友 发 国 际 有 限 公 司

YHI INTERNATIONAL LIMITED

Listed on the mainboard of the Singapore Exchange
Company Registration Number 200007455H

MOVING AHEAD TOGETHER

ANNUAL REPORT 2012

OUR MISSION

- To be a recognised global distributor of high-quality automotive and industrial products, and a familiar and trusted brand name in alloy wheels manufacturing as an Original Design Manufacturer.
- To position our company effectively by continuously providing our customers with quality products and distinctive customer services so as to build strong customer relationships.
- To provide growth and opportunities for our employees and to consistently generate stable returns to our shareholders.
- To be committed to quality, professional and personnel management, sound business practices and teamwork.

Cover image courtesy of
MERCEDES AMG PETRONAS Formula One Team

SYNERGY

FORTIFIES STRONG TIES

Our strategic partnerships allow us to harness our innovative capabilities leading us to tap into new and more yield-generating opportunities.

image courtesy of
MERCEDES AMG PETRONAS Formula One Team

corporate profile

YHI International Limited is a recognised distributor of high-quality automotive and industrial products, and a familiar and trusted brand name in alloy wheels manufacturing as an Original Design Manufacturer (ODM).

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST) on 3 July 2003, YHI has successfully diversified its business and carved a niche for itself in the global automotive arena since its humble beginnings as a sole proprietorship established in 1948.

Today, YHI's wide international presence can be seen in over 100 countries operating through its 29 subsidiaries and one associated company located in Asia Pacific, North America and Europe. YHI distributes a diverse range of automotive products, which includes tyres, alloy wheels, automotive and industrial batteries, as well as golf and utility buggies to more than 5,000 customers globally.

YHI currently has 5 alloy wheels manufacturing plants located in Shanghai and Suzhou, China, Taoyuan in Taiwan and Sepang and Malacca, Malaysia with a current total production capacity of 3.8 million units per annum. As an integrated ODM solutions provider, it provides services from the design and development to the manufacturing, marketing and distribution of alloy wheels.

In order to continuously focus on strengthening and widening the YHI distribution network, the Group will sharpen its sales focus, embarking on strategic plans to promote and develop its portfolio of premium and proprietary brands in the global market where "The World is Our Market".

our products

TYRES

We have an extensive range of tyres from passenger cars to commercial and off-the-road vehicles, to cater for different market needs. The key tyre brands we represent are Yokohama, Nankang, Nexen, Pirelli and our own proprietary brand, Neuton Tyres.

NEUTON SCIENCE IN MOTION	SINGAPORE
YOKOHAMA	JAPAN
NITTO FUELED BY ENTHUSIASTS	JAPAN
PIRELLI	ITALY
DEESTONE World Class Tyre	THAILAND
OTANI	THAILAND
NANKANG	TAIWAN
accelera	INDONESIA
Achilles RADIAL	INDONESIA
NEXEN TIRE	KOREA
ROADSTONE TIRE	KOREA
GRECKSTER	INDIA
BKT GROWING TOGETHER	INDIA

ALLOY WHEELS

Our alloy wheels brand portfolio includes renowned brands like Enkei, OZ, Konig and our own proprietary brand, Advanti Racing. Advanti Racing is the Official Supplier to MERCEDES AMG PETRONAS Formula One Team.

Advanti RACING	SINGAPORE
ENKEI	JAPAN
Breyton	GERMANY
OZ Italian Company	ITALY
sparco WHEELS	ITALY
KONIG	USA
MAMBA	USA

our products

BUGGY & UTILITY VEHICLES

Our range of environmentally friendly buggies and utility vehicles are used in golf greens, resorts, private and commercial areas and also for special events. It can be used for work, personal transportation or any general purpose mobility. We represent brands such as E-Z-GO and Cushman.

USA

USA

INDUSTRIAL POWER

INDUSTRIAL AND AUTOMOTIVE BATTERIES

We carry an extensive range of rechargeable batteries suitable for commercial and industrial use. These batteries are used in different industries for different applications. The leading brands that we represent include Hitachi, Trojan, CSB, Vision and our own proprietary brand, Neuton Power.

SINGAPORE

USA

USA

USA

USA

JAPAN

JAPAN

TAIWAN

CHINA

CHINA

KOREA

MALAYSIA

ITALY

OTHER PRODUCTS

We have a wide range of industrial power products such as solar panels, chargers and UPS.

CHINA

CHINA

CANADA

TAIWAN

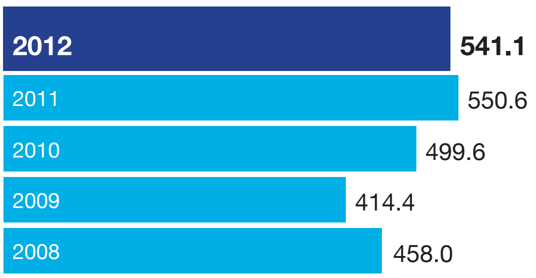
GERMANY

GERMANY

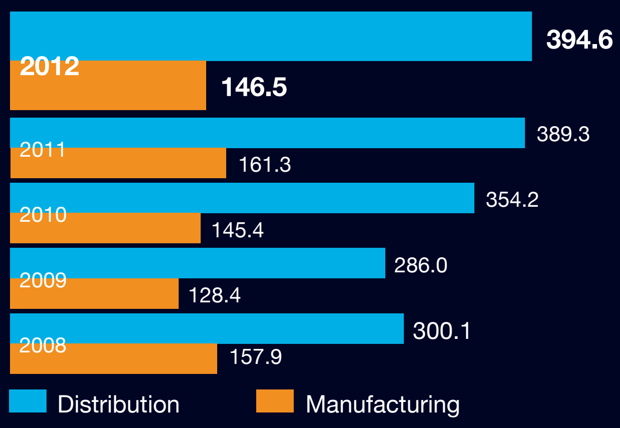
GERMANY

five-year financial highlights

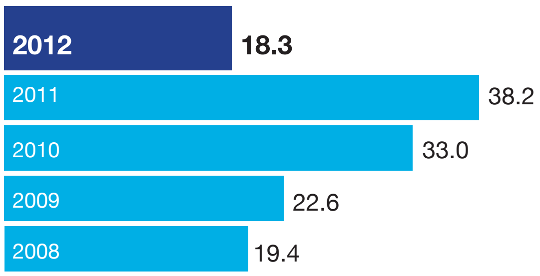
GROUP REVENUE
(S$ 'million)



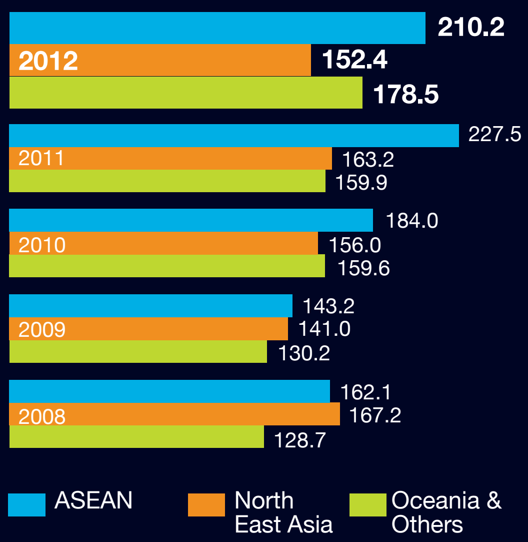
REVENUE BY BUSINESS SEGMENTS
(S$ 'million)



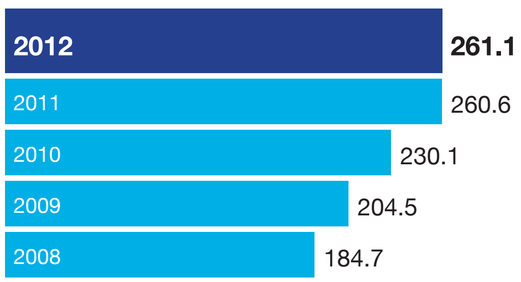
PROFIT AFTER TAX
(S$ 'million)



REVENUE BY GEOGRAPHY
(S$ 'million)



NET ASSETS
(S$ 'million)



DIVIDEND PAYOUT
(%)

five-year financial summary

RESULTS OF OPERATIONS

FINANCIAL YEAR ENDED 31 DECEMBER	FY2012 S$ '000	FY2011 S$ '000	FY2010 S$ '000	FY2009 S$ '000	FY2008 S$ '000
Sales	**541,122**	550,610	499,582	414,392	457,974
Gross Profit %	**23.3**	23.7	24.8	23.2	24.3
Profit before income tax	**31,885**	52,295	45,490	31,870	26,918
Net profit attributable to equity holders of the Company	**18,326**	38,187	32,951	22,572	19,436
Net Profit %	**3.9**	7.5	7.1	5.9	4.6
EBITDA	**52,620**	68,902	60,989	48,124	45,039

FINANCIAL POSITION

AS AT 31 DECEMBER	FY2012 S$ '000	FY2011 S$ '000	FY2010 S$ '000	FY2009 S$ '000	FY2008 S$ '000
Current assets	**277,791**	301,541	242,852	217,800	203,376
Non-current assets	**165,718**	142,151	118,951	115,514	119,770
Total assets	**443,509**	**443,692**	**361,803**	**333,314**	**323,146**
Current liabilities	**134,615**	158,986	120,284	113,446	130,517
Non-current liabilities	**47,805**	24,135	11,456	15,411	7,975
Total liabilities	**182,420**	**183,121**	**131,740**	**128,857**	**138,492**
Net assets	**261,089**	**260,571**	**230,063**	**204,457**	**184,654**
Capital and reserves attributable to equity holders of the Company	**247,241**	248,347	219,899	196,656	180,378
Non-controlling interests	**13,848**	12,224	10,164	7,801	4,276
Total equity	**261,089**	**260,571**	**230,063**	**204,457**	**184,654**

FINANCIAL INDICATORS

	FY2012	FY2011	FY2010	FY2009	FY2008
Return on shareholders equity (%)	**7.4**	15.4	15.0	11.5	10.8
Earnings per share (cents)	**3.13**	6.53	5.64	3.86	3.32
Net asset value per share (cents)	**42.29**	42.48	37.62	33.64	30.86
Dividend per share (cents)	**1.25**	1.96	1.69	1.15	1.00
Cash and bank balances (S$ '000)	**42,470**	58,179	43,942	37,323	20,929
Net debt to equity ratio (%)	**34.5**	23.0	13.7	19.5	37.8

chairman's message

It has been a challenging year for the YHI Group in view of the uncertainties brought about by the weakened economies in the US and China as well as the lingering Eurozone crisis. Despite these challenges, the Group was able to weather the storm and delivered a respectable financial performance in FY2012.

For the year ended 31 December 2012, the Group achieved a turnover of S$541.1 million and net profit of S$18.3 million. The weak performance in net profits was due to a decrease in gross profits and increased operating costs. Looking at our performance in FY2012, the Group must draw reference from how we overcame the poor financial showing in FY2009 to formulate and implement effective strategies to achieve better performance in FY2013 and beyond.

The distribution business has continued to bring in steady income but our team needs to move ahead together to strengthen our reputation as a reputable distributor of high-quality automotive and industrial power products and fortify our strengths in the manufacturing of alloy wheels.

Our distribution business which accounts for 73% of our Group's total turnover, recording a turnover of S$394.6 million, has demonstrated that our multi product, multi-brand and multi-category ("3M") marketing strategy has steered the distribution business onto the right path.

Our manufacturing business, which accounts for 27% of our Group's total turnover, delivered a respectable turnover of S$146.5 million. The manufacturing business continues to contend with weak demand as a result of the Eurozone anti-dumping import duties and stiff competition from the Chinese manufacturers who continue to depress the alloy wheel market further with price wars and oversupply.

However, our focus on building our core strategies and strong business fundamentals has enabled us to maintain a strong financial position. As at 31 December 2012, we continue to benefit from a healthy balance sheet with total assets amounting to about S$443.5 million and net assets of S$261.1 million, giving a net asset value per share of 42.29 Singapore cents.

To reward our shareholders for their loyal support and commitment, our Board of Directors has proposed a first and final dividend of 1.25 Singapore cents per share and the dividend payout ratio is 40% of our net profit. We do not have a fixed dividend policy but we will continue to work hard and reward our shareholders accordingly.

As we enter into 2013, it is anticipated that the global economy will continue to remain weak. We will continue to exercise prudence in our cost management and maximise operational efficiency to improve turnover and boost the bottomline.

chairman's message

We always have a strong believe in brand building, giving emphasis to the portfolio of our proprietary brands.

In 2012, our new manufacturing plant in Malacca, Malaysia has commenced commercial production in the 4th quarter of FY2012. The Malacca plant will support the growing demand from our European and local domestic customers. We also made a breakthrough at the Original Equipment Manufacturers (OEM) market. We have been selected as an OEM supplier, supplying alloy wheels to Malaysia's Proton cars which gives us the platform to market and secure more orders from other OEMs. To meet the growing demands, we have begun evaluation works to add an additional production line to our Malacca plant.

To be the forerunner in delivering high quality and distinguishing ourselves as a brand leader, our manufacturing group is constantly pushing the boundaries to be more innovative in designs and improving its production systems and efficiency through machine automation and processes. Our commitment and relentless pursuit in manufacturing research and development has made a breakthrough to produce alloy wheels using "gravity casting + flow forming" technology. It has given us an edge over our competitors by delivering "valued added" alloy wheels for customers.

We have always had a strong belief in brand building, giving emphasis to our portfolio of proprietary brands. Since we started to sponsor the Scuderia Toro Rosso Formula One team in 2008, the brand value of our proprietary brand, Advanti Racing, has been elevated in the global automotive arena. In FY2013, we will begin a new partnership with MERCEDES AMG PETRONAS Formula One team. I am proud to announce that our proprietary brand, Advanti Racing, has been appointed as the Official Supplier to supply alloy wheels for the MERCEDES AMG PETRONAS Formula One team. This is another significant milestone for the YHI Group.

The Group will continue to pursue its five-year expansion plan and to exercise prudence in evaluating and exploring new opportunities with a view to reinforcing our core competencies to enhance shareholder value in a sustainable way. We are committed to our 3M marketing strategy, actively looking for new opportunities to develop and expand our distribution network, seeking out strategic partnerships and expanding our portfolio of brands to cater to wider market demand.

It is anticipated that in FY2013 there will be lingering risks and uncertainties in the global economy. In view of this, our Group will continue with our 3R policy – reduce stock inventory, reduce accounts receivables risk and reduce costs – to counteract inflationary pressures and economic challenges.

I have confidence that the YHI Group, supported by our good management team, experienced staff, extensive distribution network and strong manufacturing presence, will continue to scale greater heights and make YHI a global brand name where "The World is Our Market".

