



ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 – CLARIFICATION ANNOUNCEMENT

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 5 April 2021 in relation to the Company’s annual report for the financial year ended 31 December 2020 (“**Annual Report**”).

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

Query 1:

Provision 8.1 of the Code of corporate governance 2018 (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 of each individual director, the CEO and at least the top five key management personnel (who are not directors or the CEO), as well as in aggregate the total remuneration paid to these key management personnel, and no explanations were provided for in the Company’s FY2020 annual report 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.

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 of each individual director 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.

The Company views manpower as key source for the continuous success of the Company. The disclosure of the remuneration of the top five key management personnel (who are not directors or the CEO) would be detrimental to the Company's ability to retain its existing key management personnel. We believe that the current disclosure is adequate.

The Company has provided an explanation for its variation from Provision 8.1 of the Code of Corporate Governance on page 52 of the Annual Report extracts of which are reproduced below:

"The Company operates in a niche industry in automotive manufacturing and distribution industry sector where relevant talent and expertise is limited. It has been facing and continues to face stiff competition in attracting and retaining talent in a small community of industry players. While the Company is cognizant of the need for corporate transparency in the remuneration of its Directors and key executives, the Company notes that the disclosure of details in excess of the above (sic) may be detrimental to its business interests, given the highly competitive industry conditions where poaching has become commonplace. The disclosure of specific detailed information on aggregate remuneration of individual director and key management personnel will affect its ability to retain its talent pool and is not in the best interests of the Company.

In particular, the Company had previously announced its "3R" strategy and restructuring of its Group operations and the disclosure of remuneration matters are sensitive and confidential in light of its restructuring and resizing strategy. The Group also sees human capital as one of its key advantages over its competitors and, noting that the highly competitive industry which the Group operates in, believes that the disclosure above best preserves the business interests of the Group. As far as the Company is aware, the remuneration paid to Directors and key executives is in line with industry practices."

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.

The Company has also disclosed details on the level and structure of remuneration of the Board and key management personnel under Principle 7 of the Corporate Governance Report.

Given the disclosures under Principles 6 and 7 of the Corporate Governance Report, read together with the disclosures under Provision 8.1, the current disclosures and practices adopted are consistent with the intent of Principle 8 of the Code.

Query 2:

Provision 2.4 of the Code states that, "The Board and board committees are of an appropriate size, and comprise 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, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."

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 there were no explanations provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted 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 interest of the Company.

Company's Response:

Principle 2 of the Code of Corporate Governance requires that *"The Board has 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."*

The Company has disclosed under Provision 2.4 of the Corporate Governance Report:

1. The current Board comprise of Independent Directors with finance, accounting, corporate finance and/or business expertise, with successful careers in professional firm, MNC or listed companies. The Board believes that its current Board size and the existing composition of the Board Committees effectively serves the Group and provides sufficient diversity for effective discharging of Board duties without interfering with efficient decision-making.
2. The Company has embraced all aspects of diversity in the current Board composition and takes into consideration various factors of diversity in reviewing the Board composition as mentioned above.
3. The Nominating Committee is of the view that the current Board, with Independent Directors making up more than half of the Board, has a strong and independent element that is able to exercise objective judgement on corporate affairs independently. The Independent Directors are actively involved in strategy decisions. They constructively challenge and provide invaluable insights to the Management in developing business strategy. They also review and monitor the performance of the Management in meeting agreed business goals.

In addition to the disclosure under Provision 2.4 of the Corporate Governance Report, the current Board is represented by a wide range of age group with diverse experience, professional training and industrial knowledge in various fields such as in commercial, accounting and finance industries which adds value to the Board in its decision making process.

The Company believes that the practices adopted above are consistent with the intent of Principle 2 of the Code of Corporate Governance and enables the Company to make decisions in the best interests of the Company.

Query 3:

It is disclosed on page 45 of the Annual Report that, the Company is looking into the progressive renewal of the current Board Composition. Rule 406(5)(c) of the Listing Manual, which will come into effect on 1 January 2022, requires, inter alia, independent directors to comprise at least one-third of the Company's board. The Company will ensure its compliance with Rule 406(5)(c) of the Listing Manual

and update shareholders in due course. Please clarify in the same announcement as to whether reference should be made to Rule 210(5)(c) of the Listing Manual instead.

Company's Response:

The Company wishes to clarify that references are intended to be made to Rule 210(5)(c) of the Listing Manual instead of Rule 406(5)(c) at page 45 of the Annual Report.

By Order of the Board of
YHI International Limited

Tay Tian Hoe Richard
Executive Chairman and Group Managing Director

20 April 2021