TYE SOON LIMITED
Company Registration No. 195700114W

RESPONSES TO SHAREHOLDERS' QUESTIONS

The Board of Directors (***Board***) of Tye Soon Limited (***Company*** and together with its subsidiaries, the ***Group***) wishes to thank shareholders for submitting their questions in advance of the 65th Annual General Meeting (***AGM***) to be held by electronic means on 23 April 2021 at 10:00 a.m.

The Company wishes to inform that it has received questions from shareholders which are overlapping and/or similar in nature. Accordingly, the Company has consolidated such questions under relevant subject matters as follows:

1. Questions relating to financial performance and the business

Q: I would like to ask if the management concerned that the revenue has declined?
Q: What is the company doing to reverse the decline in revenue?

A. The year-on-year decline of 10.7% at the Group level was noticeable.

Management, just like other stakeholders, would be concerned with any business situation involving a decline in revenue.

The reasons for the decline though would be an important factor in formulating the Group's response.

Management assessed that the decline in revenue in FY20 was not due to structural reasons but very much weighted towards the unfavourable business conditions arising from the Covid-19 situation, especially the effects of temporary lockdown restrictions imposed by governments in their defence against the pandemic.

Based on factors discussed in the Annual Report, Management believes the Group is well placed to navigate the current financial year. For further reading, please refer to page 8 of the AR.

Management believes its evolving business strategies and initiatives are moving in the right direction.

In the Company's recent announcement dated 14 April 2021 relating to the 1Q21 trading, it was disclosed that Group revenues increased 17.1% year-on-year.

Q: What is the reason for the decrease in revenue in Thailand?

A. Revenue by geographical markets as disclosed in the AR notes on pages 76 and 99 are based on the geographical location of customers.

The decline in revenue in FY20 was mainly due to lower exports from Singapore to customers based in Thailand. Business conditions and sentiment had been negatively impacted by the Covid-19 situation.

Q. Did the company employ any cost cutting measures during this unprecedented pandemic?
Q. Please illustrate what cost cutting measures the company undertook during last year COVID-19 pandemic.
Q. Please justify why staff costs have increased, very surprisingly and counterintuitively, as illustrated in the latest AR.
Q And on what grounds/basis is the company assenting to these pay increases?

A. Staff costs increased by 0.8% from $21.963 million to 22.129 million.

The Group's team as a resource has been one of its competitive strengths. Hence, any possible cost cutting exercise involving the team has to be considered in that light.

Such cost cuts did take place in view of the unprecedented nature of the situation but mainly affected operations where revenues fell.

Parts of the Group were not affected by the Covid-19 situation in the same manner as others, hence the aforesaid cost cuts were not applied in equal measure across the Group, for instance on the Group's businesses in South Korea where revenues grew by 11.1% in KRW terms (or 10.9% in SGD terms) and in Australia where revenues grew by 4.5% in AUD terms (or 5% in SGD terms).

Q. What is the remuneration policy of the company, is it performance based?

A. The level of performance of an individual would form a core part of the assessment.

Q. Can the board help shareholders understand the group's digitalisation strategy?

A. The Group's broad thinking on this is to keep up to remain effective in the automotive aftermarket. In addition to the aforementioned ERP system, the Group believes in moving along the digitalisation journey by investing in enablers, such as the appropriate software and equipment to enhance various business functions, B2B channels for customers, and general office automation.

Q. What are the risks to the group's business model in a highly digitalised world? Can the group be bypassed as the intermediary between manufacturers and consumers?

A. Perhaps Management can shed light on this by summarising the Group's experience in South Korea, its newest overseas operation set up in 2011.

The Group's business supplies automotive parts to vehicle repair workshops from 20 business locations (currently) located in various cities throughout the country.

Revenues have grown each year since business commenced, firmly supported by the Group's principals and suppliers (mostly manufacturers).

The Group's business provides value add in the supply chain by (i) stocking the right parts for the vehicles requiring service/repair, (ii) providing important input to the repair workshop mechanics on the right parts to use, and (iii) making the "last mile" delivery to the vehicle repair workshops in a timely manner, amongst other functions.

Q. In addition, what are the opportunities and threats as car manufacturers commit to electric vehicles and phase out internal combustion engines?

A. Electric vehicles are still vehicles. The Group has historically focussed on a wide range of maintenance and replacement automotive parts. In addition to engine-related vehicle parts, the Group supplies a wide range of non-engine parts for vehicles such as steering and suspension, braking, electronics, lighting, air-conditioning/heating systems. The Group has also put more emphases on batteries and related parts as well as electronic sensors, categories which are expected to increase in significance.

