

Issuer: T T J Holdings Limited
Security: T T J Holdings Limited

Meeting details:

Date: 30 November 2016

Time: 14:30H

Venue: 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095

Company Description

T T J Holdings Limited, an investment holding company, engages in the design, supply, fabrication, and erection of various structural steel works in Singapore, Malaysia, and India. The company offers structural steel works for use in the construction of buildings, factories, plants, and infrastructure; and fabricates and installs various cranes and lifting equipment used in shipyards, factories, and construction sites, as well as handles heavy lifting operations, such as launching of heavy trusses and viaduct beams for MRT and LRT. It also designs and develops various standard two-rail and three-rail aluminum parapets for use in flyovers and expressways; fabricates and installs various bomb shelter doors for the HDB, MOE, and SMRT; and offers mechanized car parking systems. In addition, the company operates a dormitory under the name of Terusan Lodge 1 in Singapore. T T J Holdings Limited was founded in 1981 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=K1Q)

Q1. In FY2016, the group recorded a 45% increase in total revenue to \$136.6 million. This was achieved on the back of an impressive improvement in net profit margin to 18.9%. In the Chairman's Message (page 2 of the annual report), it was disclosed that the order book stands at \$48 million (as at 26 September 2016) and is expected to be substantially completed between FY2017 and FY2018.

Based on the FY2011-FY2015 annual reports, the order book ranged from \$119 million to \$181 million, with the average order book at about \$150 million over the past five years. This is the lowest order book reported by the group for years.

- (a) **Can management elaborate further on the specific challenges that led to the current lower than average order book (as at 26 September 2016)?**
- (b) Under the section "Outlook and Prospects" (page 3), the Chairman has listed several opportunities such as transportation, infrastructure, water reclamation and building projects, along with building projects. **Can management provide better visibility into the timing of some of the big-ticket tenders that the group would be interested in?**
- (c) **What is the group's strategy to balance profit margin and chances of winning tenders in a competitive situation?** Ultimately, shareholder value can only be enhanced if the bottom line shows improvement. The chairman has also acknowledged this in his message on page 2 and the group has demonstrated its discipline in sustaining profit margins and project selection.

Q2. The foreign workers dormitory at Terusan Lodge has contributed segmental profit (before tax) of \$10.6 million in FY2016, \$11.9 million in FY2015 and \$11.1 million in FY2014. This has been a very good investment for the group since it was started in 2008. On 20 July 2016, the group announced the non-renewal of the tenancy. As the group's dormitory business contributed approximately 20% of the group's revenue, the company has announced that the non-renewal is expected to have a material impact on the group's financial and operating results.

The non-renewal of the dormitory was not mentioned in the FY2016 annual report. Shareholders would appreciate that the board address material and critical issues head-on in the annual report.

- (a) **What is the management's forecast of the performance of Terusan Lodge as it approaches the end of its tenure? When would the foreign workers/tenants be asked to vacate the dormitory?**
- (b) **What is the investment/capital expenditure for the 500-person dormitory at Upper Jurong Road?**
- (c) As noted in the announcement dated 20 July 2016, the tenancy for the Jurong Dormitory will be for approximately three years commencing on 1 August 2016 and ending on 30 July 2019. **With such a short tenancy and at just one tenth the size of Terusan Lodge, is management still actively looking/bidding for other dormitories to replace the income from Terusan Lodge?**

Q3. Two of the three independent directors have served on the board since 1996. Their independence has been subject to particularly rigorous review as required by the Code of Corporate Governance. Notwithstanding the two long serving directors being considered independent by the board and the nominating committee, **shareholders would like to understand the board's plan for renewal and progressive refreshing of the board.**