment (\$'000)	48,973	44,942	42,646	38,279	37,384
Other assets (\$'000)	397	528	956	1,165	1,487
Current assets (\$'000)	65,172	54,044	51,222	60,232	54,111
Total assets (\$'000)	114,542	99,514	94,824	99,676	92,982
Current liabilities (\$'000)	40,352	27,233	22,476	24,481	23,963
Non-current liabilities (\$'000)	1,995	2,250	2,197	2,149	1,726
Net assets	72,195	70,031	70,151	73,046	67,293
Non-controlling interests (\$'000)	-	-	-	46	186
Shareholders' equity (\$'000)	72,195	70,031	70,151	73,000	67,107
Return on average shareholders' equity (%)	6.78	4.93	3.32	4.33	0.21
Net tangible assets per share (cents)	25.19	24.41	24.45	25.44	23.39
<b>Distribution to Shareholders</b>					
Dividend (\$'000)	3,587	2,511	1,435	3,989	1,894
Gross dividend per share (cents)	1.25	0.875	0.50	1.39	0.66
Dividend payout ratio (%)	75%	72%	62%	129%	1,315%
<b>Liquidity and Capital Resources</b>					
Cash and bank balances (\$'000)	18,523	16,155	18,751	25,810	19,729
Borrowings (\$'000)	9,232	4,606	5,252	5,177	5,541
Net cash (\$'000)	9,291	11,549	13,499	20,633	14,188
Debt equity ratio (times)	0.13	0.07	0.07	0.07	0.08
Current ratio (times)	1.62	1.98	2.28	2.46	2.26
<b>Capital expenditure (\$'000)</b>					
Plant & machinery	5,183	3,063	1,048	1,271	3,373
Production tools	445	981	2,210	765	1,037
Others	881	547	263	420	1,976
	6,509	4,591	3,521	2,456	6,386
<b>Productivity</b>					
Revenue per employee (\$'000)	96	102	100	114	88

## 1. REVENUE AND PROFIT



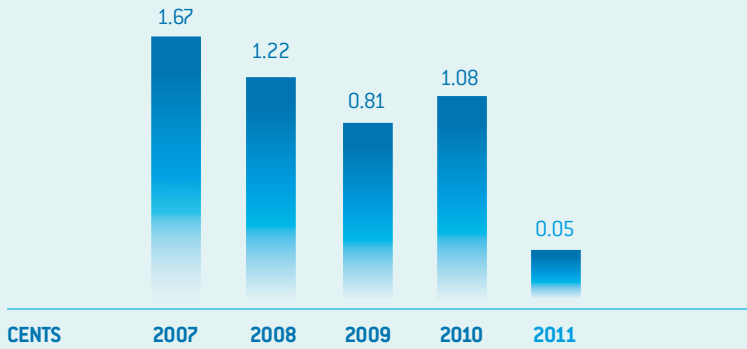
1. Revenue decreased by 24% in FY 2009 as a result of the global economic downturn. Revenue increased in FY2010 due to higher demand of printing and imaging and data media storage products. In FY 2011, sales of printing and imaging products reduced as a customer relocated its supplier base from Singapore and Malaysia to Southern China. Sales of the Singapore operation was further reduced in the second half as a result of lower shipments of data media storage products to Japan due to the manufacturing disruption caused by the earthquake.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") reduced after FY 2007 in line with the lower profit after tax.

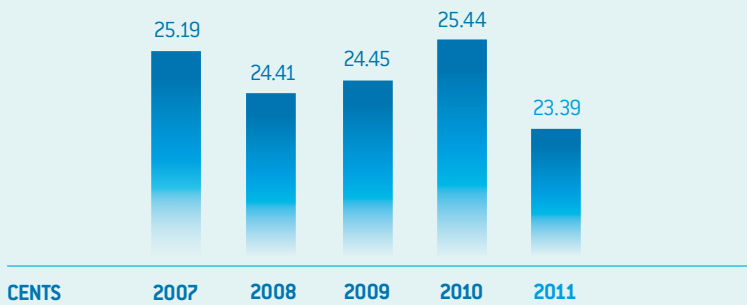
The falling USD as well as lower demand from customers who were affected by the slower US economy resulted in the lower profit after tax in FY 2008. The impact of the financial crisis extended to the world economy at large in FY 2009. Most of our customers face decline in their end market demand and had to delay, reduce or cancel orders resulting in the further decrease in the Group's profit after tax in FY 2009. The slight increase in sale coupled with the introduction of higher value-added programs, higher capacity utilization in most plants, especially in Malaysia and China, and cost control programs implemented improved profit after tax to \$3.1M in FY 2010. In FY 2011, the Group achieved marginal profitability due mainly to lower revenue contribution from the Singapore operation, lower gross profit margins on new products from the Malaysia operation and foreign exchange loss as a result of the weakening of the US dollar.

## Group Five-Year Financial Highlights and Analysis

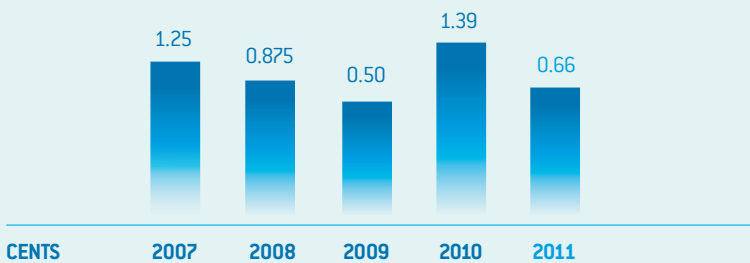
### 2. EARNINGS PER SHARE



### 3. NTA BACKING PER SHARE

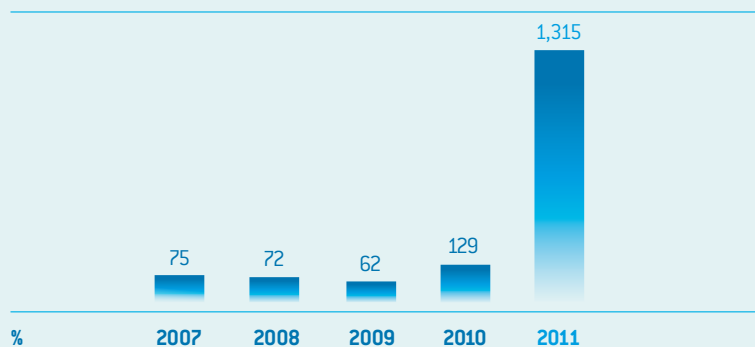


### 4. GROSS DIVIDEND PER SHARE

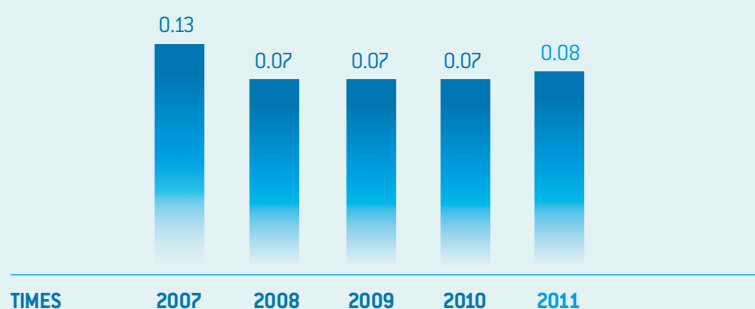


- Earnings per share reduced for FY 2008 and FY 2009 due to the lower returns in those years. Earnings per share reduced in FY 2011 resulting from the lower profit generated.
- Lower profit generated and higher dividend paid resulted in the decrease in NTA backing per share in FY 2008 and FY 2011.

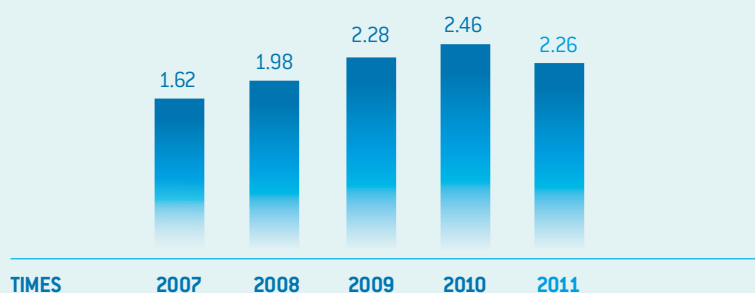
## DIVIDEND PAYOUT RATIO



## 5. DEBT EQUITY RATIO



## CURRENT RATIO



4. Dividend payout ratio had exceeded 50% since FY 2005. In FY 2011, the Company paid a first and final tax exempt one-tier dividend of 0.66 cents per share and a special one-tier dividend of 0.73 cents per share. This year, the Directors are proposing a first and final tax exempt one-tier dividend of 0.66 cents per share to be approved at the coming Annual General Meeting.

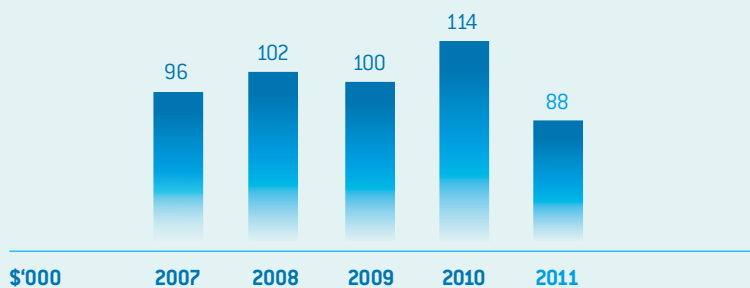
5. The Group believes in maintaining its debt equity ratio at low levels. Current ratio also remained at high levels over the years due to prudent working capital management.

## Group Five-Year Financial Highlights and Analysis

### 6. CAPITAL EXPENDITURE

	2007	2008	2009	2010	2011
Plant & Machinery	5,183	3,063	1,048	1,271	3,373
Production Tools	445	981	2,210	765	1,037
Others	881	547	263	420	1,976
	6,509	4,591	3,521	2,456	6,386

### 7. REVENUE PER EMPLOYEE



6. Capital expenditure in FY 2007, FY 2008 and FY 2010 were mainly for machine replacement. Capital expenditure in FY 2009 mainly relates to the manufacturing of production tools for the Group's specialized packaging and handling products and clean energy products. The Group's capital expenditure for FY 2011 relates mainly to precision machinery for the Dongguan plant and addition of production tools.

7. Revenue per employee has increased over past years due to increased usage of casual labour during peak production periods so as to maintain overall staff strength at normal operation capacity. Revenue per employee decreased in FY 2011 due mainly to the lower revenue.

## Group Five-Year Value-Added Statement

	2007	2008	2009	2010	2011
(\$'000)					
Revenue	130,528	126,021	95,881	103,018	87,065
Less: Purchase of goods and svcs	(95,320)	(92,903)	(68,117)	(72,793)	(60,644)
Gross value added from operations	35,208	33,118	27,764	30,225	26,421
Investment income and interest income	372	192	76	60	70
Exchange gain/(loss)	90	(567)	237	(585)	(873)
Other operating income	482	590	1,004	1,008	864
Share of results of associate	-	-	(86)	(96)	(111)
Total value added available for distribution	36,152	33,333	28,995	30,612	26,371
Distribution:					
To employees					
(1) Salaries and other staff costs	20,695	18,020	16,259	18,896	16,790
	57%	54%	56%	62%	64%
To government					
(1) Income and property taxes	1,384	1,076	1,010	1,147	(149)
	4%	3%	3%	4%	-1%
To providers of capital					
(1) Finance costs	445	381	214	148	128
(2) Dividend to shareholders	2,149	3,587	2,511	1,435	3,989
	7%	12%	9%	5%	16%
Balance retained in the business for re-investment and future growth:					
(1) Depreciation	6,705	6,760	6,583	5,900	5,329
(2) Accumulated profits	4,774	3,509	2,324	3,100	144
(3) Non-controlling interests	-	-	-	(14)	140
	32%	31%	31%	29%	21%
Non-production costs and income:					
(1) Bad debts written off	-	-	94	-	-
			1%		
<b>Total distribution</b>	<b>36,152</b>	<b>33,333</b>	<b>28,995</b>	<b>30,612</b>	<b>26,371</b>

### Productivity analysis

No. of employees	1,360	1,233	963	906	989
Value added per employee (\$'000)	27	27	30	34	27
Value added per dollar of employment cost (\$)	1.75	1.85	1.78	1.62	1.57
Value added per dollar of investment in fixed assets (before depreciation) (\$)	0.40	0.37	0.31	0.34	0.29
Value added per dollar of revenue (\$)	0.28	0.26	0.30	0.30	0.30

Total value-added created by the Group decreased to \$26M in FY 2011.

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 with the exception of FY 2011. In FY 2011, the Group has an income tax credit due mainly to recognition of deferred tax asset from unutilized tax incentives in the Singapore operation and losses in the China operation. The amount paid to providers of capital had increased over the years with the exception of FY 2009 and FY 2010 due to lower profits for FY 2008 and FY 2009. In FY 2011, the Group paid a net dividend of \$4.0M, 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.

## Board of Directors

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

### **Aloysius Lim Cher Kia, Executive Chairman**

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, Chief Executive Officer**

Mr Chow has been an executive director of the Company since 26 October 1998. He was last re-elected on 25 October 2010. 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 30 years of industrial working experience. He worked in several multinationals including Philips and General Electric before joining Chosen in 1991. Mr Chow took over the role of Chief Executive Officer of the Group from Mr Aloysius Lim with effect from 1 February 2011.

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

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

### **Chew Heng Ching, Independent Director**

Mr Chew has been an independent director of the Company since 8 February 1999. He was last re-elected on 22 October 2009. Mr Chew is a graduate, under a Colombo Plan Scholarship, in Industrial Engineering (First Class Honours) and Economics and is a university gold medalist from the University of Newcastle, Australia. He also holds an honorary Doctorate in Engineering from the same university. Mr Chew has more than 30 years of senior management experience in the public and private sectors. Presently, he is the CEO of Ruby Group of companies. He is a director of various other listed companies. He is the Founding President of the Singapore Institute of Directors and was Chairman of its Governing Council. He is also a Board member and past Chairman of the Singapore International Chamber of Commerce. He was a member of both the Corporate Governance Committee and the Council on Corporate Disclosure and Governance. Mr Chew was a former Member of Parliament and Deputy Speaker of the Singapore Parliament. He is a Fellow of the Singapore Institute of Directors and CPA Australia.



**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 22 October 2009. 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 2010. 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. 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.

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The directors' present directorships, other than those held in the Company, as at 30 June 2011 and the preceding three years in other listed companies are as follows:-

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**Aloysius Lim Cher Kia  
Present Directorship**

—

**Past Directorship**

—

**Chow Kok Hwee  
Present Directorship**

—

**Past Directorship**

—

**Soong Wee Choo  
Present Directorship**

—

**Past Directorship**

—

**Chew Heng Ching  
Present Directorship**  
Bonvests Holdings Ltd  
Huan Hsin Holdings Ltd  
Lee Kim Tah Hldgs Limited  
LMA International N.V.  
Pharmesis International Ltd  
Spindex Industries Limited

**Past Directorship**  
Evergro Properties Limited

**Chow Kok Kee  
Present Directorship**  
Innovalues Limited  
Meiban Group Ltd  
MobileOne Ltd  
Tuan Sing Holdings Limited  
Valuetronics Holdings Limited

**Past Directorship**  
Thai Village Holdings Ltd

**Henry Tan Song Kok  
Present Directorship**  
China New Town Development Co. Ltd  
Pertama Holdings Limited  
Raffles Education Corp Limited  
YHI International Limited

**Past Directorship**

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## Management Team

### **Lim Song Yong, Vice President (Southeast Asia)**

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. He has been the General Manager (Operations) of the Group's subsidiaries Chosen Technologies Pte Ltd, Chosen Dzios Pte Ltd and the Group's Chosen Innovation Centre in Singapore. He was appointed as Vice President (Southeast Asia) for the Group's operations in Singapore, Malaysia and Thailand in January 2011.

