



**Securities Investors Association (Singapore)**  
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UEN No: S99SS0111B  
GST Reg No: M90367530Y

**Issuer:** YHI International Limited

**Stock code:** BPF

**Meeting details:**

Date: 28 April 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

**Q1.** The group reported a 5.7% decrease in revenue to \$422.8 million in FY2020 mainly due to lower sales in both distribution and manufacturing segments. Gross profit increased from \$96.0 million to \$101.4 million in FY2020, on the back of higher gross profit margins achieved by both distribution and manufacturing businesses.

As disclosed in the annual report, the tyre and wheel business benefited from firmer selling prices caused by supply constraints and increase in demand in certain markets resulting in significantly improved trading margins. The performance of the energy solution and industrial products divisions improved as well - driven by a demand-supply imbalance which resulted in higher prices and an increase in demand for uninterrupted power supply by data centres and essential service providers.

- (i) **Can management help shareholders understand if the group managed to increase its market share? If so, which were the markets in which the group consolidated its position?**
- (ii) **Can management elaborate further on its strategy to manage the price fluctuation of its raw material?** As disclosed in Note 12 (page 96 – Inventories), the cost of inventories recognised as an expense and included in “cost of sales” amounted to \$300.5 million.

In FY2020, due to a confluence of factors, gross profit margin increased to from 21.4% to 24.0%. The impact is that net profit improved by nearly two-thirds from 2.8% to 4.6%. In the past 5 years, the net profit margin was as low as 1% in FY2016.

- (iii) **Can management help shareholders understand what the group is doing to build on the strong performance in FY2020? How much of it can be sustained?**
- (iv) **Is the 3R strategy essentially a strategy with a short runway to get the group back into a stronger financial position?** The 3R strategy refers to “Reduce inventory, reduce accounts receivable and reduce operating costs”. This has gradually improved the group’s balance sheet over the past 3-5 years. **What is management’s strategy to take the group to the next stage of growth?**
- (v) **Are there opportunities to significantly grow the energy solutions and industrial products divisions?**
- (vi) **Can management elaborate further on the progress made in the logistics business?**

**Q2.** As shown in the 5-year financial summary (page 9), the group’s financial performance improved steadily over the 5-year period and it reported a net profit attributable to equity holders of the company of \$19.2 million.

The table of financial indicators is reproduced below:

**FINANCIAL INDICATORS**

	FY2020	FY2019	FY2018	FY2017	FY2016
Return on shareholders equity (%)	<b>7.0</b>	5.1	5.4	3.5	1.5
Earnings per share (cents)*	<b>6.57</b>	4.43	4.70	2.99	1.26
Net asset value per share (cents)*	<b>94.83</b>	87.52	86.54	84.91	82.97
Dividend per share (cents)*	<b>3.30</b>	2.22	2.35	1.50	0.64
Cash and bank balances (S\$ '000)	<b>84,620</b>	56,392	51,102	54,360	51,470
Net debt to equity ratio (%)	<b>NM</b>	15.0	12.8	12.5	19.3

\* Post-consolidation of shares

(Source: company annual report)

Not only has the group achieved earnings per share of 6.57 cents in FY2020, the net asset value per share has increased to 94.83 cents even as dividends given out to shareholders increased in tandem with earnings. Cash and bank balance amounted to \$84.6 million as at 31 December 2020 and the group turned from being in a net debt position to a net cash position. This can be attributed to the group’s successful implementation of its “3R” strategy.

- (i) **Has the board evaluated the group’s capital structure and determined how to allocate its capital?**
- (ii) **What are the major growth opportunities to revolutionise the group and to propel it to the next stage of growth?**
- (iii) **What are the significant capital expenditure plans for the next 3-5 years to support the business?**
- (iv) **Can management provide shareholders with greater clarity on the planned capital expenditure for the Malacca plant?**
- (v) Separately, the Taoyuan site, built on a land area of 13,500 square metres, has an annual production capacity of just 0.2 million. It was the first site by the group in 1996. **Can management help shareholders understand if the site would be upgraded or rationalised?**

**Q3.** Principle 8 of the Code of corporate governance 2018 requires the company to be transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

In particular, Provisions 8.1 calls for the company to disclose in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

- (a) each individual director and the CEO; and
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

The company has justified its non-disclosure of specific detailed information on aggregate remuneration of individual director based on the potential negative affect on its ability to retain its talent pool. The company states that it is cognisant of the need for corporate transparency in the remuneration of its directors and key executives but regards the disclosure of details in excess of the current to be detrimental to its business interests.

The executive directors, Mr Tay Tian Hoe Richard and Mr Tay Tiang Guan, are siblings.

- (i) **Can the remuneration committee (RC) elaborate further on the deviation of disclosing director’s remuneration and its breakdown on a named basis?**
- (ii) **What are the risks for the executive director to be poached?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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<sup>^</sup> Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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

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