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Issuer: Tye Soon Limited

Security: Tye Soon Limited

Meeting details:

Date: 29 April 2019

Time: 10.00 a.m.

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

Company Description

Tye Soon Limited is a Singapore-based automotive parts distributor. The Company is involved in the import, export and distribution of automotive parts, and property investment. The Company is focused on maintenance and replacement automotive parts for the region's vehicles. It offers various European, Japanese and Korean brands. It distributes various automotive parts, including electrical and aircon parts, transmission parts, chassis and body parts, engine parts and brake parts. It distributes a range of parts for Toyota, Mitsubishi, Nissan, Honda, Mazda, Subaru, Daihatsu, Hino, Isuzu, Mitsubishi Fuso, Nissan UD, Hyundai, Kia and GM Daewoo. It serves in Singapore, Malaysia, Thailand, Indonesia, Hong Kong/China, South Korea and Australia. It offers electrical and aircon parts, such as actuator, air mass sensor, alternator, bulbs, cables, coil ignition, control unit, evaporator, relay, sensors, switches, voltage regulator, window motor and electrical horns.

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

Q1. As the company celebrated 85 years in business (from 1933 to 2018), it was affected by supply restrictions of a major brand. That affected the group in the first half of the year although the group leveraged its geographically diversified customer base and its large portfolio of brands to catch up. Turnover for the year reached \$216.1 million and the \$111.2 million achieved in 2H18 was the highest half on record.

- (i) Can management elaborate further on the “restriction” to its supply chain? Was the restriction company-specific or were there broader issues that caused the restriction?**
- (ii) Has the issue been resolved?**
- (iii) Was the disruption to its supply chain identified as a material risk for the group?**
- (iv) Has the board/management identified ways to better mitigate/manage this risk?**

Q2. As shown in the table below, the board has 13 directors, with four independent directors.

The number of Board and Board Committees meetings held during the financial year ended 31 December 2018 and the attendances of the directors at these meetings are set out below:

Name of Directors	Board Committees											
	Board		Audit		Nominating		Remuneration		Executive		Enterprise Risk Management	
	A	B	A	B	A	B	A	B	A	B	A	B
Ong Hock Siang @ Ong Huat Seong	2	2	2	2*	2	2	2	2*	13	13	2	2
Ong Huat Kee	2	2	2	2*	2	2	2	2*	13	12*	2	2
Ong Huat Yew, Peter	2	2	2	2*	2	2*	2	2*	13	13	2	2
Ong Huat Choo	2	1	2	1*	2	1*	2	1*	13	12*	2	2
David Chong Tek Yew	2	2	2	2*	2	2*	2	2*	13	13	2	2
Ong Eng Waey, Abel	2	1	2	1*	2	1*	2	1*	-	-	-	-
Ong Lay May, Apple	2	2	2	2*	2	2*	2	2*	13	10*	2	2
Ong Eng Chian, Kelvin	2	2	2	2*	2	2*	2	2*	13	13	2	2
Ong Eng Mien, Malcolm	2	2	2	2*	2	2*	2	2*	13	12*	2	2*
Hee Theng Fong	2	1	2	1	2	2	2	1	-	-	-	-
Lim Lee Meng	2	2	2	2	2	2	2	2	-	-	-	-
Tham Khuan Heng	2	2	2	2	2	2	2	2	-	-	-	-
Chen Timothy Teck Leng @ Chen Teck Leng	2	2	2	2	2	2	2	2	-	-	-	-

Notes : A - represents number of meetings held
 B - represents number of attendances
 * - by invitation

(Source: Company annual report)

The independent directors accounted for only 31% of the board, below the one-third recommended by the board.

- (i) As the board has stated that it is committed to setting and maintaining a high standard of corporate governance in the spirit of the Code of Corporate Governance (page 99), would the board be evaluating its composition so that independent directors make up at least one-third of the board?**

- (ii) Board size:** With a 13-member board, the board has stated that it is of the view that its current size is sufficient and appropriate based on the nature and scope of the company's operations (page 101). **Would the board/nominating committee (NC) help shareholders understand how it had assessed that the board size of 13 is appropriate for the group given its operations?** As a comparison, a large local bank with market capitalisation of \$70 billion has a board with 11 directors whereas the company has a market capitalisation of \$12 million. In addition, banks operate in an environment that is under heavy scrutiny by regulators and are probably much more complex to manage.

Of the four independent directors, three have served on the board for more than 9 years. Mr Hee Theng Fong, Mr Lim Lee Meng and Ms Tham Khuan Heng were appointed on 1 May 1997, 1 May 1997 and 17 April 2003 respectively.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and under the revised Listing Rules, the requirement for independent directors to comprise one-third of the board come into effect on 1 January 2022. In addition, 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.

- (iii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

- (iv) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed by new director appointments?**

- (v) What are the company's other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Doing so would avoid undue disruption and maintain institutional knowledge and continuity in the board.

It is noted that, on 27 April 2018, Mr Ong Hock Siang @ Ong Huat Seong stepped down as executive chairman and Mr Hee Theng Fong, a non-executive director who has been on the board for 21 years, was appointed as the independent chairman.

(vi) Should Mr Hee be deemed non-independent under the new 2018 CG Code, would there be disruption to the board leadership?

Q3. On pages 115 to 120 of the annual report, the company shared its Sustainability Report for the financial year ended 31 December 2018. The report focused on the group's distribution business that spans Singapore, Malaysia, Australia, and Korea.

(i) Would the company help shareholders understand the composition of its Sustainability Steering Committee (the "SSC")? The company has stated that the SSC comprises key executives across the group.

Following the materiality assessment, the company identified 7 material factors:

- Economic performance
- Energy
- Talent retention
- Training and education
- Occupational Health & Safety
- Customer Satisfaction
- Product Range and Excellence

Under Chapter 7 of the Listing Manual on Continuing Listing Obligations, Rule 711B states that the sustainability report must describe the issuer's sustainability practices with reference to the following primary components: (a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement.

In the Sustainability report, the company has not stated clear targets (including how the targets are set, and the importance of the target to the business goals). For instance, under Talent retention, the company has stated the following:

"In FY2018, our employee yearly turnover was 15% as compared to FY2017 of 13%. We aim to achieve an employee turnover of around 15% in the forthcoming year."

(ii) Would the board be providing guidance on the identification of suitable performance indicators and setting appropriate targets for the group?

Below is an example of the target setting and the performance update on a material factor (People) carried out by SGX in its Sustainability Report:

Targets and Performance Scoreboard:

People Targets for FY2018	
Target	Performance Update
Implement programmes for upgrading employee skills & transition assistance programmes	<ul style="list-style-type: none"> We introduced a digital learning platform to encourage employees to adopt continuous learning practices. We implemented innovation-benchmarking workshops for employees to create awareness of disruptive socio-economic trends. We ran leadership development programmes for senior managers to build on our leadership capabilities.
Achieve 35 training hours per employee per year	<ul style="list-style-type: none"> Employees engaged in an average of 44 hours of training during the year.
People Targets for FY2019	
Target	
Implement programmes for upgrading employee skills & transition assistance programmes	
Achieve 35 training hours per employee per year	

(Source: SGX annual report)

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:
<https://sias.org.sg/qa-on-annual-reports/?company=Tye%20Soon%20Ltd&cid=6464,4618,4287>
 The company's response could be found here: -----