### **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. He was appointed as Senior General Manager (Operations) in September 2007.

### **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.

### **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.

### **Hoo Liong Hock, General Manager (Operations)**

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

### **Leong San Woo, General Manager (Operations)**

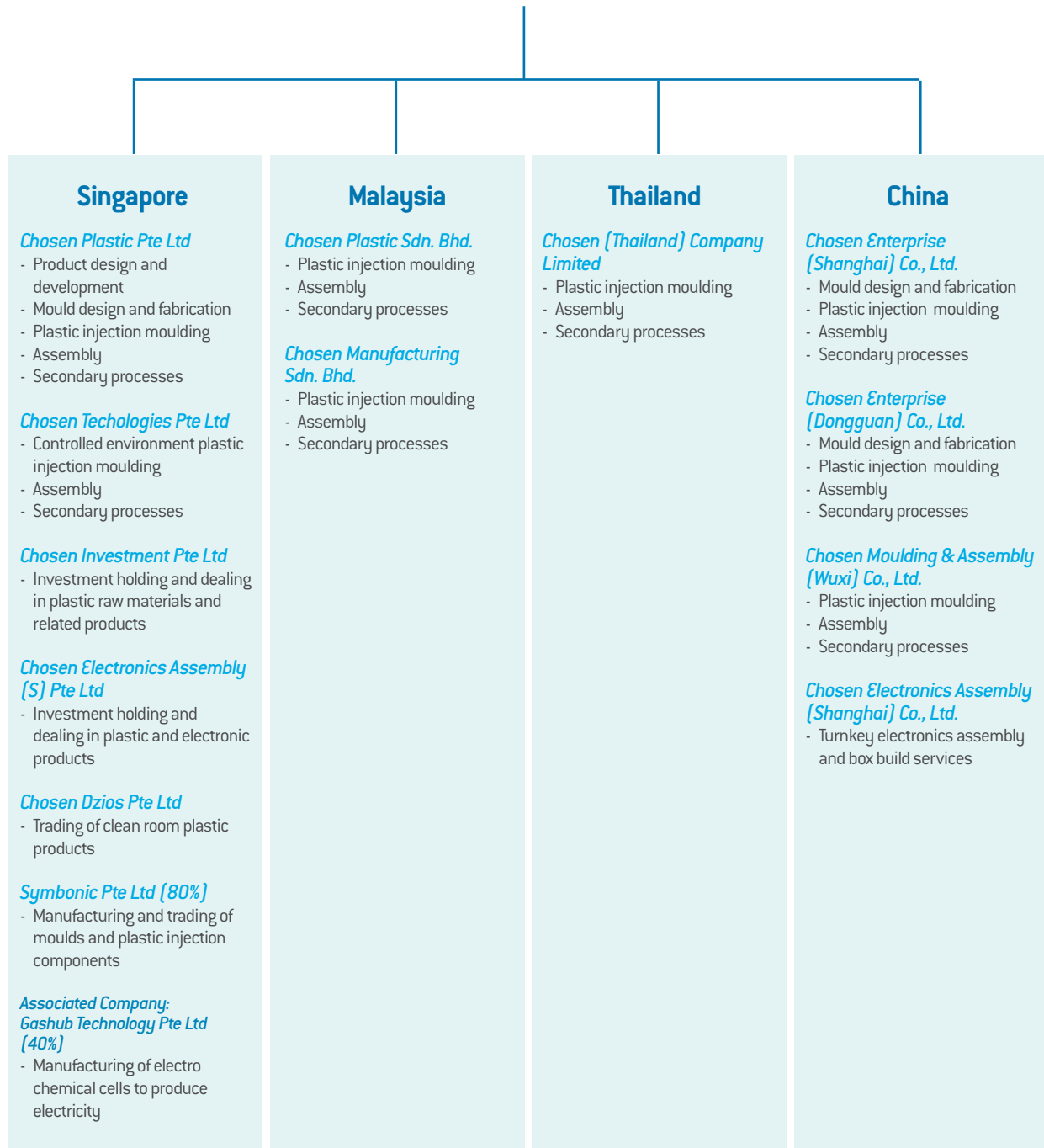
Mr Leong joined the Group in 2008. He is currently the General Manager responsible for the Group's Dongguan operations. Mr Leong holds a Diploma in Industrial Management and a Technical Diploma in Electronic and Communication Engineering from the Singapore Polytechnic and an Advanced Diploma in Computer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

### **Sinclair Bateman, General Manager (Business Development)**

Mr Bateman joined the Group in 2010 with more than 10 years experience in product design and development, applications development and marketing. He holds a Bachelor of Engineering (Honours) in Mechanical Engineering from the Coventry University, UK and a Master of Science in Computer Integrated Manufacturing from the Nanyang Technological University, Singapore. Prior to joining the Group, Mr Bateman had worked with several multinationals including Aiwa, Matsushita and GE.

## Group Structure

### CHOSEN HOLDINGS LIMITED



# STRATEGIC DIRECTION

Our focus is on executing our short and long term plans to increase our competitive advantage. Our approach is to focus on innovation and technology and to drive long term sustainability and shareholders value.

## FOCUS ON INNOVATION AND TECHNOLOGY

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



## DRIVE LONG TERM SUSTAINABILITY AND SHAREHOLDERS VALUE

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

### Products

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

### Risk Management

We will continue to strengthen our risk management framework to manage enterprise-wide risks to

mitigate and respond swiftly to risks that the Group face. We will also focus on maintaining a strong balance sheet.

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

### Shareholders

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

### Employees

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



## Operating Financial Review

### SELECTED PROFIT & LOSS DATA

	2011 \$'000	2010 \$'000	Change %
Revenue			
- Singapore	36,659	57,455	(36.2)
- Malaysia	15,217	13,696	11.1
- Thailand	7,883	5,693	38.5
- China	27,306	26,174	4.3
Total revenue	87,065	103,018	(15.5)
Cost of sales	(83,336)	(95,385)	(12.6)
Gross profit	3,729	7,633	(51.1)
Other income	934	1,068	(12.5)
Distribution expenses	(413)	(501)	(17.6)
Administrative expenses	(2,858)	(3,150)	(9.3)
Finance costs	(128)	(148)	(13.5)
Other expenses	(1,083)	(621)	74.4
Share of results of associate, net of income tax	(111)	(96)	15.6
Profit before tax	70	4,185	(98.3)
Income tax credit/ (expense)	214	(1,099)	(119.5)
Profit for the year	284	3,086	(90.8)

#### Revenue

Sales of printing and imaging products in Singapore and Malaysia reduced as a customer reorganized its supplier base from Singapore and Malaysia to Southern China. Sales of the Singapore operation was further reduced in the second half as a result of lower shipments of data media storage products to Japan due to the manufacturing disruption caused by the earthquake. Revenue from the other major product categories (communication, medical devices and automotive) increased resulting in higher revenue for the Malaysia, Thailand and China operations.

#### Gross Profit

Gross profit decreased due mainly to lower revenue contribution from the Singapore operation and lower margins on new products from the Malaysia operation.

#### Other Income

The decrease in other income was due largely to lower government grants received by the Singapore operation and lower gain on disposal of plant and equipment.

#### Distribution Expenses

Distribution expenses decreased in line with the lower revenue.

#### Administrative Expenses

Administrative expenses decreased in line with the lower revenue.

#### Finance Costs

The decrease in finance cost was due mainly to lower interest rates on borrowings.

#### Other Expenses

Other expenses increased due mainly to exchange loss resulting from the weakening of the US dollar and provision for doubtful debts.

#### Income Tax credit/ (expense)

The decrease in income tax expense was in line with the lower profit before tax. The lower current tax, recognition of deferred tax asset from unutilized tax incentives in the Singapore operation and losses in the China operation resulted in the income tax credit.

## Operating Financial Review

### BREAKDOWN OF COST AND EXPENSES:

	2011 \$'000	2010 \$'000	Change %
Material	49,826	58,248	(14.5)
Staff costs:			
- Directors' remuneration	1,497	1,586	(5.6)
- Salaries and other staff costs	14,171	16,055	(11.7)
- Contributions to defined contribution plans	1,297	1,400	(7.4)
Total staff costs	16,965	19,041	(10.9)
Factory maintenance costs:			
- Depreciation	5,329	5,900	(9.7)
- Rental expenses	1,512	1,043	45.0
- Utilities, upkeep and maintenance	6,905	7,394	(6.6)
Total factory maintenance costs	13,746	14,337	(4.1)
Casual labour	3,492	3,713	(6.0)
Finance costs	128	148	(13.5)
Other costs (included in cost of sales, distribution expenses and administrative expenses) of which amounts are not individually significant	2,578	3,697	(30.5)
Total operating expenses	86,735	99,184	(12.6)

Overall costs decreased by 12.6% over that of the previous financial year in line with the lower revenue.

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

## HALF YEARLY RESULTS

	First Half \$'000	First Half %	Second Half \$'000	Second Half %	Total \$'000
Revenue					
2011	45,832	53	41,233	47	87,065
2010	56,291	55	46,727	45	103,018
Profit after tax					
2011	1,089	383	(805)	(283)	284
2010	2,312	75	774	25	3,086
Earnings per share (cents)					
2011	0.38	760	(0.33)	(660)	0.05
2010	0.81	75	0.27	25	1.08

Sales of printing and imaging products in Singapore and Malaysia reduced as a customer reorganized its supplier base from Singapore and Malaysia to Southern China. Sales of the Singapore operation was further reduced in the second half as a result of lower shipments of data media storage products to Japan due to the manufacturing disruption caused by the earthquake.

The Group's profitability was adversely affected by the lower revenue contribution from the Singapore operation, lower gross profit margins on new products from the Malaysian operation and foreign exchange loss as a result of the weakening of the US dollar.

## SELECTED BALANCE SHEET DATA

	2011 \$'000	2010 \$'000	Change %
Property, plant and equipment	37,384	38,279	(2.4)
Associate	707	818	(13.6)
Inventories	12,034	11,182	7.6
Trade and other receivables	21,492	22,516	(4.5)
Cash and cash equivalents	19,729	25,810	(23.6)
Other assets	1,636	1,071	52.8
Total assets	92,982	99,676	(6.7)
Trade and other payables	(18,222)	(18,961)	(3.9)
Interest-bearing bank loans	(5,541)	(5,177)	(7.0)
Other liabilities	(1,926)	(2,492)	(22.7)
Total equity	67,293	73,046	(7.9)
Non-controlling interests	(186)	(46)	(304.3)
Shareholders' equity	67,107	73,000	(8.1)

Property, plant and equipment decreased due mainly to depreciation which more than offset the acquisition of precision machinery for the Dongguan plant and addition of production tools.

Investment in associate decreased due mainly to the recognition of the Group's share of loss in Gashub Technology Pte Ltd.

## Operating Financial Review

Inventories increased due mainly to the increased box build business in the last quarter of FY 2011.

Trade and other receivables and trade and other payables decreased due mainly to lower sales in May and June 2011 as compared to the previous corresponding year.

Other assets increased due mainly to the acquisition of equity securities held-for-trading and an increase in its fair value as well as higher deferred tax assets.

The decrease in other liabilities was mainly due to lower current tax payable and deferred tax liabilities.

### **INVESTMENT**

During the financial year, the Group increased the registered capital of its wholly-owned subsidiary, Chosen Enterprise (Dongguan) Co., Ltd from USD700,000 to USD1,500,000 to increase resources for the purchase of machinery.

### **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 2011.

## Liquidity and Capital Resources

### CASH FLOW STATEMENT

	2011 \$'000	2010 \$'000
Cash flows from operating activities	2,782	10,250
Cash flows from investing activities	(4,873)	(2,434)
Cash flows from financing activities	(3,419)	(1,542)
Net (decrease)/increase in cash and cash equivalents	(5,510)	6,274
Cash and cash equivalents at beginning of the year	25,628	18,578
Effects of exchange rate fluctuation on cash held	(561)	776
Cash and cash equivalents at end of the year	19,557	25,628
Fixed deposits pledged to banks for banker guarantees granted to certain subsidiaries	172	182
Cash and bank balances at end of the year	19,729	25,810

In the current financial year under review, the Group generated net cash from operating activities after working capital changes of \$2.8M. The decrease over that of FY 2010 was due mainly to lower Group profit and higher working capital requirements to support the tooling projects of the Dongguan, China operation.

Higher payment for acquisition of machineries, lower proceeds from disposal of old machineries and purchase of a club membership resulted in the higher net cash incurred for investing activities. Cash flows from financing activities increased due mainly to higher dividend paid which more than offset the proceeds from bank loans.

### CASH CONVERSION CYCLE

	2011 Days	2010 Days
Days of sales outstanding in accounts receivable (DAR)	81	75
Days of supply in inventory (DOI)	53	43
Days of purchases outstanding in accounts payable (DAP)	72	71
Cash conversion cycle	62	47

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

Our working capital requirements depend upon our effective management of cash conversion cycle, which represents effectively the number of days that elapse from the day we pay for the purchase of raw materials and production costs to the collection of cash from our customers. The cash conversion cycle is the sum of DAR and DOI less DAP. During the year, our cash conversion cycle increased from 47 days to 62 days as a result of higher unbilled receivables for tooling projects and higher inventory held for the increased box build business.

## Liquidity and Capital Resources

### INDEBTEDNESS

	2011 \$'000	2010 \$'000
Short term bank loans (unsecured)	5,541	5,177

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 1.94% to 2.763% (2010: 2.22% to 4.046%) per annum.

### TREASURY POLICY AND MANAGEMENT

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

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

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

## Risk Assessment and Management

Risk is inherent in innovation and the pursuit of long-term growth opportunities. Assessing and dealing with risks to stay ahead of the challenges in today's risk environment is an important aspect of doing business in the global economy. With the oversight of the Board and the Audit Committee, the Group has implemented a risk management framework that is intended to enable the management of risks and align risk taking appropriately with our efforts to increase shareholder value. It also enables us to anticipate and prepare for major disruptive events that might threaten our ability to conduct business. The Group places great emphasis on the constant review and strengthening of its risk management framework. Details of the framework are set out in the Corporate Governance – Internal Controls and Internal Audit section of this report.

The Group's financial performance and operations are influenced by a wide range of risks. Many of these risks affect not just our business but also other businesses in the industry. The following sets out an overview of the nature and extent of key risks that the Group is exposed to and our approach to management of 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, medical devices, communication and industrial 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 credit exposure and the creditworthiness of its counterparties are monitored on an ongoing basis. Customers are also assessed based on their historical payment records. Where necessary, customers may be requested to provide advance payment before goods are delivered or services are rendered.