On behalf of the Board, I would like to thank our management, staff, customers and business partners for your support and commitment to the Group. To our loyal shareholders, thank you for your confidence in the YHI Group and for staying invested with us.

My sincere thanks and appreciation to my colleagues on the Board, for your guidance and valuable contribution to the growth and success of YHI.

Mr Richard Tay
Executive Chairman and
Group Managing Director

董事长 献辞

中美经济走弱，欧元区持续披靡，2012年友发集团在种种不确定因素笼罩下经历了艰辛的一年。尽管困难重重，集团在2012年还是取得了尚可的业绩。

截至2012年底，集团取得总销售额5.4亿新元，归属于母公司所有者的净利1,830万新元。净利润的下滑主要是由毛利下降，营运成本上升所致。回顾集团2012年的业绩，我们要从2009年如何成功走出困境中吸取经验教训，制定出有效的策略，使集团在2013年及未来再创佳绩。

总的来说，集团批发事业部收益依旧稳定，我们的团队仍将坚持不懈地提升集团信誉，成为高品质汽车配件及电池产品的经销商。同时在铝合金轮圈制造业方面，我们也将努力巩固其优势。

2012年，集团批发事业部销售额达到3.9亿新元，占集团总销售额的73%，其证明了我们的“3M”政策——多产品、多品牌、多类别，正引导着批发事业部往正确的方向前进。集团制造事业部销售额为1.5亿新元，占集团总销售额的27%。我们的制造事业部仍面临着欧盟反倾销政策及中国工厂因产能过剩而进行价格战的困境，一定程度上影响了轮圈的订单量。

尽管如此，集团的整体财务状况仍保持良好，其得益于我们制定的核心策略以及稳健的业务基础。截至2012年底，集团总资产达4.4亿新元，净资产达2.6亿新元，每股净资产为42.29分。

为回报股东对友发集团的支持，董事会已提议派发首次及末次股息1.25分/每股，派息比率为40%。我们未设立一个固定的派息比率，但是我们会竭力回馈各位股东。

2013年，世界经济依旧不容乐观。我们将继续保持谨慎，从成本控制和提高效率入手，带动集团销售额及净利润的增长。

马来西亚马六甲工厂已在2012年第四季度进入量产，一定程度上缓解了欧盟及马来西亚国内订单不断增长的压力。在进军OEM市场方面我们也有所突破——成功获选为马来西亚国产车普腾的OEM轮圈供应商，这无疑提供给我们一个平台，以获取更多的OEM订单。为了应对订单需求的增加，马六甲工厂二期规划已进入评估阶段。

为提高质量，成为品牌先驱者，我们的制造事业部不断推出领先设计、改进生产体系及加强自动化作业，提高效率。我们不断致力于生产技术研发，终于不负众望，研发出具备进入量产的“重力铸造+旋压”技术，创造了与同业生产技术差异及产品附加价值的竞争优势。

对于品牌塑造，特别是自有品牌，我们一直坚定不移。自2008年，我们就已与红牛二队签署赞助合约，以提升我们的自有品牌“雅泛迪”在全球汽车业的品牌效应。2013年，“MERCEDES AMG PETRONAS”F1车队将成为我们新的合作伙伴，我在此很荣幸的宣布，我们的自有品牌雅泛迪轮圈将成为“MERCEDES AMG PETRONAS”F1车队铝合金轮圈的官方供应商。这将成为友发集团另一个重要的里程碑。

集团将继续实行5年发展计划。另外，在巩固集团核心竞争力的基础上，我们也将谨慎的评估、寻求新的商机，不断提高股东价值。同时，我们会继续贯彻“3M”策略，扩大经销网络，寻找策略伙伴，拓展品牌组合以迎合市场需求。

放眼2013年，全球经济依然不明朗，危机重重。所以集团还将继续执行“3R”策略，即降低存货，应收款风险及营运成本，以应对通胀压力及经济危机。

我很有信心的讲，友发集团拥有优秀的管理团队，经验丰富的员工，庞大的经销网络以及出众的制造业背景，我们的规模会不断扩大，配合着“世界为我市场”的长期目标，打造家喻户晓的友发品牌。

在此，我谨代表董事会感谢我们的管理层、员工、客户、商业伙伴对友发集团的支持与承诺。同时我也要特别感谢我们的股东，感谢你们投资友发集团并对其寄予信心。

最后，我想感谢董事会，友发集团的成长和成功与你们的悉心指导密不可分。

执行主席暨集团董事长
郑添和
谨上

HARMONY

FOSTERS DYNAMIC PROGRESS

We build strong alliances
with formidable names
based on trust and
organisational integrity.

image courtesy of
MERCEDES AMG PETRONAS Formula One Team

business review

Despite operating in a trying year of economic uncertainties worldwide and challenging operating environment, YHI International Limited managed to weather through these challenges with its distribution business segment continuing to be the mainstay for its growth, accounting for 73% of its total revenue, and its manufacturing business segment accounting for 27% of its total revenue.

MANUFACTURING BUSINESS

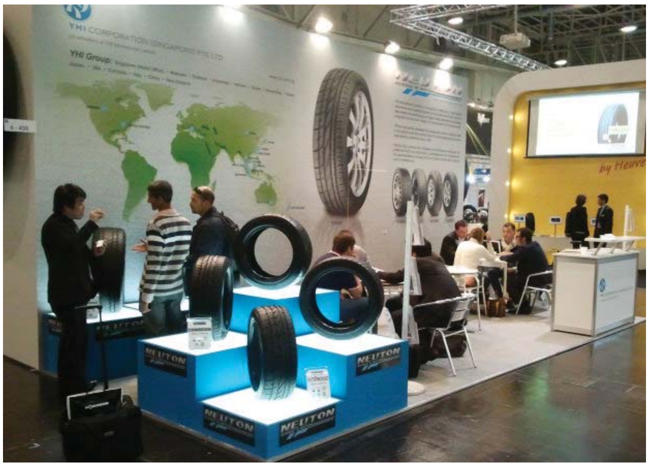
Since making its debut in alloy wheels manufacturing in 1996 with its first manufacturing plant located in Taoyuan, Taiwan, the Group has expanded its manufacturing capabilities to 4 additional plants located in Shanghai and Suzhou in China and Sepang and Malacca in Malaysia as well as a moulding plant in Shanghai, China supplying alloy wheels moulds to all 5 manufacturing plants. YHI also designs and manufactures its own proprietary brand of alloy wheels, Advanti Racing, a name synonymous with style and quality.

In FY2012, YHI manufacturing business was faced with challenges of volatility in raw material prices and currencies which put pressure on its profitability and profit margins. In addition, our manufacturing operations in China faced with additional challenges of weak demand and excess capacity resulting from the Eurozone anti-dumping duties as well as stiff competition from the Chinese manufacturers leading to price wars and oversupply.

The YHI Manufacturing Group continues to stay true to its core beliefs in striving for continual innovations and improvements to its production systems and efficiency through machine automation and processes. It made a breakthrough in production technology to produce alloy wheels using “gravity casting + flow forming” technology and this will give the YHI Group an edge over its competitors.

At the end of FY2012, when its newest manufacturing plant in Malacca, Malaysia commenced commercial production of its first production line in the fourth quarter of FY2012, the Group’s total annual manufacturing capacity increased to 3.8 million alloy wheels. Expansion plans in the Malacca plant is on track as the plant is expected to add an additional line by the end of first half of FY2013 and evaluation work to commission the new line has commenced. The Malacca manufacturing plant has the capacity to produce 1.0 million alloy wheels when fully operational which will boost the Group’s total annual manufacturing capacity to 4.4 million alloy wheels by end 2014.

Whilst its focus is in ODM, YHI manufacturing business continues to look for opportunities to penetrate into the Original Equipment Manufacturers (OEM) market. In 2013, its Sepang manufacturing plant has been selected by Malaysia’s domestic



car brand, Proton, to manufacture and supply a small quantity of alloy wheels for one of its niche car models. The Group is actively exploring with Proton and other OEMs to secure manufacturing rights in Malaysia.

In 2013, the YHI Group added another significant milestone when its proprietary brand, Advanti Racing, was appointed the official supplier to MERCEDES AMG PETRONAS Formula One Team, supplying alloy wheels for its race cars in 2013, 2014 and 2015 Formula One World Championships. This partnership with MERCEDES AMG PETRONAS Formula One Team is a testament to Advanti Racing’s successful brand building efforts, bringing the brand to another level of quality and prestige in the global automotive arena. YHI was the official partner to Scuderia Toro Rosso Formula 1 Team from 2008 to 2012.

DISTRIBUTION BUSINESS

The YHI distribution business continues to be the key contributor for the Group. The YHI Group distributes a diverse range of high-quality automotive and industrial products globally with the aim of building YHI into a global brand name where “The World is Our Market”.

Key tyre brands represented by the Group are Yokohama, Nitto, Nankang, Nexen, Pirelli, Archilles and its proprietary brand, Neuton Tyres. Its alloy wheels brand portfolio includes Enkei, OZ, Konig, Breyton and its proprietary brand, Advanti Racing.

YHI’s industrial power products portfolio includes both automotive and rechargeable batteries for commercial and industrial use as well as golf and utility buggies from E-Z-GO and Cushman and other industrial power products like solar panels, chargers and UPS. Some of the key brands it distributes are Hitachi, Trojan, CSB, Benning, Crown, Vision, FIAMM and Jinko Solar. YHI also has its own extensive range of industrial power products under its proprietary brand, Neuton Power.

In FY2012, the Group incorporated YHI (Vietnam) Company Limited to distribute and market automotive and industrial products there. The Group will continue to seek out new business opportunities in emerging markets through strategic partnerships.

It was a difficult year in 2012 for the tyre distribution as there was an oversupply of tyres globally, resulting in a decline for demand, especially in Europe. Despite this difficulty, the Group's proprietary brand, Neuton Tyres, continued to make inroads into new markets like Bangladesh, Nepal, Algeria, Iraq, Turkey, Cyprus, Brazil, Mynamar, Cambodia and Russia.

In line with the Group's multi-product, multi-brand and multi-category ("3M") marketing strategy, the Group obtained the exclusive distribution rights for Otani Tires, mainly for its Bias and Radial truck tyres and Bias Light truck tyres, in Singapore and Hong Kong. Otani Tire Co., Ltd is an established manufacturer of various types of commercial bias tyres, tubes, flaps and pre-cure tread for retread from Thailand.

In 2012, for the fourth consecutive year, YHI (Malaysia) Sdn Bhd, received the Super Golden Bull Award, a testament for its success and outstanding achievement among Malaysia's Small and Medium Enterprises (SME). Organised by Nanyang Siang Pau, the Golden Bull Award honours the best of SMEs in Malaysia with the aim to recognise the importance of SMEs in spearheading the continued economic growth of Malaysia.

LOOKING FORWARD

The outlook for the world economy is expected to remain weak for 2013 and the Group anticipates that global demand will continue to be weak. The demand for the Group's products is also expected to remain slow in 2013.

To pave the way for future growth, the YHI Group is committed to its 3M marketing strategy. It will focus on promotion and development of its portfolio of premium and proprietary brands, expansion of its distribution network by developing new markets and deepening its penetration into existing markets.

The Group's industrial power product division will continue to strengthen its presence in all subsidiaries as well as working closely with its partners and distributors to tap into the renewable energy market providing solutions with YHI's diverse range of industrial power products. The Group will also strengthen the brand value of its proprietary brand, Neuton Power and expand its product range. The Group has appointed a new contract manufacturer from Korea to produce Neuton Power's range of automotive batteries.

To cater for wider market demand, the product development plans for Neuton Tyres will include expanding the tyre range by adding another 10 sizes of 4x4 range and another 2 sizes for passenger cars giving consumers a greater selection of sizes catering for passenger, 4x4 and commercial vehicles.

Additionally, to capture a greater global market share for tyres, the Group will commence distribution of Neuton Tyres in China through its extensive network there from April 2013 as well as expansion into the Middle East and Latin America.

The YHI Group will also continue to participate actively in major trade shows in the global automotive arena to strengthen and anchor the brand value of its proprietary brands – Neuton Tyres and Advanti Racing alloy wheels.

financial review

INCOME STATEMENT REVIEW

Despite operating against the backdrop of a challenging environment, the Group manage to turn in a respectable performance in FY2012. The Group achieved a turnover of S$541.1 million, a marginal drop of 1.7% from a record turnover of S$550.6 million achieved in FY2011. Net profit after tax and non-controlling interests attributable to shareholders decreased to S$18.3 million in FY2012 from S$38.2 million in FY2011.

Excluding the one-time net disposal gains of S$7.3 million on Yokohama investments in China reported in FY2011, the adjusted year-to-date net profit after tax and non-controlling interests would have been S$30.9 million, compared to S$18.3 million in FY2012.

The Group's distribution business gained momentum with expanded distribution channels and new brands on board. It accounted for 72.9% of the Group's total turnover and recorded a S$5.3 million rise in turnover to S$394.6 million in FY2012 from S$389.3 million in FY2011.

The Group's manufacturing business accounted for 27.1% of the Group's total turnover and recorded a decrease of S$14.8 million in turnover to $146.5 million in FY2012 from S$161.3 million in FY2011 mainly due to lower turnover from our China manufacturing operations.

A review of the Group's performance by geographical markets: ASEAN region accounted for 39% of the total revenue at S$210.2 million, followed by 29% for Oceania region at S$159.0 million and 28% for North East Asia at S$152.4 million. America and Canada operations accounted for 4% of the total revenue at S$19.5 million.

The Group's gross profit dipped slightly by 3.4% to S$126.1 million in FY2012 compared to S$130.6 million in FY2011 mainly due to lower turnover and gross profit margin. The Group's gross profit margin declined marginally to 23.3% in FY2012 compared to 23.7% in FY2011 mainly due to lower margins from our distribution business.

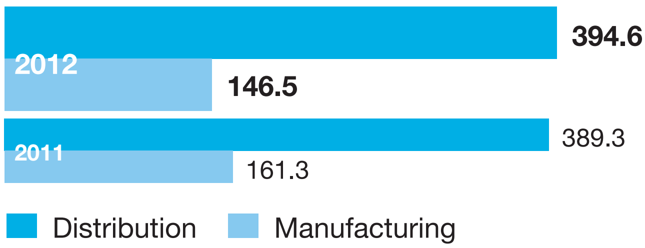
Total operating expenses increased by 10.4% in FY2012 to S$98.8 million compared to S$89.5 million in FY2011 mainly due to higher distribution and administrative costs which includes staff related expenses, higher promotion expenses for new products launched, repairs & maintenance expenses and unrealized foreign exchange losses on our receivables resulting from the weakening of USD, IDR and YEN. Financing costs increased by 20.8% in FY2012 to S$5.5 million from S$4.6 million in FY2011 due to higher usage of working capital financing and interest expense incurred on long term loans for capital expenditure.

