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**Issuer:** Chuan Hup Holdings Limited

**Stock code:** C33

**Meeting details:**

Date: 29 Oct 2024

Time: 10.30 a.m.

Venue: Training Room 3-1, 60 Cecil Street, ISCA House, Singapore 049709

**Q1.** Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Student accommodation:** The group acquired a 51% majority interest in Homestead Capital Pte. Ltd. to expand into the student accommodation business in May 2023. The total consideration was S\$5.3 million when the pre-money net tangible asset value of the target was just \$388,528. As disclosed in Note 17 (Intangible assets; page 86), intangible assets with a carrying value of US\$4.16 million was recognised due to the acquisition, and an impairment of US\$623,000 was recognised in FY2024.
  - a. **Can the board elaborate on the level of due diligence conducted before investing in the student accommodation business? What specific factors or projections were used to justify paying such a significant premium over the NTA, and were those assumptions stress-tested under various market scenarios?**
  - b. **Considering the highly competitive nature of the sector and the significant influx of investments in recent years, how did the board evaluate the risk of overpaying in a potentially overheated market?**
  - c. **Could management provide more detail on the operational challenges or market shifts that led to the impairment of goodwill and other intangible assets within a year of the acquisition? Has Homestead met management's projections?**
- (ii) **Boutique landed home development:** The group has ventured into landed home development, such as projects at 25 Jalan Selanting (Paulownia) and 15 Lynwood Grove (Neoco). The group has total assets amounting to US\$254.7 million. **What is strategic rationale for venturing into boutique landed home development and is this business line expected to become a major contributor of revenue and profit for the group? Is this a good use of management's time and the group's resources given that it is non-scaleable?**
- (iii) **GB Building:** The group owns three floors of office space in 143 Cecil Street which has 57 years of lease remaining. **What is management's estimate of the cost of capital and is the asset generating returns that exceed the cost of capital? Given current office market conditions and changing workspace demand, has the board considered options to unlock value from the GB Building asset through a sale?**


**Q2.** Based on the balance sheets as at 30 June 2024, more than half (US\$130.6 million) of the group's total assets (US\$254.7 million) is invested in associates and joint ventures. The associates are Finbar Group (US\$39.9 million) and Keyland Ayala Properties Inc (US\$24.1 million) while the group's 50:50 joint ventures with Finbar (for AT238 and Garden Towers) and Siera Property Group (for Tapestry, Pipis and Exhale) amount to US\$66.6 million, primarily due to loans made to the JVs.

- (i) **How is management ensuring it adds strategic value to its investments in associates and joint ventures?** In the past, management has been extremely successful when it built up the marine logistics and electronic manufacturing businesses. **How has the group's approach to value creation evolved over time, and to what extent is the shift from operational businesses to investments into associate and JVs aligned with the group's long-term strategic priorities?**
- (ii) **How is management's safeguarding the company's interests in the associates given the lack of direct management control over the strategic, operational, and financial decisions of these entities?**
- (iii) **Can management provide clarity on the group's rights in its joint ventures, particularly in terms of control over key financial and strategic decisions?**
- (iv) **Given that the joint ventures were formed to leverage local market expertise, to what degree does the group participate in key decision-making processes? How does the group ensure its strategic interests are safeguarded while allowing the JV partners to take operational leadership?**

**Q3.** The shares of the company currently trade around 17 cents, below the COVID lows. According to SGX StockFacts, the price-to-book value is approximately 0.55 times and the company is in a net cash position of \$11 million. There appears to be a significant gap between market perception and asset value.

**Chuan Hup (C33/CHHS.SI)** ▼ 0.172 SGD -0.002 (-1.149%)





Industry: Real Estate, Real Estate Development & Operations  
 This company reports in this currency: USD  
 For latest update, please refer to Company Announcements.

 Cum Dividend/ Distribution

[Prices & Chart](#)   [Company Information & News](#)   [Financial Statements](#)   [Company Announcements](#)   [GTI](#)



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Price/Book Value 	0.546	Enterprise Value	148.08M
Price/Sales 	16.847	Price/CF 	56.199
Dividend Yield 	5.75	P/E Ratio 	62.32
Dividend Yield 5-yr avg 	5.160	Net Debt 	-11.09M



(Source: <https://investors.sgx.com/securities/stocks?security=C33>)

- (i) **What has been the total shareholder return (TSR) over the past 5, 10 and 20 years?**

Based on the group financial highlights on page 20, it seems like the group has scaled down its operations significantly. Revenue has declined to as low as US\$4.9 million in FY2023 and profit attributable to shareholders slipped to US\$1.97 million in FY2024.

## GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 30 JUNE	2024 US\$'000	2023 US\$'000	2022 US\$'000	2021 US\$'000	2020 US\$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Revenue	7,242	4,914	15,731	19,582	25,234
Profit/(loss) before tax	2,356	6,281	2,260	13,532	(16,791)
Profit/(loss) for the year	1,370	5,787	1,980	13,291	(17,124)
Profit/(loss) attributable to equity holders of the Company	1,969	5,787	1,980	13,291	(17,124)

- (ii) **Since divesting the marine logistics business (2005 onwards) and electronic manufacturing business (2019), what specific initiatives have been undertaken to build meaningful businesses post-divestment? How successful has the group been in replicating these past successes?**
- (iii) **Can the board outline the group's long-term strategic growth plans? Specifically, what are the targeted areas for sustainable growth, and how does the board measure success in terms of generating consistent returns and value for shareholders?**
- (iv) **Given that the payout ratio has consistently exceeded 100%—reaching as high as 340%—can the board provide insights into the sustainability of the current dividend policy?**

Stock exchanges and regulators, including Tokyo Stock Exchange and Korea's Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that "corporate values" of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focussed on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

- (v) **Apart from acknowledging that there are many external factors influencing the share price, would the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?**

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

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