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## ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 – SECOND CLARIFICATION ANNOUNCEMENT

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### **Introduction**

The Board of Directors (the “**Board**”) of YHI International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement dated 13 April 2020 in relation to the Company’s annual report for the financial year ended 31 December 2019 (“**Annual Report**”) and its clarification announcement dated 24 April 2020 (“**Previous Announcement**”).

The Company sets out below its responses to queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

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### **Query 1:**

*Provision 8.1 of the Code states that “The company discloses 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.” (emphasis added)*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of remuneration, and no explanations were provided for in the Company’s FY2019 annual report and the Company’s announcement of 24 April 2020 on how it is consistent with the intent of Principle 8 of the Code.*

*Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

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### **Company’s Response:**

Principle 8 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 light of the spirit of Principle 8, the Company has demonstrated the level and mix of remuneration by setting out the following:

- a) directors’ remuneration in bands of \$250,000; and
- b) a breakdown of each Director’s remuneration and fees in terms of percentage and the different components of the remuneration i.e. salary, bonus, director’s fees and other benefits

In addition to the Previous Announcement, the Company is of the view that specific detailed information on aggregate remuneration of individual director and key management personnel will affect its ability to retain its talent pool in a highly competitive industry which the Group operates in and it is not in the best interests of the Company.

The Company ensures that the Remuneration Committee reviews and considers the remuneration of each Director and key management personnel of the Company and after due deliberation, the Remuneration Committee would make appropriate recommendations to the Board. No Director or key management personnel is involved in deciding his own remuneration.

Under the Company's disclosures in relation to Principle 6 of the Code in its Annual Report, the Company has disclosed, among other things, that:

- a) the Remuneration Committee ensures that there is a formal and transparent framework of remuneration for the Directors and key management personnel on all aspects of remuneration including Director's fees, salaries, allowances, bonuses, option (if any) and benefits-in-kind;
- b) the Remuneration Committee is responsible for reviewing and recommending to the Board the specific remuneration packages and terms of employment for each Director and key management personnel;
- c) in its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation, the Group's performance vis-a-vis the industry as well as the individual Director and the key management personnel's contribution and performance. No Director or key management personnel is involved in deciding his own remuneration; and
- d) when the need arises, the Remuneration Committee has access to external remuneration consultants' service and advice on Director's remuneration.

Given the disclosures in the Annual Report under Principle 6, read together with the disclosures under Provision 8.1, the current disclosures are consistent with the intent of Principle 8 of the Code.

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**Query 2:**

*We refer to the Company's announcement dated 24 April 2020, entitled "Annual report for the financial year ended 31 December 2019 – Clarification announcement". It is disclosed that, "The Company will make the relevant announcement in due course to update shareholders."*

*Please elaborate on what specifically the announcement would seek to update shareholders on.*

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**Company's Response:**

*Clarification on Previous Announcement*

In the Previous Announcement, the Company indicated that the Company is regularly reviewing its Board composition, Board succession planning and renewal with diversity in mind. The Company will make the announcements to update shareholders whenever the Company has updates on Board succession planning from time to time when the occasion arises.

*Board Diversity Policy*

There is currently no formalised Board diversity policy. However, the Nominating Committee takes into consideration various factors such as diversity of the Board in reviewing the Board composition.

Under Provision 2.4 of the Code in its Annual Report, the Company disclosed that the Nominating Committee is responsible for examining the size, composition and diversity of the Board and Board Committees.

In particular, the criteria of diversity includes, among others, whether the Board is equipped with relevant skills and experience, gender composition, age and knowledge of the Company. The criteria are being objectively assessed from time to time to ensure relevancy in view of changing business environment, business needs and relevant regulatory requirements, where applicable.

The Board believes that the current Board size and the existing composition of the Board provides sufficient diversity to effectively serve the Company.

*Whether the Board and Board Committees are of an appropriate size and comprise of Directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age*

As disclosed in the Previous Announcement, the Company currently has in place a Board with diverse backgrounds and expertise. The Company has Independent Directors with finance, accounting, corporate finance and/or business expertise, with successful careers in professional firm, MNC or listed companies.

Under Provision 2.4 of the Code in its Annual Report, the Company disclosed that having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the Nominating Committee, considers that a Board size of between five to eight members as appropriate and facilitates effective decision making. The Board believes that its current Board size and the existing composition of the Board Committees effectively serves the Group. The Board provides sufficient diversity for effective discharging of Board duties without interfering with efficient decision-making.

Given the disclosures in the Annual Report under Provision 2.4, read together with the Previous Announcement, they are consistent with the intent of Principle 2 of the Code which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

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By Order of the Board of  
**YHI International Limited**

Tay Tian Hoe Richard  
Executive Chairman and Group Managing Director

8 May 2020