Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Casa Holdings Limited

Stock code: C04

Meeting details:
Date: 25 January 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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[The following question was posted to the company following the review of the FY2018 annual report. As the company has not responded nor improved its disclosure/corporate governance practices, the question is updated and reposted to the company.]

Q1. In the letter to shareholders (pages 2-3 of the annual report), the company provided shareholders with an update of the group's trading business, which included a profit after tax of $1.1 million in FY2020 and the launch of an online shop during Phase 2 of the re-opening following the circuit breaker. The board has also proposed a dividend of 0.5 cents per share for FY2020. This is the first dividend proposed since FY2014 when the company gave out $0.01 per share.

However, as disclosed in the statements of financial position (page 32), the group has 57% of its total assets ($55.3 million out of $96.7 million) invested in development properties. This relates to the group's 34.3% interest in three plots of land in Plentong, Johor, Malaysia that has been marked for residential and commercial use (page 59 – Note 16: Development properties).

There was no mention of the group's efforts and prospects in the property segment in the letter to shareholders by the chairman and the CEO even though it is by far the largest segment, accounting for 57% of the group's total assets. On page 87, it was disclosed that the group conducted a preview launch of its Seventh Cove project in Malaysia in 2015 but it has since been put on hold.

(i) **Would the chairman and CEO consider giving shareholders a holistic, balanced and candid overview of the achievements and challenges faced by the group in the year so that shareholders get a true and fair view of the progress made by the group?**

(ii) **In particular, can management elaborate further on the status of the development properties?**

(iii) **With the termination of the KL-Singapore High Speed Rail, how has the group's plan been affected? Please (re)state the group's development plans for the three properties in Johor, Malaysia.**

(iv) **Would management also identify the partners who are holding the other 65.7% interests in the development properties?**

(v) **With a 34.3% stake, what is management's ability to influence and drive the projects?**

(vi) **What are the financial/non-financial indicators that management is monitoring which will determine the development trajectory of the projects?**

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The carrying value of development properties is a key audit matter (KAM) highlighted by the independent auditor in their Report on the audit of the financial statements (page 27). 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 has significant development properties located primarily in the Iskandar region of Malaysia. As at 30 September 2020, the group's development properties amounted to approximately $55,283,000 (2019: $55,419,000) comprising mainly of the land and certain initial development costs, which represented 57% of the total assets of the group. The development properties are held with the intention for development and sale in the ordinary course of business and 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. The development had been halted in FY2016 based on management's assessment of the property market condition in Malaysia and there is no significant development cost incurred since then.

(vii) **Would the audit committee help shareholders understand the basis for the carrying value of $55.3 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 5 years?**

(viii) **Please identify the independent real estate valuer. What are the key assumptions used to estimate the net realisable value? Would the board be making the valuation reports available on SGX?**

(ix) **How did the audit committee evaluate the reasonableness of the assumptions used in the valuation report?**

(x) **Has the board actively evaluated the group's options, including monetising its 34.3% stake in the Johor projects to safeguard shareholders' interests?**

Q2. Even though the ongoing and evolving COVID-19 pandemic caused significant and unprecedented disruptions to businesses and the global economy, the group reported revenue of $14.7 million for the financial year ended 30 September 2020, a 21% decrease from FY2019. Profit after tax for the year was $1.1 million. The group also expanded its product range, set up an online shop and developed its own brand, Kith.

(i) **Can management elaborate further on the group's digitalisation strategy? How is the group tapping on the shift by consumers to e-commerce?**

(ii) **In addition, would management clarify on the strategic role of the group's online shop (shop.casa.sg)? Is the company's online shop a direct competitor of the group's dealers/retailers?**

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(iii) **What is the amount earmarked to support the development of Kith? What is management's strategy to grow Kith in a crowded marketplace?**

Q3. In the past years, the company's auditors have issued a qualified audit opinion on the company based on the following:

