Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: T T J Holdings Limited

Security: T T J Holdings Limited

Meeting details:
Date: 29 November 2018
Time: 2.30 p.m.
Venue: 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095

Company Description

T T J Holdings Limited engages in the design, supply, fabrication, and erection of various structural steel works in Singapore, Malaysia, and Middle East. It offers structural steel works for use in the construction of buildings, factories, plants, and infrastructures; 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. The company 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, it 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)

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1. As noted in the Chairman's message (pages 2 to 4 of the annual report), even though revenue increased 12% to $93 million in FY2018, the group's gross profit slipped 7% to $19 million. Gross profit margin and net profit margin are at the lowest levels in the past three years, as shown in the Financial highlights (page 5):

	FY2016	FY2017	FY2018
Revenue ($'000)	136,557	82,888	**92,541**
Gross Profit ($'000)	39,407	20,362	**19,000**
Gross Profit Margin (%)	28.9%	24.6%	**20.5%**
Net Profit ($'000)	25,778	10,707	**8,327**
Net Profit Margin (%)	18.9%	12.9%	**9.0%**

(Source: Company annual report)

This was due to the lower gross margins obtained from projects being executed in 2018. Coupled with higher administrative expenses, the group's net profit margin slipped to just 9.0%.

Despite the group being selective in the project that it bids for and management's constant focus on margin, it seems that competition from the increasing number of service providers has eroded the profitability in the group's core structural steel business.

(i) How can the company capture more value and improve its profit margins based on the group's track record, reputation, financial strength and technological edge?

(ii) Does management expect the net profit margin of 9-12% to be the "new normal" for the company, given the level of competition?

(iii) Can management help shareholders understand the major opportunities in the structural steel business segment in the next 1-2 years?

(iv) Has management evaluated the feasibility of expanding the group's structural steel business to other key cities?

2. In November 2017, the group completed the acquisition of the production facilities in Johor Bahru that will be used to support the group's new Prefabricated Prefinished Volumetric Construction ("PPVC") business. In October 2018, the group followed up on its diversification plans with the acquisition of a wood pellet production facility in Thailand.

(i) Can the company help shareholders understand the depth and experience of its management team in running and growing businesses outside of Singapore?

(ii) **As the group diversifies into the new businesses of PPVC and waste management and treatment, would the current management team be overly stretched? Will the group be adding to its key management team to support the diversification efforts? Who has been tasked to manage and drive the PPVC business in Johor and the new pellet business in Thailand?**

(iii) **Can the company elaborate further on the key value drivers of the PPVC business and of the wood pellet business? Given that many other PPVC players in the industry are struggling, what is the group's strategy for the PPVC operations to generate value for shareholders?**

(iv) **Would the new businesses improve the quality of earnings of the group? Specifically, does the board expect the profit margins of the PPVC and of the wood pellet businesses to be as high as/higher than the profit margin from the structural steel business?**

(v) As disclosed in Note 4E (page 66 – Geographical information), the non-current assets in Malaysia has increased by approximately $13 million to $22.5 million as at 31 July 2018, presumably to support the PPVC operations. **What is the level of investment earmarked by the board/management to grow the PPVC and the pellet businesses?**

(vi) **Is management still actively looking for other businesses/acquisitions?**

3. At the company's annual general meeting scheduled to be held on 29 November 2018, the directors, namely Mr Ling Chien Yien and Mr Leong Yee Yew, are retiring pursuant to Regulation 90 of the Constitution of the company and would be seeking their re-election.

Mr Ling was first appointed in 1996 while Mr Leong joined the board in 2010. The other independent director, Mr Lim Yian Poh, has also served on the board since 1996.

As such, two of the three independent directors have served on the board for approximately 23 years while the other director will be approaching the nine year limit.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 Code"). As a consequence of the revised 2018 Code, the Singapore Exchange will be making amendments to its Listing Rules. The Listing Rule changes will come into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

The company has stated in its corporate governance report that it values continuity and stability of the board and will be reviewing the need for progressive refreshment of its board.

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(i) Has the company evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?

(ii) Given the changes in the industry and the diversification efforts being carried out by the group, has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?

(iii) Notwithstanding that the NC recommended and the board has established that the long tenured directors are considered independent, what are the board's near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?

A copy of the questions for the Annual Report for the financial year ended 31 July 2017 and 31 July 2016 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=T%20T%20J%20Holdings%20Ltd

The company's response could be found here: -----