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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Transit-Mixed Concrete Ltd

**Security:** Transit-Mixed Concrete Ltd

**Meeting details:**

Date: 26 Jun 2019

Time: 10.00 a.m.

Venue: Esplanade 3 & 4, Level 4, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558

**Company Description**

Transit-Mixed Concrete Ltd is an investment holding company, which is engaged in the supply of ready-mixed concrete and the manufacture and sale of ready-mixed concrete. The Company operates through three segments: Ready-Mixed Concrete, Concrete Pumping Services and Waste Management. The Ready-Mixed Concrete segment is engaged in the manufacture and supply of ready-mixed concrete. The Concrete Pumping Services segment is engaged in the supply of concrete pumping services and trading of spare parts, pipes and accessories of concrete pipe business. It is also involved in selling new and used concrete pumping equipment, such as concrete placing booms, mobile and stationary concrete pumps. The Waste Management segment is engaged in the provision of waste management services, including sewer pipeline inspection with video camera, cleaning of sewer pipelines and grease-interceptors. Its subsidiaries include TMC Waste Management Pte. Ltd. and TMC Concrete Pumping Services Pte. Ltd.

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

**Q1.** As noted in the Acting CEO's Statement, the group had undergone a rationalisation exercise and ceased its ready-mixed concrete operations in Malaysia, comprising Crescent Forest Ready Mix Sdn. Bhd. and Crescent Concrete Sdn. Bhd., in January and February 2019 respectively.

The group's continuing operations are the concrete pumping services segment and the waste management segment that generated \$7.2 million (down 21%) and \$1.8 million (down 5%) in FY2019 respectively.

The concrete pumping services segment incurred a gross loss due to lower revenue and it posted a reportable segment loss before tax of \$4.3 million in FY2019 (including an impairment loss on plant and equipment of \$2.3 million). In the waste management segment, profit before tax was down by 44% from \$429,000 in FY2018 to \$239,000 in FY2019.

As disclosed in Note 4 (page 68 – Plant and equipment), the remaining useful life of the concrete pump equipment is 4 years.

- (i) What was the utilisation rate of the group's concrete pumps and placing equipment?** As at 28 February 2018, the group owned 110 units of such equipment.
- (ii) Does the board/management consider it opportune to carry out a strategic review on the group's long term viability and prospects in the concrete pumping services?**
- (iii) Has the board estimated its share in the local market?**
- (iv) What are the operational and financial milestones to be achieved by the group to at least breakeven in the concrete pumping services segment in the new financial year?**
- (v) In addition, has the board considered any strategic partnership/tie-up or merger with other bigger players in the market?**
- (vi) While revenue declined by 15% in FY2019, wages and salaries expenses decreased by just (2.7)% to \$4.04 million. Can management elaborate further on its plans to better manage costs?**
- (vii) In addition, can management help shareholders understand the reason(s) for the drop in profit in the waste management segment? How long is a typical cleaning contract?**

**Q2.** As noted in the Consolidated statement of comprehensive income (page 39), the share of profit of joint venture, net of tax, increased marginally from \$120,551 to \$121,924 in FY2019. Revenue for the 45%-owned joint venture increased by 53% to \$2.76 million although profit for the year remained steady.

- (i) Can management elaborate further on the scale of the operations of PT ATMC Pump Services (“PT ATMC”) in Indonesia? What is the geographical coverage by PT ATMC and what are the type of projects that is driving the JV’s growth?**
- (ii) How much more capital has the group set aside to support the JV’s growth?**  
In 2016, the group contributed \$628,290 and made additional capital contribution of \$1,192,500 in 2018.
- (iii) Given that PT ATMC is a 45% joint venture, what is the level of oversight and control by the company/management?**

**Q3.** On 17 January 2019, the company announced the appointment of Mr Khoo Ho Tong as an independent director of the company. As disclosed in the director’s profile, Mr Khoo has been a practicing public accountant from 1980 to 2016. On page 123 of the annual report, the company disclosed his other principal commitments, including past directorship in Viz Branz Holdings Pte Ltd.

- (i) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in new/future director appointments?**

The nominating committee (NC) has stated in the Corporate Governance report that it would seek out suitable qualified persons *“usually through a network of contacts and ascertain the relevant expertise required”*.

- (ii) Has the NC evaluated if the use of a professional search firm for independent directors may enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**

Both independent directors do not appear to have deep, hands-on experience in the construction/concrete segment. For instance, the chairman, Mr. Tan Kok Hiang, was an executive director in Viz Branz (a manufacturer and distributor of instant beverages) from September 1999 to October 2010.

- (iii) Can the board help shareholders understand how effective the board is (especially the independent directors) at helping management with developing the group’s strategies and at performing effective check on the performance of management?**



A copy of the questions for the Annual Report for the financial year ended 28 February 2018 and 28 February 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Transit-Mixed%20Concrete%20Ltd&cid=6791,4661,4321>

The company's response could be found here:

2018: [https://sias.org.sg/media/qareport/1530146267\\_Transit-MixedFY18a\\_Responses.pdf](https://sias.org.sg/media/qareport/1530146267_Transit-MixedFY18a_Responses.pdf)

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