Other gains in FY2012 decreased from S$10.2 million to S$3.8 million, mainly due to the one-time disposal gains of S$7.9 million in our 10% investment in Hangzhou Yokohama Tire Co., Ltd and 49% investment in Associated Company Yokohama Tire Sales (Shanghai) Co., Ltd that were reported in FY2011. Other gains consist mainly of fair value gains of S$1.5 million on derivative financial instruments contracted to hedge our USD Receivables.

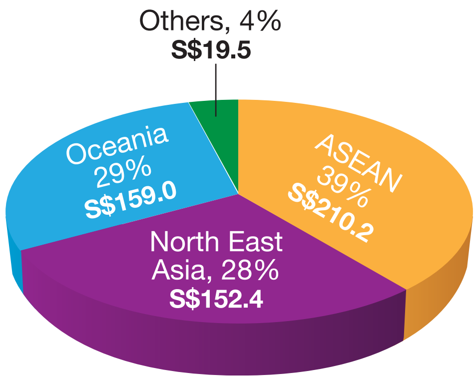
Share of profit from associated company was S$0.8 million in FY2012 compared to S$1.0 million in FY2011. The higher share of profit in FY2011 included share of profit from our Yokohama investment in China that was subsequently divested in FY2011.

GROUP REVENUE
(S$ 'million)

REVENUE BY BUSINESS SEGMENTS
(S$ 'million)



REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS
(S$ 'million)



financial review

FINANCIAL POSITION REVIEW

The Group continues to maintain its strong financial position benefiting from its commitment and focus on building its core strategies and business fundamentals.

As at 31 December 2012, the Group continues to benefit from a healthy balance sheet with total assets amounting to about S$443.5 million comprising S$277.8 million of current assets and S$165.7 million of non-current assets. Total liabilities amounted to about S$182.4 million comprising current liabilities of S$134.6 million and non-current liabilities of S$47.8 million. Shareholders' equity including non-controlling interests amounted to S$261.1 million, giving a net asset value per share of 42.29 Singapore cents.

Our inventory levels increased from S$117.7 million to S$134.2 million mainly due to higher purchases from our Australia, New Zealand and Malaysia subsidiaries in line with their sales growth in FY2012.

Property, plant and equipment increased by S$23.1 million to S$141.9 million from S$118.8 million mainly due to additions of plant and equipment at our new manufacturing plant in Malacca, Malaysia and offset by depreciation charged and disposals during the year.

Borrowings increased from S$118.1 million to S$132.5 million due to additional bank borrowings for purchasing of inventory and capital expenditures in plant and equipment during the year. Net gearing stood at 34.5% and current ratio at 2.1 times as at 31 December 2012.

Other reserves decreased by S$7.8 million mainly due to translation loss of our investments in China and Malaysia as a result of the weakening of the Chinese Yuan Renminbi and the Malaysian Ringgit against the Singapore Dollar as at end December 2012 from end December 2011.

CASH FLOW REVIEW

The Group's cash and cash equivalents amounted to S$38.4 million at the end of December 2012 compared to S$55.6 million reported at end of December 2011. During the year in review, the Group generated S$24.6 million from its operating activities in FY2012 and utilized about S$34.3 million in the investing activities mainly for purchasing of property, plant and equipment for the Singapore headquarters and Malacca manufacturing plant. A total of S$6.4 million was used in the financing activities mainly for repayments of bank borrowings and payment of dividends to equity shareholders.

DIVIDEND

In appreciation to the shareholders for their support, the Board of Directors has proposed a first and final tax-exempt one tier dividend payout of 1.25 Singapore cents per share, subject to shareholders' approval at the Company's Annual General Meeting on 26 April 2013. The total proposed dividend represents a payout ratio of 40% compared to 30% in FY2011.

corporate information

BOARD OF DIRECTORS

Tay Tian Hoe Richard
Executive Chairman &
Group Managing Director

Tay Tiang Guan
Executive Director

Yuen Sou Wai
Non-Executive Director

Henry Tan Song Kok
Lead Independent Director

Hee Theng Fong
Independent Director

Phua Tin How
Independent Director

AUDIT COMMITTEE

Henry Tan Song Kok
Chairman

Hee Theng Fong
Member

Phua Tin How
Member

Yuen Sou Wai
Member

REMUNERATION COMMITTEE

Hee Theng Fong
Chairman

Phua Tin How
Member

Henry Tan Song Kok
Member

Yuen Sou Wai
Member

NOMINATING COMMITTEE

Phua Tin How
Chairman

Tay Tian Hoe Richard
Member

Henry Tan Song Kok
Member

Yuen Sou Wai
Member

COMPANY SECRETARY

Gn Jong Yuh Gwendolyn
LLB Hons

AUDITOR

PricewaterhouseCoopers LLP
8 Cross Street
PWC Building Level 17
Singapore 048424
Partner-in-charge :
Soh Kok Leong
Year of appointment: 2008

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
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#02-00
Singapore 068898

PRINCIPAL BANKERS

DBS Bank
Standard Chartered Bank

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Website: www.yhi.com.sg
Company Registration
No.: 200007455H

financial calendar

8 May 2012	: Announcement of first quarter unaudited results
8 August 2012	: Announcement of half year unaudited results
8 November 2012	: Announcement of third quarter unaudited results
31 December 2012	: Financial year-end
27 February 2013	: Announcement of full year unaudited results
26 April 2013	: Annual General Meeting

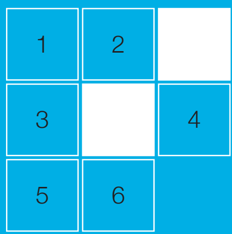
TEAMWORK

COMPLEMENTS POTENTIAL STRATEGIES

Ours is a corporate culture that encourages teamwork, aimed at fulfilling our shared vision.

image courtesy of
MERCEDES AMG PETRONAS Formula One Team

board of directors



1. Mr Tay Tian Hoe, Richard
2. Mr Tay Tiang Guan
3. Mr Yuen Sou Wai
4. Mr Henry Tan Song Kok
5. Mr Hee Theng Fong
6. Mr Phua Tin How

board of directors

MR TAY TIAN HOE, RICHARD, 62

Executive Chairman & Group Managing Director

Mr Richard Tay is the Executive Chairman & Group Managing Director and the key founder of our Group. He is a member of our Nominating Committee. He has more than 40 years of business experience in the areas of sales and distribution of automotive products. He plays an important role in formulating and setting of overall business strategies and policies for our Group including the development and growth of our Group's operations. Under his stewardship, Mr Tay has led the development and growth of our alloy wheels manufacturing business. He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000.

MR TAY TIANG GUAN, 61

Executive Director

Mr Tay Tiang Guan is the Executive Director of our Group. He has more than 35 years of business experience and has extensive knowledge in the automotive and industrial products industry. He is responsible for spearheading our Group's operations in ASEAN and overseeing our Group's business development and operational management of our tyre and industrial product distribution business. He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000.

MR YUEN SOU WAI, 59

Non-Executive Director

Mr Yuen Sou Wai was appointed to the Board on 22 May 2003. He was formerly our Group Chief Financial Officer as well as our Executive Director responsible for the Group's operations in Australia, New Zealand, Italy, United States America (USA) and Canada before his appointment as a Non-Executive Director on 1 September 2009. As a Non-Executive Director, he is a member of the Audit Committee, Nominating Committee and Remuneration Committee. Mr Yuen is presently a Lead Independent Director of Chew's Group Limited as well as an Independent Director of Libra Group Limited. He is the Audit Committee Chairman at these companies, which are listed on Catalist of the SGX-ST. He has in total more than 36 years of broad-based financial management experiences in various large local and global multi-national companies. He had held several senior financial positions including Chief Financial Officer, Regional Finance Director and Group Controller in the Asia Pacific region. Mr Yuen holds a Master in Business Administration Degree from the University of Leicester, United Kingdom. He is a Fellow of the Chartered Institute of Management Accountants (UK), a Fellow of the Institute of Certified Public Accountants of Singapore and a member of the Singapore Institute of Directors.

MR HENRY TAN SONG KOK, 49

Lead Independent Director

Mr Henry Tan was appointed to the Board on 22 May 2003. He currently chairs the Audit Committee and is a member of our Remuneration Committee and Nominating Committee. He is the Managing Director of Nexia TS Public Accounting Corporation, the Chairman of Nexia China and also the Asia Pacific Regional Chairman and board member of Nexia International. He is a director of Ascendas Funds Management (S) Ltd, manager of Ascendas REIT. He is also a director of Raffles Education Corporation Limited, Chosen Holdings Limited, Pertama Holdings Limited and China New Town Development Co Ltd. Mr Tan graduated with a First Class Honours Degree in Accountancy from the National University of Singapore. He is a Fellow of the Institute of Certified Public Accountants of Singapore, Institute of Chartered Accountants in Australia and Insolvency Practitioners Association of Singapore Ltd and a member of Institute of Internal Auditors, Inc (Singapore Chapter), Singapore Institute of Accredited Tax Professional Limited and Singapore Institute of Directors.

MR HEE THENG FONG, 59

Independent Director

Mr Hee Theng Fong was appointed to the Board on 22 May 2003. He currently chairs the Remuneration Committee and is a member of our Audit Committee. He is a senior partner of RHTLaw Taylor Wessing LLP and has been practising as an advocate and solicitor of the Supreme Court of Singapore since 1982. Mr Hee is also a director of several companies including Delong Holdings Ltd, Datapulse Technology Limited and NTUC Fairprice Co-operative Limited. He is actively involved in arbitration in the Asia Pacific region and holds several arbitral appointments. He is a Fellow of the Chartered Institute of Arbitrators (UK) and an Arbitrator with the Singapore International Arbitration Centre (SIAC), China International Economic and Trade Arbitration Commission (CIETAC), Beijing Arbitration Commission (BAC) and the Asia-Pacific Regional Group (APRAG).

MR PHUA TIN HOW, 63

Independent Director

Mr Phua Tin How was appointed to the Board on 22 May 2003. He currently chairs the Nominating Committee and is a member of our Audit Committee and Remuneration Committee. He has held senior appointments in the public service before becoming Group President and CEO of the DelGro Group of companies and the Singapore Bus Services respectively from 1994 to 2003. He is also a director of several companies in Singapore. He holds an MBA from INSEAD, France and a Bachelor of Science (Hons) Degree from the then University of Singapore (now known as National University of Singapore).

senior management team

1	2	
3		
4	5	

1. Mr Gary Su Thiam Huat
2. Mr Steve Liew Ngok Fook
3. Mr Robert Tan Yong Quan
4. Mr Alex Ong Chin Kiong
5. Ms Amy Soo Wee Hsien

senior management team

MR GARY SU THIAM HUAT

Group Chief Financial Officer (CFO)

Mr Gary Su is responsible for the financial operations of the Group. He has more than 20 years of experience in finance and accounting gained from various industries. He began his career as an auditor in London, United Kingdom (UK) and has worked in various multi-national corporations and public listed companies in Singapore. Prior to joining YHI, Mr Su was CFO and Company Secretary of a SGX-ST Mainboard-listed company. He holds a Bachelor in Accounting (Second Class Honours) from the University of Hull, England and a Diploma in Treasury from the Association of Corporate Treasurers, UK. He is a Fellow of the Association of Chartered Certified Accountants, UK and a Certified Public Accountant (CPA) with the Institute of Certified Public Accountants of Singapore.

MR STEVE LIEW NGOK FOOK

General Manager, Tyre Business Group

Mr Steve Liew oversees the Group's expansion of the automotive tyre products distribution business. He joined YHI in 1996 as General Manager (Automotive Division) after four years with a multi-national corporation where his last held position was Regional Export Manager (Asia). Mr Liew has more than 25 years of experience in sales and distribution relating to automotive products. He holds a Graduate Diploma in Business Administration from the University of Western Sydney, Australia.

MR ROBERT TAN YONG QUAN

General Manager, ASEAN Management

Mr Robert Tan is General Manager, ASEAN Management. He is responsible for managing the Operation Process Centre (OPC) of YHI Corporation (S) Pte Ltd. He also assists the Executive Director in the management of ASEAN's distribution business; and oversees the management of YHI Corporation (Thailand) Co Ltd, PT YHI Indonesia, Evo Trend Corporation (Malaysia) Sdn Bhd, YHI Corporation (B) Sdn Bhd and YHI (Vietnam) Co., Ltd. Prior to joining YHI in 1991, Mr Tan was a Senior Technician with the Republic of Singapore Navy. He holds an Advanced Diploma in Information System Technology from the Singapore Polytechnic; a Graduate Diploma in Marketing from CIMUK; a Bachelor of Commence (Major in Marketing and Finance) from Curtin University of Technology, Perth Australia; and an Executive Master of Business Administration from the Helsinki School of Economics, Finland.

MR ALEX ONG CHIN KIONG

General Manager, Industrial Product Division

Mr Alex Ong is responsible for the overall expansion and strategic planning of the industrial product business for the Group. He joined the Group in 2000 as Sales Manager (Industrial Power Solution) after four years with his previous company as a Regional Operations Manager. To date, Mr Ong has more than 16 years of business experience in sales operations and has an extensive knowledge of the transportation, automotive and industrial products industry. He manages the distribution channel in the Group with regard to transportation vehicles, industrial products and battery products. He holds a Bachelor of Science (Honours) in Management from the University of London.

