

Issuer: Casa Holdings Limited
Security: Casa Holdings Limited

Meeting details:

Date: 31 January 2018

Time: 10.00 a.m.

Venue: 15 Kian Teck Crescent, Singapore 628884

Company Description

CASA Holdings Limited, an investment holding company, distributes electrical and electronic home appliances in Singapore and internationally. The company operates in two segments, Trading and Property Development. It offers home and cooking appliances, such as hobs, cooker hoods, ovens, microwave ovens, washers, dryers, dishwashers, washing machines, tumble dryers, fridges, and coolers; kitchen and bathroom fixtures, including kitchen sinks, faucets, mirror cabinets, showers, bathroom accessories, bath tubs, and shower trays; and water heaters. The company was founded in 1976 and is based in Singapore. Casa Holdings Limited is a subsidiary of Azzuri Holdings Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C04)

Q1. As seen in Note 31 (page 81 - Segment information), the trading segment achieved revenue of over \$19 million and reported a segment result of \$2.02 million. This was an improvement from a revenue of \$16.9 million and a segment result of \$1.09 million achieved in 2016. The trading segment has also added a new brand (Beko) to its distributorship and the group has plans to expand the distribution business to Australia.

- a) **Given that the group has also diversified into property development and that there exist material uncertainties related to going concern, how much focus, time and energy is management giving to grow the trading business?**
- b) **Is there sufficient working capital to support the growth of the trading business?**
- c) **Has the group invested sufficiently in the trading business (both in terms of human capital and capital expenditure)?**
- d) **Can management also help shareholders understand the rationale of expanding to Australia? Would Australia be a mature market with established players? What is the market entry strategy for the group? How does the group intend to differentiate itself from other players?**

Q2. For the group's Property Development project, the group is of the view that the property market in Malaysia remains sluggish and that the progress of the development will be adjusted in accordance to the market situation (page 3 of the annual report).

The group had carried out a preview launch of its Seventh Cove project in Malaysia in 2015 and "although booking fees were collected from certain customers, sales and purchase agreements have not been formally signed, accordingly no revenue is recognised in the current and prior financial years" (page 83).

- a) **Even though development properties account for nearly half of the group's total assets, shareholders do not get much visibility into the prospects and progress of the group's development project. Please provide a detailed update on the group's plans for the Seventh Cove development.**

In Note 22 (page 67), the group recognised \$498,000 in refundable deposits from customers. From FY2015-FY2017, deposits from customers increased from \$214,000 in 2015, \$468,000 in 2016 to \$498,000 in 2017.

- b) **Can management confirm that these deposits are the booking fees for the Seventh Cove project? If so, can management let shareholders know how many units have been booked?**
- c) **Does the group have sufficient resources to fund the construction of the Seventh Cove project?**
- d) **Given the lack of progress since 2015, has the board considered the need to carry out a strategic review and explore the options available to the group at this stage?**

(Note: This question is updated/expanded from a similar question posted to the company following a review of the company's 2016 Annual Report. The questions can be obtained from the link below).

Q3. The Nominating Committee (NC) comprises Dr Low Seow Chay (as chairman), Mr Lim Yian Poh and Mr Lim Soo Kong @ Lim Soo Chong.

Dr Low Seow Chay was first appointed to the board on 28 August 1995 while Mr Lim Yian Poh was appointed on 4 November 2008. As Dr Low Seow Chay and Mr Lim Yian Poh have each served on the board for more than nine years from the date of their first appointment, the independence of the long tenured directors is subject to particularly rigorous review.

On page 11, the company has disclosed that:

The Board is of the view that both Dr Low and Mr Lim have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders.

- a) **As the two long tenured directors (who are subject to particularly rigorous review of their independence) are members of the three-member NC, can the NC describe in detail how it had conducted the particularly rigorous review of Dr Low Seow Chay and Mr Lim Yian Poh?**
- b) **Can the NC and the board confirm that no director was involved in the review of his own independence?**

The NC had assessed the independence of long tenured directors and that the board is of the view that both Dr Low and Mr Lim have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as independent directors.

Guideline 2.4 of the 2012 Code of Corporate Governance (Code) calls for the board to “also take into account the need for progressive refreshing of the Board”. The company disclosed that it had “weighed the need for the Board’s refreshment against tenure for relative benefit” and the board recommended that both Dr Low and Mr Lim continue to be considered as Independent Directors.

- c) **Can the board let shareholders know the deliberations it had when it “weighed the need for the board’s refreshment against tenure for relative benefit”?**
- d) **Notwithstanding that the board recommended that both Dr Low and Mr Lim continue to be considered independent, can the board let shareholders know when it would start the progressive refreshing of the board?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Casa%20Holdings%20Ltd>

The company’s response could be found here: -----