

Issuer: Transit-Mixed Concrete Ltd

Security: Transit-Mixed Concrete Ltd

Meeting details:

Date: 28 June 2017

Time: 10:00H

Venue: Connaught Room, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558

Company Description

Transit-Mixed Concrete Ltd, an investment holding company, engages in the manufacture, sale, and supply of ready-mixed concrete in Singapore and Malaysia. It operates through three segments: Ready-Mixed Concrete, Concrete Pumping Services, and Waste Management. The company is also involved in the rental of concrete pumping services and pump equipment; and trading of spare parts, pipes, and accessories of concrete pump business, as well as sells new and used concrete pumping equipment, such as concrete placing booms, and mobile and stationary concrete pumps. In addition, it provides waste management services, including sewer pipeline inspection with video camera, as well as cleaning of sewer pipelines and grease-interceptors. Further, the company is involved in the provision of batching services; and rental of truck mixers. Transit-Mixed Concrete Ltd was incorporated in 1979 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=570)

Q1. The Concrete pumping services segment has been the largest revenue and profit contributor of the group. For the past two financial years (FY2015 and FY2016), revenue from concrete pumping services was more than \$20 million each year and the reportable segment profit before tax was more than \$5.5 million in each of FY2015 and FY2016.

For FY2017, in the Operating & Financial review (page 7 of the annual report), the group disclosed that revenue from the concrete pumping services “slid 35% from \$20.1 million in FY2016 to \$13.0 million in FY2017, due mainly to a slowdown in construction activities in Singapore... The segment yielded a reportable segment profit before income tax of \$1.8 million in 2017, down 68% from \$5.7 million in FY2016”.

- a) **Can management elaborate further on the reasons for the drop in the revenue?**
- b) **What was the utilisation rate of the group’s concrete pumping equipment in FY2017?**
- c) **Has the competitive landscape changed, leading to competitive pressure on margins? Can management provide visibility into the disproportionately large drop in the segment’s profit before tax from \$5.7 million in FY2016 to just \$1.8 million in FY2017?**

In FY2015, the group’s Ready-mixed concrete segment reported external revenue of \$7.4 million and a reportable segment profit before tax of \$0.66 million. In FY2017, with the segment revenue at about the same level (\$7.1 million), the segment has a reportable segment loss of \$(0.16) million (page 75).

- d) **Can management elaborate on their plans to improve on the performance of the ready-mixed concrete segment?**

Q2. As disclosed in Note 7 (page 57 – Investment in joint venture), the group’s joint venture, PT ATMC Pump Services, showed an increase in revenue from \$0.2 million in 2016 to \$1.1 million in 2017. Total comprehensive income increased from \$0.04 million to \$0.22 million.

- a) **Can the company provide more visibility into the scale of the operations of the joint venture, PT ATMC Pump Services? For example, shareholders would like to know the range of services/products offered, and the cities in Indonesia served by the joint venture.**
- b) **Are there plans to scale up the Indonesia operations? Can management help shareholders understand the dynamics of the Indonesia market? What is the outlook of the construction sector in the key cities in Indonesia?**

Q3. The company’s independent directors, namely Mr Tan Kok Hiang and Mr Tan Hwee Yong, have served on the Board for more than 9 years as independent directors. As disclosed in the Directors’ profile, Mr Tan Kok Hiang and Mr Tan Hwee Yong have served as directors for 19 years 5 months and 9 years 9 months respectively (as on 28 February 2017).

Notwithstanding the fact that the board is satisfied that Mr Tan Kok Hiang and Mr Tan Hwee Yong are considered independent as they have met all the conditions and criteria of independence under the Code of Corporate Governance 2012 (“Code”), Guideline 2.4 of the Code calls for the board to” also take into account the need for progressive refreshing of the Board”.

- a) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- b) **Please also disclose the company’s search and nomination process for new independent directors.**