



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: YHI International Limited

Security: YHI International Limited

Meeting details:

Date: 26 April 2019

Time: 9.30 a.m.

Venue: 2 Pandan Road, Singapore 609254

Company Description

YHI International Limited is a Singapore-based investment holding company. The Company distributes automotive and industrial products. The Company operates through Manufacturing and Distribution segments. The Manufacturing segment includes the regional areas, including North East Asia and the Association of Southeast Asian Nations (ASEAN), which are engaged in the manufacturing of alloy wheels. The Distribution segment consists of regional areas, including North East Asia, ASEAN and Oceania regions, which are engaged in the distribution of automotive and industrial products. The Company distributes a range of premium automotive products, which include tires, alloy wheels, automotive and industrial batteries, as well as golf and utility buggies. The Company has approximately four alloy wheels manufacturing plants located in Shanghai and Suzhou in China, Taoyuan in Taiwan and Malacca in Malaysia, with a total production capacity of approximately 3.6 million units per annum.

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

Q1. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) **Manufacturing facilities:** How responsive are the group's manufacturing facilities/processes to adjust to external shocks to keep the overall production levels high to meet customers' needs? For instance, should tariffs be placed on China's exports, can the group's facilities in Taiwan and Malaysia cater to the demand of the USA market while the plant in Suzhou supplies to the rest of the world (less USA)?
- (ii) **Logistics and warehousing capabilities:** In the chairman's statement, it was stated that the group will be introducing just-in-time delivery services to enhance and distinguish the group's customer service. This operation will be helped by logistics professionals. **Can the board elaborate further on the investments to be made into the logistics business? Will the group need to be integrated with the customers' supply chain to perform this service? Will the group be able to price its services appropriately and capture its fair share of value?**
- (iii) **Credit risks:** In Note 28 (page 137 – Financial risk management: Credit risk), the group's breakdown of trade receivables is shown as follows:

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 and 1 January 2018 are set out in the provision matrix as follows:

	Past due					Total
	Current	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
As at 31 December 2018						
Distribution						
Expected credit loss rate	0.4%	1.6%	3.5%	5.6%	56.1%	
Trade receivables	45,059	7,868	3,963	1,693	6,223	64,806
Credit loss allowance	174	127	137	95	3,488	4,021
Manufacturing						
Expected credit loss rate	0.1%	0.1%	0.1%	0.5%	42.3%	
Trade receivables	16,086	5,215	3,014	393	182	24,890
Credit loss allowance	2	1	2	2	77	84

(Source: Company annual report)

Would management consider providing an upper limit to the trade receivables past due by more than 90 days but not impaired? Please disclose in reasonable bands.

Has management reviewed if the collection of trade receivables in the distribution segment is slower (due to the nature of the business) and if the historical loss rate has been higher than the manufacturing segment? Would it be opportune to review the credit terms of its distribution customers to make sure that the group's credit risks are better managed?

Q2. The attendance of directors at board and board committee meetings is shown in the table below:

Table 1: Composition of Board Committees with effect from 26 April 2018

Director	Nominating Committee	Remuneration Committee	Audit Committee
Mr Tay Tian Hoe Richard (Executive Chairman & Group Managing Director)	Member	–	–
Mr Tay Tiang Guan (Executive Director)	–	–	–
Mr Henry Tan Song Kok (Lead Independent Director)	Member	Member	Chairman
Mr Phua Tin How (Independent Director)	Chairman	Member	Member
Mr Yuen Sou Wai (Independent Director)	Member	Chairman	Member

Table 2: Attendance of Directors at Board and Board Committee Meetings in FY2018

Board and Board Meeting	Number of Meetings Held	Number of Meetings Attended					
		Tay Tian Hoe Richard	Tay Tiang Guan	Henry Tan Song Kok	Phua Tin How	Yuen Sou Wai	Hee Theng Fong ⁽¹⁾
Board	4	4	4	4	4	4	1
Nominating Committee	1	1	1^	1	1	1	1^
Remuneration Committee	1	1^	1^	1	1	1	1
Audit Committee	4	4^	4^	4	4	4	1

Notes:

^ By Invitation

⁽¹⁾ Retired pursuant to Regulation 89 of the Company's Constitution on 26 April 2018

(Source: Company annual report)

As can be seen above, the executive directors are invited to the board committee meetings.

- (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?**

On the other hand, it was disclosed that the independent directors have met without the presence of management to discuss matters such as the group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the executive directors.

- (iii) Would the board committee meetings be the more appropriate setting for such discussion?** This would ensure that board deliberations and decisions are minuted formally.
- (iv) 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/internal controls of the group.
- (v) Do the invited directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meeting?**

Q3. With the cessation of Mr Hee Theng Fong following the conclusion of the annual general meeting on 26 April 2018, the board currently comprises of 5 directors, three of whom are independent directors.

The company has stated that there has been no appointment of new directors since the company was listed on the Mainboard of the SGX-ST in 2003.

- (i) Would the board/nominating committee (NC) help shareholders understand how it would be proceeding with its search and nomination process for directors, especially independent directors?**
- (ii) As professional search firms can help the company cast a wider net to access a larger (and possibly more diverse) candidate pool, would the NC be looking into that?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into

effect on 1 January 2022. Under the revised Listing Rules, 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) Can the nominating committee (NC) elaborate further on the succession planning for the board (including executive director), the managing director position and other key management positions?**
- (v) Following the cessation of Mr Hee, what are the company's near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

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=YHI%20International%20Ltd&cid=6471,4604,4291>

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