



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: CSC Holdings Limited

Security: CSC Holdings Limited

Meeting details:

Date: 27 July 2018

Time: 10.00 a.m.

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)



1. In the Corporate profile, the group is described as a leading foundation and geotechnical engineering specialist and the region's leading ground engineering solutions provider for private and public sector works which include residential, commercial, industrial and infrastructure projects with a history of more than 40 years and backed by an "experienced management team".

Despite a stronger emphasis on margin over volume and stronger focus on costs, the group continued to report losses of \$(13.45) million in FY2018. Based on the Consolidated statement of profit or loss, (loss) attributable to owners of the company was \$(14.3) million for FY2018, an improvement from \$(25.3) million a year ago.

The group's equity peaked at \$200.3 million in FY12 and has since slipped to \$159.2 million in FY18. Net asset value per share has also decreased from 16.39 cents in FY12 to 7.20 cents in FY2018.

Over the same period, the group has just paid out dividends of 0.1 cents per share in FY14, 0.1 cents per share in FY13 and 0.17 cents in FY12. No dividend has been paid out after FY14.

As announced on 6 July 2018, the board of directors has been reconstituted following the cessation of Mr Chee Teck Kwong Patrick as chairman, and Mr Tan Ee Ping as independent director.

- (i) Would the newly constituted board consider it opportune and prudent to carry out a strategic review of the group's operations, including business models, management team and quality of the group's assets, so that the group can preserve and maximise the value of its assets for the benefit of all shareholders and ultimately enhance long-term shareholder value?**
- (ii) Would the newly constituted board also help shareholders understand how it is providing entrepreneurial leadership to management? What are the strategic objectives set for management to achieve in the next 2-3 years?**

2. In the Corporate Governance Report, the annual remuneration band of the CEO (also an executive director of the company) is disclosed on page 45 (shown below).

Remuneration Band	Name of Directors	Directors' Fees (%)**	Service Fees (%)	Salaries ⁽¹⁾ (%)	Bonus ⁽²⁾ (%)	Total (%)
\$500,000.01 to \$750,000	See Yen Tam *	-	-	76.67	23.33	100.00

(Source: Company annual report)

For the financial year, loss attributable to owners of the company was \$(14.3) million but the remuneration of the director once again consisted bonus of 23.33%.

The level and breakdown of remuneration of Mr See Yen Tarn since FY13 is shown in the table below.

	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000
Revenue	533,095	487,125	427,925	382,341	252,360	340,439
Loss attributable to Owners of the Company	(3,381)	2,980	(16,699)	(6,871)	(25,282)	(14,314)
Remuneration band of See Yen Tarn (Group CEO)	\$500,000 to \$750,000					
Bonus component of See Yen Tarn (Group CEO)	29%	27%	27%	26%	23.7%	23.33%

(Source: Company annual reports)

The cumulative losses of the group since FY13 amount to \$(63.6) million.

Over the same period, the total remuneration of Mr See, as CEO, was between \$3.0 million to \$4.5 million.

For the financial year, the remuneration committee (RC) comprises Tan Ee Ping (as chairman), Chee Teck Kwong Patrick and Teo Beng Teck. As announced on 6 July 2018, the newly constituted RC will be Tan Hup Foi @ Tan Hup Hoi (as chairman), Ong Tiew Siam and Teo Beng Teck.

Guideline 8.1 of the 2012 Code of Corporate Governance calls for the structuring of a significant and appropriate proportion of the remuneration of executive directors and key management to commensurate with corporate and individual performances.

- (i) **Would the remuneration committee (RC) help shareholders better understand how Guideline 8.1 has been met?**
- (ii) **What performance indicators and measures were used to justify the bonus for executive directors?**
- (iii) **How did the RC monitor and measure the performance indicators?**
- (iv) **Can the RC explain and quantify how it has evaluated the performance of the executive directors and the performance of the group and also explain how the remuneration commensurate with their performance and that of the company?**
- (v) **Would the RC consider how it could finetune the compensation structure of the group to ensure better alignment with the minority shareholders?**

In addition to the role of the CEO, Mr See sits on the boards of LCT Holdings Limited, Eindex Corporation Limited and Singhaiyi Group Ltd. **Would the board help shareholders**

understand how the interests of the group is served by having the CEO/executive director sit on boards of other listed companies when the group reported large losses in the past 4 years? Would Mr See help shareholders understand how he is able to devote sufficient time, energy and attention to the matters of the group?

3. The company has also made several investments in associates, joint ventures and joint operations in the form of equity investments, shareholders' loans. Details are as follows:

- Coriolis Hertford Limited ("CHL"), a 21% associate:
 - o CHL has been granted a shareholder's loan of \$904,000 by the company
 - o CHL holds a 40% stake in Railway Street Hertford Limited ("RSH"), which has obtained full planning permission to carry out a property development project in Hertford, United Kingdom
 - o By virtue of the shareholder's agreement with its other investors, the Group is entitled to a return equal to 55% on the shareholder's loan for a period of 21 months from the date of commencement of development of the project
- WB TOP3 Development Sdn. Bhd. ("TOP3"), a 19% associate:
 - o proposed commercial development in Seremban, Negeri Sembilan, Malaysia
 - o 40% of the equity interest for a subscription price of RM2,000,000 which was later diluted to 19%
 - o granted a shareholder's loan of RM240,000

The other investments include a 49% interest in NHCS Investment Pte. Ltd., a 5% interest in THAB Development Sdn Bhd and unsecured convertible notes issued by Ackcio Pte. Ltd.

- (i) Can management help shareholders understand if these investments are aligned to the strategic goals of the group?**
- (ii) What is the level of involvement and oversight by management in these investments?**
- (iii) What is the process involved in the deal sourcing and deal structuring of these investments?**
- (iv) How much management time and attention is taken away from the core business?**
- (v) What is the level of due diligence prior to investing and what is the level of oversight provided by the board?**
- (vi) Would the company stop all non-core investments until the core business is back on track and achieves profitability?**



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https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=216

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

