



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: Chuan Hup Holdings Limited

Security: Chuan Hup Holdings Limited

Meeting details:

Date: 18 October 2018

Time: 2.00 p.m.

Venue: Multi-Purpose Room, 2nd Floor, 35 Pioneer Road North, Singapore 628475

Company Description

Chuan Hup Holdings Limited, an investment holding company, operates in the electronics manufacturing services and property sectors. The company operates through Investment, Electronics Manufacturing Services, and Property segments. Its electronics manufacturing services include design, manufacturing engineering, material sourcing and procurement, assembly, testing, and logistics services. The company is involved in the manufacture of printed circuit board assembly, user interface panel, and complete box-build projects. It also develops and invests in properties, as well as invests in property related entities. In addition, the company provides value added logistics and warehousing, information technology, research and development, and estate management services. It operates in the United States, Australia, Singapore, the People's Republic of China, and Europe, as well as ASEAN countries and internationally. The company was founded in 1970 and is headquartered in Singapore. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C33)

1. The group's major investments in the past few years appear to be passive/non-controlling in nature. Other than consolidating the control of PCI in 2011, the groups' major capital allocation decisions included:

- 2014: Purchase of 3 floors of office space in GB Building for passive rental income
- 2015: Disposal of 24.7% interest in CH Offshore
- 2017: Acquisition of 35.5% stake in Pacific Star Development

The group's property development activities are mostly carried out by/in partnership with its 20.3% owned Finbar, 35.5% owned Pacific Star Development or Keyland Ayala Properties Inc (formerly known as Security Land Corporation).

- (i) Can the board elaborate further on the group's strategy to invest significant amounts of capital into non-controlling stakes of property development companies?**
- (ii) Other than the majority controlled PCI, can management elaborate further on its core competencies? Does the group have a strategy to "outsource" its property development to its investee companies?**
- (iii) What is the level of management's involvement in its developments such as Symphony City (including Concerto), Unison on Tenth/Kennedy and the Signa Designer Residences?**
- (iv) How does management value-add to the property development activities if it does not have influence and/or control over the day-to-day operations or key strategic matters of these investee companies?**
- (v) In addition, given that the group has property development projects in Australia, Malaysia, the Philippines and Thailand, does the company/management have the required local knowledge and insights of these markets?**
- (vi) In AR2016, the company reported that it has a 32.52% stake in Security Land Corporation that it records as an available-for-sale investment. Since then, Security Land Corporation has morphed into Keyland Ayala Properties Inc (KAPI). Can management update shareholders on the level of the group's interests in KAPI? Does management have any influence or oversight of this investment? What are management's plans to maximise the value of this investment?**
- (vii) What are the long-term returns achieved from its investments in Finbar and KAPI (and perhaps Pacific Star although this is a new investment made in 2017)?**
- (viii) Would the company/board review its practice of investing in minority stakes of property development companies?**

2. Mr Peh Kwee Chim remains an executive director of the company since stepping down as managing director in 2005. Mr Peh Kwee Chim is also the executive chairman of PCI, the 76.7% owned subsidiary.

Mr Peh Siong Woon Terence is an executive director of the company and has been the chief executive officer of the company since 2005. As CEO, Mr Peh Siong Woon Terence is responsible for the day-to-day running of the business and for the overall performance of the group. Mr Peh Siong Woon Terence is also the executive vice chairman of PCI.

In the senior management team, the group has a chief operating officer (COO), a group chief financial officer (CFO) and a company secretary/Head, Legal and Corporate Secretarial.

- (i) **Would the board and the nominating committee elaborate further on the roles and responsibilities of Mr Peh Kwee Chim and Mr Peh Siong Woon Terence? Is there a clear distinction between the roles of the executive directors and the CEO?**
- (ii) **What is the level of involvement by the management in the day-to-day running of the group's non-controlling interests in its associates and other investments?**

The remuneration of Mr Peh Kwee Chim and Mr Peh Siong Woon Terence in the past 5 financial years is shown in the table below, together with the group's performance and net assets. The percentage of fixed and variable component of the remuneration is shown in parenthesis.

	Remuneration FY ended 30 Jun 2014	Remuneration FY ended 30 Jun 2015	Remuneration FY ended 30 Jun 2016	Remuneration FY ended 30 Jun 2017	Remuneration FY ended 30 Jun 2018
Mr Peh Kwee Chim	US\$600,000 to US\$799,999 (46% : 54%)	US\$600,000 to US\$799,999 (54% : 46%)	US\$720,000 to US\$899,999 (78% : 22%)	US\$1,620,000 to US\$1,799,999 (43% : 57%)	US\$1,800,000 to US\$1,979,999 (41% : 59%)
Mr Peh Siong Woon Terence	US\$600,000 to US\$799,999 (46% : 54%)	US\$600,000 to US\$799,999 (58% : 42%)	US\$720,000 to US\$899,999 (76% : 24%)	US\$1,440,000 to US\$1,619,999 (40% : 60%)	US\$1,620,000 to US\$1,799,999 (38% : 72%)
Profit Attributable to Equity Holders of the Company	18,023,000	36,659,000	10,286,000	17,928,000	13,274,000
Return on average equity (%)	6.0	11.9	3.5	6.2	4.6

Net tangible assets per share (US cents)	33.26	32.61	30.19	31.82	30.77
Shareholders' equity (US\$ million)	310.5	304.4	280.8	295.4	285.6

In the Corporate Governance report, the remuneration committee has disclosed that the variable component of executive directors and key management personnel consists of key performance measures such as profitability and net asset growth of the group over the short and medium term.

As seen in the table above, the group's net asset growth has been mixed in the past 5 years (partly due to the distribution of dividends). Except for FY2015, the ROE has fluctuated between 3.5% to 6.2%. The profit attributable to shareholders in the past 3 financial years has been lower than the US\$18.0 million achieved in FY2014 and yet the remuneration of its executive directors has increased significantly in the past two years.

- (iii) Given that the FY2017 and FY2018 remuneration of the two executive directors more than doubled from FY2016 even when the profit decreased in FY2018, would the board help shareholders understand in greater detail the link between the group's performance and the remuneration of the executive directors?**

3. Mr Lo Pang Foo Steven was appointed to the board on 24 February 2017 as a non-executive, independent director of the company. Prior to his appointment, Mr Lo has been an independent director of PCI Limited, the group's listed subsidiary, since 28 December 2011.

Similarly, when Ms Heng Su-Ling Mae was appointed as a non-executive, independent director of the company on 3 April 2018, she was already an independent director of Pacific Star Development Limited.

- (i) Would the nominating committee (NC) explain in greater detail the search and nomination process for directors, especially independent directors?**
- (ii) Does the NC consider it beneficial to have independent directors with hands-on experience in electronics manufacturing services and/or property development so as to further strengthen the competency matrix of the board?**

In addition, after 15 years of service, Mdm Joanna Young Sau Kwan will not be seeking her re-election at the AGM and will be retiring from the board. However, it is observed that Mdm Joanna is appointed to the group's listed subsidiary, PCI Limited.

- (iii) Does the company consider the appointment of Mdm Young at its listed subsidiary after she had served 15 years as independent director on the**



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

company as compliance with both the letter and the spirit of the guidelines on independence?

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

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

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