



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

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**Issuer:** CSC Holdings Limited

**Stock code:** C06

**Meeting details:**

Date: 28 July 2022

Time: 10.00 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.

**Q1.** In the chairman’s statement, it was noted that the group leveraged its “*track record and competencies*” to achieve a net profit attributable to shareholders of \$0.7 million in FY2022. This was a significant turnaround from a net loss attributable to shareholders of \$(11.0) million in FY2021. In fact, despite the challenging operating environment, FY2022 was only the third time that the group reported a profit in the past decade.

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
<b>Group Profit &amp; Loss (S\$m)</b>										
Revenue	533.1	487.1	427.9	382.3	252.4	338.8	323.1	342.8	178.3	268.7
Gross Profit	40.6	33.8	24.1	24.3	8.2	11.2	15.0	44.2	10.9	27.7
(Loss)/Profit After Tax	(0.7)	6.2	(13.6)	(5.5)	(24.7)	(13.5)	(18.0)	7.3	(12.4)	0.6
EBITDA	36.3	37.0	19.2	24.4	8.2	14.8	9.4	40.8	15.1	27.2
<b>Group Balance Sheet (S\$m)</b>										
Property, Plant & Equipment	184.6	166.8	185.6	167.9	164.9	156.2	137.1	132.5	125.0	128.6
Other Non-Current Assets	16.6	19.0	16.9	10.4	14.8	17.0	20.7	29.1	24.3	26.8
Total Current Assets	304.1	302.3	249.0	221.9	181.0	161.8	195.6	203.0	176.2	188.7
Total Assets	505.3	488.1	451.5	400.2	360.7	335.0	353.4	364.6	325.5	344.1
Total Equity	194.9	198.2	179.0	185.3	170.8	159.4	142.4	151.6	147.7	145.6
Other Non-Current Liabilities	65.8	49.6	32.3	29.6	23.4	23.1	19.5	18.0	19.8	39.0
Total Current Liabilities	244.6	240.3	240.2	185.3	166.5	152.5	191.5	195.0	158.0	159.5
Total Equity & Liabilities	505.3	488.1	451.5	400.2	360.7	335.0	353.4	364.6	325.5	344.1
<b>Per Share Data (Cents)</b>										
(Loss)/Earnings After Tax (Basic)	(0.28)	0.25	(1.38)	(0.48)	(1.16)	(0.65)	(0.86)	0.23	(0.37)	0.02
Net Asset Value	15.99	16.38	14.80	8.50	7.80	7.20	6.10	5.84	4.14	4.13
Dividends - tax exempt one-tier	0.10	0.10	-	-	-	-	-	-	-	-
<b>Financial Ratios</b>										
Return on Equity	-1.9%	1.7%	-10.2%	-4.4%	-16.4%	-10.3%	-15.6%	4.7%	-9.0%	0.6%
Gross Profit Margin	7.6%	6.9%	5.6%	6.4%	3.3%	3.3%	4.6%	12.9%	6.1%	10.3%
Debt/Equity Ratio	86.3%	76.1%	66.0%	53.1%	50.2%	50.4%	72.1%	58.0%	51.9%	63.2%
Current Ratio	1.24	1.26	1.04	1.20	1.09	1.06	1.02	1.04	1.11	1.18

(Compiled from company annual reports; emphasis added)

Accumulated profits have decreased from \$92.6 million as at 31 March 2013 to \$17.6 million as at 31 March 2022, a loss of \$(75.0) million in the past decade. Despite raising additional capital of \$15.8 million in FY2016, \$0.2 million in FY2018, \$1.1 million in FY2019, \$2.8 million in FY2020 and \$9.7 million in FY2021, i.e., a total of \$29.1 million, shareholders’ equity decreased from \$173.8 million to \$119.9 million.

The losses and the dilutive effects have significantly impacted the net asset value (NAV) per share. The NAV per share has decreased by nearly 75% from 15.99 cents per share in FY13 to 4.13 cents per share in FY22.

In the corporate profile, the company highlighted its strong fundamentals, experienced management team, excellent reputation, professionalism and performance.

- (i) **How does management leverage all these positive attributes to create long-term value for shareholders? Has it been successful? What were the main challenges faced by the group?**

In the past decade, the group achieved an average gross profit margin of just 6.7% and an average return on equity ("ROE") of (6.1)%.

- (ii) **What guidance/target has the board given to management in terms of profitability as measured by gross profit margin and ROE?**
- (iii) **As shown above, the group achieved an average gross profit margin of just 6.7% in the past decade. For the benefit of shareholders, what are management's plans to increase the gross profit margin? What are the operational levers available to management to improve the gross profit margin?**
- (iv) **In the bored piles/diaphragm walls sub-segment, has the group maintained or increased its market share?**
- (v) **What are management's plans to mitigate the manpower shortage? How does the group recruit and retain its skilled labour force?**

**Q2.** As noted in the corporate governance report, the board's key roles include:

- Approving the group's goals, strategies and objectives;
  - Monitoring the performance of management;
  - Monitoring the Company's key risks and mitigation strategies;
- (i) **Is the board satisfied with the long-term performance of the group and thus its own effectiveness?**
  - (ii) **What are the challenges faced by the board in steering the group to sustained profitability and consistent value creation over the years?**
  - (iii) **Has the board undertaken a formal annual assessment of its effectiveness to safeguard shareholders' interests and enhance long-term shareholder value? If so, what are the key findings?**
  - (iv) **Does the group have the appropriate human resources (including business acumen, managerial skills etc) and incentive framework in place to drive the group to achieve its strategic goals? What improvements will the board be making?**
  - (v) **Has the board held management accountable for its performance?**

Mr See Yen Tarn was first appointed to the board as an independent director in 2005 and has been the group CEO since 2006.

- (vi) **With the appointment of Mr Koo Chung Chong as the group deputy CEO, are there near-term plans for a smooth and orderly transition of the leadership?**

**Q3.** On 8 July 2022, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 March 2022 following the finalisation of audit.

The adjustment is mainly due to the reclassification of the consideration paid to acquire an additional stake in a subsidiary amounting to \$3.29 million from “Investing activities” to “Financing activities”.

For FY2021, the company also made a reclassification adjustment of \$1.89 million, as a result of the reclassification of shareholder’s loans repaid by associates from “Operating activities” to “Investing activities”.

This is the second consecutive year that the company has had to announce a reclassification adjustment between the audited and audited financial statements following the finalisation of audit.

- (i) **What are the reasons that the company initially classified a repayment of loans by associates as cash flow from operating activities (instead of financing activities) and the consideration paid for additional stakes in a subsidiary as cash used in investing activities (instead of financing activities)?**
- (ii) **What are the challenges faced by the company’s finance and accounting staff in meeting the Singapore Financial Reporting Standards (International) (SFRS(I))?**
- (iii) **For shareholders’ benefit, how can shareholders be assured that the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

^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.

<sup>^</sup> 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>)

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.**

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