MS AMY SOO WEE HSIEN

General Manager, Group Human Resource/Administration, 5S & Kaizen

Ms Amy Soo oversees the Group's Human Resource Management/Development and the administration functions and the implementation of 5S and Kaizen across the entire Group. She joined the Group in 2001 as Group Human Resource Manager after one and the half years with a public listed company and five years in a local multinational corporation as a Human Resource Manager. Till now, Ms Soo has more than 25 years' experience in Human Resource Management/Development. She holds a Master of Science in Human Resource Management from the University of Bradford, UK as well as a Bachelor of Business Administration from the National Chengchi University, Taiwan.

corporate structure

AS AT 31 DECEMBER 2012

YHI INTERNATIONAL LIMITED

DISTRIBUTION

YHI CORPORATION (SINGAPORE) PTE LTD
Singapore 100%

YHI (MALAYSIA) SDN BHD
Malaysia 100%

YHI (HONG KONG) CO LTD
Hong Kong 100%

YHI (CHINA) STRATEGY CO LTD
Hong Kong 100%

YHI (AUSTRALIA) PTY LTD
Australia 80%

YHI POWER PTY LTD
Australia 80%

YHI (NEW ZEALAND) LTD
New Zealand 70%

EVO-TREND CORPORATION (MALAYSIA) SDN BHD
Malaysia 70%

PT YHI INDONESIA
Indonesia 90%

YHI CORPORATION (B) SDN BHD
Negara Brunei Darussalam 100%

YHI CORPORATION (THAILAND) CO LTD
Thailand 49%

YHI (VIETNAM) CO., LTD
Vietnam 85%

YHI CORPORATION (BEIJING) CO LTD
Beijing, PRC 100%

YHI CORPORATION (SHANGHAI) CO LTD
Shanghai, PRC 90%

YHI CORPORATION (GUANGZHOU) CO LTD
Guangzhou, PRC 100%

YHI (CANADA) INC
Canada 90%

PAN-MAR CORPORATION D/B/A KONIG (AMERICAN)
USA 95%

ADVANTI RACING USA, LLC
USA 90%

YHI CORPORATION JAPAN CO., LTD
Osaka, Japan 90%

YHI ADVANTI (SHANGHAI) CO LTD
Shanghai, PRC 100%

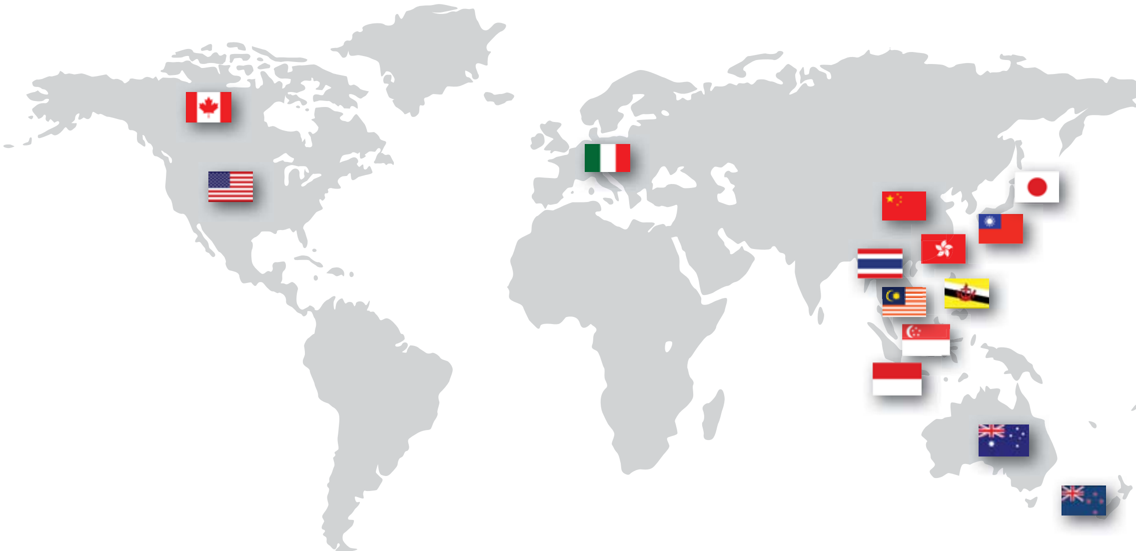
YHI (AMERICA) PTE LTD
Singapore 100%

corporate structure

MANUFACTURING

YHI MANUFACTURING (SINGAPORE) PTE LTD	Singapore	100%
YHI INTERNATIONAL (TAIWAN) CO LTD	Taiwan	100%
YHI MANUFACTURING (SHANGHAI) CO LTD	Shanghai, PRC	100%
YHI ADVANTI MANUFACTURING (SHANGHAI) CO LTD	Shanghai, PRC	100%
YHI ADVANTI MANUFACTURING (SUZHOU) CO LTD	Suzhou, PRC	100%
YHI PRECISION MOULDING (SHANGHAI) CO LTD	Shanghai, PRC	100%
YHI MANUFACTURING (MALAYSIA) SDN BHD	Malaysia	100%
YHI ADVANTI MANUFACTURING (MALAYSIA) SDN BHD	Malaysia	100%
OZ S.p.A	Italy	35.51%

our global presence



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YHI Manufacturing (Singapore) Pte Ltd
YHI (America) Pte Ltd
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Balikpapan Branch:
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YHI (China) Strategy Co., Ltd
Unit A & B, 11F Dynamic Cargo Centre,
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our global presence

CHINA
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F: (64) 3 943 3961

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heads of subsidiaries

MALAYSIA

MR LEE TECK HOCK
General Manager
YHI (Malaysia) Sdn Bhd

MR ALAN HSU
General Manager
YHI Manufacturing (Malaysia) Sdn Bhd

MR CHANG CHENG HAN
Senior Manager
YHI Advanti Manufacturing (Malaysia) Sdn Bhd

MR THAM KONG MOO
General Manager
Evo-Trend Corporation (Malaysia) Sdn Bhd

THAILAND

MR NARONGRIT NARONGVITTAYAKARN
General Manager
YHI Corporation (Thailand) Co., Ltd

INDONESIA

MR EKA SATRIA
Deputy General Manager
PT YHI Indonesia

VIETNAM

MR TAN KIAN KIAT
Manager
YHI (Vietnam) Co., Ltd

BRUNEI

MR RICKEY TAY
Manager
YHI Corporation (B) Sdn Bhd

HONG KONG

MR BENNY KAN
Senior Manager
YHI (Hong Kong) Co., Ltd

JAPAN

MR NAOTO SAKAGUCHI
Managing Director
YHI Corporation Japan Co., Ltd

AUSTRALIA

MR TONY SUHAN
Managing Director
YHI (Australia) Pty Ltd

MR DAVID CHEN
Managing Director
YHI Power Pty Ltd

heads of subsidiaries

CHINA

MR LIN CHEN WEI
General Manager
YHI Advanti Manufacturing (Suzhou) Co., Ltd

MR JAO CHIU TUNG
General Manager
YHI Manufacturing (Shanghai) Co., Ltd

MR LIU DE SEN
General Manager
YHI Precision Moulding (Shanghai) Co., Ltd

MR SCOTT ZHANG ZHONG DE
Deputy General Manager
YHI Corporation (Shanghai) Co., Ltd

CHINA

MR WU MENG
Senior Manager
YHI Advanti (Shanghai) Co., Ltd

MR WANG ZHAN WEI
Senior Manager
YHI Corporation (Guangzhou) Co., Ltd

MR WILLIAM CHEN GANG
Manager
YHI Corporation (Beijing) Co., Ltd

TAIWAN

MR LIOU A-JENN
General Manager
YHI International (Taiwan) Co., Ltd

NEW ZEALAND

MR CHRISTOPHER TALBOT
Managing Director
YHI (New Zealand) Ltd

USA

MR JOSEPH SCHAEFER
President
Pan-Mar Corporation D/B/A Konig (American)

CANADA

MR RAYMOND CHAN
General Manager
YHI (Canada) Inc

ITALY

MR CLAUDIO BERNONI
Managing Director
O.Z. S.p.A

manufacturing capabilities

The YHI Manufacturing Group started with its first plant in Taiwan in 1996, and has since then evolved to 5 plants today located in Shanghai and Suzhou in China, Taoyuan in Taiwan and Sepang and Malacca in Malaysia with the capability to generate an annual production capacity of 3.8 million of alloy wheels.

As an Original Design Manufacturer (ODM), our value proposition is providing our customers with a seamless supply chain from the design and development, manufacturing, advertising and promotion to distribution and sales for their alloy wheels through our extensive global network.

Additionally, to enhance our capability as an integrated ODM, we set up YHI Precision Mouding (Shanghai) Co Ltd in 2004 to manufacture and supply alloy wheels moulds for our manufacturing plants. We are continuously striving for innovation, making improvements through better production processes and enhanced technologies to maintain our competitive edge. The acquisition of the MAT (Most Advanced Technology) from Enkei Corporation has put the Group in the forefront of alloy wheels manufacturing. The MAT is an innovative technology of casting and wheel forming that is critical in improving the alloy wheel's material property and strength.

In line with the Group's five-year business expansion plan, an avenue for growth from manufacturing is penetrating into the lucrative Original Equipment Manufacturer (OEM) market for passenger cars and the Group is gearing itself for this breakthrough.

YHI Manufacturing (Shanghai) Co., Ltd

Shanghai, China
Products: Alloy Wheels
Land area: 47,000 m^2
Year of Production: 2000
Annual production capacity: 1.0 million

YHI Advanti Manufacturing (Suzhou) Co., Ltd

Suzhou, China
Products: Alloy Wheels
Land area: 75,600 m^2
Year of Production: 2006
Annual production capacity: 1.2 million

The **Most Advanced Technology (MAT)** combines a one-piece wheel casting technology with a wheel forming technology, which is called the spinning process. This new technology of casting and wheel forming by the MAT process is critical in improving drastically the wheels' material property and strength. The MAT technology is one of the industry's foremost alloy wheel flow-forming methods and acts as a superior alternative to forged wheels. YHI's manufacturing plant in Suzhou, China is equipped with one production line with MAT machinery acquired from Enkei Corporation.

manufacturing capabilities

YHI International Taiwan Co., Ltd

Taoyuan, Taiwan
Land area: 21,000 m^2
Annual production capacity: 0.4 million
Products: Alloy Wheels
Year of Production: 1996

YHI Precision Moulding (Shanghai) Co., Ltd

Shanghai, China
Land area: 12,000 m^2
Annual production capacity: 850 sets
Products: Precision Mould Sets
Year of Production: 2004

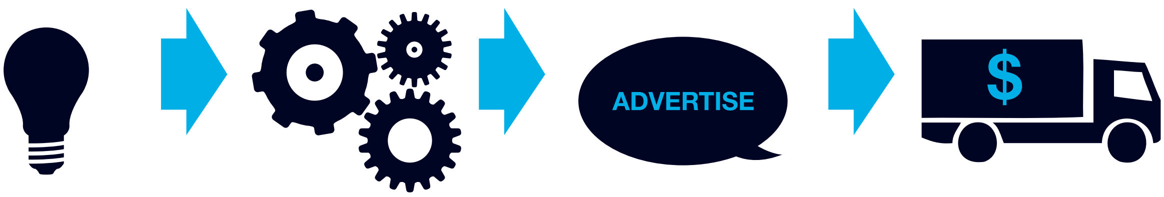
YHI Manufacturing (Malaysia) Sdn Bhd

Sepang, Malaysia
Land area: 30,000 m^2
Annual production capacity: 0.8 million
Products: Alloy Wheels
Year of Production: 2006

YHI Advanti Manufacturing (Malaysia) Sdn Bhd

Malacca, Malaysia
Land area: 88,000 m^2
Annual production capacity: 0.4 million (Phase 1)
Products: Alloy Wheels
Year of Production: 2012

OUR VALUED PROPOSITION



Design & Development **Manufacturing** **Advertising & Promotion** **Sales & Distribution**

corporate milestones

1948

- Started as a sole proprietorship, Yew Huat & Company, by founder, the late Mr Tay Chin Kiat.

1980 - 1995

- **1980:** Completion of head office at No. 2 Pandan Road, Singapore.
- Started expanding overseas into Malaysia (1980), followed by China and Hong Kong (1989). Ventured into Australia (1992), followed by Indonesia (1994) and New Zealand (1995).

1996

- Ventured into alloy wheels manufacturing with its first plant in Taoyuan, Taiwan.
- Launched YHI's proprietary brand – Advanti Racing
- Mr Richard Tay was presented with the Lianhe Zaobao's ENDEC Entrepreneurship Excellence Award.

2000

- Set up second alloy wheels manufacturing plant in Shanghai, China.

2003 - 2004

- **2003:** YHI International Limited listed on the Mainboard of the Singapore Exchange on 3 July.
- **2004:** Set up a mould factory in Shanghai, China to manufacture and supply alloy wheel moulds for YHI's manufacturing plants.

2007

- Mr Richard Tay was presented with the 2007 Ernst & Young's Manufacturing Entrepreneur of the Year Award.

2008

- Entered into a supply and sponsorship agreement with Formula One team Scuderia Toro Rosso and O.Z. S.p.A. to supply alloy wheels bearing the Group's proprietary brand Advanti Racing.
- Launched YHI's proprietary brand – Neuton Power

corporate milestones

1973 - 1975

- **1973:** Appointed as the exclusive distributor for Hitachi batteries (1973), Yokohama tyres (1974) and Enkei alloy wheels (1975) in Singapore.
- **1975:** Yew Huat & Company was renamed to Yew Huat Tyre & Battery (Pte) Ltd.

1997

- **1997:** Mr Richard Tay was presented with the Rotary ASME's Entrepreneurship of the Year Award.

1999

- **1999:** Ranked fourth in the Business Times Enterprise 50 Awards and presented with the Grand Five-Year Award for being in Enterprise 50 for five consecutive years since 1995.

2005

- Expanded into United States of America when Konig (American) became part of the YHI Group. It ventured into Thailand (2006), followed by Canada (2007) and Brunei (2010).

2006

- Launched YHI's proprietary brand – Neuton Tyres
- Two new alloy wheels manufacturing plants located in Suzhou, China and Sepang, Malaysia commenced operations.
- Acquired a 35.51% shareholding in O.Z. S.p.A., a world-renowned alloy wheels manufacturer.
- Appointed by Enkei Corporation under its license to manufacture "Enkei Tuning" brand of alloy wheels.

2009

- Installed MAT (Most Advanced Technology) machinery at Suzhou manufacturing plant.

corporate milestones

2010

- Advanti Racing received the Regional Brand title in the Singapore Prestige Brand Award in recognition for its outstanding Singapore brand. The annual event was organised by Association of Small and Medium Enterprises and Lianhe Zaobao.
- YHI (Malaysia) Sdn Bhd received the Super Golden Bull 2010 Award for outstanding SME in Malaysia.

2011

- Commenced rebuilding of YHI Headquarters in Singapore
- YHI (Malaysia) Sdn Bhd received its third Super Golden Bull Award for outstanding SME in Malaysia.
- Set up its 5th alloy wheels manufacturing plant in Malacca, Malaysia

2012

- Completed the rebuilding of YHI Headquarters in Singapore
- Ventured into Vietnam
- For the fourth consecutive year, YHI (Malaysia) Sdn Bhd received the Super Golden Bull Award for outstanding SME in Malaysia.

2013

- YHI's proprietary brand, Advanti Racing, has been appointed as the Official Supplier to MERCEDES AMG PETRONAS Formula One Team, exclusively supplying alloy wheels for all its race cars.

corporate governance report

corporate governance report

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board") of YHI International Limited (the "Company") recognises the importance of corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting and is committed to maintaining a high standard of corporate governance within the Group. The Board has also established various internal control measures and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised. The Board is also responsible for the overall corporate governance of the Group.

On 2 May 2012, the Monetary Authority of Singapore (the "MAS") issued the revised Code of Corporate Governance 2012 (the "Code"), which supersedes the Code of Corporate Governance issued in July 2005. An issuer will be required to disclose in its annual reports its corporate governance practices with reference to the Code relating to financial years commencing from 1 November 2012.

