Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Chuan Hup Holdings Limited

Stock code: C33

Meeting details:
Date: 29 October 2020
Time: 10.30 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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Q1. With the divestment of the electronics manufacturing business, the group's core focus is now firmly in the property sector. Through its stake in Finbar, and along with the joint ventures, the group is heavily vested in the Australia property sector to "*tap the evolving demographics and demand for quality homes*".

The group's projects in Australia are centered in/around Perth, with new projects such as 240 Adelaide Terrace (known as "AT238") and 101 Hay Street in East Perth.

(i) **Would management help shareholders understand the reasons for the confidence in the Perth property market? What are the macro-economic factors supporting the economy?**

(ii) In particular, the group's development, One Kennedy, was completed in February 2020, with only 42% of the 123 apartments have been sold and settled as at 30 June 2020. **Can management provide an update on the total sales (including those that have been sold but not settled)? Is this an indication that the market may not be as strong as management had planned?**

(iii) **What is the ground sentiment in Perth due to the pandemic?**

(iv) **Is there a risk of oversupply in the Perth market?**

(v) **In particular, how dependent is the group on overseas buyers for its completed property development projects?**

(vi) **With the COVID-19 outbreak turning into a protracted pandemic, how has the group finetuned its plans, especially the pace of growth?**

Separately, it was disclosed that the company has successfully nominated Mr Peh Siong Woon Terence (chief executive officer and executive director) and Mr Lim Kwee Siah (non-executive director) to the board of Keyland Ayala. The group has a 32.5% stake in Keyland Ayala. Keyland was reclassified as an associated company in October 2019.

(vii) **Can management help shareholders better understand the strategic growth plans of Keyland Ayala?** Keyland Ayala is a property and development company in the Philippines which, through a joint venture, developed Signa Designer Residences which is located in the prime commercial and business district in Makati, Manila.

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Q2. As noted in the chairman's statement, the group recognised an impairment loss of USD8.83 million on the loan receivable from Major Star Holdings Ltd. ("MSH") In addition, the group made a 35.5% stake in Pacific Star Development Limited ("PSDL"), a property development company listed on the SGX-ST. However, the trading of its shares has been suspended since 19 March 2020.

In FY2020, the company wrote off the carrying value of PSDL. In FY2019, the carrying value was US$2.5 million although the carrying amount was as high as US$26.1 million in 2017.

(i) **Can the company disclose the total investments made in PSDL (including the associated loans related to PSDL, such as MSH)?**

(ii) **How much has been recovered? What is the group's net exposure (before impairment) to PSDL and MSH?**

On 19 March 2020, the group announced that its loans (and accrued interests) to Major Star Holdings Limited (MSH) were due and the group had refused extension requests by MSH. The group subsequently served a Statutory Demand on the guarantor to repay failing which the group proceeded to file a bankruptcy application against the guarantor. The High Court has made a bankruptcy order against the guarantor but the trustee has confirmed that the guarantor is uncontactable.

(iii) **Would the board be revisiting the initial investment approval and due diligence carried out prior to its investments in PSD/MSH?**

(iv) **With the benefit of hindsight, what could the group have done differently (including a different deal structure) to better safeguard its interests?**

(v) **How robust was the board approval process? For instance, was there unanimous support on the board? How did the board encourage constructive debate, draw out differing views and avoid groupthink?**

(vi) **What changes, if any, has the board made to its investment approval process?**

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Q3. In Note 15 (page 80 – Derivative financial instruments), it is shown that the company has equity related derivative contracts amounting to US$4.49 million. These derivative contracts may be terminated earlier than the maturity dates upon the occurrence of the knock-out event as stipulated in the contracts. The maturity date of the derivative contracts ranged from 10 September 2020 to 19 February 2021.

(i) **Would the board help shareholders understand the underlying securities linked to the equity-related derivative contracts?**

(ii) **Is this part of the group's risk management/hedging framework in the ordinary course of its core business? Or are these derivative contracts with knock-out features speculative in nature?**

(iii) **What is the board's oversight of the group's activities linked to derivative financial instruments?**

In addition, as at 30 June 2020, the group has US$16.85 million in investment securities. These are recognised as financial assets at fair value through profit or loss. For the financial year, a fair value loss of US$(3.6) million was recognised although the group recognised a fair value gain of US$3.3 million in FY2019.

(iv) **How is the group's securities investment portfolio managed? What are the objectives of the group's securities investments? Has the board assessed the performance of the quoted equity investments over 3-5 years?**

Similarly, as disclosed in Note 14 (page 79 – Investment securities), the group disposed of its investments in unquoted fund investments, unquoted securities and quoted bond investments in the previous financial year and recognised a cumulative fair value loss on disposals of US$2,396,000. The carrying value at the date of derecognition was US$15,893,000 while the group recognised a dividend of US$348,000 from the unquoted fund investments prior to the disposal.

(v) **Would the board/audit committee help shareholders understand if the board has established a robust and prudent investment framework to guide the group's investments in equities, unquoted funds and derivative products?**

(vi) **If the group has excess capital that it is unable to deploy meaningfully in its core business, would the board consider a special dividend to right size the balance sheet?**

(vii) **With the sale of the electronic manufacturing business, would the company be adopting a more appropriate functional currency like AUD or SGD?** This would remove the unnecessary impact of USD fluctuations in the group's financial statements as it no longer has significant transactions and exposure to USD.

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^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)