

**GENERAL ANNOUNCEMENT::RESPONSE TO QUESTIONS FROM SIAS****Issuer & Securities****Issuer/ Manager**

CSC HOLDINGS LIMITED

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RESPONSE TO QUESTIONS FROM SIAS

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**Submitted By (Co./ Ind. Name)**

See Yen Tarn

**Designation**

Director &amp; Chief Executive Officer

**Description (Please provide a detailed description of the event in the box below)**

Please refer to the attachment.

**Attachments**[Response\\_to\\_Questions\\_from\\_SIAS.pdf](#)

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**CSC HOLDINGS LIMITED**  
Co. Registration No. 199707845E

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**ANNUAL GENERAL MEETING TO BE HELD ON 28 JULY 2022 – RESPONSE TO QUESTIONS FROM SIAS**

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The Board of Directors (the “**Board**”) of CSC Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**”) refers to the questions received from the Securities Investors Association (Singapore) (“**SIAS**”) with respect to the Company’s Annual General Meeting to be held by way of electronic means on 28 July 2022 (“**AGM**”).

The Company is pleased to present its response to questions received from SIAS in Appendix A.

Refer to its announcement dated 22 July 2022, the Company has not received any questions from shareholders of the Company in relation to the AGM.

BY ORDER OF THE BOARD

See Yen Tarn  
Executive Director and Group Chief Executive Officer

Date: 27 July 2022

**Question 1:**

- (i) How does management leverage its strong fundamentals, experienced management team, excellent reputation, professionalism and performance to create long-term value for shareholders? Has it been successful? What were the main challenges faced by the Group?**
- (ii) What guidance/target has the Board given to management in terms of profitability as measured by gross profit margin and ROE?**
- (iii) 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?**

**Company's Responses:**

The Company's strong fundamentals, experienced management team, excellent reputation, professionalism, quality performance, strict work safety policies and good corporate governance have become trademarks of its business in the industry over the years. These positive attributes make us a leading foundation and geotechnical engineering specialist in Singapore, continuing to secure projects, build a sustainable future and create long-term value for our shareholders.

During the construction downturn starting from FY2015, the Board and management team had adjusted the business and restructured its operation which includes right-sizing the construction business by having a lean workforce, optimal equipment fleet size and optimal overheads while maintaining our operational efficiency.

In the worst year of the construction downturn in FY2017, the Group had turned away many projects which were not cashflow viable and prudently managed the Group's costs and business.

CSC had emerged stronger through the construction downturn of prior years and eventually returned to profitability in FY2020. The turnaround attested to the Group's effective tendering strategies, prudence in cost management and ability to optimise the use of resources. However, the turnaround momentum was stifled by the sudden unprecedented onset of Covid-19 pandemic in FY2021.

**APPENDIX A**

*Response to Questions from SIAS relating to the Business of the AGM to be held on 28 July 2022*

In FY2021, the Group's business was adversely affected by the Covid-19 pandemic. A series of cost containment measures were implemented, including salary reduction for middle-level and senior-level employees and a voluntary reduction in directors' fees by our Board members.

FY2022 marked a year of gradual but patchy recovery. The Group has demonstrated resilience in a challenging economic environment and has remained EBITDA and cash flow positive over the past decade.

Leveraging our expertise and track record, we managed to maintain our market shares in the bored piles/diaphragm walls sub-segment in Singapore.

Operating in an environment where margin and manpower challenges abound has made us realise the importance of building resilience through innovation. We have successfully developed a quicker and more efficient method to install reinforced concrete (RC) piles. The project has received approval from BCA and we are currently conducting field tests. We are on track to attain the relevant patent certification in Southeast Asia. This latest innovation follows the patents we received in FY2021, namely the RC pile handler and Mobile Site Reporting (MSR) System. Collectively, our push to develop innovative productivity and safety solutions help us reduce operating costs and increase productivity, which are crucial in building resilience in challenging times and long-term sustainability.

We seek to optimise our resources utilisation by selectively tendering for projects that can yield sustainable margins. We also prioritise capital and cashflow management to strengthen our financial fundamentals and focus on innovation to enhance our competitiveness and market position.

At an EGM in July 2015, the Group obtained shareholders' approval to diversify its operations into the property business. In FY2017 and FY2019, the Group invested residential property developments in the UK. The successful completion of these developments has brought positive returns to the Group.

Property business is currently stands at 5% of the total Group's assets. We continue to look out for opportunities to grow our property business in a viable and sustainable way.