This statement outlines the main corporate governance practices that were in place throughout the financial year, with specific references made to each of the principles of the Code in the annual report.

A. BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board comprises two Executive Directors, one Non-Executive Director and three Independent Directors, all having the right competencies and diversity of experience enabling them to effectively contribute to the Group.

The principal functions of the Board are:

a. reviewing and approving key business strategies and financial plans and monitoring the organisational performance;
b. reviewing the adequacy and integrity of the company's internal controls, risk management systems and financial reporting and compliance;
c. ensuring the Group's compliance with laws, regulations, policies, directives, guidelines, standards and internal code of conduct;
d. ensuring the Group's compliance with good corporate governance practices;
e. approving major investments and divestments and funding proposals; and
f. ensuring accurate, adequate and timely reporting to, and communication with shareholders.

The Board has adopted a set of internal controls and guidelines which set out approval limits for investments and divestments, capital expenditure and business contracts at the Board level. The Board holds regular scheduled meetings on a quarterly basis to review the Group's key activities, business strategies, funding decisions, financial performance and to approve the release of quarterly and annual results of the Group. When circumstances require, ad-hoc meetings are arranged. If and when the Board delegates the authority (without abdicating responsibility) to make decisions to a Board Committee, such delegation is disclosed. The Directors are also constantly kept updated on the Group's development via email correspondence which allows them to participate and to share their views. Board meetings are conducted in Singapore and attendance by Directors are regular either in person or via telephone conference if the Directors are travelling overseas.

All Directors are updated regularly concerning any changes in company policies, risk management and accounting standards. The Company also provides ongoing education on Board processes, governance and best practices. There has been no appointment of new Directors since our listing in 2003.

corporate governance report

The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings in respect of the financial year 2012 is disclosed in Table 1 below.

Table 1: Attendance of Directors at Board and Board committee Meetings in FY2012

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Tay Tian Hoe Richard	4	4	4	4^	1	1^	1	1
Tay Tiang Guan	4	4	4	4^	1	1^	1	1^
Yuen Sou Wai	4	4	4	4	1	1	1	1
Henry Tan Song Kok	4	4	4	4	1	1	1	1
Hee Theng Fong	4	4	4	4	1	1	1	1^
Phua Tin How	4	3	4	3	1	1	1	1

^ : By Invitation

Principle 2: Board Composition and Balance

The Board comprises two Executive Directors, one Non-Executive Director and three Independent Directors.

The criterion of independence is based on the guidelines provided in the Code. The Board defines an "Independent" Director as one who has no relationship with the Company, its related corporations, persons with interest in not less than 10% of the voting shares of the Company or its officers that could interfere, or be reasonable perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The Independent Directors of the Company are Mr Henry Tan Song Kok, Mr Phua Tin How and Mr Hee Theng Fong. The independence of each Director is reviewed annually by the Nominating Committee. The Nominating Committee is of the view that the current Board, with Independent Non-Executive Directors making up half of the Board, has a strong and independent element that is able to exercise objective judgement on corporate affairs independently from the management and persons with interest in not less than 10% of voting shares of the Company. The Nominating Committee is also of the view that no individual or small group of individuals dominates the Board's decision making process.

The independence of each Director will be reviewed annually by the Nominating Committee.

In particular, the Nominating Committee has recommended to the Board that Messrs Hee Theng Fong and Tay Tiang Guan be nominated for re-appointment at the forthcoming Annual General Meeting ("AGM"). If such appointments are approved by shareholders, they, together with Messrs Henry Tan Song Kok and Phua Tin How, will enter into their tenth year of service on the Board. Pursuant to the guidelines of the Code, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board and Directors' in-depth knowledge of the Company's operations and performance of their duties. After also considering the view of the Nominating Committee, the Board is satisfied that the Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.

The Board is of the view that the current board size of six Directors is appropriate, taking into account the nature and scope of the Company's operations.

The Board considers that its composition of Independent Non-Executive Directors provide an effective Board with a mix of knowledge, business contacts and successful business and commercial experience as well as core competencies including accounting, finance, business and management. This balance is important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interests of the Group. Non-Executive Directors are actively involved in strategy decisions. We also encourage our Non-Executive Directors to meet without management present to review management's performance and monitor reports thereof.

corporate governance report

All Directors are updated regularly concerning any changes in company policies, risk management and accounting standards. The Company also provides ongoing education on Board processes, governance and best practices. There has been no appointment of new Directors since our listing in 2003.

Principle 3: Role of Chairman and Group Managing Director

Mr Tay Tian Hoe Richard is our Executive Chairman and Group Managing Director. The responsibilities of the Chairman are as follows:

a. leading the Board to ensure its effectiveness on all aspects of its role;
b. setting the agenda to ensure that adequate time is available for discussion of all agenda items, particularly strategic issues;
c. promoting a culture of openness and debate;
d. ensuring that the Directors receive complete, adequate and timely information;
e. ensuring effective communication and preserving harmonious relations with the shareholders;
f. encouraging constructive relations within the Board and between the Board and Management;
g. facilitating the effective contribution of the non-executive Directors in particular;
h. ensuring the Group's compliance with the Code;
i. acting in the best interest of the Group and the shareholders; and
j. promoting high standards of corporate governance

In addition to his position as Executive Chairman, Mr Tay Tian Hoe Richard is also our Group Managing Director. He has full executive responsibilities of the overall business directions and operational decisions of our Group. All major decisions made by our Group Managing Director are reviewed by the Audit Committee.

In view of Mr Tay Tian Hoe Richard's concurrent appointment as Executive Chairman and Group Managing Director, the Board had appointed Mr Henry Tan Song Kok as the Lead Independent Director, pursuant to the recommendations of the Code. The Lead Independent Director will be available to the Shareholders where they have concerns which contact through the normal channels of our Executive Chairman or Group Chief Financial Officer ("CFO") have failed to resolve or are inappropriate.

Principle 4: Board Membership

Key information regarding the Directors is given in the "Corporate Information" section of this annual report.

Mr Phua Tin How, an Independent Non-Executive Director, is the Chairman of the Nominating Committee. The Nominating Committee further comprises the Lead Independent Director, Mr Henry Tan Song Kok, a Non-Executive Director, Mr Yuen Sou Wai and an Executive Director, Mr Tay Tian Hoe Richard. Guideline 4.1 states that the majority of the NC should be independent.

The responsibilities of the Nominating Committee are contained in written terms of reference and are to make recommendations to the Board on relevant matters relating to:

a. the annual review of the Board's structure, size and composition;
b. the review of Board succession plans for Directors, in particular, for the Chairman and the Group Managing Director;
c. identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-appointment at each AGM of the Company, having regard to the Directors' contribution and performance, including Independent Directors;
d. determining the criteria (in particular, taking into account a Director's independence and competing time commitments) for identifying candidates and reviewing nominations for the appointment of Directors to the Board;
e. deciding how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval; and
f. the review of training and professional development programs for the Board.

The Board is closely monitoring the number of directorships held by the respective directors and also the workload of the directors to ensure that they would have sufficient time to devote to their duties as the directors of the company.

We believe that Board renewal must be an ongoing process which ensures both good governance and maintains relevance to the changing needs of the Company and business. Our Articles require at least one-third of our Directors (excluding the Group Managing Director) to retire from office by rotation and submit themselves to re-nomination and re-election by shareholders at every AGM. In other words, no Director stays in office for more than three years without being re-elected by shareholders.

corporate governance report

The Nominating Committee recommended to the Board that Messrs Hee Theng Fong and Tay Tiang Guan be nominated for re-appointment at the forthcoming Annual General Meeting ("AGM"). In making the recommendation, the Nominating Committee had considered the Directors' contribution to the Group.

The Nominating Committee has also considered the long tenure and reviewed the independence of Messrs Henry Tan Song Kok, Phua Tin How, and Hee Theng Fong, who, in the financial year 2012, will have served on the Board beyond nine years from the date of their first appointments. In the Nominating Committee's view, the Directors remain independent in character and able to exercise objective judgement on corporate affairs notwithstanding their tenure on the Board. With the Director's in-depth knowledge of and familiarity with the Company's operations, they are well-positioned to monitor and evaluate the performance of the Board and management with a view to the best interests of the Company.

Principle 5: Board Performance

The Nominating Committee will use its best efforts to ensure that Directors appointed to our Board possess the relevant necessary background, experience and knowledge and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. A formal review of the Board's performance will be undertaken collectively by the Board annually and informally by the Nominating Committee with input from the other Board members and the Group Managing Director.

We believe that apart from the fiduciary duties (i.e. acting in good faith, with due diligence and care and in the best interests of the Company and its shareholders), the Board's key responsibilities are to set strategic directions and ensure that the long term objective of enhancing shareholder value is achieved.

For the year under review, the Nominating Committee assessed the effectiveness of the Board as a whole. The Board's performance was measured by its ability to support the management especially in times of crisis and to steer the Company towards profitable directions and the attainment of strategic and long-term objectives set by the Board. Hence, the Nominating Committee adopted a formal policy to evaluate the Board's performance as a whole.

In assessing the performance of the Directors, the Nominating Committee also considered the following without limitation:

a. attendance at Board/committee meetings;
b. preparedness and participation in meetings;
c. availability for consultation and advice;
d. candour;
e. contribution to the Board in terms of appropriate skill, experience and expertise.

The Chairman will consider the evaluation of the performance of the Directors and, in consultation with the Nominating Committee and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors.

Principle 6: Access to Information

In order to ensure that the Board is able to discharge its responsibilities, the management is required to provide adequate and timely information to the Board on Board affairs and issues that require the Board's decision as well as ongoing reports relating to the operational and financial performance of the Company.

In order to properly prepare Directors for Board meetings, all Directors are issued a Board report prior to any Board meeting to provide contextual information that enables them to make informed decisions to discharge their duties and responsibilities and obtain further information, where necessary.

The Board has separate and independent access to the management. Directors are entitled to request and receive, in a timely manner, from the management such additional information as necessary to make informed decisions.

The Board has separate and independent access to the Company Secretary at all times. Should Directors, whether as a group or individually, need independent professional advice, the Company Secretary will, upon directions by the Board, appoint a professional advisor selected by the group or the individual to render the advice. The cost of such professional advice will be borne by the Company.

corporate governance report

The Company Secretary attends all meetings of the Board and ensures that board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Nominating Committee and Remuneration Committee. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Please refer to the "Corporate Information" section of the annual report for the composition of the Company's Board of Directors and Board committees.

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration

The function of the Remuneration Committee is to review the remuneration of the Executive Directors of the Company and to provide a greater degree of objectivity and transparency in the setting of remuneration.

Mr Hee Theng Fong, an Independent Director, is the Chairman of the Remuneration Committee. The Remuneration Committee further comprises two Independent Non-Executive Directors, Messrs Henry Tan Song Kok and Phua Tin How, and a Non-Executive Director, Mr Yuen Sou Wai.

The responsibilities of the Remuneration Committee are:

a. to recommend to the Board a framework of remuneration for the Executive Directors and key management personnel of the Group on all aspects of remuneration such as Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and
b. to determine the specific remuneration packages and terms of employment for each Executive Director and key management personnel.

The Remuneration Committee has access to expert professional advice on human resource matters whenever there is a need to consult externally. The names and firms of the remuneration consultants and their relationship to the Company (if any) will be disclosed in the annual remuneration report. In its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation in addition to the Company's relative performance and the performance of the individual Directors. No Director will be involved in deciding his own remuneration.

The performance-related elements of remuneration should form a significant proportion of the total remuneration package of the Executive Director. Each Executive Director has a service contract with a fixed appointment period and the Remuneration Committee reviews in particular termination provisions.

The remuneration of each Non-Executive Director is determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board. The Board will recommend the remuneration of the Non-Executive Directors for approval at the AGM.

The YHI Share Option Scheme ("Scheme") was put in place on 22 May 2003 as a long term incentive scheme. However, we have not granted any share options pursuant to the YHI Share Option Scheme in past financial years.

The Scheme will be administered by a committee comprising the following members:

- Hee Theng Fong (Chairman)
- Henry Tan Song Kok
- Phua Tin How
- Yuen Sou Wai

corporate governance report

Principle 9: Disclosure of Remuneration

Our Executive Directors' remuneration consists of their salary, allowances, bonuses, and profit sharing awards conditional upon their meeting certain profit before tax targets. Our Independent Non-Executive Directors have remuneration packages which consist of a Directors' fee component. The Directors' fees are based on a scale of fees divided into basic retainer fees as a Director and additional fees for serving on Board committees as the chairman of the committee. Directors' fees for Independent Non-Executive Directors are subject to the approval of shareholders at the AGM.

The report on Directors' remuneration for financial year 2012 is disclosed in Table 2.

Table 2: The breakdown of the Directors' remuneration for FY2012

Name of Director	Below S$500,000	S$500,001 To S$1,000,000	Above S$1,000,000	Directors' Fee %	Salary %	Performance Bonus %
Tay Tian Hoe Richard	–	–	•	–	23	77
Tay Tiang Guan	–	–	•	–	21	79
Yuen Sou Wai	•	–	–	100	–	–
Henry Tan Song Kok	•	–	–	100	–	–
Hee Theng Fong	•	–	–	100	–	–
Phua Tin How	•	–	–	100	–	–

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interest of the group not to disclose the exact remuneration of directors in the annual report.

Remuneration of Employees

The breakdown of the remuneration of the top 5 key executives of the Group are not disclosed in this annual report to avoid possible poaching of the Group's executives.

Details of employees whose remuneration exceed S$50,000 and are immediate family members of our Executive Directors are set out below:

Name of Employee	Remuneration
Tay Soek Eng Margaret [1]	S$150,000 to S$200,000
Tay Guoren Ryan[2]	S$50,000 to S$100,000

Notes:

[1] Mdm Tay Soek Eng Margaret is the sister of our Executive Directors, Mr Tay Tian Hoe Richard and Mr Tay Tiang Guan.
[2] Mr Tay Guoren Ryan is the son of our Executive Director, Mr Tay Tian Hoe Richard.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board believes that it should promote best practices as a means to build an excellent business for our shareholders as it is accountable to shareholders for the Company's and the Group's performance.

The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

Financial results and annual reports will be announced or issued within the mandatory period. The Board will provide reports to regulators when required. The management will provide the Board with monthly management accounts when required.

corporate governance report

Principle 11: Risk Management and Internal Controls

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key executives.

It should be noted, in the opinion of the Board that, in the absence of evidence to the contrary, such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The management reviews the Company's business and operational activities regularly to identify areas of significant business, operational and compliance risks, and employs a wide range of measures to control these risks, including financial, operational, compliance and information technology controls. The management has embedded the risk management process and internal controls into all business operating procedures, where it becomes ultimately the responsibility of all business and operational managers. All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. Targets are set to measure and monitor the performance of operations periodically, such as sales growth, profit margins, operating expenses, management of inventory, management of receivables and personnel attendance. The identified risks and the corresponding countervailing controls are regularly reviewed by the managers to ensure that they are up to date and effective. All significant matters are highlighted to the Board and the Audit Committee for their review, and the Board monitors the adequacy and effectiveness of the internal controls and risk management policies.