The maximum exposure to credit risk is the carrying amount of financial assets which are mainly trade receivables and bank balances and fixed deposits. Trade receivables of the Group are mainly due from product companies and 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. The Group utilises forward foreign currency contracts and other foreign currency hedging instruments to hedge against the volatility of future cash flows caused by movements in foreign exchange rates.

### **Derivative Financial Instrument Risk**

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

## Risk Assessment and Management

### 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, retained earnings and bank loans excluding non-controlling interests. 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 2011, a hypothetical one percentage point reduction in the non-material portion of the selling price of the Group's products, with all other variables held constant, will lead to \$0.4M (FY 2010: \$0.4M) reduction in the gross profit of the Group.

### Foreign Currency Risk

The Group's exposure to the US dollar as at 30 June 2011 and 30 June 2010 are as follows:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade and other receivables	13,062	16,661	–	–
Cash and cash equivalents	8,579	13,975	9	607
Trade and other payables	(6,557)	(8,471)	–	–
Interest bearing bank loan	(2,841)	(2,677)	–	–
	<u>12,243</u>	<u>19,488</u>	<u>9</u>	<u>607</u>

A 5% strengthening of Singapore dollar against US dollars at the reporting date, with all other variables held constant, will have insignificant impact on profit before tax of the Group (2010: decrease profit before tax by \$1.0 million). Conversely, a 5% weakening of Singapore dollar against US dollar will result in an opposite impact on profit before tax of a similar amount. A similar change in exchange rate with all other variables held constant, will result in a decrease in profit before tax of \$0.2 million (2010: \$0.1 million) for the Company. There is no impact on the equity of the Group and Company.

### Interest Rate Risk

At balance sheet date, a hypothetical 100 basis points movement in interest rate, with all other variables held constant, will have an insignificant offsetting impact on the profit 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.



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## RESPONSIBLE CORPORATE CITIZEN

Our shared values define the way we conduct our business. We are committed to conduct our business in an accountable and sustainable manner. The Group continuously seeks improvement in accountability, business sustainability, employee well-being and contribute to environmentally conscious operations and products. We ensure that our policies and activities are consistent with our corporate objectives and shared values. The management regularly reviews the impact of our policies and activities on our customers, employees, shareholders, suppliers and the communities in which we do business and refine our corporate social responsibility initiatives and governance practices with a view towards business sustainability, increasing long-term shareholder value and reducing exposure to risks and inefficiencies.

## INTEGRITY AND ETHICS IN THE CONDUCT OF BUSINESS

We are committed to conducting business ethically and honestly in all locations that we operate in. We also believe that creating and maintaining an ethical workplace is critical to long term business success. Each employee at Chosen is individually responsible for maintaining the highest standards of ethical behaviour. We are guided by the Chosen's Code of Business Conduct ("Code") which forms part of the company's personnel policies. The Code is set out in the Group's corporate website. It outlines the principles which are integral in the way we conduct business and our expectations of business conduct within the company. The Code is aligned to the EICC Code which sets out a code of conduct for the electronics industry on five areas of social responsibility including:

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

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

# Corporate Social Responsibility

## Our Customers

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

### Innovation

Innovation is central to Chosen's business approach. We constantly engage our customers and work together with them to find new ways to apply our core competencies to build better products. The Singapore operation, with its expertise in specialized material applications, design and process development, initiates development projects with customers to build more sophisticated and cost effective products. It is such initiatives that earned us the competitive advantage that customers have come to recognise in their relationships with the Group.

The Group aims to gear up our overseas operations with such expertise to build value-added partnerships with all our customers. During the year, we expanded our mould fabrication operation in Dongguan to specialize in precision mould making. The operation has also commenced to initiate development projects with customers.

### Quality

The Group is dedicated to continuous improvement to achieve the highest quality standards in our products and services. All our factories are ISO 9001:2000 certified. Our plants in Shanghai, Dongguan, Wuxi and Thailand are also TS 16949 certified to meet the most stringent product quality requirements for automotive products. Our Singapore plants are certified ISO 13485 for the manufacturing of medical devices.

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



## Our Employees

### Manpower Analysis

Job Group:		
Managerial	71	7%
Corporate service staff	56	6%
Engineers and technicians	236	24%
Operators and other operational staff	629	63%
	<hr/>	
	992	100%

Educational Qualification:		
Degree & equivalent	82	8%
Diploma & equivalent	114	11%
"O"/"A" levels & equivalent	300	30%
Secondary level and lower	344	35%
Trade certificates	152	16%
	<hr/>	
	992	100%

Nationality:		
Singaporean/PR	169	17%
Malaysian	273	28%
Thai	120	12%
PRC	405	41%
Others	25	2%
	<hr/>	
	992	100%

Gender:		
Male	457	46%
Female	535	54%
	<hr/>	
	992	100%



## Corporate Social Responsibility

### Our Employees *cont'd*

#### Employee Diversity and Good Employer Principle

Our employees represent a variety of nationalities, genders, work styles, viewpoints, and expectations. The tables give snapshots of our employees in terms of diversity. An inclusive and diverse workforce gives us a competitive edge by providing access to new ideas, promoting better decision making, and attuning the company to a variety of customers and cultures.

The management strongly believes that an organisation is as good as its people. We strive to create a culture where all employees can contribute to their full potential in pursuit of the Group's mission and objectives. To stay innovative and competitive, we must attract and retain the best employees.

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

We pay our people competitive, performance based compensation that reward not only productivity and profitability but also innovation and collaboration. The Group provides employees of each operation sites with living, transportation, medical, professional subscription benefits and insurances including healthcare, workmen and travel insurances based on the local regulatory and market norms. Non-regulatory benefits available to employees include marriage, paternity and examination leaves.

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

#### People Development

The annual performance review summarizes what employees have achieved during the past year, and establish new goals for the coming year. During the review, managers discuss with employees about strengths, challenge areas, and steps they can take to achieve their career development goals.

We attach great importance to the grooming of our employees not only to perform better in their current jobs but also to nurture them for career development within the Group. Employees can take advantage of our formal and informal learning and development opportunities to address their development needs.

All employees of the Group are required to undergo training, either internal or external, that cover job-related skills and soft skills. Apart from in-house on-the-job training to equip employees with the ability to perform their respective tasks within the first month of assuming their job positions, regular workshops are conducted in areas such as technical know-how, productivity, quality control, quality system, industrial safety and housekeeping habits. The Group also sponsors its employees for external specialised courses as part of its continuing program to upgrade the skills of its employees. Employees are sent for external courses, seminars and workshops on technical updates, laws and regulations update, productivity, quality control, project management, risk control and skills upgrading. Some employees of our overseas plants are sent for language courses so as to improve the communication between them and the other employees in the region. Teambuilding programs are also held to foster close working relationships and teamwork among employees. These programs received many positive feedbacks from participants.



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

The Group supports and accommodates employees who upgrade themselves academically by making special work schedule arrangements for them. We also support cross-functional redeployment of talent by allowing skills portability which facilitates talent retention.

Our training and development initiatives enable us to retain talent by increasing the visibility of internal career opportunities. By enhancing our employees' skill sets, we are also able to innovate more successfully.

#### Employee Wellness and Work-Life Balance

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

Various activities are organized for employees within each operation site and at group level. Managers of all the Group's subsidiaries were invited to Singapore to attend the Group's 25th Anniversary celebration in February providing interaction opportunities for managers across the region.

Regular luncheons, dinners, monthly birthday celebrations and outings are organised during the year. Festive celebrations are also organised in some of our plants to increase employee interaction. These events have always been well participated by employees of all levels.

Tours to various holiday destinations within the country are organised by some of our subsidiaries to enhance interaction among employees.

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

#### Safety Awareness

Ensuring that our employees work in a safe workplace is of paramount importance. It is our responsibility to set proper policies and processes, and implement programs to minimise the risk of employee illness or injury in the workplace. The focus is on preventing and mitigating occupational risks through such controls.

The Group has a variety of programs to mitigate operational health and safety risks. All operation sites have safety committees and safety officers to constantly review and identify risks of illnesses and injury and enhance security and safety procedures. Regular safety awareness programmes are conducted in-house to reinforce safety awareness among employees. Disciplinary actions are taken on employees who violate safety rules and do not take safety precautions.



## Corporate Social Responsibility

### Our Community

#### Government Laws And Regulations

We are committed to conducting business in compliance with the law, local regulatory requirements and other accepted standards of business conduct and co-operating with legislators and government agencies. As regulations differ from country to country, we work closely with legal firms, legislators and government officials of each jurisdiction that we operate in.

#### Community and Social Responsibility

The Group believes that education provides the strongest foundation for lasting social and economic progress. Our commitment to education goes back more than a decade, to our involvement with local schools in Singapore. We have since, expanded these efforts through a variety of education-focused initiatives in the local community where our operations are based.

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.

We also reach out to students through hosting industrial visits and talks for students of various schools to provide them with valuable insights into the various services that we provide.

This year, we have for the second consecutive year, committed to sponsor a bursary to provide the family of students from Pei Cai Secondary School, who are on the Ministry of Education's Financial Assistance Scheme, with NTUC vouchers to enable them to offset their other expenses so that more pocket money can be afforded to the students. Students who are in the top 30% of the cohort during the year-end examinations, have good conduct and regular attendance and who have not been awarded the Edusave awards are eligible. The objective is to motivate students of needy families to study harder and to ease the financial burden of their family.

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

#### Product Safety

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

#### Environmental Responsibility

We are firmly committed to reducing the environmental impact of our activities and promoting the sustainable use of the natural resources on which we depend, while providing quality products that meet the needs of our customers. Our efforts in managing our environment impacts also help us meet the expectations of our stakeholders, reduce business risks and often reduce operating costs.



We have established internal sustainability programs aimed at:

- Lowering energy consumption
- Recycling reuseable materials thereby reducing wastes
- Monitoring and properly disposing hazardous materials
- Managing industrial wastes
- Improving our Environmental Management System

As effective initiatives often require education and support to influence behavior, we also organize programs to inspire employees to help make the workplace more energy and resource-efficient.

High electricity consumption is inherent in our industry as machines run 24 hours non-stop so as to reduce wastage of materials. The Group has over the years been finding ways to reduce electricity consumption. Recent efforts include using power factor improvement devices on machines and compressors. We will continue to expand existing initiatives and pilot new efforts to save electricity.

The Group seeks to minimize the use of potentially hazardous substances in our products and we continue to find ways to incorporate materials and components that reduce the environmental impact of our products and packaging. We have implemented lead free manufacturing processes and our products meet the RoHS standards for shipment to the European Union. We are not directly impacted by REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals Regulation) preregistration obligation. However, we continue to work with our customers and suppliers to comply with all relevant REACH requirements.

We also continuously work with customers to reduce the packaging-related environmental impacts of our products by reducing our packaging volume and expanding the use of reusable packaging materials.

Responsible waste management has become the target of regulation and stakeholder interest. The Group works to minimize the waste output of our operations and packaging. To minimize the environment impact of the materials that cannot be recycled, we engage certified industrial waste disposal partners to ensure responsible waste management.

There were no reportable spills or discharges to the environment from all our sites.

We have achieved ISO 14001 certification at our sites through independent third-party audits. Our ISO 14001 Environmental Management System provides a set of processes and practices that guide environmental activities at our operating sites. Through a continuous cycle of planning, implementing, reviewing, and improving processes, the system governs all aspects of our operations, including compliance with environmental requirements and ongoing efforts to improve environmental business performance.

## Corporate Social Responsibility

### Our Suppliers

#### Supplier Diversity and Social Responsibility

The Group's suppliers include those who provide raw material, components, testing services, secondary processes, packaging material, transportation, logistics, recycling, waste management and other services. We seek to establish and maintain productive relationships with our suppliers. In addition to our major suppliers, the Group also works with, and constantly recommends to our customers, local suppliers in each location that we operate. Many of these suppliers represent small businesses that provide a number of services. We believe that promoting such diversity provides access to regional skills and markets, viewpoints and experiences, and also helps reduce transportation cost and lead time.

#### Managing Risk of Disruption of Supplies

Managing our value chain is complex and the quality of our suppliers is critical to our success. Our major suppliers are required to uphold the same high standards of the EICC Code for the electronics industry which sets out responsibilities in areas including labour, health and safety, environmental, management system and ethics. Suppliers are asked to self-audit their performance against the code and we conduct audits to ensure compliance. All major suppliers are also required to put in place business continuity plan to respond to disruptive events. The Group conducts reviews to assess their ability to maintain business continuity and their preparedness for crisis management to prevent disruption of supplies.

## Our Shareholders

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

### Operations Sustainability

Chosen has evolved over these years to become a significant supplier to several key business sectors especially printing and imaging, medical devices, data storage handling and communication. 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, Crisis Management and Preparedness for Emergency Situations

Business disruptions could be caused by a natural disaster, a pandemic, civil unrest, an act of terrorism, fire and other events of various durations. The Group has in place a group-wide business continuity plan to respond to major operational disruptions. It aims to respond seamlessly to external events while minimising operational disruptions. The plan involves the identification of critical business functions and measures to ensure quick restoration and 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.

Because an emergency can strike quickly and without warning, it is imperative that employees learn how to plan for and report an emergency, respond to different types of emergencies, and evacuate safely. All the operation sites carry out annual drills to inculcate awareness and preparedness of employees for emergency situations. Debrief meetings are carried out to identify improvements to layout of facilities and procedures for emergency evacuation.



Virtual private network (VPN) access to the company's network enabling employees to work out of office and off-site live backup of the company's IT system is another initiative by the Group to anticipate and prepare for major disruptive events that may affect business continuity.

### Succession Planning

The Board discusses succession planning at board meetings and at strategic retreats. The Executive Directors regularly review their list of potential successors, and assess them against a list of leadership attributes. Plans are put in place to develop these candidates via training and development including regular face-to-face appraisal reviews, executive coaching, international assignments, executive development programmes and leading roles in major projects.



We also involve General Managers of all operational units in strategy meetings to tap their ideas and also prepare them to take on larger leadership roles. Such involvement also promotes participative management, facilitates interaction among management of units across the region and build stronger relationships among the management team.

### 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. We have kept our dividend payout ratio at more than 50% for the last 6 years. This year, despite the reduced profitability, the Board has continued to recommend a first and final tax exempt one-tier dividend of 0.66 cents per share in view of the healthy cash position.

### 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 direct from management. Such meetings also enable management to garner invaluable feedback from the investor community.



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

## Corporate Governance

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

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

### Board Matters

#### The Board's Conduct of Affairs

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

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

#### Executive Directors

Aloysius Lim Cher Kia  
Chow Kok Hwee  
Soong Wee Choo

#### Independent Directors

Chew Heng Ching  
Chow Kok Kee  
Henry Tan Song Kok

Apart from fulfilling its statutory responsibilities, the Board provides entrepreneurial leadership, reviews management performance, approves strategic plans, major investment and funding decisions, including key operational 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 has also adopted the Group's Enterprise Risk Management Framework as reviewed and approved by the Audit Committee. Details of this framework is outlined in the section on Internal Controls and Internal Audit.

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:

#### Directors' Attendance at Board and Board Committee Meetings during the Financial Year:

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

Apart from the above meetings, the Board also holds strategic retreats for all board members where certain issues like group business strategy, executive remuneration, succession planning (which is elaborated in the Corporate Social Responsibility – Our Shareholders section) and leadership development are discussed.