**Question 2:**

- (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' interest 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 e.tc) 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?**
- (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?**

**Company's Responses:**

The Board meets at least quarterly and more frequently as and when required, to review and evaluate the Group's strategies, operations and performance and to address key policy matters of the Group, where necessary. The Board meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

The management provides the Board with regular updates and timely information to keep them informed of on-going developments within the Group, strategic plans and challenges faced by the Group.

Shareholders are informed of all major developments and challenges affecting the Group through price-sensitive announcements including half-year and full year results, press release through SGXNET and our corporate website, AGM and Annual Reports.

The Board is satisfied that with the long-term performance of the Group and thus its own effectiveness.

The Nominating Committee has put in place a formal process for evaluating the performance and effectiveness of the Board as a whole, and each of the Board Committees separately on an annual basis. The evaluation questionnaire is approved by the Board and they address how the Board has enhanced long term shareholder value. The findings of the evaluation questionnaire are collated and analysed.

The Remuneration Committee ("RC") review and recommend to the Board a framework of remuneration for the Board and Key Management Personnel on an annual basis. The RC will take into consideration remuneration packages and employment conditions within the

industry and within similar organisation structure as well as the Group's relative performance and the performance of individual employee.

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 (based on a comprehensive set of key performance indicators), taking into account the strategic objectives of the Company. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes long-term success of the Company.

Currently, the Company does not have any long-term incentive, share option scheme or share award scheme within the Group.

Mr Koo Chung Chong has been with the Group since 1996. He joined the Group as Senior Project Engineer and rose through the ranks of the Group. Mr Koo is currently holding the appointments of the Group Deputy Chief Executive Officer ("Group DCEO"), (since May 2022), Group Chief Operating Officer ("Group COO") (since June 2016) and Chief Sustainability Officer ("CSO") (since August 2021).

Working alongside the Group CEO, Mr See Yan Tarn, Mr Koo will also be responsible for marketing, operational and sustainability matters of the Group. With Mr Koo's vast work and management experience in the Group and the foundation engineering industry in both Singapore and regional market, the Board expects that there will be a smooth and orderly transition in leadership moving forward.

**Question 3:**

- (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) in its unaudited consolidated Statement of Cash Flows for FY2021 and FY2022 respectively?**
  
- (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) 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?**

Company's Responses:

FY2021

In FY2021, the Company made a reclassification adjustment of \$1,893,000, as a result of the reclassification of shareholder's loans repaid by associates from "Operating activities" to "Investing activities".

The reclassification adjustment pertains to the shareholder's loans repaid by associates amounting to \$1,893,000 for the shareholder's loans granted to associates in relation to the property and residential development projects in the United Kingdom.

The loan repayments from associates were initially classified as cash flow from operating activity in the unaudited consolidated statement of cash flows due to an oversight of the loan nature of this repayment for a trade payable repayment.

FY2022

In FY2022, there is a reclassification adjustment of the consideration paid of \$3,292,000 to acquire an additional stake of 8.25% effective equity interest in a subsidiary in FY2022 (the "Acquisition") from "Investing activities" to "Financing activities".

The Acquisition was initially classified as cash flow from investing activity instead of financing activity in the unaudited Consolidated Statement of Cash Flows as it was interpreted as being an additional investment due to the increase in the effective interest of 8.25% in the subsidiary at Group level.

Prior to the Acquisition, the Group already has control over the subsidiary even when the Group owns less than 50% by virtue of the terms in its shareholders' agreement. After the Acquisition, the Group still retains the control over the subsidiary. Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss or gain of control shall be classified as cash flows from Financing Activities.

The above respective reclassification adjustment for FY2021 and FY2022 was isolated and restricted to the presentation and classification of specific items in the unaudited Consolidated Statement of Cash Flows.

It does not affect the Group's unaudited Consolidated Statements of Profit or Loss and Comprehensive Income for FY2021 and FY2022, and unaudited Consolidated Statements of Financial Position as at 31 March 2021 and 31 March 2022.

**APPENDIX A**

*Response to Questions from SIAS relating to the  
Business of the AGM to be held on 28 July 2022*

The financial reporting environment in Singapore has undergone many changes over the past decade. The Group's finance and accounting staff are required to keep themselves updated on the latest development of the financial reporting standards and other regulatory requirements. Additional time and work are spent to meet the compliance of regulatory requirements.

The Group internal financial reporting/finance team is led by the Group Chief Financial Officer and supported by a team of qualified and experienced financial personnel. The Board, with its Audit Committee, has evaluated that the internal financial reporting/finance team is sufficiently resourced with experienced and qualified finance personnel staff to ensure the integrity of the financial statements.

BY ORDER OF THE BOARD

See Yen Tarn  
Executive Chairman and Group Chief Executive Officer  
27 July 2022