

Issuer: Tye Soon Limited

Security: Tye Soon Limited

Meeting details:

Date: 27 April 2018

Time: 10.00 a.m.

Venue: The Chevrons, 48 Boon Lay Way, Singapore 609961

Company Description

Tye Soon Limited engages in the import and export, and distribution of automotive parts. It offers electrical and aircon parts, transmission products, chassis and body parts, engine parts, and brake parts, as well as genuine parts. The company also engages in the property investment activities. It operates in Singapore, Malaysia, Thailand, Indonesia, Hong Kong/China, South Korea, and Australia. The company was founded in 1933 and is based in Singapore. Tye Soon Limited is a subsidiary of OBG & Sons Pte Ltd.

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

1. Revenue increased 2.7% in the year to hit \$216.6 million as the group leveraged on the strength and resilience of the group's well-established distribution network. Would the board/management provide shareholders with better clarity on the following matters? Specifically:

- (i) **Profit margin:** With the group reporting profit for the year of \$794,000 and revenue hitting \$216.7 million, the net profit margin achieved was 0.4%. **Can management share its plans to increase the group's margins? What are the mid-term profit margin targets set by the board for management to achieve? How much pricing power does the group have?**
- (ii) **South Korea:** How much more growth can be expected from South Korea after an impressive increase of 24% in FY2017?
- (iii) **Cost management:** How much more cost efficient can the group be? Are there more opportunities to streamline the group's operations?
- (iv) **Other operating expenses:** In the Consolidated Income Statement, the group presented "Other operating expenses" of \$17.2 million as a single line item. **Can the company provide a further breakdown to the line item?**

2. [The following question on the size and composition of the board was posted to the company last year based on the annual report for the financial year ending 31 December 2016. As the company did not respond and has not made changes to the board composition, the question is reposted with updates.]

The Board consists of four executive directors, five non-executive and non-independent directors and four independent directors (one of whom is a lead independent director).

In Note 27 (page 71 – Operating segments), the group states that is principally engaged in one segment which relates to the distribution of automotive parts.

The board has stated that it is of the view that its current size is sufficient and appropriate.

- (i) **Would the board justify its view that the current size is appropriate?**
- (ii) **What are the requirements of the business that the board considers it sufficient and appropriate to have a board size of 13 directors?** For comparison, the company with the largest capitalisation (and also a complex financial institution) on the SGX has a board of 10 suitably qualified directors, of which 6 of the directors are deemed independent.
- (iii) In the audit committee, nominating and remuneration board meetings, all the non-member directors are invited. **Would the board comment on how the board dynamics would change in the presence of up to 4 executive directors and 5 non-executive non-independent directors?**
- (iv) **Can the NC and the board explain how it had assessed the effectiveness of the board as a whole given its relatively large size?**

3. As disclosed in the Chairman’s Statement, upon the conclusion of the 62nd annual general meeting, Mr Hee Theng Fong will be appointed chairman of the company.

Mr Hee, who was first appointed on 1 May 1997, would have served on the board for nearly 21 years at the conclusion of the AGM. After a rigorous review, Mr Hee was deemed independent by the board.

An extract of the profile of Mr Hee is reproduced below (page 82):

Date of appointment/ (last re-election)	1 May 1997 (28 April 2016)
Nature of appointment	Independent Director
Board committees served	Chairman of NC; Member of AC and RC
Present directorships in listed companies	Tye Soon Limited YHI International Limited First Resources Limited China Jinjiang Environment Holding Company Limited APAC Realty Limited Yanlord Land Group Limited
Past years directorships in listed companies	Datapulse Technology Limited Delong Holdings Limited

(Source: Company annual report)

- (i) Would the company confirm that the disclosure of Mr Hee’s present directorships in listed companies is correct?**
- (ii) Is Mr Hee also a director of Straco Corporation Limited?**
Not including Straco, and as shown in the disclosure above, Mr Hee sits on 6 listed companies. Mr Hee is also currently a consultant of Eversheds Harry Elias LLP and has been practicing as an advocate.
- (iii) Can the nominating committee and the board help shareholders understand how was Mr Hee picked as the incoming chairman as it is noted that Mr Hee has been on the board for nearly 21 years and sits on multiple listed companies on top of his consultant role at Eversheds Harry Elias LLP?**

- (iv) **Can Mr Hee assure shareholder of his commitment to the company if he were to assume the position of the company's chairman and review his other commitments so that he can devote sufficient time, energy and attention to the company's matters?**
- (v) **Would Mr Hee be present at the company's 62nd Annual General Meeting to be held on Friday, 27 April 2018 at 10:00 am?** It is observed that Straco Corporation Limited is holding its Annual General Meeting on 27 April 2018 at 10.00 a.m. at another venue (Amara Singapore).

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

<https://sias.org.sg/qa-on-annual-reports/?company=Tye%20Soon%20Ltd>

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