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

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

#### Board Composition and Guidance

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

Currently, the Board consists of six Directors, half of whom are considered independent by the Nomination Committee. The Board exercises independent judgement on corporate affairs, reviews the performance of management, provide management with objective perspective on issues and help shape the Group's strategic direction. The Independent Directors constructively challenge and help develop proposals on strategy. They also review and monitor the performance of management. The Independent directors meet without the presence of management as and when required.

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. The Board and its committees currently comprises directors who as a group provide core competencies required by the Company.

## Corporate Governance

### 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 Chairman and the CEO are separate persons and they are not related. 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 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 CEO has the general control and management of the business of the Group and, together with the Executive Directors, are responsible for the day-to-day management of the Company's businesses and affairs.

The re-election of the Executive Directors are reviewed by the Nomination Committee and their remuneration packages are being reviewed periodically by the Remuneration Committee. The Nomination Committee comprises a majority of independent directors of the Company while the Remuneration Committee comprises entirely of independent directors. As such, the Company believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

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

### Board Membership and Performance

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

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

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

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

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

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. Directors are appraised by all other members of the Board before their re-nomination at the AGM.

The Nomination Committee determines on an annual basis whether or not a director is independent, taking into account 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. A Director who has no relationship with the controlling shareholders, the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of the Group, is considered to be 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.

Each member of the Board abstains from making any recommendations and/or participating in any deliberations of the Board and/or Board committees and from voting on any resolution in respect of the assessment of his own performance or re-nomination as a Director. Except for remuneration as disclosed in this report, 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.

Key information of the directors of the Company is provided in the "Board of Directors" section of the annual report.

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 Board is of the view that the purpose of a board and board committee 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. The Nomination Committee reviews the relevance of the set of performance criterias and indicators annually and makes changes where necessary.

Qualitative criterias used include:

- Board size and composition (adequacy of current board size and whether the Board as a whole provide core competencies required by the Company);
- Discharge of principle Board functions (the Board's discharge of its statutory function as well as its other principle responsibilities);
- Board committees' discharge of its responsibilities; and
- Board processes (adequacy of number of meetings held, appropriateness of matters required for approval by the Board, the way meetings are scheduled and carried out, adequacy of time available for Board members to prepare for meetings, board attendance and adequacy of disclosures in Company announcements).

## Corporate Governance

Financial performance indicators used are those which not only reflect shareholders' return, 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. Criteria used include interactive skills, participation at board and committee meetings, knowledge of the industry, functional expertise, contribution to the productivity of meetings, understanding of finance and accounts, contribution at board committees, exercising independent judgement, improvement of own performance, availability and preparedness for meetings. 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 and performance 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 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, advising the Board through the Chairman on all governance matters 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.

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.

## Remuneration Matters

### Procedures for Developing Remuneration Policies

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

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

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

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

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

#### Level and Mix of Remuneration

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.

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

#### 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 Chairman of the Board and controlling shareholder of the Company, does not participate in the Scheme. The members of the Share Option Committee are:-

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

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

Options granted have vesting period of between 1 to 5 years; management level staff having longer vesting period. Directors are encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

#### Performance Share Award Committee

The Performance Share Award Scheme was adopted by the Shareholders in 2010. The Scheme is administered by the Performance Share Award Committee which has 3 Board members, all of whom are independent directors. The members of the committee are:-

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

There were no shares granted under the scheme in the current financial year.

## Corporate Governance

### Disclosure on Remuneration

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.

The Group's remuneration policies are disclosed under Principle 8.

### Annual Remuneration Report

(i) Remuneration of Directors for the financial year ended 30 June 2011:

Remuneration Band & Name of Director	Base/Fixed Salary	Variable or Performance related Income/Bonuses	Benefits in kind	Directors' Fees	Share Options Granted
\$500,000 to \$749,999 Aloysius Lim Cher Kia	98%	- <sup>(1)</sup>	2%	-	-
\$250,000 to \$499,999 Chow Kok Hwee Soong Wee Choo	97% 96%	- <sup>(1)</sup> - <sup>(1)</sup>	3% 4%	- -	- -
Below \$250,000 Chew Heng Ching Chow Kok Kee Henry Tan Song Kok	- - -	- - -	- - -	100% 100% 100%	- - -

<sup>(1)</sup> Did not qualify based on criterias set.

(ii) Remuneration of key executives for the financial year ended 30 June 2011:

### Remuneration Band & Name of Key Executives

\$250,000 to \$499,999

Lim Song Yong

Below \$250,000

Hoo Liong Huat

Leong San Woo

Puah Siang Kwang

Sinclair Bateman

Tay Say Kiat

Tay Thiam Huat

(iii) 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 2011. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

## 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 and explanation and information of the Group's performance, position and prospects on a quarterly basis.

### Audit Committee

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

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

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

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

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

- a. reviews the audit plan of the external auditors, their management letter and response from management;
- b. reviews the accounts of the Company, the consolidated accounts of the Group and the auditor's report on significant financial reporting issues and judgements as well as the interim and full year results announcements before submission to the Board for approval;
- c. reviews the Group's enterprise risk management framework;
- d. reviews the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls with the internal and external auditors;
- e. reviews the scope and findings of the Group's internal audit plan and programme including management's responses to the recommendations made;
- f. makes recommendation to the Board on proposals to the shareholders of the appointment/re-appointment of the external auditors and reviews their independence annually; and
- g. reviews interested party transactions, if any.

## Corporate Governance

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

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

### Whistle-Blower Policy

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

### 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 has established an Enterprise Risk Management Framework ("ERM Framework") 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 Audit Committee reviews and approves the Group's Enterprise Risk Management Framework. As the environment in which we operate changes, risks and opportunities change. Under the ERM Framework, which is developed with reference to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Model, management of all levels are expected to constantly review the business operations and the environment that we operate in to identify risk areas and ensure mitigating measures are promptly developed to address these risks. The ERM Framework outlines the Group's approach to managing enterprise-wide risks and sets out a systematic process for identifying, evaluating, managing and monitoring risks faced by the Group.

Individual business units have different cultures and risk profiles. Each business unit will identify and evaluate its own set of risks. As part of the annual internal audit of each business unit, risk identification, analysis and evaluation exercise will be carried out and treated according to the risk management process as set out in the ERM Framework. The business unit General Manager, Group Risk Control Manager and corporate management participate in the review process.

A report of the review setting out the key risks identified, evaluation of the risks and its mitigating actions will be compiled by the Group Risk Control Manager and presented to the Audit Committee for review. All other non-key risks are reported to corporate management for review and monitoring.

The Group's objective is to build a risk-centric culture promoting an effective integrated risk management framework in the Group. All management levels up to the Board and the Audit Committee plays a role in this framework. The Board maintains overall responsibility for risk management of the Group. It directs the Group in managing risks and determines the level of risk that the Group is willing to accept in the conduct of its business activities. The Audit Committee reviews key risks identified to ensure that the Group has put in place risk treatment measures to mitigate those risks and reviews Management's response to the internal audit report to ensure that the Group has put in place policies and controls to address weaknesses in internal control system identified. The corporate management sets risk management standards, ensures an effective risk management system is in place to support the Group in achieving its objectives, ensures that risk assessments are conducted for the Group at a frequency approved by the Audit Committee, ensures that the Group has identified its relevant risks and that suitable treatment measures have been implemented and are monitored for effectiveness, participates in risk assessments as required and determines the risk owner for identified key risks.

The General Manager of each business unit is responsible for inculcating risk awareness within the business unit, identifying, evaluating, reviewing and discussing risks with department managers, the Group Risk Control Manager and corporate management, determining the risk owners for the risks identified, ensuring treatment measures for mitigating these risks are promptly and properly implemented and ensuring policies and controls are complied with. The business units' department managers' responsibility is to be aware of risks which fall into their area of responsibility and the possible impacts these may have on other departments and vice versa, participate in business unit risk assessments, ensure risk treatment measures are implemented, ensure employees in the department comply with policies, controls and processes and participate in regular meetings with the General Manager to discuss and address business unit risks and act as risk owners for identified risks in their department.

The Group Risk Control Manager facilitates the unit General Managers and corporate management in identifying, evaluating and managing major business unit risks, provides advice in developing risk treatment measures, policies and internal controls to mitigate identified risks to an acceptable low level, performs audit work to ensure treatment measures developed and policies and controls that were put in place by management are properly implemented and complied with and ensures risks identified are brought to the attention of the relevant management level.

The Group's internal auditor also continuously performs financial and operational audits and the audit of other management processes to ensure effectiveness of and compliance with the Company's system of internal controls. All operating companies within the Group are subjected to audit at least once a year. The Audit Committee meets with the Internal Audit Manager at least 3 times a year to review internal audit reports and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

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

Based on the work performed by the Group's internal auditor and external auditors, the Audit Committee and the Board are satisfied that the Company has adequate and effective internal controls, including financial, operational and compliance and information technology controls and risk management policies and systems to meet the needs of the Company in its current business environment.

## Corporate Governance

### Communication with Shareholders

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

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

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

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. Substantial and pertinent comments and queries from shareholders during the AGM relating to the agenda of the meeting and responses from the Board and management are minuted. 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. The Company also welcomes shareholders who hold shares through nominees to attend its AGMs.

### Securities Transactions

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

### Material Contracts

Save for the service contracts of the Executive Directors with the Company, there were no material contracts of the Company or its subsidiaries involving the interests of any Directors, Chief Executive Officer or controlling shareholders either still subsisting at the end of the financial year ended 30 June 2011 or if not then subsisting, entered into since the end of the previous financial year.

# Code of Corporate Governance 2005

## Specific principles and guidelines for disclosure

## Page reference

Guideline 1.3	
• Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters.	36
Guideline 1.4	
• The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings.	37
Guideline 1.5	
• The type of material transactions that require board approval under internal guidelines.	36
Guideline 2.2	
• Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed.	39
Guideline 3.1	
• Relationship between the Chairman and CEO where they are related to each other.	38
Guideline 4.1	
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• Process for the selection and appointment of new directors to the board.	38
Guideline 4.6	
• Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent.	12 to 13 36 and 39
Guideline 5.1	
• Process for assessing the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board.	39 to 40
Principle 9	
• Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance.	41
Guideline 9.1	
• Composition of remuneration committee.	40
Guideline 9.2	
• Names and remuneration of each director. The disclosure of remuneration should be in bands of S\$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives.	42
• Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be made in bands of S\$250,000 and include a breakdown of remuneration.	42
Guideline 9.3	
• Remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceed S\$150,000 during the year. The disclosure should be made in bands of S\$250,000 and include a breakdown of remuneration.	42
Guideline 9.4	
• Details of employee share schemes.	51 to 52 79
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• Composition of audit committee and details of the committee's activities.	43 to 44
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• Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.	45

## Corporate Information

### Board of Directors

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

### Audit Committee

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

### Nomination Committee

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

### Remuneration Committee

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

### Share Option Committee

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

### Performance Share Award Committee

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

### Company Secretaries

Liew Meng Ling, ACIS  
Soong Wee Choo, FCPA

### Registered Office

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

### Share Registrar

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

### Auditors

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

### Investor Relations

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

### Stock Data

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

## Financial Report Contents

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## Directors' Report

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 2011.

### Directors

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

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

### Directors' interests

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

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

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

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 July 2011.

## Directors' Report

### Directors' interests (cont'd)

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 unexercised options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of option	Exercise price per share	Options outstanding at 1 July 2010	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding at 30 June 2011	Number of option holders at 30 June 2011	Exercise period	% exercisable
4 Sept 2002	\$0.205	1,520,000	-	-	(200,000)	1,320,000	14	4 Sept 2007 to 7 Feb 2012	Up to 100%
4 Sept 2002	\$0.205	572,000	-	-	(10,000)	562,000	22	4 Sept 2003 to 7 Feb 2012	Up to 100%
		<u>2,092,000</u>	<u>-</u>	<u>-</u>	<u>(210,000)</u>	<u>1,882,000</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.

## Directors' Report

### Share options (cont'd)

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 2011	Aggregate options granted since commencement of Scheme to 30 June 2011	Aggregate options exercised since commencement of Scheme to 30 June 2011	Aggregate options outstanding as at 30 June 2011
Chow Kok Hwee	-	300,000	-	300,000
Soong Wee Choo	-	200,000	-	200,000
Chew Heng Ching	-	100,000	100,000	-
Chow Kok Kee	-	100,000	100,000	-
Henry Tan Song Kok	-	100,000	100,000	-

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

Since the commencement of the Scheme, no options have been granted to employees of the 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.

### Performance Share Award Scheme

The Chosen Holdings Limited Performance Share Award Scheme (the "PSA Scheme") was approved by the shareholders of the Company at the Extraordinary General Meeting held on 25 October 2010. The PSA Scheme is administered by a PSA Scheme committee whose members are:

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

Persons eligible to participate in the PSA Scheme are selected Group employees and employees of associated companies as the PSA Scheme Committee may determine and non-executive directors of the Company and/or its subsidiaries.

Awards initially granted under the PSA Scheme may be conditional and principally performance-based.

The PSA Scheme contemplates the award of fully-paid ordinary shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met and upon expiry of the prescribed vesting periods.

During the financial year, the Company did not grant any shares under the PSA Scheme.

