

Issuer: CSC Holdings Limited

Security: CSC Holdings Limited

Meeting details:

Date: 26 July 2017

Time: 10:00AM

Venue: 4th Floor, No. 2 Tanjong Penjuru Crescent, Singapore 608968

Company Description

CSC Holdings Limited, an investment holding company, provides foundation and geotechnical, and ground engineering solutions in Singapore, Malaysia, Thailand, Vietnam, and internationally. The company operates through two segments, Foundation and Geotechnical Engineering, and Sales and Lease of Equipment. It offers civil engineering, foundation and geotechnical engineering, soil investigation, land and tunnel surveying, and other related services, as well as pile testing and instrumentation, and automatic underground tunnel, and tunnel and structural deformation monitoring surveying services. The company also constructs and installs diameter bored piles, diaphragm walls, ground improvement works, driven piles, jack-in piles, and micro piles. In addition, it rents and sells foundation engineering equipment, machinery, and spares parts, as well as consumable items; trades in and rents construction equipment and related parts; and provides laboratory testing, and geotechnical instrumentation and monitoring services, as well as fabrication, repair, and maintenance services for heavy machinery. Further, the company is involved in property investment, development, management, and other related activities, as well as subleasing of land. It offers its solutions to public and private sector works, including residential, commercial, industrial, and infrastructure projects. CSC Holdings Limited was founded in 1975 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C06)

Q1. The group reported losses for the year of \$(24.7) million, \$(5.5) million and \$(13.6) million in 2017, 2016 and 2015 respectively. On 11 July 2017, the group gave notice that it “has recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts)”.

Based on Rule 1311(1) of the Listing Manual, the Exchange will place an issuer on a watch-list if it records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) and an average daily market capitalisation of less than S\$40 million over the last 6 months.

The group’s latest 6-month average daily market capitalisation is \$47.29 million. Should the 6-month average daily market capitalisation drop by 8.5% to below \$40 million at the next quarterly review by the Exchange, the company will be included in the watch-list.

The group has stated that it has “aggressively implemented various measures to reduce our cost base and manage our expenditure on multiple fronts”. Despite such pre-emptive cost management measures, the losses increased to \$(24.7) million in 2017. The group has an order book of \$220 million expected to be completed within the next nine months.

- a) **Can management elaborate further on its plans to improve the group’s performance?**
- b) **What are the main factors/drivers for the group to return to profitability in the current financial year?**
- c) **What is the current headcount?**
- d) **Given the reduced business activities, how likely is it that the group’s \$132.6 million worth of “plant and machinery” will be impaired?**

Q2. The group’s profit/loss attributable to owners of the company for the past 5 years is shown in the table below.

	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000
Revenue	533,095	487,125	427,925	382,341	252,360
Loss attributable to Owners of the Company	(3,381)	2,980	(16,699)	(6,871)	(25,282)
Remuneration band of See Yen Tarn (Group CEO)	\$500,000 to \$750,000	\$500,000 to \$750,000	\$500,000 to \$750,000	\$500,000 to \$750,000	\$500,000 to \$750,000
Bonus component of See Yen Tarn (Group CEO)	29%	27%	27%	26%	23.7%

(Source: Company annual reports)

As noted in the Corporate Governance Report (page 44), Mr See Yen Tarn, as the Group CEO, is responsible for the day-to-day operations of the Group. As Group CEO, Mr See also heads the Executive Committee that meets weekly to review strategic, business and operational issues and determine policies of the group to ensure the smooth functioning of the group.

For the past 5 financial years, the remuneration band of Mr See has always been \$500,000 to \$750,000 even though the cumulative losses attributable to the owners of the company exceeded \$(49) million. In addition, the bonus component of Mr See has always been more than 23.7%.

One of the key functions of the remuneration committee (RC) under the terms of reference include, inter alia: -

- (a) *reviewing and recommending to the Board a framework for the remuneration of the Director and key senior executives and determining specific remuneration packages for each executive Director. These recommendations are submitted for endorsement by the entire Board and covers all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind.*

It was also stated that the "performance of the Company's Executive Directors (together with other key senior executives) will be reviewed periodically by the RC and the Board".

- a) **Can the RC let shareholders know if they had reviewed the performance of the company's executive (including directors) in the past 5 years? If so, how many reviews were carried out and who were the executives reviewed?**

It was also disclosed that the "variable component is in the form of a variable bonus that is linked to the Group's and individual's performance" (page 49).

- b) The Group CEO, Mr See, has received a remuneration package of between \$500,000 to \$750,000 in each of the last 5 years and it had included a bonus component of at least 23.7%. **Can the RC help shareholders understand how the bonus component was derived/calculated?**
- c) In Mr See's profile, it was disclosed that Mr See is also a director of three other listed companies on the Singapore Exchange. Mr See is also the Group CEO and a member of the Nominating, Risk Management and Executive Committees. **Given that the group has reported accumulated losses attributable to owners of the company of more than \$(49) million in the past 5 years, would Mr See re-consider his commitment to other listed companies and focus solely on the matters of the company?**
- d) In addition, the top 9 executives in 2017 and the top 8 executives in 2016 received bonuses of 21.4% and 24.2% respectively. **Can the RC help shareholders understand the group's and individual's performances that warranted the bonus component to the top executives?** In the last two financial years, the losses attributable to owners of the companies exceeded \$(32.2) million.

Q3. The independent directors, namely Mr Chee Teck Kwong Patrick, Mr Tan Ee Ping, and Mr Tan Hup Foi @ Tan Hup Hoi were first appointed to the board in March 1998, August 2003 and April 2006 respectively. All three independent directors have served on the Board for more than nine years.

Notwithstanding the fact that the Nominating committee with the concurrence of the Board view the three long tenured directors as independent, Guideline 2.4 of the Code of Corporate Governance 2012 calls for the board to "also take into account the need for progressive refreshing of the Board".

- a) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- b) **Please also disclose the company's search and nomination process for new independent directors.**