



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: 30 Jul 2024

Time: 10.00 a.m.

Venue: 2 Tanjong Penjuru Crescent, #06-02, Singapore 608968

Q1. Following the review of the FY2022 annual report, SIAS raised concerns about the company's long-term performance and questioned the board's effectiveness in creating long-term value for shareholders, especially for minority shareholders. Despite the company reporting a cumulative loss of a loss of \$(75.0) million from FY13 to FY22, the board expressed satisfaction in 2022 with the group's long-term performance and its own effectiveness.

The company's response can be accessed here:

<https://links.sgx.com/1.0.0/corporate-announcements/3JJG4E5T9HAT3DM4/1f7f514662810840dd4b90b13e9a91d8dbbbb422845039535d8bd8c73cf48aa>

Subsequent to SIAS' inquiries in 2022, the company reported further losses of \$(27.1) million and \$(20.5) million in FY2023 and FY2024 respectively. Net asset value declined 30% over the past two years, from 4.27 cents per share in FY2022 (restated) to 3.00 cents per share in FY2024.

| | FY20 | FY21 | FY22 Restated | FY23 | FY24 |
|--|-------|--------|------------------|--------|--------|
| Group Profit & Loss (S\$'m) | | | | | |
| Revenue | 342.8 | 178.3 | 268.7 | 264.6 | 305.3 |
| Gross Profit | 44.2 | 10.9 | 27.7 | 6.3 | 14.4 |
| Profit/(Loss) After Tax | 7.3 | (12.4) | 5.8 | (27.1) | (20.5) |
| EBITDA | 40.8 | 15.1 | 32.4 | 2.9 | 9.2 |
| Group Balance Sheet (S\$'m) | | | | | |
| Property, Plant & Equipment | 132.5 | 125.0 | 128.6 | 124.7 | 115.3 |
| Other Non-Current Assets | 29.1 | 24.3 | 32.0 | 63.4 | 56.5 |
| Total Current Assets | 203.0 | 176.2 | 188.7 | 194.5 | 200.5 |
| Total Assets | 364.6 | 325.5 | 349.3 | 382.6 | 372.3 |
| Total Equity | 151.6 | 147.7 | 150.8 | 124.4 | 105.3 |
| Other Non-Current Liabilities | 18.0 | 19.8 | 39.0 | 72.2 | 60.4 |
| Total Current Liabilities | 195.0 | 158.0 | 159.5 | 186.0 | 206.6 |
| Total Equity & Liabilities | 364.6 | 325.5 | 349.3 | 382.6 | 372.3 |
| Per Share Data (Cents) | | | | | |
| Earnings/(Loss) After Tax (Basic) | 0.23 | (0.37) | 0.16 | (0.76) | (0.57) |
| Net Asset Value | 5.84 | 4.14 | 4.27 | 3.54 | 3.00 |
| Financial Ratios | | | | | |
| Return on Equity | 4.7% | -9.0% | 4.8% | -23.8% | -22.5% |
| Gross Profit Margin | 12.9% | 6.1% | 10.3% | 2.4% | 4.7% |
| Debt/Equity Ratio | 58.0% | 51.9% | 61.0% | 75.3% | 91.9% |
| Current Ratio | 1.04 | 1.11 | 1.18 | 1.05 | 0.97 |

- (i) **Given the substantial losses and decline in net asset value over the past years and especially the last two years, does the board remain satisfied with the group's long-term performance and thus its own effectiveness? If so, can the board provide a detailed justification for its satisfaction with the long-term performance and its own effectiveness? How does the board measure and evaluate its success in creating long-term value for shareholders?**
- (ii) **How does the board assess the group's business foundation? Also, are there any potential liquidity concerns or going concern risks for the company and its subsidiaries?**
- (iii) **What is the total shareholder return (TSR) over the past 3, 6, 10 and 18 years? The 6-year TSR and 18-year TSR would roughly coincide with the tenure of the chairman and the Group CEO since their appointments in 2018 and 2006 respectively.**

Q2. At the annual general meeting scheduled to be held on 30 July 2024, Mr See Yen Tarn is retiring pursuant to Rule 720(5) of the Listing Manual and is seeking his re-election.