### 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

## Directors' Report

### Audit committee (cont'd)

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

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

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

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

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

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

### Auditors

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

On behalf of the Board of Directors

**Aloysius Lim Cher Kia**

*Director*

**Chow Kok Hwee**

*Director*

26 August 2011

## Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 56 to 87 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 2011 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*

26 August 2011

# Independent Auditors' Report

Members of the Company  
Chosen Holdings Limited

## Report on the financial statements

We have audited the accompanying 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 2011, the income statement, statement of comprehensive income, 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 information, as set out on pages 56 to 87.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *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 about 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 of financial statements that give a true and fair view 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, 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 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **KPMG LLP**

Public Accountants and  
Certified Public Accountants

### **Singapore**

26 August 2011

## Balance Sheets

As at 30 June 2011

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Non-current assets</b>					
Property, plant and equipment	3	37,384,042	38,279,024	53,478	179,219
Subsidiaries	4	-	-	21,049,448	21,049,448
Associate	5	706,660	818,231	-	-
Club membership	6	333,800	138,000	196,900	-
Deferred tax assets	7	447,405	208,282	-	-
		<u>38,871,907</u>	<u>39,443,537</u>	<u>21,299,826</u>	<u>21,228,667</u>
<b>Current assets</b>					
Inventories	8	12,033,642	11,181,557	-	-
Trade and other receivables	9	21,492,019	22,515,338	24,737	29,712
Amounts due from subsidiaries	10	-	-	13,598,727	12,457,453
Other financial assets	11	856,092	725,116	-	-
Cash and cash equivalents	12	19,729,104	25,810,453	5,091,503	6,318,599
		<u>54,110,857</u>	<u>60,232,464</u>	<u>18,714,967</u>	<u>18,805,764</u>
<b>Total assets</b>		<u>92,982,764</u>	<u>99,676,001</u>	<u>40,014,793</u>	<u>40,034,431</u>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	13	33,450,613	33,450,613	33,450,613	33,450,613
Reserves	14	33,656,315	39,549,739	6,207,012	5,846,840
		<u>67,106,928</u>	<u>73,000,352</u>	<u>39,657,625</u>	<u>39,297,453</u>
Non-controlling interests		186,416	45,579	-	-
<b>Total equity</b>		<u>67,293,344</u>	<u>73,045,931</u>	<u>39,657,625</u>	<u>39,297,453</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	7	1,726,295	2,148,583	167	1,007
<b>Current liabilities</b>					
Trade and other payables	15	18,221,902	18,960,788	340,678	671,841
Amounts due to subsidiaries	10	-	-	-	17,246
Interest-bearing bank loans (unsecured)	16	5,541,403	5,177,312	-	-
Current tax payable		199,820	343,387	16,323	46,884
		<u>23,963,125</u>	<u>24,481,487</u>	<u>357,001</u>	<u>735,971</u>
<b>Total liabilities</b>		<u>25,689,420</u>	<u>26,630,070</u>	<u>357,168</u>	<u>736,978</u>
<b>Total equity and liabilities</b>		<u>92,982,764</u>	<u>99,676,001</u>	<u>40,014,793</u>	<u>40,034,431</u>

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

## Consolidated Income Statement

Year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	17	87,064,776	103,017,675
Cost of sales		(83,335,609)	(95,384,802)
<b>Gross profit</b>		3,729,167	7,632,873
Other income	18(a)	933,866	1,067,605
Distribution expenses		(412,794)	(501,194)
Administrative expenses		(2,858,518)	(3,149,830)
Other expenses		(1,082,534)	(620,589)
Finance costs	20	(127,845)	(147,918)
Share of results of associate, net of income tax		(111,571)	(95,791)
<b>Profit before income tax</b>	18	69,771	4,185,156
Income tax credit/(expense)	21	214,004	(1,099,102)
<b>Profit for the year</b>		283,775	3,086,054
Attributable to:			
Owners of the Company		142,938	3,100,475
Non-controlling interests		140,837	(14,421)
<b>Profit for the year</b>		283,775	3,086,054
<b>Earnings per share (in cents):</b>	22		
Basic		0.05	1.08
Diluted		0.05	1.08

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

## Consolidated Statement of Comprehensive Income

Year ended 30 June 2011

	2011 \$	2010 \$
<b>Profit for the year</b>	283,775	3,086,054
<b>Other comprehensive income</b>		
Exchange differences on translation of financial statements of foreign subsidiaries	(2,047,807)	1,186,085
Realisation of foreign currency translation reserve upon voluntary liquidation of a subsidiary	-	(2,621)
Income tax on other comprehensive income	-	-
<b>Other comprehensive income for the year, net of income tax</b>	(2,047,807)	1,183,464
<b>Total comprehensive income for the year</b>	(1,764,032)	4,269,518
Attributable to:		
Owners of the Company	(1,904,869)	4,283,939
Non-controlling interests	140,837	(14,421)
<b>Total comprehensive income for the year</b>	(1,764,032)	4,269,518

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

## Consolidated Statement of Changes in Equity

Year ended 30 June 2011

	----- Attributable to equity holders of the Company -----						Total equity \$
	Share capital \$	Statutory reserves \$	Foreign currency translation reserve \$	Accumulated profits \$	Total \$	Non-controlling interests \$	
At 1 July 2009	33,450,613	579,172	(2,536,891)	38,658,251	70,151,145	-	70,151,145
<b>Total comprehensive income for the year</b>							
Profit or loss	-	-	-	3,100,475	3,100,475	(14,421)	3,086,054
<b>Other comprehensive income</b>							
Exchange differences on translation of financial statements of overseas subsidiaries (net of income tax)	-	-	1,186,085	-	1,186,085	-	1,186,085
Realisation of foreign currency translation reserve upon voluntary liquidation of a subsidiary	-	-	(2,621)	-	(2,621)	-	(2,621)
Total other comprehensive income	-	-	1,183,464	-	1,183,464	-	1,183,464
Total comprehensive income for the year	-	-	1,183,464	3,100,475	4,283,939	(14,421)	4,269,518
<b>Transactions with owner, recorded directly in equity</b>							
Final tax exempt dividend paid of 0.5 cents per share in respect of year ended 30 June 2009	-	-	-	(1,434,732)	(1,434,732)	-	(1,434,732)
Contributions from non-controlling interests	-	-	-	-	-	60,000	60,000
Total transactions with owners	-	-	-	(1,434,732)	(1,434,732)	60,000	(1,374,732)
Transfer between reserves	-	14,792	-	(14,792)	-	-	-
At 30 June 2010	33,450,613	593,964	(1,353,427)	40,309,202	73,000,352	45,579	73,045,931

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

## Consolidated Statement of Changes in Equity

Year ended 30 June 2011

	----- Attributable to equity holders of the Company -----						
	Share capital \$	Statutory reserves \$	Foreign currency translation reserve \$	Accumulated profits \$	Total \$	Non-controlling interests \$	Total equity \$
At 1 July 2010	33,450,613	593,964	(1,353,427)	40,309,202	73,000,352	45,579	73,045,931
<b>Total comprehensive income for the year</b>							
Profit or loss	-	-	-	142,938	142,938	140,837	283,775
<b>Other comprehensive income</b>							
Exchange differences on translation of financial statements of overseas subsidiaries (net of income tax)	-	-	(2,047,807)	-	(2,047,807)	-	(2,047,807)
Total other comprehensive income	-	-	(2,047,807)	-	(2,047,807)	-	(2,047,807)
Total comprehensive income for the year	-	-	(2,047,807)	142,938	(1,904,869)	140,837	(1,764,032)
<b>Transactions with owner, recorded directly in equity</b>							
Final tax exempt dividend paid of 0.66 cents per share in respect of year ended 30 June 2010	-	-	-	(1,893,846)	(1,893,846)	-	(1,893,846)
Special tax exempt dividend paid of 0.73 cents per share in respect of year ended 30 June 2010	-	-	-	(2,094,709)	(2,094,709)	-	(2,094,709)
Total transactions with owners	-	-	-	(3,988,555)	(3,988,555)	-	(3,988,555)
Transfer between reserves	-	20,255	-	(20,255)	-	-	-
At 30 June 2011	33,450,613	614,219	(3,401,234)	36,443,330	67,106,928	186,416	67,293,344

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

## Consolidated Cash Flow Statement

Year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Operating activities</b>			
Profit before income tax		69,771	4,185,156
Adjustments for:			
Depreciation of property, plant and equipment		5,328,765	5,900,164
Gain on disposal of property, plant and equipment		(13,949)	(140,905)
Property, plant and equipment written off		1,523	19,961
Change in fair value of quoted equity securities		(26,600)	(74,821)
Fair value of derivative financial instruments		(49,000)	-
Gain on disposal of quoted equity securities		(31,599)	-
Dividend income		(37,756)	(28,117)
Interest income		(31,834)	(31,661)
Interest expense		127,845	147,918
Impairment loss on loan and receivables		182,285	-
Impairment of club membership		25,500	16,000
Share of results of associate		111,571	95,791
		<u>5,656,522</u>	<u>10,089,486</u>
Changes in working capital:			
Inventories		(852,085)	749,290
Trade and other receivables		1,263,903	(2,779,181)
Trade and other payables		<u>(2,292,973)</u>	<u>2,944,847</u>
Cash generated from operations		3,775,367	11,004,442
Income taxes paid		<u>(993,040)</u>	<u>(753,768)</u>
<b>Cash flows from operating activities</b>		<u>2,782,327</u>	<u>10,250,674</u>
<b>Investing activities</b>			
Interest received		31,373	27,510
Dividend received		37,756	15,082
Proceeds from disposal of property, plant and equipment		131,349	1,423,806
Purchase of property, plant and equipment		<u>(4,829,907)</u>	<u>(3,217,548)</u>
Purchase of club membership		(221,300)	-
Proceeds from disposal of quoted equity securities		435,447	-
Purchase of quoted equity securities		<u>(459,224)</u>	<u>(182,608)</u>
Investment in associate		-	(500,000)
<b>Cash flows from investing activities</b>		<u>(4,874,506)</u>	<u>(2,433,758)</u>
<b>Financing activities</b>			
Dividends paid		<u>(3,988,555)</u>	<u>(1,434,732)</u>
Interest paid		<u>(129,486)</u>	<u>(158,607)</u>
Proceeds from bank loans		690,400	-
Fixed deposits pledged with banks		9,447	(8,754)
Contributions from non-controlling interests		-	60,000
<b>Cash flows from financing activities</b>		<u>(3,418,194)</u>	<u>(1,542,093)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(5,510,373)</u>	<u>6,274,823</u>
Cash and cash equivalents at beginning of year		25,628,674	18,578,262
Effect of exchange rate fluctuations on cash held		<u>(561,529)</u>	<u>775,589</u>
<b>Cash and cash equivalents at end of year</b>	12	<u>19,556,772</u>	<u>25,628,674</u>

### Non-cash transaction

During the financial year, the Group received dividend income of \$8,086 (2010: \$13,035) on its quoted equity securities in the form of scrip dividend.

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

# Notes to the Financial Statements

Year ended 30 June 2011

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 August 2011.

## 1 Domicile and activities

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

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

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

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

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

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

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

In particular, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4, 5 and 11 – Valuation of investments
- Note 8, 9 and 10 – Valuation of trade and other receivables.

### 2.2 Consolidation

#### *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

# Notes to the Financial Statements

Year ended 30 June 2011

## 2.2 Consolidation(cont'd)

### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### ***Associate***

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

An associate is accounted for using the equity method (equity-accounted investee) and is recognised initially at cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investee, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. For this purpose, the latest financial statements are used. Where audited financial statements are not available, unaudited management financial statements are used.

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

### ***Transactions eliminated on consolidation***

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

### ***Accounting for subsidiaries and associate by the Company***

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

## 2.3 Foreign currencies

### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

### ***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 are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of, such that control or significant influence is lost, the cumulative amount in the foreign exchange translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

# Notes to the Financial Statements

Year ended 30 June 2011

## 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 recognised in profit or loss on a straight-line basis so as to write off the items of property, plant and equipment over their estimated useful lives as follows:

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

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

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

## 2.5 Club membership

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

## 2.6 Financial instruments

### *Derivative financial assets*

Derivatives are recognised initially at fair value; attributable transactions costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss. The fair value of forward currency contracts and foreign currency option contracts are based on valuation provided by the Group's bankers.

### *Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

### *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 profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. The fair value of equity securities classified as held-for-trading is determined as the quoted bid price at the balance sheet date.

# Notes to the Financial Statements

Year ended 30 June 2011

## 2.6 Financial instruments (cont'd)

### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and bank deposits. Bank deposits that are pledged are excluded for the purpose of the cash flow statement.

### *Non-derivative financial liabilities*

The Group initially recognises financial liabilities on the trade date which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: financial liabilities and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

## 2.7 Inventories

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

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

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

## 2.8 Impairment

### *Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables on a specific asset level. All receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## Notes to the Financial Statements

Year ended 30 June 2011

### 2.8 Impairment (cont'd)

#### *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, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

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 or amortisation, 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 profit or loss 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 Share capital

Ordinary shares are classified as equity.

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

### 2.11 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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 in respect of 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.

# Notes to the Financial Statements

Year ended 30 June 2011

## 2.11 Income tax expense (cont'd)

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 Government grants

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

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

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

## 2.13 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 profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

### *Interest income*

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

## 2.14 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 profit or loss as an integral part of the total lease payments made.

## 2.15 Finance costs

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

## 2.16 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.

## Notes to the Financial Statements

Year ended 30 June 2011

### 3 Property, plant and equipment

	Freehold land and building \$	Land use rights \$	Leasehold land and building \$	Plant and machinery \$	Renovations, furniture and fittings \$	Office equipment \$	Computers \$	Motor vehicles \$	Production tools \$	Construction in progress \$	Total \$
<b>Group</b>											
<b>Cost</b>											
At 1 July 2009	4,573,325	1,447,073	9,849,221	59,892,174	5,364,375	449,420	2,365,778	1,774,120	6,417,507	53,000	92,185,993
Translation difference	-	(30,716)	35,952	693,751	46,464	2,616	4,330	3,825	-	(1,125)	755,097
Additions	-	-	57,859	1,271,077	67,591	16,062	209,535	68,919	764,614	-	2,455,657
Transfer	-	-	51,875	-	-	-	-	-	-	(51,875)	-
Disposals/write-offs	-	-	-	(4,210,800)	(125,754)	(16,796)	(258,408)	(251,658)	(269,204)	-	(5,132,620)
At 30 June 2010	4,573,325	1,416,357	9,994,907	57,646,202	5,352,676	451,302	2,321,235	1,595,206	6,912,917	-	90,264,127
At 1 July 2010	4,573,325	1,416,357	9,994,907	57,646,202	5,352,676	451,302	2,321,235	1,595,206	6,912,917	-	90,264,127
Translation difference	-	(111,261)	(799,950)	(2,642,557)	(188,805)	(25,123)	(79,526)	(33,452)	-	-	(3,880,674)
Additions	-	-	773	3,373,142	790,242	31,619	237,236	35,614	1,036,616	880,398	6,385,640
Disposals/write-offs	-	-	-	(606,921)	(34,264)	(18,842)	(174,050)	(215,012)	-	-	(1,049,089)
At 30 June 2011	4,573,325	1,305,096	9,195,730	57,769,866	5,919,849	438,956	2,304,895	1,382,356	7,949,533	880,398	91,720,004
<b>Accumulated depreciation</b>											
At 1 July 2009	230,634	272,531	2,783,862	36,584,983	4,076,861	383,423	2,227,852	1,189,969	1,789,634	-	49,539,749
Translation difference	-	(5,648)	(4,601)	335,329	43,569	1,813	2,031	2,455	-	-	374,948
Depreciation charge for the year	-	28,191	301,944	4,317,250	411,787	30,859	113,973	208,565	487,595	-	5,900,164
Disposals/write-offs	-	-	-	(3,038,555)	(125,380)	(15,241)	(256,590)	(218,697)	(175,295)	-	(3,829,758)
At 30 June 2010	230,634	295,074	3,081,205	38,199,007	4,406,837	400,854	2,087,266	1,182,292	2,101,934	-	51,985,103
At 1 July 2010	230,634	295,074	3,081,205	38,199,007	4,406,837	400,854	2,087,266	1,182,292	2,101,934	-	51,985,103
Translation difference	-	(23,766)	(126,149)	(1,633,225)	(146,110)	(22,317)	(72,539)	(23,634)	-	-	(2,047,740)
Depreciation charge for the year	-	26,689	296,225	3,933,289	328,846	26,715	179,285	161,378	376,338	-	5,328,765
Disposals/write-offs	-	-	-	(526,427)	(32,673)	(17,435)	(177,058)	(171,086)	(5,487)	-	(930,166)
At 30 June 2011	230,634	297,997	3,251,281	39,972,644	4,556,900	387,817	2,016,954	1,148,950	2,472,785	-	54,335,962
<b>Carrying amount</b>											
At 1 July 2009	4,342,691	1,174,542	7,065,359	23,307,191	1,287,514	65,997	137,926	584,151	4,627,873	53,000	42,646,244
At 30 June 2010	4,342,691	1,121,283	6,913,702	19,447,195	945,839	50,448	233,969	412,914	4,810,983	-	38,279,024
At 1 July 2010	4,342,691	1,121,283	6,913,702	19,447,195	945,839	50,448	233,969	412,914	4,810,983	-	38,279,024
At 30 June 2011	4,342,691	1,007,099	5,944,449	17,797,222	1,362,949	51,139	287,941	233,406	5,476,748	880,398	37,384,042