Financial risk management is discussed in Note 27 of the financial statements set out on pages 89 to 99.

The Company's internal audit function provides an independent resource and perspective to the Audit Committee by assessing the effectiveness and robustness of the Company's internal controls and risk management policies. By highlighting any areas of concern discovered during the course of performing such internal audit process, including any new risks that are identified, the management, the Board and the Audit Committee are able to continually refine and strengthen the Company's internal controls and risk management system.

The Group Managing Director and CFO have confirmed to the Board the adequacy and effectiveness of the risk management system and internal controls and reported to the Audit Committee for review.

The Board has also received assurance from the Group Managing Director and CFO that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Based on the internal controls and risk management practices established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the management, various Board committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls and risk management policies were adequate and effective as at 31 December 2012.

Principle 12: Audit Committee

Mr Henry Tan Song Kok, an Independent Director is the Chairman of the Audit Committee. The Audit Committee comprises three Independent Directors, Messrs Henry Tan Song Kok, Hee Theng Fong and Phua Tin How and a Non-Executive Director, Mr Yuen Sou Wai. At least three members of the Audit Committee have the appropriate accounting or related financial management expertise or experience. The Audit Committee has explicit authority and reasonable resources, as well as full access to the Directors and executives.

corporate governance report

The Audit Committee holds periodic meetings and reviews primarily the following:

a. the audit plan of our Company's external auditor;
b. the external auditor's reports;
c. the co-operation given by our officers to the external auditor;
d. the adequacy of the Company's internal controls as reviewed internally or externally;
e. the scope and results of the internal audit procedures;
f. the financial statements of our Company and our Group before their submission to our Board;
g. the independence of the external auditor;
h. nomination of external auditor for appointment;
i. our Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time;
j. the Group Whistle-Blowing Policy;
k interested person transactions; and
l. capital expenditure transactions.

The Audit Committee meetings are attended by the Group Managing Director, Executive Directors and Internal Auditor. The presence of the external auditor has been requested during these meetings. During this financial year, the Audit Committee has also met up with the external auditor, without any executives of the Group being present.

The Company has put in place the Group Whistle-Blowing Policy, which is reviewed and administered by the Audit Committee. The policy allows staff and shareholders of the Company to confidentially report violations of the Group's Code of Ethics and Business Conduct (see the Company's Management Manual), complaints and/or questionable accounting, control or auditing practices. The reports can be made on an anonymous basis, but the Company recommends that the informant(s) put their name(s) to the allegations. The Group has a policy of "no-retaliation" against good-faith informants.

The Internal Auditor shall investigate any allegations and reports to the Audit Committee, and depending on various factors, including the seriousness of the matter, may also involve the external auditor, the Independent Inquiry Committee, and/or the police.

Within 14 days of completion of the investigations (which should usually take no longer than 14 days) the informant (if not anonymous) will be informed of the results of the investigations, but any disciplinary action taken will remain confidential. The Group will protect the informant unless the allegations are found to have been false and made maliciously, in which event the informant's behaviour will be treated as gross misconduct and handled accordingly. The Audit Committee ensures that the investigations conducted are independent and the follow-up action(s) appropriate.

In addition to the above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Audit Committee in respect of matters in which he is interested.

The external auditor will inform and explain to our Audit Committee during quarterly Audit Committee meetings to update our Directors on the changes to the accounting standards and any issues which may have a direct impact on the financial statements.

The Audit Committee has nominated PricewaterhouseCoopers ("PWC") for re-appointment as auditor of the Company at the forthcoming AGM.

The Audit Committee has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditor before confirming their re-nomination.

corporate governance report

The Group has complied with Rule 712 and Rule 715 or 716 of the Listing Manual of the SGX-ST in relation to its auditors. The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services are set out below:

	2012 S$	2011 S$
Fees on audit services paid/payable to:		
Auditor of the Company – PWC Singapore	149,000	149,000
Other PWC network firms	171,000	187,000
Other auditors	245,000	190,000
Fees on non-audit services paid/payable to:		
Auditor of the Company – PWC Singapore	17,000	17,000
Other PWC network firms	–	22,000
Other auditors	35,000	130,000
Total	**617,000**	**695,000**

Principle 13: Internal Audit

The Audit Committee's responsibility in overseeing that the Company's internal controls and risk management systems are adequate will be complemented by the work of the Internal Auditor ("IA"). The Audit Committee approves the hiring, removal, evaluation and compensation of the head of the internal audit function. The IA reports directly to the chairman of the Audit Committee on audit matters. The Audit Committee reviews the IA's reports on a quarterly basis. The Audit Committee also reviews and approves the annual IA plans and resources to ensure that the IA has the unfettered access to the necessary resources to adequately perform its functions.

The IA has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. To ensure the adequacy of the internal audit functions, the Audit Committee has reviewed the IA's activities, the IA's resources and standing in the Company, on a yearly basis.

D. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

We believe in regular and timely communication with shareholders as part of our organisation development to build systems and procedures that will enable us to operate globally.

We believe that a high level of disclosure on a timely basis is essential to enhance the standard of corporate governance. Hence, the Company does not practise selective disclosure. In line with the provisions of the Listing Manual of the SGX-ST and the Companies Act (Cap 50, Singapore), the Board's policy is that all shareholders should be equally and in a timely manner be informed of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET system, press releases, annual reports, and other various media including our corporate website (http://www.yhi.com.sg).

The Executive Directors and the Group CFO meet up with analysts and investors when our quarterly results are announced through the SGXNET system, to explain our financial performance, Group's strategy and major developments and to understand their views and concerns.

However, any information that may be regarded as undisclosed material information about the Group will not be given. We support the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM and to stay informed of the Company's strategy and goals, to ensure a high level of accountability. Notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. Shareholders may vote in person or by proxy. The Board welcomes questions from shareholders who wish to raise issues either informally or formally before or at the AGM. The Chairpersons of the Audit, Remuneration and Nominating Committees, and the external auditors, are normally available at the meeting to answer questions relating to the work of their committees.

corporate governance report

E. DEALING IN SECURITIES

In compliance with the Listing Manual of the SGX-ST, the Company has adopted and implemented a code of conduct governing securities transactions by its Directors and key officers.

Under the code of conduct, the Directors and key officers are prohibited from dealing in the Company's securities at least two weeks before the announcement of the Company's quarterly results and one month before the announcement of the Company's full-year results until one day after the release of the announcement.

The Directors and key officers are required to notify the Company of any dealings in the Company's securities (during the open window period) and within two business days of the transaction(s). At all times, the Directors and key officers are aware that it is an offence to deal in securities of the Company and other companies when they are in possession of unpublished price-sensitive information in relation to those securities and that the law on insider trading applies to them at all times. As such, the Directors and key officers ensure that their dealings in securities, if any, do not contravene the law.

The code of conduct also ensures that no Director or key officer deals in the Company's securities on short-term considerations.

The Directors and key officers are periodically reminded of all requirements of the code of conduct and all applicable laws via the regular circulation of internal memoranda. The internal memoranda ensure that the Directors and key officers are aware that they are subject to requirements set out in the various applicable laws. Each key officer is required to submit a declaration annually that he is in compliance with and has not breached the code of conduct.

In the above circumstances, in the opinion of the Directors, the Company has complied with the Listing Manual of the SGX-ST and with the Company's code of conduct and thus there is a high standard of corporate governance which will promote investor confidence in the Company's management.

F. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries for the benefit of the Directors or controlling shareholders during the financial year ended 31 December 2012.

G. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

In order to ensure that the Company complies with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions, the Audit Committee meets quarterly to review all interested person transactions of the Company. However, if the Company enters into an interested person transaction, the Audit Committee ensures compliance with the relevant rules under Chapter 9.

There were no interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST. For the year ended 31 December 2012, there was no interested person mandate obtained by the Company.

There were no significant interested person transactions entered between the Group and interested persons during the financial period from 01 January 2012 to 31 December 2012.

Interested Persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' Mandate)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate (excluding transactions less than S$100,000)	Total
NA	NIL	NIL	NIL

financial report

directors' report

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the balance sheet of the Company at 31 December 2012.

DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Mr Tay Tian Hoe Richard
Mr Tay Tiang Guan
Mr Yuen Sou Wai
Mr Henry Tan Song Kok
Mr Hee Theng Fong
Mr Phua Tin How

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on page 47 of this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2012	**At 1.1.2012**	**At 31.12.2012**	**At 1.1.2012**
Company				
(No. of ordinary shares)				
Mr Tay Tian Hoe Richard	18,674,000	18,674,000	346,591,628	346,591,628
Mr Tay Tiang Guan	3,805,000	3,805,000	341,791,628	341,791,628
Mr Yuen Sou Wai	240,000	240,000	–	–
Mr Hee Theng Fong	120,000	120,000	–	–
Mr Henry Tan Song Kok	40,000	40,000	–	–
Mr Phua Tin How	110,000	110,000	–	–
Immediate and ultimate holding company				
– YHI Holdings Pte Ltd				
(No. of ordinary shares)				
Mr Tay Tian Hoe Richard	641,392	641,392	–	–
Mr Tay Tiang Guan	375,000	375,000	–	–

directors' report

For the financial year ended 31 December 2012

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

(b) Mr Tay Tian Hoe Richard and Mr Tay Tiang Guan, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly-owned by the Group:

	At 31.12.2012	At 1.1.2012
YHI (Australia) Pty Limited		
– No. of ordinary shares	80,000	80,000
YHI (New Zealand) Limited		
– No. of ordinary shares	70,000	70,000
Pan-Mar Corporation D/B/A Konig (American)		
– Common stock	US$142,500	US$142,500
YHI Corporation Japan Co.,Ltd (formerly known as TTS International Co., Ltd)		
– No. of ordinary shares	360	240
YHI Power Pty Limited		
– No. of ordinary shares	8,000	6,400
YHI Corporation (Thailand) Co Ltd		
– No. of ordinary shares	24,500	24,500
Evo-Trend Corporation (Malaysia) Sdn Bhd		
– No. of ordinary shares	140,000	140,000
YHI (Canada) Inc		
– No. of ordinary shares	180,000	180,000
Advanti Racing USA LLC		
– Common stock	US$85,500	US$85,500
PT YHI Indonesia		
– No. of ordinary shares	288,000	304,000
YHI (Vietnam) Co Ltd		
– Share capital	VND 5,311,650,000	–
YHI Corporation (Shanghai) Co. Ltd		
– Share capital	US$360,000	US$200,000

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2013 were the same as those as at 31 December 2012.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

SHARE OPTIONS

YHI Share Option Scheme

The YHI Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 22 May 2003.

The Scheme provide an opportunity for executive directors and employees of the Group to participate in the equity of the Company so as to motivate them towards better performance through increased dedication and loyalty. The members of the Remuneration Committee administering the Scheme are Mr Phua Tin How, Mr Hee Theng Fong, Mr Henry Tan Song Kok and Mr Yuen Sou Wai.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

The number of shares comprised in any options to be offered to a participant in the Scheme shall be determined at the absolute discretion of the Remuneration Committee, who shall take into account criteria such as the rank, the past performance, years of service, potential for future development and contribution of the participant.

Offers of options made to grantees, if not accepted by the grantees within 30 days will lapse. The Scheme shall continue in operation for a maximum of 10 years commencing on the date which the Scheme is adopted by the Company in general meeting, unless otherwise extended by the members by ordinary resolution in general meeting.

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

directors' report

For the financial year ended 31 December 2012

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

Mr Henry Tan Song Kok (Chairman)
Mr Hee Theng Fong
Mr Phua Tin How
Mr Yuen Sou Wai

All members of the Audit Committee were independent non-executive directors, except for Mr Yuen Sou Wai; who was a non-independent non-executive director.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

TAY TIAN HOE RICHARD	**TAY TIANG GUAN**
Director	Director

8 March 2013

statement by directors

For the financial year ended 31 December 2012

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 51 to 105 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

TAY TIAN HOE RICHARD
Director

TAY TIANG GUAN
Director

8 March 2013

independent auditor's report

To the members of YHI International Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of YHI International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 105, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 8 March 2013

consolidated income statement

For the financial year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Sales	4	**541,122**	550,610
Cost of sales	5	**(415,028)**	(420,014)
Gross profit		**126,094**	130,596
Other gains – net	4	**3,822**	10,163
Expenses			
– Distribution	5	**(46,153)**	(41,864)
– Administrative	5	**(47,140)**	(43,018)
– Finance	6	**(5,540)**	(4,587)
Share of profit of associated companies	15	**802**	1,005
Profit before income tax		**31,885**	52,295
Income tax expense	8	**(10,755)**	(11,187)
Net profit		**21,130**	41,108
Profit attributable to:			
Equity holders of the Company		**18,326**	38,187
Non-controlling interests		**2,804**	2,921
		21,130	41,108
Earnings per share attributable to the equity holders of the Company	9		
– Basic		**3.13 cents**	6.53 cents
– Diluted		**3.13 cents**	6.53 cents

The accompanying notes form an integral part of these financial statements

consolidated statement of comprehensive income

For the financial year ended 31 December 2012

	2012 $'000	2011 $'000
Profit for the year	**21,130**	41,108
Other comprehensive income, net of tax, that may be reclassified subsequently to profit or loss		
– Currency translation differences	**(8,202)**	2,231
Total comprehensive income for the year	**12,928**	43,339
Total comprehensive income attributable to:		
Equity holders of the Company	**10,446**	40,444
Non-controlling interests	**2,482**	2,895
	12,928	43,339

