CSC HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199707845E)
("CSC" or the "Company")

Appendix 2 to Minutes of Annual General Meeting Held on 30 July 2024
- Summary of Questions & Answers

Comment/Questions from Shareholders

Q1. To Mr Yen, the Group Chief Financial Officer (CFO) - noted a decline in the current ratio and the Company has a current ratio of 0.97 in FY2024. What is the quick ratio, that is the acid-test for a company?

Also, the Company has been engaging in share buybacks but share buybacks had not helped in enhancing the Company's share value as well as shareholder return. The Company should have conserved the cash instead of doing share buybacks and, going forward, to deliberate on the use of cash.

Q2. How did you manage liquidity of the Company? Referring to page 79 of the Annual Report 2024, the Company's current assets were lower than current liabilities as at 31 March 2024.

CFO -

The Company's quick ratio as at 31 March 2024 is 0.87.

The Group made losses of approximately S$47 million over the past (2) financial years and this had affected and resulted in the decline in current ratio.

Nonetheless, the Group remains well-supported by its banks and has access to sufficient credit lines to help bridge any temporary shortfall in working capital. As of 31 March 2024, the Group maintained unutilised credit facilities amounting to S$31 million, including overdraft facilities, to support ongoing working capital needs and day-to-day operations.

Group Chief Executive Officer (CEO) -

Quick ratio is equal to current assets excluding inventory divided by current liabilities.

In a conventional way, we borrow money from the banks to fund the Group operations. In the past, a significant portion of the Group's bank borrowings were long term loans. However, the banks have changed their approach and restructured a lot of credit facilities from long term to shorter term for project funding / working capital funding, which led to increases in current liabilities and affected the Company's quick ratio. Ideally, we would want a quick ratio of above 1 but now it is 0.87.

We noted your concern and understood that quick ratio is an important indicator. However, in addition to that, if you look at the Company's EBITDA (earnings before interest, taxes, depreciation, and amortization), it has remained positive even during difficult time and for FY2024, we saw EBITDA improved compared to last year.

The external auditors have highlighted the Group's net liability position as at 31 March 2024 in the Annual Report 2024. Despite that, after their audit reviews, the external auditors are comfortable with Management's assessment that the Group will be able to meet its obligations due within the next 12 months from the date of financial statements, based on factors as set out in the Annual Report 2024.

As demand for construction services is expected to rise in the year ahead, we will expect our cash flow to improve.

Chairman -

We are mindful of maintaining financial prudence and it is important to have a positive operating cashflow. Despite losses in FY2023 and FY2024, the Group achieved positive EBITDA of S$9.2 million and was generating positive operating cashflow of S$17 million for FY2024.

You mentioned share buybacks. As announced by the Company on its responses to questions received from Securities Investors Association (Singapore), the funds spent on share buybacks were not substantial. The total considerations of S$45,000 in FY2024 and S$128,000 in FY2023 amounted to only 0.04% - 0.10% of equity.

The Company performed the share buybacks because the shares were being under-valued by 60% – 70%. However, we will be prudent in carrying out share buybacks and the Board has been closely monitoring the Company's cashflow and loan covenants/financial facilities.

<u>Comment/Questions from a Shareholder</u>

Q3. The Company's gearing ratio was very high and stood at 92% for FY2024, which is not good for the Company.

Q4. I referred to Segment Reporting on page 162 of the Annual Report 2024. Why were the operations in Thailand and Philippines not doing well?

Q5. I referred to Five Years Financial Summary on page 28 of the Annual Report 2024 and noted the Company was in a loss position for FY2023 and FY2024. Will the Singapore Exchange Securities Trading Limited ("SGX-ST") place the Company on watch list if the Company continue to make losses? In addition, the return on equity was also not good and net asset value was very low for FY2024. I would like to know why the FY2024 results were not good.

Chairman -

For the past two (2) financial years, the Company has made losses of approximately S$47 million. The financial performances had declined due mainly to the market conditions and challenges facing the Singapore construction industry arising from the COVID-19 pandemic, ongoing geopolitical tensions like the conflicts in Ukraine and the Middle East, and macroeconomic pressures including inflation.