## Notes to the Financial Statements

Year ended 30 June 2011

### 3 Property, plant and equipment (cont'd)

Company	Computers \$	Motor vehicles \$	Total \$
<b>Cost</b>			
At 1 July 2009	33,343	667,236	700,579
Additions	17,341	47,919	65,260
Disposals	-	(119,216)	(119,216)
At 30 June 2010	<u>50,684</u>	<u>595,939</u>	<u>646,623</u>
At 1 July 2010	50,684	595,939	646,623
Disposals	-	(47,919)	(47,919)
At 30 June 2011	<u>50,684</u>	<u>548,020</u>	<u>598,704</u>
<b>Accumulated depreciation</b>			
At 1 July 2009	23,316	465,761	489,077
Depreciation charge for the year	7,486	90,057	97,543
Disposals	-	(119,216)	(119,216)
At 30 June 2010	<u>30,802</u>	<u>436,602</u>	<u>467,404</u>
At 1 July 2010	30,802	436,602	467,404
Depreciation charge for the year	9,895	71,920	81,815
Disposals	-	(3,993)	(3,993)
At 30 June 2011	<u>40,697</u>	<u>504,529</u>	<u>545,226</u>
<b>Carrying amount</b>			
At 1 July 2009	<u>10,027</u>	<u>201,475</u>	<u>211,502</u>
At 30 June 2010	<u>19,882</u>	<u>159,337</u>	<u>179,219</u>
At 1 July 2010	19,882	159,337	179,219
At 30 June 2011	<u>9,987</u>	<u>43,491</u>	<u>53,478</u>

## Notes to the Financial Statements

Year ended 30 June 2011

### 4 Subsidiaries

	Company	
	2011 \$	2010 \$
Unquoted shares, at cost	21,049,448	21,049,448

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2011 %	2010 %
<sup>(1)</sup> Chosen Plastic Pte Ltd and its subsidiaries:	Singapore	100	100
<sup>(1)</sup> Synertac Pte Ltd (formerly known as Newtech Plastics Pte Ltd)	Singapore	100	100
<sup>(1)</sup> Chosen Technologies Pte Ltd	Singapore	100	100
<sup>(1)</sup> Chosen Dzios Pte Ltd	Singapore	100	100
<sup>(2)</sup> Chosen Plastic Sdn. Bhd. and its subsidiaries:	Malaysia	100	100
<sup>(2)</sup> Chosen Manufacturing Sdn. Bhd.	Malaysia	100	100
<sup>(1)</sup> Chosen Investment Pte Ltd and its subsidiaries:	Singapore	100	100
<sup>(3),(4)</sup> Chosen Enterprise (Shanghai) Co., Ltd.	People's Republic of China	100	100
<sup>(1)</sup> Chosen Electronics Assembly (Singapore) Pte Ltd and its subsidiary:	Singapore	100	100
<sup>(3),(4)</sup> Chosen Electronics Assembly (Shanghai) Co., Ltd.	People's Republic of China	100	100
<sup>(3),(4)</sup> Chosen Enterprise (Dongguan) Co., Ltd.	People's Republic of China	100	100
<sup>(3),(4)</sup> Chosen Moulding & Assembly (Wuxi) Co., Ltd	People's Republic of China	100	100
<sup>(1)</sup> Symbonic Pte Ltd	Singapore	80	80
<sup>(2)</sup> Chosen (Thailand) Company Limited	Thailand	100	100

<sup>(1)</sup> Audited by KPMG LLP Singapore.

<sup>(2)</sup> Audited by other member firms of KPMG International.

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

<sup>(4)</sup> The subsidiaries are required to have a financial year ending 31 December each year in the People's Republic of China. The Company has obtained an approval from the Accounting and Corporate Regulatory Authority ("ACRA") under Section 200(3) and (4) of the Companies Act authorising the subsidiaries to have a financial year end which do not coincide with the financial year end of the Company. The consolidated financial statements of the Group include the non-statutory results and financial position of the subsidiaries as at 30 June 2011 audited/reviewed by member firm of KPMG International 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 2011

### 5 Associate

	Group	
	2011	2010
	\$	\$
Interest in associate	706,660	818,231

In 2009, one of the Group's wholly-owned subsidiary, Chosen Investment Pte Ltd entered into a Subscription Agreement with Gashub Technology Pte Ltd ("Gashub") and Gashub existing shareholder to subscribe for 300,000 new ordinary shares (representing 40% of the enlarged share capital) of Gashub. The investment is payable in four tranches. At 30 June 2011, the first 2 tranches, amounting to \$1,000,000 have been paid. The balance is payable subject to the achievement of certain milestones.

Details of the associate are as follows:

Name of associate	Country of incorporation	Effective equity held by the Group	
		2011	2010
		%	%
Gashub Technology Pte Ltd	Singapore	40	40

The associate is audited by KPMG LLP Singapore.

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

	2011	2010
	\$	\$
<b>Assets and liabilities</b>		
Total assets	629,372	984,924
Total liabilities	31,735	62,024
<b>Results</b>		
Revenue	198,449	710,773
Loss after tax	278,927	227,041

### 6 Club membership

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Club membership, at cost				
At 1 July	154,000	154,000	-	-
Additions	221,300	-	221,300	-
At 30 June	375,300	154,000	221,300	-
Less: Impairment allowance	(41,500)	(16,000)	(24,400)	-
	333,800	138,000	196,900	-

During the year, an allowance for impairment loss of \$25,500 (2010: \$16,000) was recognised in respect of club membership. The recoverable amount of the club membership is determined based on fair value less costs to sell estimated using published quotations at the balance sheet date.

## Notes to the Financial Statements

Year ended 30 June 2011

### 7 Deferred tax

Movements in deferred tax (assets)/liabilities during the year are as follows:

Group	At 1 July 2009 \$	(Credited)/ Charged to income statement (note 21) \$	Translation difference \$	At 30 June 2010 \$
<b>Deferred tax liabilities</b>				
Property, plant and equipment	3,033,427	(201,400)	70,953	2,902,980
Provisions and allowances	(79,916)	(78,599)	(4,999)	(163,514)
	<u>2,953,511</u>	<u>(279,999)</u>	<u>65,954</u>	<u>2,739,466</u>
<b>Deferred tax assets</b>				
Provisions and allowances	(869)	(995)	-	(1,864)
Unutilised tax losses	(385,149)	169,733	8,998	(206,418)
Unutilised reinvestment allowance	(755,962)	196,825	(28,100)	(587,237)
Other items (net)	(1,604)	(2,042)	-	(3,646)
	<u>(1,143,584)</u>	<u>363,521</u>	<u>(19,102)</u>	<u>(799,165)</u>

	At 1 July 2010 \$	(Credited)/ Charged to income statement (note 21) \$	Translation difference \$	At 30 June 2011 \$
<b>Deferred tax liabilities</b>				
Property, plant and equipment	2,902,980	(98,918)	(82,155)	2,721,907
Provisions and allowances	(163,514)	(43,959)	8,343	(199,130)
	<u>2,739,466</u>	<u>(142,877)</u>	<u>(73,812)</u>	<u>2,522,777</u>
<b>Deferred tax assets</b>				
Provisions and allowances	(1,864)	(2,586)	-	(4,450)
Unabsorbed wear and tear allowance	-	(202,657)	-	(202,657)
Unutilised tax losses	(206,418)	(338,623)	21,926	(523,115)
Unutilised reinvestment allowance	(587,237)	44,833	31,543	(510,861)
Other items (net)	(3,646)	842	-	(2,804)
	<u>(799,165)</u>	<u>(498,191)</u>	<u>53,469</u>	<u>(1,243,887)</u>

Company	At 1 July 2009 \$	Charged to income statement \$	At 30 June 2010 \$	Charged to income statement \$	At 30 June 2011 \$
Other items (net)	(1,604)	2,611	1,007	(840)	167

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.

## Notes to the Financial Statements

Year ended 30 June 2011

### 7 Deferred tax (cont'd)

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

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Deferred tax liabilities	1,726,295	2,148,583	167	1,007
Deferred tax assets	(447,405)	(208,282)	-	-

At 30 June 2011, the Group has deferred tax assets amounting to \$444,153 (2010: \$210,895) in relation to unutilised tax losses of subsidiaries which had suffered loss in the financial year. The deferred tax assets were recognised on the basis of profit forecasts of the subsidiaries.

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

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Tax losses	9,249,745	11,307,939	-	-

Tax losses of \$1,962,566 expired in the year ended 30 June 2011 (2010: Nil). The remaining 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.

### 8 Inventories

	Group	
	2011	2010
	\$	\$
Raw materials	6,638,226	5,537,886
Work-in-progress	1,754,937	2,110,443
Finished goods	3,666,544	3,559,293
	12,059,707	11,207,622
Allowance for inventory obsolescence	(26,065)	(26,065)
	12,033,642	11,181,557

## Notes to the Financial Statements

Year ended 30 June 2011

### 9 Trade and other receivables

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
Trade receivables	16,519,511	19,819,732	-	-
Allowance for impairment loss	(177,021)	-	-	-
Net trade receivables	16,342,490	19,819,732	-	-
Unbilled receivables	2,235,103	1,057,073	-	-
GST recoverable	848,816	332,392	-	-
Deposits	710,715	646,980	-	-
Interest receivable	7,331	6,870	1,249	1,222
Government grant receivable	482,644	313,460	-	-
Other receivables	25,448	99,496	-	-
Loans and receivables	20,652,547	22,276,003	1,249	1,222
Tax recoverable	422,409	-	-	-
Prepayments	417,063	239,335	23,488	28,490
	<u>21,492,019</u>	<u>22,515,338</u>	<u>24,737</u>	<u>29,712</u>

At the balance sheet date, approximately 40% (2010: 51%) of the Group's trade receivables were due from 5 major customers, which are multi-national companies.

The ageing of loans and receivables at the reporting date is:

Group	Gross 2011 \$	Impairment 2011 \$	Gross 2010 \$	Impairment 2010 \$
	Not past due	16,160,950	-	15,848,398
Past due less than 3 months	4,192,345	-	5,930,504	-
Past due more than 3 months and less than 6 months	296,816	48,601	377,260	-
Past due more than 6 months	179,457	128,420	119,841	-
	<u>20,829,568</u>	<u>177,021</u>	<u>22,276,003</u>	<u>-</u>
<b>Company</b>				
Not past due	1,249	-	1,222	-

The movement in allowance for impairment loss in respect of loans and receivables during the year is as follows:

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
At 1 July	-	-	-	-
Allowance made during the year	188,285	-	-	-
Translation difference	(11,264)	-	-	-
At 30 June	<u>177,021</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

## Notes to the Financial Statements

Year ended 30 June 2011

### 10 Amounts due from/(to) subsidiaries

	Company	
	2011	2010
	\$	\$
Trade	9,352,427	8,351,703
Non-trade	4,246,300	4,105,750
Amounts due from subsidiaries	<u>13,598,727</u>	<u>12,457,453</u>
Non-trade amounts due to subsidiaries	<u>-</u>	<u>(17,246)</u>

The non-trade amounts due from/to subsidiaries are unsecured, interest free, not past due and repayable on demand. There is no allowance for doubtful debts arising on the outstanding balances.

### 11 Other financial assets

	Group	
	2011	2010
	\$	\$
Quoted equity securities, at fair value through profit or loss	807,092	725,116
Derivative financial instruments	49,000	-
	<u>856,092</u>	<u>725,116</u>

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as at 30 June 2011. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Group</b>				
<b>30 June 2010</b>				
Quoted equity securities, at fair value through profit or loss	<u>725,116</u>	-	-	<u>725,116</u>
<b>30 June 2011</b>				
Quoted equity securities, at fair value through profit or loss	807,092	-	-	807,092
Derivative financial instruments	-	49,000	-	49,000
	<u>807,092</u>	<u>49,000</u>	-	<u>856,092</u>

There is no transfer between levels during the year.

Derivative financial instruments comprise of forward currency contracts and foreign currency option contracts. The notional amount of the forward currency contracts and foreign currency option contracts as at 30 June 2011 are \$13,853,800 and \$15,447,600 respectively.

All derivative financial instruments mature within a year.

## Notes to the Financial Statements

Year ended 30 June 2011

### 12 Cash and cash equivalents

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
Cash at bank and in hand	15,532,960	20,092,797	1,390,065	1,117,202
Fixed deposits with banks and non-bank financial institutions	4,196,144	5,717,656	3,701,438	5,201,397
	19,729,104	25,810,453	5,091,503	6,318,599
Fixed deposits pledged to a bank	(172,332)	(181,779)		
Cash and cash equivalents in consolidated statement of cash flows	19,556,772	25,628,674		

Fixed deposits of the Group amounting to \$172,332 (2010: \$181,779) 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 2.75% (2010: 0.05% to 2.80%) and from 0.05% to 0.3% (2010: 0.05% to 0.34%) respectively. Interest rates reprice within a period of twelve months.

### 13 Share capital

	Group and Company	
	2011 No. of shares	2010 No. of shares
<b>Fully paid ordinary shares, with no par value:</b>		
At 1 July and 30 June	286,946,424	286,946,424

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.

#### Capital management

The Board defines capital as total shareholders' equity, excluding non-controlling interests.

The Group manages its capital to ensure that the Group will be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group consists of debt and equity attributable to equity holders, comprising issued capital, reserves, retained earnings and bank loans excluding non-controlling interests. 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.

As disclosed in Note 14, certain subsidiaries of the Group are required by statutory regulations in China and Thailand to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities. This externally imposed requirement has been complied with by all the relevant subsidiaries for the financial year ended 30 June 2011.

## Notes to the Financial Statements

Year ended 30 June 2011

### 14 Reserves

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
Statutory reserves	614,219	593,964	-	-
Foreign currency translation reserve	(3,401,234)	(1,353,427)	-	-
Accumulated profits	36,443,330	40,309,202	6,207,012	5,846,840
	<u>33,656,315</u>	<u>39,549,739</u>	<u>6,207,012</u>	<u>5,846,840</u>

#### Statutory reserves

Statutory reserves comprise the following:

- 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.
- Under the provisions of Civil and Commercial Code, the Thailand subsidiary is required to allocate not less than 5% of its net profit to a reserve account upon each dividend distribution until the balance reaches an amount of not less than 10% of the registered authorised capital. This reserve is not available for dividend distribution.

