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**Issuer:** Choo Chiang Holdings Ltd.

**Stock code:** 42E

**Meeting details:**

Date: 27 April 2023

Time: 2.30 p.m.

Venue: Choo Chiang HQ level 2 Conference room @ 10 Woodlands Loop Singapore 738388

**Q1.** In FY2022, revenue generated from the distribution business segment increased by 10.4% to \$8.19 million to reach \$87.1 million. The main drivers behind this growth were strong demand by customers, and the upward adjustment of selling prices for certain electrical products and accessories during the fiscal year.

The gross profit margin of the distribution business segment decreased marginally from approximately 29.8% in FY2021 to 29.0% in FY2022.

- (i) **Can management elaborate further on the cost pressure stemming from the supply chain? Has such cost pressure moderated since China eased its COVID restrictions?**
- (ii) **How much pricing power does the group have? Has the price adjustment been completed?**
- (iii) **What is the process for introducing new products under the CCM and CRM brands? How long does it take from design to manufacturing? Does the group take on more or less risk when it expands the range of products sold under its own in-house brands?**

**Q2.** The “valuation for inventories” is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group’s inventories were \$21.59 million (2021: \$18.91 million), representing a significant balance on the statement of financial position of the group.

In fact, in the past 5 years, the inventory levels were:

FY2018 – \$14,655,000  
FY2019 – \$14,367,000  
FY2020 – \$17,068,000  
FY2021 – \$18,911,000  
FY2022 – \$21,591,000

The increase in inventory has outpaced the growth in revenue. In addition, the number of retail branches have remained at 10 across Singapore.

- (i) **Can management help shareholders better understand if it actively tracks and manages inventory turnover?**
- (ii) **How does management identify slow-moving and obsolete inventories, and what actions does it take to address them?**

- (iii) **What guidance has the board given to management with regard to optimising inventory and working capital?**
- (iv) **Can management also elaborate further on its inventory management system, including the extent of its digitalisation?**

**Q3.** As disclosed in the corporate governance report, the internal audit function of the group is outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd.

- (i) **What criteria does the audit committee (AC) use to determine and approve the scope of the annual internal audit plan?**
- (ii) **What were the scope, key findings and recommendations by the internal auditor for FY2022?**
- (iii) **What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?**
- (iv) **Can the AC confirm that it met the internal auditors without the presence of management?**

*Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.*

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