> "…Fiamma is a company listed on the Main Market of Bursa Malaysia. The Component Auditor cited Listing Rules of Bursa Malaysia as a factor in not being able to allow us access to themselves or their audit working papers. The Component Auditor was not agreeable to discuss the financial affairs and the audit of Fiamma. Due to the above restrictions, we were also not able to perform any other satisfactory alternative procedures for us to fulfil the requirements of Singapore Standard on Auditing 600, Special Considerations – Audit of Group Financial Statements (including the Work of Component Auditors). Therefore, we were unable to obtain sufficient appropriate evidence to ascertain the carrying amount of the Group's investment in Fiamma as at 30 September 2019, the Group's share of Fiamma's results and other comprehensive income for the financial year then ended and the related financial information of Fiamma as disclosed in Note 20 to the financial statements, and were unable to determine whether adjustments, if any, to these amounts were necessary…"

In 2019, the company further disclosed that it foresees that the audit opinion shall remain status quo unless there is a change in rules and regulation and its implementation.

In the company's 2020 annual report, the company received an unqualified opinion from the auditors.

(i) **Can the board, especially the audit committee, help shareholders understand if the Component auditor (KPMG for Fiamma) is able to complete the audit instructions from the Group auditor (Nexia TS) in FY2020?** In previous years, the Component auditor has cited Para 9.08(2) of the (Bursa) Main Market Listing Requirement states that a listed issuer must ensure that no disclosure of material information is made on an individual or selective basis to analysts, shareholders, journalists of other persons unless such information has previously been fully disclosed and disseminated to the public.

Separately, management has assessed and concluded that it has significant influence over Fiamma, in which the group has a 15.33% stake.

(ii) **Can the board elaborate further on the level of influence it has over Fiamma?** It would appear that the company has appointed Ms Margaret Chak Lee Hung (Group Financial Controller and Joint Company Secretary) as a non-independent non-executive director on the board of Fiamma which has 6 other directors.

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(iii) **Would management also elaborate further on the impact of the pandemic on Fiamma? How would the extension of the movement control order in Malaysia affect Fiamma?**

Q4. As noted in the biography of the directors, Dr Low Seow Chay was appointed as chairman of the board on 15 January 2020. Dr Low has served as an independent director of Casa Holdings Limited since 28 August 1995.

In fact, Dr Low was appointed chairman of the board on 30 September 2014 and stepped down as chairman with effect from 24 November 2017. With his reappointment as chairman of the board on 15 January 2020, Dr Low will replace Mr. Lim Yian Poh who had earlier replaced him as chairman of the board.

(i) **Would the nominating committee (NC) help shareholders understand the board succession plans, especially for the board chairman and independent directors?**

(ii) **How did the NC select and determine the chairman of the board?**

(iii) **Can the NC also elaborate further on the board's plan for progressive renewal?**

As disclosed in the 2019 annual report, Dr Low was chairman of all three board committees and yet Dr Low attended 1 out of 2 audit committee meetings and 1 out of the 2 nominating committee meetings for FY2019. Dr Low did not attend the only remuneration committee meeting held in FY2019 and had also missed 1 out of 3 board meetings.

As reported in the 2020 annual report, Dr Low (appointed chairman of the board) still chairs the nominating committee and sits in the other two board committees. Based on the attendance of directors at board and board committee meetings (page 10), it can be seen that Dr Low only attended 1 out of 2 AC meetings, 1 out of 2 NC meetings (where he is the NC chair) and 1 out of 2 RC meetings.

The annual report stated that Dr Low Seow Chay had engagement overseas on the period where meetings were held and was therefore not able to attend these meetings on 29 November 2019.

(iv) **Can the company and the company secretary help shareholders understand if board and board committee meetings are scheduled in advance to allow directors to block out their calendars?**

(v) **If so, would the director/company help shareholders understand if there were any extenuating circumstances that led to Dr Low's below-average attendance rate at board committee meetings in the past 2 financial years?**

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(vi) **How can the company secretary and the company work together with the board to improve the attendance of directors at the board/board committee meetings?**

(vii) **As the independent chairman of the board, would Dr Low hold himself to a higher standard and lead by example, especially in terms of his attendance at board and board committee meetings?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

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

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)