The accompanying notes form an integral part of these financial statements

balance sheet

As at 31 December 2012

	Note	The Group 2012 $'000	The Group 2011 $'000	The Company 2012 $'000	The Company 2011 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	**42,470**	58,179	**2,112**	3,595
Trade and other receivables	11	**86,325**	109,838	**50,530**	53,630
Inventories	12	**134,210**	117,740	**–**	–
Other current assets	13	**14,786**	15,784	**13**	14
		277,791	301,541	**52,655**	57,239
Non-current assets					
Transferable club memberships, at cost		**181**	181	**–**	–
Derivative financial instruments	14	**104**	–	**104**	–
Investment in an associated company	15	**16,137**	15,498	**–**	–
Investments in subsidiaries	16	**–**	–	**100,122**	95,697
Property, plant and equipment	17	**141,908**	118,845	**38**	88
Intangible assets	18	**3,231**	3,143	**–**	–
Deferred income tax assets	8(c)	**4,157**	4,484	**–**	–
		165,718	142,151	**100,264**	95,785
Total assets		**443,509**	443,692	**152,919**	153,024
LIABILITIES					
Current liabilities					
Trade and other payables	19	**45,505**	56,687	**3,682**	5,647
Current income tax liabilities	8(b)	**2,209**	5,471	**314**	494
Borrowings	20	**86,878**	96,446	**6,400**	4,000
Derivative financial instruments	14	**23**	382	**23**	382
		134,615	158,986	**10,419**	10,523
Non-current liabilities					
Borrowings	20	**45,589**	21,618	**17,800**	14,000
Deferred income tax liabilities	8	**2,216**	1,880	**–**	–
Derivative financial instruments	14	**–**	637	**–**	637
		47,805	24,135	**17,800**	14,637
Total liabilities		**182,420**	183,121	**28,219**	25,160
NET ASSETS		**261,089**	260,571	**124,700**	127,864
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	**77,001**	77,001	**77,001**	77,001
Other reserves	23	**(6,161)**	1,655	**–**	–
Retained profits	24	**176,401**	169,691	**47,699**	50,863
		247,241	248,347	**124,700**	127,864
Non-controlling interests		**13,848**	12,224	**–**	–
Total equity		**261,089**	260,571	**124,700**	127,864

The accompanying notes form an integral part of these financial statements

consolidated statement of changes in equity

For the financial year ended 31 December 2012

	Note	Share capital $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		← Attributable to equity holders of the company			→		
2012							
Beginning of financial year		**77,001**	**1,655**	**169,691**	**248,347**	**12,224**	**260,571**
Transfer to other reserves	23(b)(i)	–	158	(158)	–	–	–
Dividends relating to 2011 paid	25	–	–	(11,458)	(11,458)	(973)	(12,431)
Transaction with non-controlling interests	23(b)(iii)	–	(94)	–	(94)	115	21
Total comprehensive income for the year		–	(7,880)	18,326	10,446	2,482	12,928
End of financial year		**77,001**	**(6,161)**	**176,401**	**247,241**	**13,848**	**261,089**
2011							
Beginning of financial year		77,001	1,275	141,623	219,899	10,164	230,063
Transfer to other reserves	23(b)(i)	–	239	(239)	–	–	–
Dividends relating to 2010 paid	25	–	–	(9,880)	(9,880)	(895)	(10,775)
Interim dividends of a subsidiary relating to 2011 paid		–	–	–	–	(369)	(369)
Transaction with non-controlling interests	23(b)(iii)	–	(2,116)	–	(2,116)	429	(1,687)
Total comprehensive income for the year		–	2,257	38,187	40,444	2,895	43,339
End of financial year		**77,001**	**1,655**	**169,691**	**248,347**	**12,224**	**260,571**

The accompanying notes form an integral part of these financial statements

consolidated statement of cash flows

For the financial year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Net profit		**21,130**	41,108
Adjustments for:			
– Income tax expense		**10,755**	11,187
– Depreciation and impairment charge of property, plant and equipment		**15,133**	11,958
– Amortisation of intangible assets		**62**	62
– Impairment loss on goodwill		**–**	770
– Gain on disposal of property, plant and equipment		**(138)**	(50)
– Gain on disposal of available-for-sale financial assets		**–**	(5,623)
– Interest expense		**5,540**	4,587
– Interest income		**(263)**	(258)
– Fair value (gain)/loss on derivative financial instruments		**(1,100)**	1,019
– Share of profit of associated companies		**(802)**	(1,005)
– Gain on disposal of investment in an associated company		**–**	(2,394)
– Loss on disposal of transferable club membership		**–**	20
– Unrealised currency translation (gain)/loss		**(3,419)**	142
Operating cash flow before working capital changes		**46,898**	61,523
Changes in working capital:			
– Inventories		**(16,070)**	(18,646)
– Trade and other receivables		**15,689**	(16,166)
– Other current assets		**997**	(2,248)
– Trade and other payables		**(9,881)**	5,814
Cash generated from operations		**37,633**	30,277
Interest received		**263**	258
Income tax paid		**(13,295)**	(9,401)
Net cash provided by operating activities		**24,601**	21,134
Cash flows from investing activities			
Acquisition of business	10	**(600)**	–
Purchases of property, plant and equipment [Note (a)]		**(42,362)**	(48,147)
Proceeds from disposal of property, plant and equipment		**798**	2,854
Proceeds from disposal of transferable club membership		**–**	20
Proceeds from disposal of an associated company		**7,824**	–
Proceeds from disposal of available-for-sale financial asset		**–**	15,707
Acquisition of additional interest in subsidiary		**–**	(1,687)
Net cash used in investing activities		**(34,340)**	(31,253)

The accompanying notes form an integral part of these financial statements

consolidated statement of cash flows

For the financial year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Cash flows from financing activities			
Dividends received		**163**	–
Proceeds from borrowings		**60,836**	44,799
Repayment of borrowings		**(49,216)**	(5,807)
Repayment of finance lease liabilities		**(306)**	(663)
Interest paid		**(5,490)**	(4,556)
Proceeds from partial disposal of a subsidiary		**21**	–
Dividends paid to equity holders of the Company		**(11,458)**	(9,880)
Dividends paid to non-controlling interests		**(973)**	(1,264)
Net cash (used in)/provided by financing activities		**(6,423)**	22,629
Net (decrease)/increase in cash and cash equivalents		**(16,162)**	12,510
Cash and cash equivalents at beginning of financial year		**55,590**	42,412
Effects of currency translation on cash and cash equivalents		**(1,028)**	668
Cash and cash equivalents at end of financial year	10	**38,400**	55,590

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $42,618,000 (2011: $51,459,000) of which nil (2011: $201,000) and $1,610,000 (2011: $3,111,000) were acquired on credit terms and finance leases respectively. During the financial year, cash payments of $1,354,000 (2011: Nil) were made in respect of property, plant and equipment acquired on credit terms in the previous years.

The accompanying notes form an integral part of these financial statements

notes to the financial statements

For the financial year ended 31 December 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

YHI International Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is No. 2 Pandan Road, Singapore 609254.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are set out in Note 16 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods – automotive and industrial products and alloy wheels

Revenue from these sales is recognised when a Group entity has delivered the products to locations specified by its customers and the customers have accepted the products in accordance with the sales contract.

(b) Interest income

Interest income is recognised using the effective interest method.

notes to the financial statements

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

(ii) Acquisitions (continued)

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

notes to the financial statements
For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) Associated companies (continued)

(ii) *Equity method of accounting*

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.6 on borrowing costs).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings on freehold land	50 years
Leasehold properties	3 to 50 years
Office equipment, plant and machinery	2 to 5 years
Motor vehicles	3 to 7 years
Renovation	5 to 10 years
Computers	2 to 5 years
Furniture and fittings	2 to 10 years

Construction-in-progress is not depreciated.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains - net".

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

notes to the financial statements

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(a) Goodwill on acquisitions (continued)

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Acquired trademarks

Trademarks acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 30 years.

The amortisation period and amortisation method of trademarks are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of qualifying assets. This includes those costs on borrowings acquired specifically for the construction or development of qualifying assets, as well as those in relation to general borrowings used to finance the construction or development of qualifying assets.

2.7 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

notes to the financial statements

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets (continued)

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries and associated companies

Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 11) and "cash and cash equivalents" (Note 10) on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

notes to the financial statements
For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for derivatives, which are recognised at fair value (see Note 2.12).

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.10 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

2.11 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.12 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value.

Fair value changes on derivatives are recognised in profit or loss when the changes arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.14 Leases

When the Group is the lessee:

The Group leases certain property, plant and equipment from non-related parties.

(a) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) Lessee – Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

notes to the financial statements

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund ("CPF") on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange translation differences are recognised in other comprehensive income in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to senior management whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

notes to the financial statements

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

The recoverable amount of goodwill has been determined based on the value-in-use of cash-generating units. These calculations require the use of estimates (Note 18). Reasonably possible changes in assumptions will not result in any significant adjustment to goodwill.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in profit or loss.

(c) Deferred income tax assets

The Group recognises deferred income tax assets on the excess of the net book value of certain property, plant and equipment over the tax written-down values of these assets. These deferred income tax assets are recognised to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised.

As at 31 December 2012, the Group recognised approximately $1,100,000 of deferred tax assets in relation to a loss-making subsidiary. Management is of the view that sufficient future taxable profits will arise on which these deferred tax assets can be recovered. Management will re-assess the recoverability of these deferred tax assets at each reporting date and write them off to the income statement to the extent that they are assessed to be no longer recoverable.

notes to the financial statements

For the financial year ended 31 December 2012

4. REVENUE AND OTHER GAINS – NET

	Group	
	2012	2011
	$'000	$'000
Sale of goods		
– Automotive and industrial products	**394,577**	389,328
– Alloy wheels	**146,545**	161,282
Total sales	**541,122**	550,610
Other gains – net:		
– Gain on disposal of property, plant and equipment	**138**	50
– Interest income from banks	**263**	258
– Gain on disposal of available-for-sale financial assets	**–**	5,623
– Gain on disposal of investment in an associated company	**–**	2,394
– Fair value gain/(loss) on derivative financial instruments (Note 14)	**1,100**	(1,019)
– Other	**2,321**	2,857
Total other gains – net	**3,822**	10,163
	544,944	560,773

5. EXPENSES BY NATURE

	Group	
	2012	2011
	$'000	$'000
Advertising and promotion	**5,545**	3,901
Amortisation of intangible assets [Note 18(b)]	**62**	62
Carriage outwards	**8,548**	8,966
Changes in inventories of raw materials, work-in-progress and finished goods	**(16,470)**	(18,646)
Commission charges	**4,669**	3,711
Currency translation loss/(gain) – net	**2,248**	(3,463)
Depreciation of property, plant and equipment (Note 17)	**15,133**	11,958
Employee compensation (Note 7)	**49,689**	47,535
Impairment loss on goodwill [Note 18(a)]	**–**	770
Purchases of raw materials, finished goods and consumables	**402,185**	412,996
Write-down of inventory	**335**	439
Repair and maintenance	**1,839**	1,159
Rental on operating leases	**6,713**	6,864
Research expense	**1,815**	2,616
Transportation and travelling expense	**5,954**	5,426
Other expenses	**20,056**	20,602
Total cost of sales, distribution and administrative expenses	**508,321**	504,896

notes to the financial statements

For the financial year ended 31 December 2012

6. FINANCE EXPENSES

	Group	
	2012	**2011**
	$'000	**$'000**
Interest expense:		
– Bank loans	**2,643**	2,216
– Bank overdrafts	**506**	434
– Trust receipt loans	**1,933**	1,326
– Finance leases	**458**	611
	5,540	4,587

7. EMPLOYEE COMPENSATION

	Group	
	2012	**2011**
	$'000	**$'000**
Wages and salaries	**44,645**	43,434
Employer's contribution to defined contribution plans including Central Provident Fund	**5,044**	4,101
	49,689	47,535

8. INCOME TAX

(a) Income tax expense

	Group	
	2012	**2011**
	$'000	**$'000**
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**950**	2,313
– Foreign	**9,088**	9,328
	10,038	11,641
Deferred income tax [Note 8(c)]	**423**	(457)
	10,461	11,184
Under provision of current income tax in previous financial years [Note 8(b)]	**294**	3
	10,755	11,187

8. INCOME TAX (continued)

(a) Income tax expense (continued)

The tax on the Group's profit differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group 2012 $'000	Group 2011 $'000
Profit before income tax	**31,885**	52,295
Share of profit of associated companies, net of tax	**(802)**	(1,005)
Profit before tax and share of profit of associated companies	**31,083**	51,290
Tax calculated at a tax rate of 17% (2011: 17%)	**5,284**	8,719
Effects of:		
– Singapore statutory stepped income exemption	**(52)**	(52)
– Effects of different tax rates in other countries	**3,228**	2,706
– Expenses not deductible for tax purposes	**2,194**	1,302
– Exempt income	**(10)**	(487)
– Unremitted statutory profits of China subsidiaries	**47**	116
– Income not subject to tax	**(1,108)**	(1,917)
– Other	**878**	797
Tax charge	**10,461**	11,184

(b) Movements in current income tax liabilities

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Beginning of financial year	**5,471**	3,186	**494**	348
Currency translation differences	**(299)**	42	**–**	–
Income tax paid	**(13,295)**	(9,401)	**(525)**	(320)
Tax expense on profit from the current financial year	**10,038**	11,641	**498**	466
Under/(over) provision in previous financial years [Note 8(a)]	**294**	3	**(153)**	–
End of financial year	**2,209**	5,471	**314**	494

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For the financial year ended 31 December 2012

8. INCOME TAX (continued)

(c) Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Deferred income tax assets:		
– To be recovered within one year	**(563)**	(440)
– To be recovered after one year	**(3,594)**	(4,044)
	(4,157)	(4,484)
Deferred income tax liabilities:		
– To be settled within one year	**110**	15
– To be settled after one year	**2,106**	1,865
	2,216	1,880

Movement in deferred income tax account is as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Beginning of financial year	**(2,604)**	(2,040)
Currency translation differences	**240**	(107)
Charged/(credited) to income statement [Note 8(a)]	**423**	(457)
End of financial year	**(1,941)**	(2,604)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation
	$'000
2012	
Beginning of financial year	1,880
Currency translation differences	(38)
Charged to income statement	374
End of financial year	2,216
2011	
Beginning of financial year	2,349
Credited to income statement	(469)
End of financial year	1,880

notes to the financial statements

For the financial year ended 31 December 2012

8. INCOME TAX (continued)

(c) Deferred income taxes (continued)

Deferred income tax assets

	Provisions $'000	Excess of net book value over tax written-down value $'000	Other $'000	Total $'000
2012				
Beginning of financial year	(2,825)	(1,616)	(43)	(4,484)
Currency translation differences	51	195	32	278
Charged/(credited) to income statement	218	13	(182)	49
End of financial year	(2,556)	(1,408)	(193)	(4,157)
2011				
Beginning of financial year	(2,847)	(1,192)	(350)	(4,389)
Currency translation differences	(11)	(88)	(8)	(107)
Charged/(credited) to income statement	33	(336)	315	12
End of financial year	(2,825)	(1,616)	(43)	(4,484)

(d) There is no tax (charge)/credit impact relating to each component of other comprehensive income.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2012	**2011**
Net profit attributable to equity holders of the Company ($'000)	**18,326**	38,187
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**584,592**	584,592
Basic earnings per share	**3.13 cents**	6.53 cents

Diluted earnings per share is the same as basic earnings per share. There are no dilutive potential ordinary shares as there are no outstanding share options at the beginning and end of the financial year.