Under the SGX-ST's Listing Manual, the SGX-ST will place an issuer on the watch-list, if it records pre-tax losses for the three (3) most recently completed consecutive financial years. We are mindful of this SGX-ST's Listing Rule requirement and will work to turnaround the business.

CFO -

The Company made losses for the last two (2) financial years and our performance were affected due mainly to a few factors:

(i) Lack of construction supply in the market. In Singapore, private sector has held back a lot of projects in the past two (2) years, which greatly affected the Company's margins. In order to cover fixed operating costs, the Group has to continue to right-size the workforce and take on lower-margin contracts/projects from the public sector.

(ii) Geopolitical tensions.

(iii) High material costs.

(iv) High-interest rate environment.

As I presented earlier, demand for construction services is expected to pick up in the year ahead, supported by a combination of public and private residential projects. The market anticipated foundation works with contracts' worth of close to S$2 billion in the next one (1) to two (2) years. With our market share of about 10%, the Company has the chance of securing contracts close to S$200 million out of these upcoming projects.

CEO -

The Company has not done well in the last two (2) years. There is no excuse. I would like to point out that the construction industry is cyclical. There will be up times and down times. The Company has been around for a long time, and we have gone through a few of the construction business cycles.

For 2024, the Building & Construction Authority (BCA) estimated that the total construction demand would be between S$32 billion and S$38 billion, which consists of public housing, schools, private condominiums, office blocks and public infrastructure projects. Out of which, we expected 10% – 15% would be foundation works which are relevant to CSC. This would amount to at least a good S$1 billion to S$3 billion worth of foundation jobs/projects. As demand and supply are anticipated to become balanced/stable, and material prices are not expected to spike further, so as the operating costs, contract price would be in equilibrium or to go up and then the margin should improve.

In response to your question on the Group's operations in Thailand which were not doing well. Proportionately, the impact on the Group level is not big. Singapore market accounted for 70% – 80% to the Group's revenue. If the Singapore market performance is improved, the Group result should get better.

<u>Comment/Questions from a Shareholder</u>

Q6. Based on my observation, there is a lack of communication between Management and shareholders. Like the projects presented by the CFO earlier, the Company has not announced any of them via SGXNet. Can the Company consider announcing projects secured via SGXNet in the future, so that shareholders would be kept abreast of the Group's business development?

Q7. Borrowing costs are high. As the Company has a high gearing ratio, have Management considered corporate actions, such as, rights issue and share issue? Is there a shareholders' mandate for issue of shares?

Chairman -

We noted your comments and suggestions. When there is a need to raise additional capital/fund, we will consider what is relevant and appropriate for the Company as well as the shareholders. For example, in a rights issue, shareholders will need to cough up cash to purchase the rights shares.

Yes, the Company sought shareholders' approval on the Share Issue Mandate every year at annual general meetings ("AGMs").

CEO -

The Company used to do quarterly reporting of its financial results until this reporting requirement was no longer required by the SGX-ST and now reports its financial results on a half-yearly basis in line with SGX-ST's Lising Rules requirement. Even though we do not announce projects/contracts secured by the Group, on SGXNet, we do share and disclose the Group's order book in our results announcements. As at 30 April 2024, the Group's order book stood at S$257.8 to S$260 million made up of small-sized, mid-sized and some bigger scale projects. In the past, the Company did announce exceptionally big projects. However, there were instances where it is not appropriate for the Company to announce certain projects due to information sensitivity or request by employers/customers. We noted your comment and will work on it to see how we can improve in terms of communication with shareholders.

<u>Question from a Shareholder</u>

Q8. Many years ago, the Company was granted patents for special equipment. May I know what happened to them?

Deputy Group CEO and Group Chief Operating Officer -

CSC has five (5) sets of the equipment you referred to, that is, RC Pile Handler, and is still using the equipment. Each of this equipment would save five (5) manpower. The main purposes for inventing this equipment were to save operating costs and increase productivity.

CEO -

CSC is not a tech company, it is not our priority to market this equipment, as it is for our own use. We always find new ways of doing the same thing as part of our efforts to improve work efficiency and cost efficiency as well as improvement in terms of workplace safety.

<u>Comment/Questions from a Shareholder</u>

Q9. For the Group debtors, how many of them aged more than 90 days that the Company is not able to collect payments? Do you show any of this information in the books?

