



Securities Investors Association (Singapore)

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Issuer: PS Group Holdings Ltd.

Security: PS Group Holdings Ltd.

Meeting details:

Date: 23 April 2019

Time: 9.30 a.m.

Venue: Quality Hotel Marlow, Emerald Room, Level 2, 201 Balestier Road Singapore 329926

Company Description

PS Group Holdings Ltd., an investment holding company, imports and exports fasteners. The company offers washers, socket screws, bolts, machine screws, nuts, pins, clips, rivets, recoil products, and anchors. It serves infrastructure development, civil engineering, and automotive industries in Indonesia, Malaysia, Singapore, and internationally. PS Group Holdings Ltd. was founded in 1991 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5WD)

1. As noted in the chairman's message, the group reported a 12.8% increase in revenue from \$9.8 million to \$11.1 million in FY2018, due to higher average prices and higher export sales to Indonesia. Even as sales increased, gross profit margin slipped from 27.8% to 27.1% as the cost of fasteners increased by more than the increase in prices.

- (i) Core competencies:** The chairman has stressed that the group will continue to focus on the core competencies, which is *"to deliver quality fasteners efficiently to our customers, whenever and wherever they need them"* (page 3 of the annual report). **Would the company help shareholders understand how it captures value for shareholders? Does the group provide any value-added services?**
- (ii) Customers:** What is the profile of its major customers?
- (iii) Market share:** Does the group have an estimate of its market share?
- (iv) Disintermediation:** As industries are increasingly being digitalised, what are the risks that the group will be disintermediated as customers may go direct to the fastener manufacturers or purchase from online B2B sources, such as Alibaba?
- (v) Warehouse:** How advanced is the new warehouse at 9 Tampines Industrial Drive? Have the group's operations been fully digitalised?
- (vi) Growth:** What are the key growth drivers? How sustainable is the growth from Indonesia?

2. The "Allowance for slow moving and obsolete inventories" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 39). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 31 December 2018, the total gross inventories and the related allowance for inventories amounted to \$8,456,504 and \$249,122 respectively.

Total inventories at lower of cost and net realisable value amounted to \$8.2 million, which is approximately 54% of the group's total assets. The carrying amount of inventories increased by 9.2% from a year ago.

- (i) What is the group's inventory turnover? What guidance has the board given to management on managing the group's inventory so as to minimise obsolescence risks?**
- (ii) With the use of modern supply chain technologies, such as RFID, IT infrastructure and ERP/inventory management systems, can the group further reduce its inventory so as to reduce its working capital?**

- (iii) **What is the group’s stocking policy? With more than 15,000 different types and sizes of fasteners, how does the group ensure that it can meet the demands of its customers in a timely and cost-efficient manner?**

3. The attendance of directors at board and board committee meetings are shown in the table below:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Teo Choon Hock	3	3	2	2 ⁽¹⁾	1	1	1	1 ⁽¹⁾
Kwek Keng Seng	3	3	2	2 ⁽¹⁾	1	1 ⁽¹⁾	1	1 ⁽¹⁾
Ang Miah Khiang	3	3	2	2	1	1	1	1
Tan Chin Keong	3	3	2	2	1	1	1	1
Tan Jee Ming	3	3	2	2	1	1	1	1

(1) Attendance at meetings on a “By Invitation” basis.

(Source: Company annual report)

As seen from the table above, the executive chairman and the managing director were invited to the board committee meetings. Both executive directors are also the founding shareholders of the group.

- (i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**
- (ii) **Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**
- (iii) **What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting of the group.
- (iv) **Do the invited directors also actively participate in the discussions during the board committee meetings?**

In the Corporate governance report, the company has stated that independent directors will meet on a need-to basis without the presence of management to discuss matters, such as the group’s financial performance, corporate governance and risk management initiatives, board processes, any internal audit observations, succession planning as well as leadership development and the remuneration of executive directors.



- (v) **Can the independent directors help shareholders understand the number of such meetings?**

- (vi) **Would it be more efficient if the board committee meetings formally discuss such matters?** This would ensure that board deliberations and decisions are minuted formally.