Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Chuan Hup Holdings Limited

Stock code: C33

Meeting details:
Date: 28 October 2022
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. Other than the group's property development projects in Australia, the group has built up a portfolio of investment properties in Singapore to generate recurring income. The group holds the 20th to 22nd floors of GB Building (acquired in November 2014) and the 24th floor of The Central (acquired in April 2019).

As seen in Note 33 (page 123 – Operating lease commitments), rental income for the year was US$1.252 million, a decrease from US$1.385 million for FY2021 although the future minimum lease receivable of the non-cancellable operating leases for the next 12 months amounted to US$1.352 million (compared to US$1.157 million a year ago).

(i) **What are the occupancy rates and the average passing rents of the office units in GB Building and The Central?**

(ii) **Given the current economic situation (including rising interest rates), what are the management's plans for its investment portfolio?**

In October 2021, the company announced that there is a proposed collective sale of the commercial development at 143 Cecil Street (GB Building). As shown on page 91, the unexpired lease term is 59 years. It is also noted that a separate portfolio of 3 commercial units (which includes the retail podium and office units on the third and eighth floors) has been put on the market via an Expression of interest by an (unrelated) third party that closed in May 2022.

(iii) **Can management help shareholders better understand the status of the proposed collective sale? What is the level of involvement by management in the proposed collective sale?**

Separately, on the property development front, the group is heavily involved in residential developments with Finbar in Perth and with Siera Group in Surfers Paradise/Queensland.

(iv) **Can the board/management let shareholders better understand the group's goals and priorities in Australia over the next 12-18 months? How will the volatile foreign exchange rates, the rising interest rates and the fear of a recession affect the group's progress in Australia?**

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Q2. In the chairman's statement, it was stated that the lower net profit contribution was mainly attributed to fair value loss in investment securities of USD 5.71 million and foreign exchange loss of USD 2.39 million, as compared to the mark-to-market gain of USD 3.21 million and foreign exchange gain of USD 6.61 million in FY2021.

The group's investment securities have decreased from US$17.34 million to US$11.74 million as at 30 June 2022. Dividend income from investment securities (FVPL) was US$305,000 in FY2022. Changes in fair value of investment securities were US$3.37 million for FY2022 (as shown in the consolidated cash flow statements).

(i) **What is the investment mandate for the group's investment securities?** It is observed that the dividend yield of the investment securities appears to be on the low side (FY2022: US$305,000; FY2021: US$421,000) relative to the size of the portfolio (FY2022: US$11.74 million; FY2021: US$17.34 million). **Is the portfolio relatively speculative in nature?**

(ii) **What are the underlying securities in the group's portfolio? Who is managing the portfolio?**

(iii) **What are the 3-year and 5-year returns of the group's equity investments?**

(iv) **Can management help shareholders better understand how the fair value loss of USD 5.71 million was calculated?**

(v) **Has the board considered doing a capital reduction to return excess capital to shareholders so that they can make their own investments and capital allocation decisions?**

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Q3. As noted in the corporate governance report, the internal audit function of the company has been outsourced to BDO LLP. During the financial year, the Internal Auditor conducted its audit review based on the internal audit plan approved by the audit committee. The Internal Auditor submitted its internal audit report to the AC on audit findings and actions taken by management on the findings.

(i) **What were the scope and the key findings of the internal audit?**

(ii) **How was the scope of the internal audit plan determined? What is the length of the internal audit cycle?**

(iii) **Were all the material entities, including the associates namely Finbar Group Limited and Keyland Ayala Properties Inc (carrying amount of US$55.1 million) and the joint ventures (valued at US$44.7 million), included in the internal audit? If not, how does the board assess the adequacy and effectiveness of the internal controls in addressing financial, operational, compliance and information technology risks of the associates and of the joint ventures?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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