CHOO CHIANG

Choo Chiang Holdings Ltd
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SINGAPORE QUALITY CLASS

Company Reg. No. 201426379D
GST Reg. No. 201426379D

RESPONSES TO QUESTIONS FROM SHAREHOLDERS IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2024

The Board of Directors of Choo Chiang Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the annual report of the Company for the financial year ("**FY**") ended 31 December 2023 and the notice of annual general meeting ("**AGM**") dated 8 April 2024 ("**Notice**").

The Company wishes to thank shareholders for submitting their questions in advance of the AGM and has set out below responses to substantial and relevant questions relating to the agenda in the Notice.

Q1 The Company followed through its commitment in paying out more than 50% of its net profit as dividends in Financial Year 2022 (the "FY2022") and Financial Year 2023 (the "FY2023"). Can you provide any guidance on the Company's approach to dividend policy for FY2024?

Company's response

The Company is committed to maximizing shareholder value while ensuring financial sustainability and growth when determining its dividend policy.

In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

(i) the level of the Group's cash and retained earnings;
(ii) the Group's actual and projected financial performance;
(iii) the Group's projected levels of capital expenditure and other investment plans;
(iv) the Group's working capital requirements and general financing condition;
(v) the Group's restrictions on payment of dividends imposed on the Group by the Group's financial
(vi) arrangements (if any); and
(vii) the general economic and business conditions in countries in which the Group may operate in the future.

The Company will make the relevant announcements to update shareholders on its dividend policy after due considerations on the abovementioned.

Q2 With reference to the acquisition of five properties known as "Food Ascent".

(i) Can the Board elaborate further how the acquisition enhances the Group's portfolio of investment properties and how it is in the best interest of the shareholders as it will incur borrowings costs and depreciation which will be expensed off in the financial statements, thus bringing down its net profits after tax ("NPAT") if the Company still decide to tag its dividend policy if any to the Company's NPAT?

(ii) Could you provide some insights into the rationale behind prioritizing the acquisition of Food Ascent properties over further retail branch expansion?

(iii) What is the rationale for acquiring all your investment properties instead of renting?

Is it easy/difficult for the Company to relocate to other properties if rent rises?

What is the average proportion of floor space of the existing properties at currently on hand taken up by the Company versus external parties?

Company's response

(i) The Group has 2 business segments – the Distribution Business and the Property Investment Business. The acquisition of five properties at Food Ascent, catering to the Food & Beverage industry, provides the Group with a diversified portfolio of investment properties, which are currently mainly industrial properties. While there may be short-term impacts on net profits after tax due to borrowing costs and depreciation expenses, the Board believes that the long-term benefits of property ownership, including potential rental income and property appreciation, will outweigh these costs.

As rental growth differs across asset class and sector, the Group is taking steps towards expanding and reshuffling its portfolio of investment properties to capitalise on good opportunities.

(ii) The Group's decision to acquire the Food Ascent properties does not signify a prioritization over retail branch expansion. The Group consistently seeks opportunities to expand both its Distribution Business and Property Investment Business.

The recent acquisition aligns with the Group's longstanding business strategies and practices, while retail branch expansion is considered based on market condition, availability of good location, potential profitability, and sustainability.

(iii) We acquire, dispose and hold investment properties for investment purposes. It also serves the purpose of alleviating reliance on landlord and providing stability and assurance on the physical space required for our business operations.

As of 31 December 2023, we own sixteen properties, of which four are used as retail branches and warehouse for our business operations. The rest of our investment properties are rented out to third parties from which our Company derives recurring rental income.

The Group also leases 6 retail outlets from third parties.

Q3 Distribution business

There were questions relating to the Group's product pricing and contribution as well as customer related questions. However, as these are commercially sensitive, the Board has provided a broad overview on the topic as well as its growth plans.

Company's response

The Group strives to remain competitive in the market and places an emphasis on product quality and value-added services that contribute to a positive customer experience. To ensure long-term sustainability of the Group's revenue from the Distribution Business, it seeks to maintain a good balance of revenue derived from both proprietary and non-proprietary brands, as well as a diversified customer base. In FY2023, the revenue from the Distribution Business comprised approximately 45% from proprietary brands.

Additionally, to ensure continuous improvement in performance, the Group's Distribution Business regularly reviews its costs and selling prices in response to market demand and supplier costs.

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Q4 Company's performance

(i) The Company's historical performance indicates a trend of stronger results in the second half of the year compared to the first half. Why is that so? Is there seasonality in Company's performance?

(ii) Increase in profit margins since 2014 - would appreciate any insights into how much is driven by moving into own brand products versus larger purchasing power?

<u>Company's response</u>

(i) The Group's businesses are not affected significantly by seasonal or cyclical factors.

(ii) Our expansion into own-brand products has certainly played a significant role in enhancing margins by allowing us to capture more value along the supply chain and differentiate ourselves from our competitors.

Additionally, the strong relationship with our suppliers, which is one of our competitive strengths, allows us to have access to a broad range of products at competitive prices.

While it is a combination of both factors that contribute to the improved profitability, it is infeasible to quantify the exact impact of each individually.

BY ORDER OF THE BOARD

Lim Teck Chuan
Executive Chairman and Chief Executive Officer

18 April 2024

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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