- (i) **Can the director detail his specific contributions to the group since his appointment as Group CEO in 2006? What tangible value has he created for shareholders during his tenure, particularly in terms of financial performance, capital value, and dividends?**
- (ii) **If re-elected, what are the director's plans to return the group to profitability?**

As mentioned earlier, losses were \$(20.5) million in FY24 and \$(27.1) million in the FY23. Despite the group's nearly \$(50) million loss, the executive director's remuneration over these two years was between \$1.4 million and \$1.6 million, with bonuses comprising about 23% of his total remuneration package.

The remuneration paid/payable to each Director of the Company for FY2024 is disclosed in the respective bands as set out below (Provision 8.1 of the Code):-

| Remuneration Band | Name of Directors | Directors' Fees (%) ** | Salaries ⁽¹⁾ (%) | Bonus ⁽²⁾ (%) | Total (%) |
|---------------------------|-------------------|------------------------|-----------------------------|--------------------------|-----------|
| \$700,000.01 to \$800,000 | See Yen Tarn* | - | 77.25% | 22.75% | 100 |
| \$600,000.01 to \$700,000 | Koo Chung Chong* | - | 77.58% | 22.42% | 100 |

The remuneration paid/payable to each Director of the Company for FY2023 is disclosed in the respective bands as set out below (Provision 8.1 of the Code):-

| Remuneration Band | Name of Directors | Directors' Fees (%) ** | Salaries ⁽¹⁾ (%) | Bonus ⁽²⁾ (%) | Total (%) |
|-----------------------------|-------------------|------------------------|-----------------------------|--------------------------|-----------|
| \$S700,000.01 to \$S800,000 | See Yen Tarn* | - | 77.13 | 22.87 | 100 |

The remuneration committee comprises Tan Hup Foi @ Tan Hup Hoi (as chairman), Dr Leong Horn Kee, Ong Tiew Siam and Ng San Tiong.

- (iii) **Would the remuneration committee (RC) help shareholders better understand the justifications for the 23% bonus paid to the executive director, especially considering the group has suffered losses of almost \$(50) million in the past two years, and the group is now in an accumulated loss position of \$(23.6) million?**

In the corporate governance report, the board stated the following:

The company adopts a remuneration policy for executive directors and key management personnel of the group that comprise a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the group and the individual performance for the preceding financial year, taking into account the strategic objectives of the company (Provision 7.1 of the Code). Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes long-term success of the company (Provision 7.1 of the Code).

- (iv) **What key performance indicators were used to measure the performance of the executive director?**
- (v) **Can the RC elaborate further on how the current compensation practices align with shareholders' interests? Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?**
- (vi) **In addition, would the RC look into the option of compensating directors with company shares to ensure their interests are closely aligned with those of shareholders? Doing so will also improve the cash flow of the company during this challenging period.**

Q3. With the group’s loans and borrowing increasing to \$96.7 million, the group’s gearing ratio has increased to 92% as total equity declined to \$105.3 million.

| | Group | |
|--|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Loans and borrowings (excluding lease liabilities associated with right-of-use assets) | 96,748 | 93,664 |
| Total equity | 105,306 | 124,355 |
| Gearing ratio | 92% | 75% |

The Board also continues to monitor the level of dividends to ordinary shareholders.

The group has cash and cash equivalents of \$16.1 million as at 31 March 2024 (2023: \$16.8 million). Net finance expenses amounted to \$(6.6) million (2023: \$(4.6) million).

During the financial year, the company completed the buy-back of 5,850,000 (2023: 10,162,000) ordinary shares. The shares were bought back at an average market price, including incidental costs, of \$0.008 (2023: \$0.013) per share, for a consideration of \$45,000 (2023: \$128,000). As at reporting date, the company held 76,932,000 (2023: 71,082,000) of its own uncanceled shares.

- (i) **What is the rationale of the company doing share buybacks in the current circumstances? Can the board explain the strategic intent of the low-value share buyback?**
- (ii) **What is the level of oversight by the independent directors regarding the share buyback programme? What criteria are used to decide the price paid for each share, the quantity of the buyback, and the timing?**
- (iii) **What framework does the board use to prioritise capital allocation between debt reduction and share buybacks? Would it be more beneficial for management to focus its efforts on the core business rather than engaging in capital market activities?**
- (iv) **What is the company’s cost of capital?**
- (v) **What are the plans by management to reduce its borrowings and finance costs?**

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

Check out the latest questions on the annual reports of listed companies on [SIAS website](#)



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