Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

**Issuer:** YHI International Limited

**Stock code:** BPF

**Meeting details:**
Date: 28 April 2023
Time: 10.00 a.m.
Venue: 2 Pandan Road, Singapore 609254

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**Q1**. As noted in the chairman's message, years of diversification efforts by the group have started to show results. In 2022, revenue from the energy solutions segment exceeded revenue from alloy wheel manufacturing.

The group distributes an extensive range of rechargeable batteries for commercial and industrial. Revenue increased by 8% to reach $124.7 million in FY2022. This exceeds the $107.2 million derived from alloy wheel manufacturing.

The brands under the energy solutions segment are shown on page 5 and reproduced below:




(Source: company annual report)

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In the business review, the company stated the following (page 19):

> *The energy solutions segment comprising batteries, lubricants, solar panels, chargers, inverters and UPS include brands like Trojan, Vision, Amaron, Rocket, FIAMM, C&D Technologies, U.S. Battery, Panasonic, Elf, delta-q, Eaton and Trinasolar. The revenue from this segment grew 7.7% year-on-year to $124.7 million, accounting for 38.5% of distribution revenue.*

(i) **Can management clarify whether the energy solutions segment includes non-battery products under other industrial products, or is it strictly limited to rechargeable batteries?**

(ii) **For clarity, could management provide a breakdown of the $124.7 million revenue by products and/or brands?**

(iii) **What are the main factors driving growth in the energy solutions segment, and what steps are the company taking to capitalise on this growth?**

(iv) **What is the group's competitive advantage in the distribution of commercial and industrial-use, rechargeable batteries? What is the strategy to increase its market share?**

**Q2.** Despite the deconsolidation of Yokohama Tyre Sales Malaysia Sdn Bhd, inventories increased from $128.9 million to $135.4 million. The increase could be mainly attributed to an increase in the carrying value of finished goods.

Inventory purchases were increased to mitigate potential supply chain disruptions and uncertainty of shipment dates. Inventory turnover days increased from 139 in 2021 to 148 in 2022. Inventories written off was $1.76 million in 2022 (2021: $2.01 million).

(i) **Given that inventory purchases were increased in response to potential supply chain disruptions and uncertainty of shipment dates, does management anticipate reducing inventory levels in 2023 as supply chain conditions improve, particularly with China re-opening and easing supply chain bottlenecks?**

In addition, the gross gearing ratio was reduced from 32.7% to 25.0% as borrowings were paid down. The group's borrowings (current and non-current) decreased from $62.6 million to $41.8 million in FY2022, following the repayment of bank borrowings. Meanwhile, the weighted average effective interest rates for all bank borrowings increased from 2.57% in FY2021 to 5.01% in FY2022.

(ii) **Considering that the group's net gearing ratio is just 3.4% compared to its gross gearing ratio of 25.0%, does management plan to actively use its available cash to pay down its borrowings and reduce interest costs?**

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**Q3.** As disclosed in the corporate governance report, the group has its own in-house internal audit function. The internal audit function plans its internal audit schedules in consultation with, but independent of the management. The audit plan is submitted to the audit committee (AC) for approval prior to the commencement of the internal audit work.

(i) **How large is the in-house internal audit function and what is the level of experience of the Head of IA?**

(ii) **Is the IA team based entirely in Singapore or are local members of the IA team based in the home countries, such as Australia, China, Malaysia, etc? Can the AC confirm that all foreign operating subsidiaries were included in the internal audit?**

(iii) **Was the effectiveness of the internal audit affected by travel restrictions in 2022?**

(iv) **What criteria does the AC use to determine and approve the scope of the annual internal audit plan?**

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

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

(vii) **Can the AC confirm that it met with the internal auditors without the presence of management in 2022?**

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

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