#### Foreign currency translation reserve

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

### 15 Trade and other payables

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
Trade payables and accrued operating expenses	16,180,059	18,467,431	340,678	671,841
Amounts due to suppliers for purchase of plant and equipment	1,875,526	319,799	-	-
Interest payable	4,820	6,461	-	-
Other payables	161,497	167,097	-	-
	<u>18,221,902</u>	<u>18,960,788</u>	<u>340,678</u>	<u>671,841</u>

## Notes to the Financial Statements

Year ended 30 June 2011

### 16 Interest-bearing bank loans (unsecured)

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

Group	2011 Due within 1 year \$	2010 Due within 1 year \$
Short-term bank loans	5,541,403	5,177,312

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 \$
<b>2011</b>			
<b>Financial liabilities</b>			
Short-term bank loans	1.94 - 2.763	5,541,403	5,541,403
<b>2010</b>			
<b>Financial liabilities</b>			
Short-term bank loans	2.22 - 4.046	5,177,312	5,177,312

### 17 Revenue

	2011 \$	Group 2010 \$
Sale of goods	87,064,776	103,017,675

### 18 Profit before income tax

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

	2011 \$	Group 2010 \$
<b>(a) Other income</b>		
Dividend income from quoted equity securities	37,756	28,117
Gain on disposal of property, plant and equipment	13,949	140,905
Interest income from bank deposits	31,834	31,661
Income from Jobs Credit Scheme	-	301,333
Income from government grant	238,348	89,937
Net change in fair value of financial assets at fair value through profit or loss	26,600	74,821
Fair value of derivative financial instruments	49,000	-
Others	536,379	400,831
	933,866	1,067,605

## Notes to the Financial Statements

Year ended 30 June 2011

### 18 Profit before income tax (cont'd)

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

	2011	Group	2010
	\$		\$
<b>(b) Other expenses</b>			
Exchange loss	873,226		584,629
Impairment loss on loan and receivables	182,285		-
Non-audit fees paid to:			
- auditors of the Company	31,880		28,105
- other auditors	7,374		9,647
Operating lease expenses	1,511,864		1,043,171
Directors' fees	175,000		145,000
Property, plant and equipment written off	1,523		19,961
Staff costs	16,789,586		18,895,946
Contributions to defined contribution plans included in staff costs	1,297,067		1,400,636
Remuneration to key management personnel included in staff costs	1,344,511		1,465,211

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

Date of grant of options	Exercise price per share	<-----Year ended 30 June 2011 ----->							Exercise period
		Options outstanding 1 July 2010	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding 30 June 2011	Options exercisable 1 July 2010	Options exercisable 30 June 2011	
4/9/2002	\$0.205	1,520,000	-	-	(200,000)	1,320,000	1,520,000	1,320,000	4/9/07 to 7/2/12
4/9/2002	\$0.205	572,000	-	-	(10,000)	562,000	572,000	562,000	4/9/03 to 7/2/12
		<u>2,092,000</u>	-	-	<u>(210,000)</u>	<u>1,882,000</u>	<u>2,092,000</u>	<u>1,882,000</u>	

Included in the above outstanding options are 500,000 (2010: 500,000) options held by directors.

## Notes to the Financial Statements

Year ended 30 June 2011

### 20 Finance costs

	Group	
	2011 \$	2010 \$
Interest paid and payable to banks	127,845	147,918

### 21 Income tax (credit)/expense

	Group	
	2011 \$	2010 \$
<b>Current tax expense</b>		
Current year	425,804	1,138,954
Under/(Over) provision in respect of prior years	1,260	(123,374)
	427,064	1,015,580
<b>Deferred tax (credit)/expense</b>		
Current year	(531,290)	1,303
(Over)/Under provision in respect of prior years	(109,778)	82,219
	(641,068)	83,522
Total income tax (credit)/expense in profit or loss	(214,004)	1,099,102

#### Reconciliation of effective tax rate

Profit before income tax	69,771	4,185,156
Tax calculated using Singapore tax rate of 17%	11,861	711,477
Effect of tax rates in foreign jurisdictions	94,125	210,825
Non-deductible expenses	42,862	62,818
Unrecognised tax losses	18,760	344,854
Utilisation of previously unrecognised tax losses	(22,544)	-
Tax incentives	(244,131)	-
Non-taxable income	(6,419)	(194,862)
Overprovision in respect of prior years	(108,518)	(41,155)
Others	-	5,145
	(214,004)	1,099,102

### 22 Earnings per share

	Group	
	2011 \$	2010 \$
The basic earnings per share is based on:		
Profit for the year attributable to shareholders of the Company	142,938	3,100,475
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of shares in issue during the year	286,946,424	286,946,424

## Notes to the Financial Statements

Year ended 30 June 2011

### 22 Earnings per share (cont'd)

	2011 \$	Group 2010 \$
The diluted earnings per share is based on:		
Profit for the year attributable to shareholders of the Company	142,938	3,100,475

In calculating diluted earnings per share, outstanding options to purchase 1,882,000 (2010: 2,092,000) ordinary shares at \$0.205 (2010: \$0.205) per share were not included in the computation of diluted earnings per share because these options were anti-dilutive.

### 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 \$99,798 (2010: \$87,612) subject to an annual revision not exceeding 5.5% (2010: 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:

	2011 \$	Group 2010 \$
Payable:		
Within one year	1,166,751	1,164,167
Within two to five years	870,864	1,152,751
	<u>2,037,615</u>	<u>2,316,918</u>

#### (b) Capital commitment

	Note	2011 \$	Group 2010 \$
Capital contribution in associate	5	1,000,000	1,000,000
Capital expenditure contracted but not provided for		1,122,439	20,000

# Notes to the Financial Statements

Year ended 30 June 2011

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

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

### Liquidity risk

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

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

	Carrying amount \$	Contractual cash flows (including interest payments)	
		Total \$	Within 1 year \$
<b>Group</b>			
<b>2011</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	18,221,902	18,221,902	18,221,902
Interest-bearing bank loans	5,541,403	5,551,950	5,551,950
	<u>23,763,305</u>	<u>23,773,852</u>	<u>23,773,852</u>
<b>2010</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	18,960,788	18,960,788	18,960,788
Interest-bearing bank loans	5,177,312	5,182,180	5,182,180
	<u>24,138,100</u>	<u>24,142,968</u>	<u>24,142,968</u>

## Notes to the Financial Statements

Year ended 30 June 2011

### 24 Financial risk management (cont'd)

Company	Carrying amount \$	Contractual cash flows (including interest payments)	
		Total \$	Within 1 year \$
<b>2011</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	340,678	340,678	340,678
<b>2010</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	671,841	671,841	671,841

#### **Market risk**

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

#### **Interest rate risk**

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

#### **Sensitivity analysis**

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

#### **Foreign currency risk**

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

The Group uses forward foreign exchange structures to minimise its net foreign currency exposures in the management of foreign exchange risk on monetary balances and forecast sales. These derivative financial instruments are used for hedging and not for speculative trading purposes. At 30 June 2011, the notional amounts of forward foreign currency contracts and foreign currency options held by the Group are \$13,853,800 and \$15,447,600, respectively (2010: Nil).

## Notes to the Financial Statements

### 24 Financial risk management (cont'd)

The Group's exposure to US dollar as at 30 June 2011 and 30 June 2010 are as follows:

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade and other receivables	13,062,093	16,660,659	-	-
Amounts due from subsidiaries	-	-	3,126,300	-
Cash and cash equivalents	8,579,366	13,975,481	8,847	606,639
Trade and other payables	(6,557,231)	(8,470,697)	-	-
Interest bearing bank loan	(2,841,403)	(2,677,312)	-	-
	<u>12,242,825</u>	<u>19,488,131</u>	<u>3,135,147</u>	<u>606,639</u>

#### Sensitivity analysis

A 5% strengthening of Singapore dollar against US dollars at the reporting date, will have insignificant impact on profit before tax of the Group (2010: decrease profit before tax by \$1.0 million). Conversely, a 5% weakening of Singapore dollar against US dollar will result in an opposite impact on profit before tax of a similar amount. A similar change in exchange rate with all other variables held constant, will result in a decrease in profit before tax of \$0.2 million (2010: \$0.1 million) for the Company. There is no impact on the equity of the Group and Company.

#### Accounting classifications and fair values

	Note	Designated at fair value \$	Loans and receivables \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
<b>Group</b>						
<b>30 June 2011</b>						
Trade and other receivables	9	-	20,652,547	-	20,652,547	20,652,547
Other financial assets	11	856,092	-	-	856,092	856,092
Cash and cash equivalents	12	-	19,729,104	-	19,729,104	19,729,104
		<u>856,092</u>	<u>40,381,651</u>	<u>-</u>	<u>41,237,743</u>	<u>41,237,743</u>
Trade and other payables	15	-	-	(18,221,902)	(18,221,902)	(18,221,902)
Interest-bearing bank loans (unsecured)	16	-	-	(5,541,403)	(5,541,403)	(5,541,403)
		<u>-</u>	<u>-</u>	<u>(23,763,305)</u>	<u>(23,763,305)</u>	<u>(23,763,305)</u>
<b>30 June 2010</b>						
Trade and other receivables	9	-	22,276,003	-	22,276,003	22,276,003
Other financial assets	11	725,116	-	-	725,116	725,116
Cash and cash equivalents	12	-	25,810,453	-	25,810,453	25,810,453
		<u>725,116</u>	<u>48,086,456</u>	<u>-</u>	<u>48,811,572</u>	<u>48,811,572</u>
Trade and other payables	15	-	-	(18,960,788)	(18,960,788)	(18,960,788)
Interest-bearing bank loans (unsecured)	16	-	-	(5,177,312)	(5,177,312)	(5,177,312)
		<u>-</u>	<u>-</u>	<u>(24,138,100)</u>	<u>(24,138,100)</u>	<u>(24,138,100)</u>

## Notes to the Financial Statements

### 24 Financial risk management (cont'd)

	Note	Loans and receivables \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
<b>Company</b>					
<b>30 June 2011</b>					
Trade and other receivables	9	1,249	-	1,249	1,249
Amount due from subsidiaries	10	13,598,727	-	13,598,727	13,598,727
Cash and cash equivalents	12	5,091,503	-	5,091,503	5,091,503
		<u>18,691,479</u>	<u>-</u>	<u>18,691,479</u>	<u>18,691,479</u>
Trade and other payables	15	-	340,678	340,678	340,678
<b>30 June 2010</b>					
Trade and other receivables	9	1,222	-	1,222	1,222
Amount due from subsidiaries	10	12,457,453	-	12,457,453	12,457,453
Cash and cash equivalents	12	6,318,599	-	6,318,599	6,318,599
		<u>18,777,274</u>	<u>-</u>	<u>18,777,274</u>	<u>18,777,274</u>
Trade and other payables	15	-	671,841	671,841	671,841
Amount due to subsidiaries	10	-	17,246	17,246	17,246
		<u>-</u>	<u>689,087</u>	<u>689,087</u>	<u>689,087</u>

#### ***Fair values of financial assets and liabilities***

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

### 25 Operating segments

Management determines the operating segments based on the internal reports reviewed and used by the Company's CEO on at least a quarterly basis for strategic decisions making and resources allocation. 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.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Company's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. 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 geographical location of the assets. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

#### **(a) Business segments**

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

## Notes to the Financial Statements

### 25 Operating segments (cont'd)

#### (b) Geographical segments

	Singapore \$'000	China \$'000	Thailand \$'000	Malaysia \$'000	Elimination \$'000	Consolidated \$'000
<b>2011</b>						
<b>Revenue and expenses</b>						
Total revenue from external customers	36,659	27,306	7,883	15,217	-	87,065
Inter-segment revenue	7,521	4,471	30	7,506	(19,528)	-
Total revenue	44,180	31,777	7,913	22,723	(19,528)	87,065
Segment results	(1,165)	740	763	(29)	-	309
Unallocated expenses:						
- finance costs						(128)
Share of results of associate	(111)	-	-	-	-	(111)
Income tax credit						214
Profit for the year						284
<b>Assets and liabilities</b>						
Segments assets	33,335	30,209	7,353	20,932	-	91,829
Investment in associate	707	-	-	-	-	707
Unallocated assets:						
- deferred tax assets						447
						92,983
Segments liabilities	7,566	11,454	1,313	3,430	-	23,763
Unallocated liabilities:						
- current tax payable						200
- deferred tax liabilities						1,726
						25,689
<b>Other segmental information</b>						
Depreciation	1,596	1,420	526	1,787	-	5,329
Capital expenditure	2,562	3,340	314	170	-	6,386
<b>2010</b>						
<b>Revenue and expenses</b>						
Total revenue from external customers	57,455	26,174	5,693	13,696	-	103,018
Inter-segment revenue	9,646	475	116	23,634	(33,871)	-
Total revenue	67,101	26,649	5,809	37,330	(33,871)	103,018
Segment results	2,507	(933)	336	2,519	-	4,429
Unallocated expenses:						
- finance costs						(148)
Share of results of associate	(96)	-	-	-	-	(96)
Income tax expense						(1,099)
Profit for the year						3,086
<b>Assets and liabilities</b>						
Segments assets	39,303	26,850	7,462	25,035	-	98,650
Investment in associate	818	-	-	-	-	818
Unallocated assets:						
- deferred tax assets						208
						99,676

## Notes to the Financial Statements

### 25 Operating segments (cont'd)

#### (b) Geographical segments (cont'd)

	Singapore \$'000	China \$'000	Thailand \$'000	Malaysia \$'000	Elimination \$'000	Consolidated \$'000
<b>2010</b>						
Segments liabilities	8,418	8,956	1,206	5,558	-	24,138
Unallocated liabilities:						
- current tax payable						343
- deferred tax liabilities						2,149
						<u>26,630</u>
Other segmental information						
Depreciation	1,809	1,620	510	1,961	-	5,900
Capital expenditure	1,446	622	275	113	-	2,456

### 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:

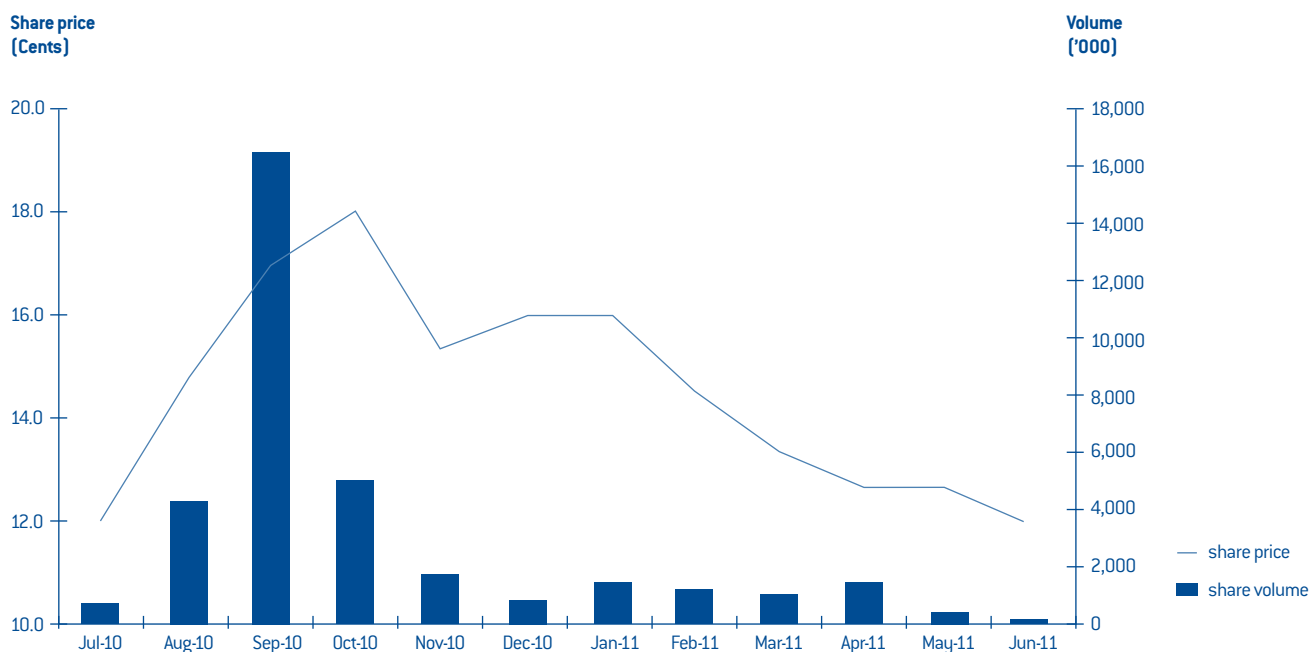
	Group and Company	
	2011	2010
	\$	\$
Final tax exempt dividend proposed of 0.66 cents (2010: 0.66 cents) per share	1,893,846	1,893,846
Special tax exempt dividend proposed of Nil cents (2010: 0.73 cents) per share	-	2,094,709