Many of the Group's principals and major suppliers are top-tier global leaders in automotive EV technology currently working with the vehicle makers on their EV projects.

The Group generally supplies parts to vehicles which are not new (as new vehicles require less maintenance and repair). As many car manufacturers have announced an EV roll out strategy stretching over the next 10 years, the existing population of vehicles with conventional combustion and hybrid engines in the region (and globally) is expected to remain on the roads over many years to come, possibly a couple of decades especially in emerging markets where charging options might be limited.

2. Questions relating to Bapcor's investment and cooperation with the Company

Q. What synergies and benefits would a cooperation agreement with Bapcor bring and entails?
Q. Prior to the signing of this Cooperation Agreement, were Bapcor and Tye Soon competitors in Australia?
Q. Will Tye Soon sell its Australian business to Bapcor or vice-versa?
Q. Are there any plans for Bapcor and Tye Soon to merge?
Q. Has the board/management analysed the potential synergies that can be realised with Bapcor on board as a strategic investor? If so, what are the synergies?

A. The Cooperation Agreement can be seen as a milestone in the course of the Company's discussions with Bapcor on a range of opportunities to collaborate.

The Company and Bapcor will work closely together to realise the groups' common visions in enhancing their leadership positions in the Asia Pacific automotive aftermarket.

Q. Does management see a significant overlap in the group's Australia business with Bapcor's?
Q. Based on management's understanding of Bapcor, how similar or dissimilar are the business models of Bapcor and the group?

A. Bapcor's business and the Group's business in Australia largely complement each other.

Q. Has the board clarified with OBG on their long-term commitment to the group following the sale of the 25% stake?

A. OBG & Sons is controlled by the Ong family. Subsequent to the sale of the aforementioned 25% stake, OBG & Sons together with the individual members of the Ong family (either currently or formerly involved in the management of the Group's business) would retain an interest exceeding 40% of the issued and paid-up capital of the Company. OBG & Sons has held an interest exceeding 50% in the issued and paid-up capital of the Company since the Company's IPO in 1997 and remains the largest shareholder of the Company. The Board has not received any communication that this position will be different.

3. Questions relating to Board Size and Directors' Fees

Q. Please justify why a company with a $26 million market cap needs a board size of 8 members.

A. The question has been noted by the Company's Nominating Committee (NC). The size of the Board will be considered for inclusion in the agenda at the next NC meeting.

Q. Please justify why the director fees proposed have increased by around 25%.
Q. Would the board help shareholders understand the year-on-year increase,especially as the board size has been reduced?

A. Directors' fees for the past 3 financial years were: FY18 at $603k, FY19 at $384k and FY20 at $498.5k.

The amount proposed for FY20 reflects a combination of (i) a restoration of reduced fees and (ii) Board changes.

The view has been noted by the Company's Remuneration Committee (RC). The level of directors' fees will be considered for inclusion in the agenda at the next RC meeting.

Q. Would there be a further increase in board size (we currently have 8 board members already), with representatives from Bapcor joining the Board in due course?
Q. Have Bapcor requested for board representation?
Q. Can the board elaborate further on the expected board changes?

A. It was disclosed in the announcement dated 19/3/21 that it is envisaged that there will be a refreshing of the Board and it is expected that new directors be nominated by Bapcor. Completion under the sale and purchase agreement signed between OBG & Sons and Bapcor is expected to take place by end April. A further announcement relating, inter-alia, to the Company's Board will be made on completion.

Q. Would the board consider disclosing the fees received by the nonexecutive directors individually?

A. The question has been noted by the Board. This will be discussed before the publication of the Company's next Annual Report.

Q. Would the board help shareholders understand the roles and responsibilities of the advisers?
Q. What are the deliverables for the advisers?
Q. Are these short-term contracts that would be reviewed for renewal every year?

A. Messrs Ong Hock Siang and Peter Ong were appointed Advisers on 23/6/20. This step is intended to help facilitate a period of transition as Mr Ong Hock Siang has been involved with the Company since 1966 and Mr Peter Ong likewise since 1965. This arrangement is not intended to continue long term and will be reviewed by the NC periodically.

4. <u>Questions relating to Sustainability Report</u>

Q. What is the headcount for the company for FY 2020 vs FY 2019?

A. End FY20 at 410 vs end FY19 at 426.

Q. Do you measure the "Value add" or "Economic Value Add" per employee?

A. The Group has not initiated this measurement. Management will consider the merits of doing so.

Q. Many companies provide a breakdown of their employees by age and gender. Could you provide this breakdown in the next/future Sustainability Report?

A. The Group has not initiated this. Management will consider the merits of doing so.

By order of the Board of
TYE SOON LIMITED

David Chong
Managing Director

22 April 2021