Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

**Issuer:** Tye Soon Limited

**Stock code:** BFU

**Meeting details:**
Date: 26 April 2023
Time: 10.00 a.m.
Venue: The Chevrons, 48 Boon Lay Way, Singapore 609961

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**Q1**. According to the managing director and deputy managing director's statement in the business review, while supply-related issues widely seen in 2022 may have somewhat stabilised, the supply chain remains fragile. Management anticipates that supplies will continue to be vulnerable to prolonged and inconsistent lead times until at least the end of 2023. To mitigate potential supply delays, the group has increased the average level of inventory in recent months. This action aims to smooth out supplies and better prepare the group against possible supply chain disruptions.

As shown in Note 10 Inventories (page 59), finished goods were 13% higher at year end, amounting to $99.95 million.

**10 Inventories**

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Finished goods | 99,952 | 88,695 | 31,575 | 28,236 |
| Goods-in-transit | 12,807 | 9,697 | 4,309 | 2,088 |
| | 112,759 | 98,392 | 35,884 | 30,324 |

(Source: company annual report)

(i) **Could management provide more detail on their assessment that the supply chain remains vulnerable? Which factors or indicators monitored by management support this view?**

(ii) **Has delivery time/goods-in-transit normalised to pre-COVID levels?**

(iii) **To what extent does management consider the risk of obsolescence when increasing the group's inventories?**

(iv) **Separately, regarding manpower, is the group's employee yearly turnover rate of 28% (2021: 21%) considered high, and how does management mitigate potential disruptions to operations due to this high rate?** For reference, the group's employee yearly turnover averaged 14% in 2017 and 2018 before the pandemic.

(v) **What is the significance of the new subsidiary in Japan?**

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**Q2.** The group has loans and borrowings amounting to $67.1 million as at 31 December 2022. The breakdown of the loans and borrowings can be found on page 63 (reproduced below).

**14 Loans and borrowings (cont'd)**

***Terms and debt repayment schedule***

Terms and conditions of outstanding loans and borrowings are as follows:

| | 2021 | Nominal interest rate % | Year of maturity | Face value $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **31 December 2022** | | | | | |
| Term loans | | | | | |
| Singapore dollar | 2.00 – 2.50 | 2.00 – 2.50 | 2023 - 2025 | 3,247 | 3,247 |
| Unsecured bank loans | | | | | |
| Singapore dollar | 2.25 – 2.50 | 5.31 – 5.83 | 2023 | 13,300 | 13,300 |
| Australian dollar | 2.02 | 4.86 – 4.96 | 2023 | 4,007 | 4,007 |
| Hong Kong dollar | 2.16 | 6.70 | 2023 | 689 | 689 |
| Malaysia Ringgit | 4.16 – 4.24 | 5.69 – 5.77 | 2023 | 763 | 763 |
| Korean Won | 3.68 – 3.77 | 6.51 – 6.53 | 2023 | 4,260 | 4,260 |
| | | | | 23,019 | 23,019 |
| Bills payable and trust receipts | | | | | |
| Singapore dollar | 1.68 – 2.53 | 4.00 – 6.33 | 2023 | 22,272 | 22,272 |
| United States dollar | 1.49 – 2.53 | 4.65 | 2023 | 1,090 | 1,090 |
| Japanese Yen | 1.10 – 1.66 | 1.15 – 5.50 | 2023 | 5,115 | 5,115 |
| Euro | 2.08 – 2.26 | 2.35 – 5.56 | 2023 | 5,919 | 5,919 |
| Australian dollar | 2.24 – 2.32 | 4.89 – 5.26 | 2023 | 4,604 | 4,604 |
| Malaysia Ringgit | 3.81 – 4.26 | 4.94 – 5.70 | 2023 | 1,824 | 1,824 |
| | | | | 40,824 | 40,824 |
| | | | | 67,090 | 67,090 |

(Adapted from company annual report; 2021 comparable rates shown in inset)

Finance costs have increased from $1.58 million in 2021 to $2.39 million in 2022. For reference, total dividends for the year only amount to $1.1 million.

(i) **Can management help shareholders better understand if it had sourced for cheaper sources of financing?**

(ii) **Are operational decisions (such as increasing inventories) taken after considering the group's cost of capital?**

(iii) **Is the increase in inventory also a deliberate decision by management to stock up before any potential upward revisions of product prices by suppliers?**

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(iv) **To what extent is the group able to effectively and promptly pass on higher prices, and have the group's systems been digitalised to support this?**

**Q3.** On page 105 of the annual report, the company disclosed in the corporate governance report it has established an in-house internal audit function led by an experienced internal auditor.

(i) **Can the audit and risk committee (ARC) confirm that the internal auditor complies with the standards set by nationally or internationally recognised professional bodies, such as the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors?**

(ii) **Can the ARC help shareholders understand the experience of the Head of IA and the size of the team in Singapore and in other cities, if any?**

(iii) **Can the ARC confirm that all the foreign operating subsidiaries in Australia, Malaysia, South Korea and Thailand were included in the internal audit?**

(iv) **What were the scope, key findings and recommendations by the internal auditor for FY2022?**

(v) **What is the level of oversight by the ARC on the actions taken by management to follow up on the recommendations?**

***Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.***

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