### 27 New accounting standards and interpretations not yet adopted

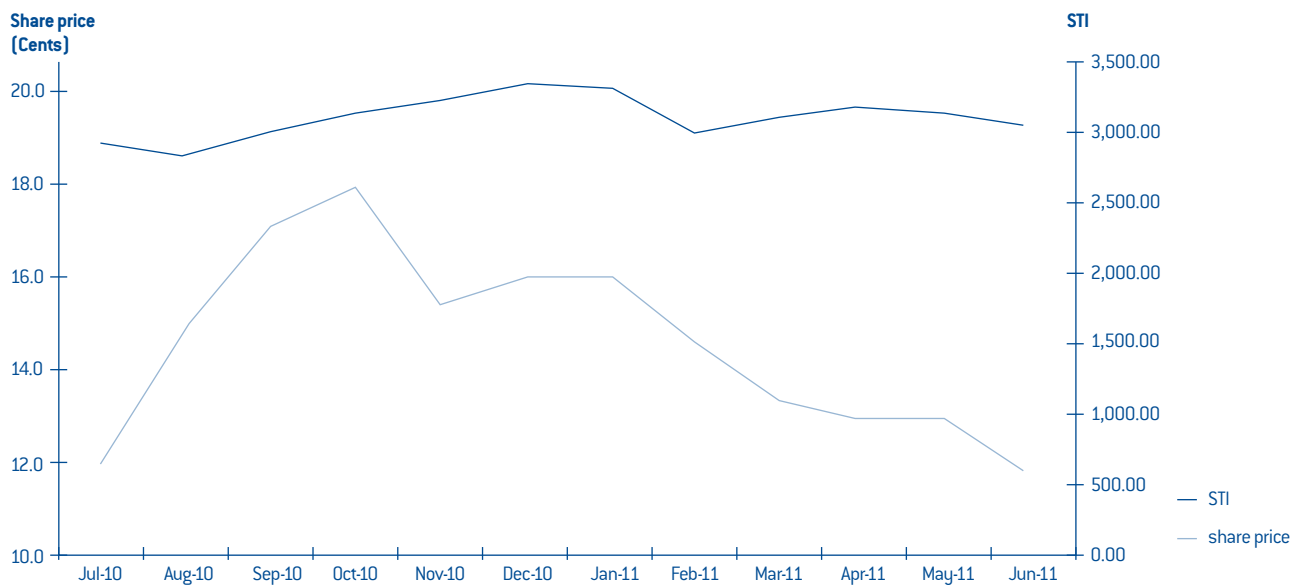
New standards, amendments to standards and interpretations that are not yet effective for the year ended 30 June 2011 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

# Share Price Performance

## Chosen share price and trading volume



## Chosen share price VIS-À-VIS ST Index



### Share price

Last transacted	\$ 0.120
High	0.190
Low	0.120

### Volume

High	No. of shares 16,020,000
Low	0

## Shareholding Statistics

as at 6 September 2011

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	125	3.40	52,484	0.02
1,000 - 10,000	1,754	47.74	8,994,652	3.13
10,001 - 1,000,000	1,769	48.15	83,631,390	29.15
1,000,001 and above	26	0.71	194,267,898	67.70
Total	3,674	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

\* 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 55% of the shareholdings is held by the hands of the public and Rule 723 of the Singapore Exchange Listing Manual is complied with.

### Twenty Largest Shareholders

S/No.	Name of Shareholders	No. of Shares	%
1	Albe Holdings Pte Ltd	91,611,744	31.93
2	Aloysius Lim Cher Kia	26,329,600	9.18
3	Wang Chew Hoon	12,217,000	4.26
4	Chia Mui Lin	6,481,404	2.26
5	Chow Kok Hwee	6,457,140	2.25
6	Ang Lay Chuan	5,089,296	1.77
7	Mayban Nominees (S) Pte Ltd	4,937,400	1.72
8	DBS Vickers Securities (S) Pte Ltd	4,934,000	1.72
9	Kim Eng Securities Pte. Ltd.	3,516,800	1.23
10	United Overseas Bank Nominees Pte Ltd	3,402,600	1.19
11	DB Nominees (S) Pte Ltd	3,039,000	1.06
12	Chew Chen Ming (Zhou Jianmin)	2,953,000	1.03
13	Phillip Securities Pte Ltd	2,643,800	0.92
14	DBS Nominees Pte Ltd	2,608,400	0.91
15	OCBC Securities Private Ltd	2,140,286	0.75
16	Wang Jung Hsin	2,001,000	0.70
17	Lee Woot Chon	1,875,000	0.65
18	Kwa Ching Tze	1,650,000	0.58
19	Lie Tjoei Tjoe	1,600,000	0.56
20	Eoo Ged Boey	1,385,160	0.48
		186,872,630	65.15

## Notice of the Thirteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Thirteenth Annual General Meeting of CHOSEN HOLDINGS LIMITED (the “Company”) will be held on Thursday, 27 October 2011, at 17 Woodlands Terrace, Woodlands East Industrial Estate, Singapore 738442, at 2.00 p.m. for purposes of the following:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Financial Statements of the Company for the financial year ended 30 June 2011, together with the Auditors’ Report. **(Resolution 1)**
2. To declare the First and Final Tax Exempt One-Tier Dividend of 0.66 cents per share for the financial year ended 30 June 2011. **(Resolution 2)**
3. To approve Directors’ Fees of S\$175,000 for the financial year ending 30 June 2012 to be paid to the Independent Directors quarterly in arrears. **(Resolution 3)**
4. To re-elect the following Directors who are retiring pursuant to Article 96 of the Articles of Association:
  - a. Mr Chew Heng Ching **(Resolution 4a)**
  - b. Ms Soong Wee Choo **(Resolution 4b)**
5. To re-appoint Messrs KPMG LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

### AS SPECIAL BUSINESS

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

6. Authority to Issue Shares
    - (a) “That pursuant to Section 161 of the Companies Act, and the listing rules of the SGX-ST, 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)**
- (b) “That the Directors be and are hereby authorised to (i) offer and grant options in accordance with the provisions of the Chosen Share Option Scheme (“Option 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 Option Scheme (ii) grant awards in accordance with the provisions of the Chosen Holdings Limited Performance Share Award Scheme (“Performance 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 vesting of awards under the Performance Scheme PROVIDED THAT the aggregate number of shares to be issued pursuant to the Option Scheme and Performance Scheme shall not exceed fifteen percent (15%) of the issued shares in the capital of the Company from time to time”. **(Resolution 6b)**
  - (c) “That the Directors be and are hereby authorised 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 Chosen Holdings Limited Scrip Dividend Scheme.” **(Resolution 6c)**

## Notice of the Thirteenth Annual General Meeting

### 7. Proposed Renewal of Share Purchase Mandate

“That:-

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “Act”), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the “Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-
- (i) on-market purchases (each a “Market Purchase”) on the Singapore Securities Trading Limited (the “SGX-ST”); and/or
  - (ii) off-market purchases (each an “Off-Market Purchase”) effected in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Purchase Mandate”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution, and expiring on the earlier of:-
- (i) the date on which the next annual general meeting of the Company is held; or
  - (ii) the date by which the next annual general meeting of the Company is required by law to be held; or
  - (iii) the date on which the purchases of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;
- (c) in this Resolution:-

“**Prescribed Limit**” means 10% of the total number of issued ordinary shares of the Company as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued ordinary shares of the Company shall be taken to be the number of issued ordinary shares of the Company as altered (excluding any Treasury Shares that may be held by the Company from time to time). Any Shares which are held as Treasury Shares will be disregarded for the purpose of computing the 10% limit;

“**Relevant Period**” means the period commencing from the date on which the last annual general meeting was held and expiring on the date the next annual general meeting is held or required by law to be held, whichever is the earlier, after the date of this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:-

- i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:-

“**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 Market Days (“Market Day” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, before the day on which the Market Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days; and

- (d) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.”

**[Resolution 7]**

## Notice of the Thirteenth Annual General Meeting

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

### BY ORDER OF THE BOARD

#### Soong Wee Choo / Liew Meng Ling

Joint Company Secretaries  
Singapore  
5 October 2011

### Explanatory Notes:

#### Ordinary Resolution 4a

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

#### 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 and the Chosen Holdings Limited Performance Share Award Scheme, up to an amount not exceeding in total fifteen percent (15%) of the issued share capital of the Company from time to time. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

#### Ordinary Resolution 6c

The Ordinary Resolution proposed in item 6c authorises the Directors to issue ordinary shares pursuant to the Chosen Holdings Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive shares in lieu of the cash.

#### Ordinary Resolution 7

Ordinary Resolution 7 proposed above, if passed, renews the Share Purchase Mandate which was approved at the Extraordinary General Meeting of the Company held on 25 October 2010. It will empower the Directors to repurchase shares of the Company effective until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier. The authority and limitation on, rationale for, sources of funds to be used for the purchase, and the financial effects of the purchase of shares pursuant to the Share Purchase Mandate are set out in greater detail in the Addendum to the Company's 2011 Annual Report.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance its purchase or acquisition of shares.

An illustration on the financial impact of a purchase or acquisition of shares by the Company pursuant to the Share Purchase Mandate on the audited accounts of the Group and the Company for the financial year ended 30 June 2011 is set out in Section 2.7 of the Addendum dated 5 October 2011.

### Notes:

- A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- 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.
- The Transfer Book and Register of Members of the Company will be closed on 11 November 2011 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Share Registrars, M&C Services Private Limited of 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 10 November 2011 will be registered to determine shareholders' entitlement to the proposed first and final dividend. Shareholders whose securities account with The Central Depository (Private) Limited are credited with shares at 5.00 p.m. on 10 November 2011 will be entitled to the proposed dividends. Payment of the said dividends, if approved by shareholders at the Annual General Meeting, will be made on 23 November 2011.

# CHOSEN HOLDING LIMITED

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

## IMPORTANT:

- 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.
- 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

Thirteenth Annual General Meeting  
To Be Held On 27 October 2011

I/We, \_\_\_\_\_  
(Name)  
of \_\_\_\_\_  
(Full Address)

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

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

and/or (delete as appropriate):

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

as my/our proxy to vote for me/us and, if necessary, to demand for a poll on my/our behalf at the Annual General Meeting of the Company to be held on 27 October 2011 at 2.00 p.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
	<b>ORDINARY BUSINESS</b>				
1.	Directors' Report and Financial Statements				
2.	Declaration of First and Final Tax Exempt One-Tier Dividend				
3.	Approval of Directors' Fees				
4.	Re-election of Directors (Article 96)				
	a. Mr Chew Heng Ching				
	b. Ms Soong Wee Choo				
5.	Re-appointment of Auditors				
	<b>SPECIAL BUSINESS</b>				
6.	Authority to issue shares				
	a. Authority to directors to issue and allot shares pursuant to Section 161 of the Companies Act (Cap. 50)				
	b. Authority to grant options and issue shares under the Chosen Share Option Scheme and to grant awards and issue shares under the Chosen Holdings Limited Performance Share Award Scheme				
	c. Authority to issue shares pursuant to the Chosen Holdings Limited Scrip Dividend Scheme				
7.	Renewal of Share Purchase Mandate				
8.	Any other business				

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

Total No. of Shares

Dated this \_\_\_\_ day of \_\_\_\_\_ 2011.

\_\_\_\_\_  
Signature of Member / Common Seal

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

IMPORTANT: Please read notes overleaf

## Explanatory Notes for Proxy Form

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

### General:

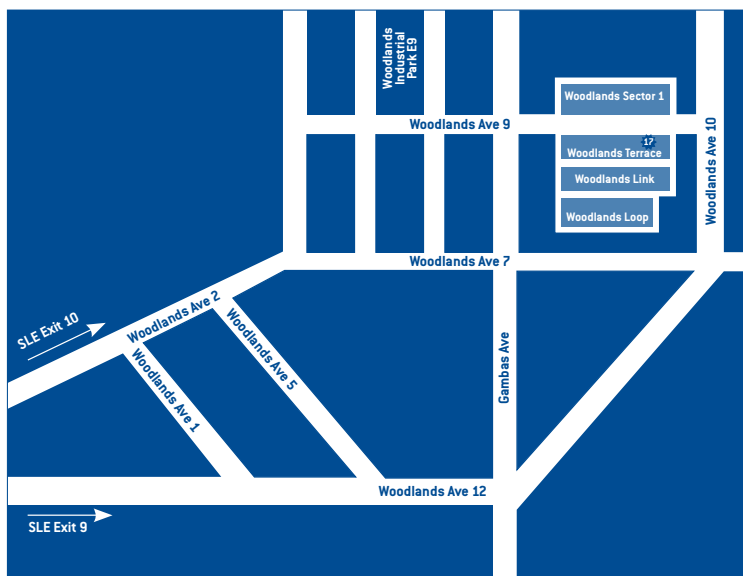
The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.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

### Registered office

CHOSEN HOLDING LIMITED  
No 17 Woodlands Terrace  
Woodlands East Industrial Estate  
Singapore 738442

### Directions to our registered office

By public bus: SMRT Service No 964  
By own vehicle:



map not drawn to scale

'An Investor's Guide To Reading Annual Reports' and 'An Investor's Guide To Preparing For Annual General Meetings' are available at the SGX website via this link [http://www.sgx.com/wps/portal/marketplace/mp-en/investor\\_centre/investor\\_guide](http://www.sgx.com/wps/portal/marketplace/mp-en/investor_centre/investor_guide)

## Corporate Directory

### SINGAPORE

**Chosen Holdings Limited**  
Sinclair Bateman (General Manager –  
Business Development)

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

Tay Thiam Huat (General Manager)

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

Lim Song Yong (Vice President – Southeast Asia)

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

Lim Song Yong (Vice President – Southeast Asia)

### MALAYSIA

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

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

Tay Say Kiat (Senior General Manager)

### CHINA

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

Hoo Liong Hock (General Manager)

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

Leong San Woo (General Manager)  
Chow Wai Kheong – Tooling

### THAILAND

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

Puah Siang Kwang (General Manager)

[www.chosen.com.sg](http://www.chosen.com.sg)

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

No 17 Woodlands Terrace  
Woodlands East Industrial Estate  
Singapore 738442  
Tel: (65) 6753 0800 Fax: (65) 6753 7988  
<http://www.chosen.com.sg>