



Securities Investors Association (Singapore)

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Issuer: Casa Holdings Limited

Security: Casa Holdings Limited

Meeting details:

Date: 14 January 2019

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.

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

1. As noted in the Letter to shareholders (page 2 of the annual report), the group recognised a loss of \$(2.0) million in the property development segment for the financial year ended 30 September 2018, up from a segment loss of \$(1.1) million a year ago.

It was also disclosed that the progress of the development “*will be adjusted in accordance to the market situation*”. While there is a setback due to the suspension of the construction of the KL-Singapore High Speed Rail project till 31 May 2020, management is hopeful that demand for properties in Iskandar will be stronger with the progress of the Johor-Singapore Rapid Transit System.

- (i) With more than half of the group’s total assets (\$61.9 million) invested in the property development segment, would the board provide shareholders with a holistic overview of the development plans for the Seventh Cove project? Please also elaborate further on the development milestones for the project.**
- (ii) Can management provide shareholders with an update on the conditions on the ground in Iskandar? What are the indicators that are being monitored? What are the necessary conditions for the group to re-launch the project?**
- (iii) The group diversified into property development in the Iskandar region in 2013. Can the board/management help shareholders understand the group’s competitive advantage in this area?**
- (iv) As the group only has a 34.3% effective interest in the Iskandar properties, can management disclose the other parties involved in the Iskandar projects?**

The valuation of the development properties is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 23). 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 development properties are stated at the lower of cost and estimated net realisable value, which represents the estimated selling price less costs to be incurred in selling the properties. As disclosed in Note 14, the carrying value of the development properties is \$55.5 million, up from \$53.9 million a year ago.

- (v) Would the audit committee help shareholders understand the basis for the carrying value of \$55.5 million for the development properties given that the project has stalled for several years and that the group has halted the development as the market condition deteriorated in the past 3 years? What are the key assumptions used to estimate the net realisable value? How did the audit committee evaluate these assumptions?**

2. On 31 January 2018, shareholders approved the disposal of shares in Fiamma Holdings Berhad. In the circular dated 16 January 2018, the rationale for the sale of shares in Fiamma was to provide the company and the group with funds to repay the bank

borrowings which were contractually due for repayment within twelve months from the end of the financial year.

As a result, the group suffered an aggregate losses of \$(13.8) million in FY2017 which consisted of loss on disposal of shares, fair value loss on shares held for sale and impairment loss on remaining investments in Fiamma, of \$0.5 million, \$5.8 million and \$7.5 million respectively, offset by a reversal of \$1.0 million in FY2018.

- (i) For the benefit of new and old shareholders, would the board help shareholders understand the current financial position of the group following the sale of Fiamma shares? Does the group have any significant liquidity risks?**
- (ii) Does the group have sufficient capital to grow the core trading business?**
- (iii) Would the board elaborate further on the group's capital allocation framework?**
- (iv) How is the group going to fund the development properties?**
- (v) Given that Fiamma appears to be doing well, profitable and paying out dividends, how did the board decide on selling the Fiamma shares while keeping the Iskandar development properties? What were the deliberations by the board on the group's strategic directions?**

3. The attendance of directors at board and board committee meetings is shown in the table below (page 9):

The number of Board and Board Committee meetings held during FY2018 and the attendance of each director where relevant are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings	4	2	1	2
No. of meetings attended by respective directors				
Lim Soo Kong @ Lim Soo Chong	4	N.A.	1	N.A.
Hu Zhong Huai	1	N.A.	N.A.	1
Low Seow Chay	4	2	1	2
Lim Yian Poh	4	2	1	2
Stefan Matthieu Lim Shing Yuan	3	1	N.A.	N.A.

All directors except for Mr. Hu Zhong Huai, attended the AGM held on 31 January 2018. Mr. Hu was unable to board airplane to fly to Singapore due to high fever detected at the airport.

(Source: Company annual report)

As seen in the table above, Mr Hu Zhong Huai attended one out of four board meetings and Mr Stefan Matthieu Lim Shing Yuan was absent from one board meeting and an audit committee meeting.

- (i) Can the company help shareholders understand if there were extenuating circumstances that led the directors to be absent for the board/board committee meetings? How far in advance are board meetings scheduled?**
- (ii) How can the company and the company secretary work together with the directors to schedule the board and board committee meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?**

4. *[The following question on board renewal and long tenured independent directors was posted to the company following the reviews of the 2017 and 2016 annual reports. As the company has not responded nor improved its disclosure/corporate governance practices, the question is updated and reposted.]*

The Nominating Committee (NC) comprises Dr Low Seow Chay (as chairman), Mr Lim Yian Poh and Mr Lim Soo Kong @ Lim Soo Chong. It was disclosed that the NC had assessed the independence of Board members in light of Guideline 2.4 of the 2012 Code of Corporate Governance which requires that the independence of any director who has served on the board beyond nine years, from the date of first appointment, be subject to particularly rigorous review.

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.

- (i) 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?**
- (ii) Can the NC and the board confirm that no director was involved in the review of his own independence?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (iii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**



- (iv) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments (given that it has diversified into property development)?**

- (v) What is the search and nomination process for directors, especially independent directors?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2017 and 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: -----