Q10. Regarding the Share Buy-Back Mandate, is the Company making mandatory buyback from shareholders?

Q11. If the share price is so low, why is the Company still buying back shares? This is not beneficial to shareholders. At this bad time, does it really help in increasing the share price?

Q12. What did the Company do with the shares bought back? For shareholders that have very little shares, would the Company buy back shares from these shareholders?

Chairman -

The Board monitored the collection of receivables very closely and it has a Risk Management Committee ("RMC") to oversee the matter. The RMC receives regular updates/reports from Management and closely follows up with Management on the collection of receivables.

CEO -

In any industry, slow collection of receivables is always an inherent risk. Management will assess and make relevant provision if they foresee any collection issue and would report to the RMC accordingly. The Group already made provision on doubtful debts and recognised loss allowances for expected credit losses in accordance with the Financial Reporting Standards, as disclosed in the Annual Report 2024.

During the COVID-19 pandemic, collection was very slow. These two (2) years, we have seen improvement in collection of receivables. Management have been working closely with the Group's customers to facilitate timely collections.

Mr Ong Tiew Siam, Independent Director and Chairman of the RMC -

The Company has processes in place to monitor and assess account receivables' ageing. At quarterly RMC meetings, the RMC reviews any key potential collection issues including status on follow-up actions and provisions made as reported by Management. Impairment of trade receivables is one of the key audit matters by the external auditors. The external auditors have reviewed and are satisfied with the provisions made by Management.

CEO -

You mentioned "mandatory" buyback, I take it that you refer to the general offer to all shareholders. The answer is no.

The Company has obtained shareholders' approval on the Share Buy-Back Mandate, which allows the Company to buy back its shares through on-market purchases or off-market purchases.

The share price is beyond our control. The Company's shares were trading below the Group's net asset value per share of S$0.030 – S$0.035 and the Company's share price was around S$0.006 – S$0.008. We believe that the future prospect is there. If our cashflow allows, why not buy back shares like other companies to show our support and confidence in the business. This is our view and therefore, we seek shareholders' approval to renew the Share Buy-Back Mandate at the AGMs. The shares bought back are kept as treasury shares which the Company can utilise at the appropriate time.

Chairman -

Shares bought back can be cancelled or be kept as treasury shares for future use. Treasury shares are held by the Company. So far, the Company has carried out on-market purchases, and not selective off-market purchases.

Comment/Question from a Shareholder

Q13. How much were the Directors' fees for FY2024? Why is there a decrease in Directors' fees for FY2025? Are Directors' fees based on the Company's performance?

CFO -

The Directors' fees for FY2024 (1 April 2023 to 31 March 2024) approved at the last AGM was an amount up to S$420,000. The total amount of Directors' fees paid to the Directors for FY2024 was S$375,246, due to the cessation of a Non-Executive Director in August 2023.

Chairman -

This year, as a show of solidarity and togetherness with the Company's stakeholders, the Board had agreed on a 10% reduction of the basic Directors' fees for FY2025. Accordingly, the Board proposed an amount of up to S$350,000 as Directors' fees for FY2025, to be paid quarterly in arrears, for shareholders' approval at this AGM.

No, Directors' fees are not based on the Company's performance. Directors' fees for the Non-Executive Director and Independent Directors are set in accordance with a remuneration framework comprising a basic fee and increment fixed fee, taking into account of the level of responsibilities such as taking the roles of chairman and member of Board Committees as well as their contribution, responsibilities, effort and time spent.

Comment/Questions from a Shareholder

Q14. The Company has spent S$173,000 in the last two (2) years on share buybacks and all the shares bought were held as treasury shares. Any specific direction from Management on the use of the treasury shares?

Q15. Have you considered returning excess cash to shareholders or dividend payments, instead of doing share buybacks?

CEO -

There is no immediate plan for the use of treasury shares. Basically, treasury shares can be kept and used for several purposes. For example, (i) can be used in share plans to reward management staff, but to do so the Company would need to build up the base, (ii) cancel the treasury shares, or (iii) can be used for issuance of bonus shares to reward shareholders.

Hopefully, the Company's performance will improve. We could then reward shareholders and return the capital to shareholders or pay dividends, like we did in the past.