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For the financial year ended 31 December 2012

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash at bank and on hand	**35,944**	52,903	**2,112**	3,595
Short-term bank deposits	**6,526**	5,276	**–**	–
	42,470	58,179	**2,112**	3,595

For the purposes of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2012	2011
	$'000	$'000
Cash and bank balances (as above)	**42,470**	58,179
Less: Bank overdrafts (Note 20)	**(4,070)**	(2,589)
Cash and cash equivalents per consolidated statement of cash flows	**38,400**	55,590

On 1 Dec 2012, the Group acquired a business in New Zealand for a cash consideration of $600,000. The identifiable net assets comprised $400,000 of inventories and $50,000 of other assets. Goodwill arising on this acquisition amounted to $150,000 [Note 18(a)].

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables				
– Non-related parties	**84,567**	97,725	**–**	–
– Associated companies	**1,465**	2,321	**–**	–
	86,032	100,046	**–**	–
Less: Allowance for impairment of receivables - non-related parties	**(1,556)**	(1,494)	**–**	–
Trade receivables – net	**84,476**	98,552	**–**	–
Due from subsidiaries (non-trade)	**–**	–	**50,530**	53,630
Other receivables	**1,849**	11,286	**–**	–
	86,325	109,838	**50,530**	53,630

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

notes to the financial statements

For the financial year ended 31 December 2012

12. INVENTORIES

	Group 2012 $'000	Group 2011 $'000
Materials and supplies	**12,472**	9,713
Work-in-progress	**4,591**	4,501
Finished goods	**117,147**	103,526
	134,210	117,740

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $386,050,000 (2011: $394,789,000).

13. OTHER CURRENT ASSETS

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Prepayments	**12,999**	12,062	**13**	14
Deposits	**1,787**	3,722	**–**	–
	14,786	15,784	**13**	14

14. DERIVATIVE FINANCE INSTRUMENTS

	Contract notional amount $'000	Group and Company Fair value Asset $'000	Group and Company Fair value Liability $'000
2012			
Non-hedging instruments			
– Currency swaps	**14,000**	**104**	**(23)**
Less: Current portion		**–**	**23**
Non-current portion		**104**	**–**
2011			
Non-hedging instruments			
– Currency swaps	18,000	–	1,019
Less: Current portion		–	(382)
Non-current portion		–	637

During the prior year, the Company obtained a S$20,000,000 bank loan denominated in Singapore dollar. The loan has been measured initially at fair value and subsequently at amortised cost. At the same time, the Company entered into a swap arrangement with the bank to swap the loan to US$16,000,000. As at 31 December 2012, the outstanding amount of the loan is S$14,000,000 (Note 20) and the corresponding contract notional amount of the swap is US$11,254,000 (S$14,000,000) [2011: US$14,470,000 (S$18,000,000)].

The swap is a derivative financial instrument which is marked-to-market at each balance sheet date. As at 31 December 2012, a fair value gain of $1,100,000 [2011: loss of $1,019,000] (Note 4), has been recognised in profit and loss.

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For the financial year ended 31 December 2012

15. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2012 $'000	2011 $'000
Beginning of financial year	**15,498**	20,722
Share of profit, net of tax	**802**	1,005
Currency translation differences	**–**	(623)
Disposal	**–**	(5,606)
Dividend income	**(163)**	–
End of financial year	**16,137**	15,498

The summarised financial information of an associated company, not adjusted for the proportionate ownership interest held for the Group, is as follows:

	Group	
	2012 $'000	2011 $'000
– Assets	**51,517**	57,714
– Liabilities	**26,612**	32,133
– Revenue	**76,216**	80,470
– Net profit	**2,149**	2,103

Details of associated company are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding	
			2012 %	2011 %
Held by a subsidiary:				
OZ S.p.A *	Investment holding, manufacturer, importer, exporter and distributor of alloy wheels	Italy	**36**	36

* Audited by Deloitte and Touche, Italy.

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16. INVESTMENTS IN SUBSIDIARIES

	Company 2012 $'000	Company 2011 $'000
Equity investment at cost		
Beginning of financial year	**95,697**	95,697
Additions	**4,425**	–
End of financial year	**100,122**	95,697

During the financial year, the Group incorporated a subsidiary, YHI (Vietnam) Co Ltd, with share capital amounting to $319,000.

During the financial year, the Company acquired YHI Power Pty Ltd from a subsidiary for a consideration of $4,425,000 and the effective equity holding has increased from 64% to 80%.

Details of subsidiaries are as follows:

	Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2012 %	Effective equity holding 2011 %
	Held by the Company:				
(a)	YHI Manufacturing (Singapore) Pte Ltd	Investment holding, importer, exporter and distributor of alloy wheels and related goods	Singapore	**100**	100
(a)	YHI Corporation (Singapore) Pte Ltd	Importer, exporter and distributor of tyres, alloy wheels and related goods and industrial batteries	Singapore	**100**	100
(b)	YHI (Malaysia) Sdn Bhd	Importer and distributor of tyres, alloy wheels and related goods and industrial batteries	Malaysia	**100**	100
(c)	YHI (China) Strategy Company Limited	Investment holding, trading of golf car accessories and related goods	Hong Kong	**100**	100
(c)	YHI (Hong Kong) Co Limited	Importer, exporter and distributor of tyres, alloy wheels and related goods	Hong Kong	**100**	100
(d)	YHI International (Taiwan) Co., Ltd.	Manufacturing, distribution and export of alloy wheels	Taiwan	**100**	100
(e)	YHI (Australia) Pty Limited	Importer and distributor of tyres, alloy wheels and related goods	Australia	**80**	80
(f)	YHI (New Zealand) Limited	Importer and distributor of tyres, alloy wheels and related goods	New Zealand	**70**	70
(e)	YHI Power Pty Ltd	Importer and distributor of industrial batteries	Australia	**80**	–

notes to the financial statements

For the financial year ended 31 December 2012

16. INVESTMENTS IN SUBSIDIARIES (continued)

	Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2012 %	Effective equity holding 2011 %
	Held by subsidiaries:				
(g), (h)	YHI Manufacturing (Shanghai) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**100**	100
(g), (h)	YHI Advanti Manufacturing (Shanghai) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**100**	100
(g), (h)	YHI Precision Moulding (Shanghai) Co., Ltd	Manufacturing and supply of alloy wheels moulds	People's Republic of China	**100**	100
(g), (h)	YHI Advanti Manufacturing (Suzhou) Co Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**100**	100
(b)	YHI Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**100**	100
(a)	YHI (America) Pte Ltd	Investment holding	Singapore	**100**	100
(i)	Pan-Mar Corporation D/B/A Konig (American)	Importer, exporter and distributor of tyres, alloy wheels and related goods	United States of America	**95**	95
(h),(j)	YHI Corporation Japan Co., Ltd	Importer, exporter and distributor of alloy wheels and related goods	Japan	**90**	60
(g), (h)	YHI International Marketing (Shanghai) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**–**	100
(e)	YHI Power Pty Limited	Importer and distributor of industrial batteries	Australia	**–**	64
(k)	YHI Corporation (Thailand) Co Ltd	Distribution of tyres, alloy wheels and related goods	Thailand	**49**	49
(b)	Evo-Trend Corporation (Malaysia) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Malaysia	**70**	70
(l)	YHI Corporation (Guangzhou) Co Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**100**	100
(m)	YHI (Canada) Inc.	Importer, exporter and distributor of tyres, alloy wheels and related goods	Canada	**90**	90
(i)	Advanti Racing USA LLC	Importer, exporter and distributor of tyres, alloy wheels and related goods	United States of America	**86**	86

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16. INVESTMENTS IN SUBSIDIARIES (continued)

	Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2012 %	2011 %
	Held by subsidiaries:				
(n)	PT YHI Indonesia	Distribution of tyres, alloy wheels and related goods	Indonesia	**90**	95
(o)	YHI Corporation (B) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Negara Brunei Darussalam	**100**	100
(p)	YHI Corporation (Shanghai) Co. Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**90**	100
(p)	YHI Advanti (Shanghai) Co. Ltd	Importer, exporter and distributor of alloy wheels and related goods	People's Republic of China	**100**	100
(b)	YHI Advanti Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**100**	100
(p)	YHI Corporation (Beijing) Co Ltd	Distribution of alloy wheels and related goods	People's Republic of China	**100**	100
(q)	YHI (Vietnam) Co Ltd	Distribution of tyres, alloy wheels and related goods	Vietnam	**85**	–

(a) Audited by PricewaterhouseCoopers LLP, Singapore
(b) Audited by SE Lai Associates, Malaysia
(c) Audited by Wilson Ho & Co. C.P.A., Hong Kong
(d) Audited by KPMG, Taiwan
(e) Audited by Lamb Lowe & Partners, Australia. During the financial year, the Company acquired HI Power Pty from a consideration of $4,425,000 and the effective equity holding has increased from 64% to 80%.
(f) Audited by PricewaterhouseCoopers, New Zealand
(g) Audited by Shanghai Da Long Certified Public Accountants Co., Ltd for local statutory purposes.
(h) Audited by PricewaterhouseCoopers LLP firms outside Singapore for the purposes of preparation of consolidated financial statements
(i) Audited by J.P. Marsala & Co., United States of America.
(j) Not required to be audited under the laws of the country of incorporation
(k) YHI Corporation (Thailand) Co Ltd is regarded as a subsidiary on the basis that the Group has power to govern its financial and operating policies. This subsidiary is audited by Adisorn & Associates Ltd, Thailand
(l) Audited by Guangzhou Haizheng Public Accountants Co., Ltd for local statutory purposes. For the purpose of preparing the consolidated financial statements, these financial statements have been audited by Wilson Ho & Co. C.P.A., Hong Kong
(m) Audited by Henderson Tse Chartered Accountants, Canada
(n) Audited by Salaki & Salaki, Indonesia
(o) Audited by Lee & Raman (CPA), Brunei
(p) Not required to be audited under the laws of the country of incorporation.
(q) Audited by Tin Viet Auditing and Consulting Company Limited

For the subsidiaries not audited by PricewaterhouseCoopers LLP, Singapore and its network firms, the Board of Directors and the Audit Committee are satisfied with the appointment of their auditors in accordance with Rule 716 of the Listing Manual of the SGX-ST – Listing Rules.

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17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Leasehold properties	Office equipment plant and machinery	Motor vehicles	Renovation	Computers	Furniture and fittings	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
2012										
Cost										
Beginning of financial year	3,431	10,420	32,007	101,384	6,288	1,096	3,548	1,460	23,212	182,846
Currency translation differences	–	(366)	(1,597)	(4,301)	(197)	(38)	(140)	(59)	–	(6,698)
Additions	–	2,738	9,063	21,422	1,544	286	361	463	6,741	42,618
Transfer from construction-in-progress	–	–	29,722	–	–	–	–	–	(29,722)	–
Disposals	–	–	(58)	(2,928)	(817)	(187)	(184)	(281)	–	(4,455)
End of financial year	3,431	12,792	69,137	115,577	6,818	1,157	3,585	1,583	231	214,311
Accumulated depreciation and impairment loss										
Beginning of financial year	–	1,033	5,767	49,799	3,183	791	2,387	1,041	–	64,001
Currency translation differences	–	(31)	(275)	(2,347)	(102)	(30)	(107)	(45)	–	(2,937)
Depreciation	–	256	1,696	11,533	875	125	513	135	–	15,133
Disposals	–	–	(36)	(2,563)	(619)	(132)	(168)	(276)	–	(3,794)
End of financial year	–	1,258	7,152	56,422	3,337	754	2,625	855	–	72,403
Net book value										
End of financial year	**3,431**	**11,534**	**61,985**	**59,155**	**3,481**	**403**	**960**	**728**	**231**	**141,908**
Group										
2011										
Cost										
Beginning of financial year	3,431	9,687	28,879	81,410	5,954	1,215	3,070	1,503	1,317	136,466
Currency translation differences	–	(254)	1,051	2,051	27	(5)	59	11	–	2,940
Additions	–	987	2,351	23,826	1,399	79	726	196	21,895	51,459
Disposals	–	–	(274)	(5,903)	(1,092)	(193)	(307)	(250)	–	(8,019)
End of financial year	3,431	10,420	32,007	101,384	6,288	1,096	3,548	1,460	23,212	182,846
Accumulated depreciation and impairment loss										
Beginning of financial year	–	836	5,093	42,063	3,108	733	2,526	1,176	–	55,535
Currency translation differences	–	(13)	145	1,498	27	(2)	56	14	–	1,725
Depreciation	–	210	759	9,640	785	161	305	98	–	11,958
Disposals	–	–	(230)	(3,402)	(737)	(101)	(500)	(247)	–	(5,217)
End of financial year	–	1,033	5,767	49,799	3,183	791	2,387	1,041	–	64,001
Net book value										
End of financial year	**3,431**	**9,387**	**26,240**	**51,585**	**3,105**	**305**	**1,161**	**419**	**23,212**	**118,845**

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles $'000
Company	
2012	
Cost	
Beginning and end of financial year	550
Accumulated depreciation	
Beginning of financial year	463
Depreciation charge	49
End of financial year	512
Net book value	
End of financial year	**38**
2011	
Cost	
Beginning and end of financial year	550
Accumulated depreciation	
Beginning of financial year	397
Depreciation charge	65
End of financial year	462
Net book value	
End of financial year	**88**

(a) Included in additions in the consolidated financial statements are motor vehicles and office equipment, plant and machinery acquired under finance leases amounting to $149,000 (2011: $243,000) and $1,461,000 (2011: $2,868,000) respectively.

The carrying amounts of motor vehicles, and office equipment, plant and machinery held under finance leases are $551,982 (2011: $244,000) and $3,482,433 (2011: $3,118,000) respectively at the balance sheet date.

(b) Bank borrowings [Note 20(a)] are secured on property, plant and equipment of the Group with carrying amounts as follows:

	Group	
	2012 $'000	2011 $'000
Freehold land	**2,089**	3,278
Buildings on freehold land	**2,252**	9,080
Construction-in-progress	**28,967**	21,696
Leasehold properties	**114**	117
Plant and machinery	**6,526**	16,073
Other equipment	**3,465**	2,949
	43,413	53,193

notes to the financial statements

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18. INTANGIBLE ASSETS

Composition:

	Group 2012 $'000	Group 2011 $'000
Goodwill arising on consolidation [Note (a)]	**1,681**	1,531
Trademark [Note (b)]	**1,550**	1,612
	3,231	3,143

(a) Goodwill arising on consolidation

	Group 2012 $'000	Group 2011 $'000
Cost		
Beginning of financial year	**2,301**	2,301
Additions	**150**	–
End of financial year	**2,451**	2,301
Accumulated impairment		
Beginning and end of financial year	**770**	770
Net book value	**1,681**	1,531

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

	Distribution of automotive products and industrial products 2012 $'000	Distribution of automotive products and industrial products 2011 $'000
Singapore	**881**	881
Malaysia	**505**	505
China/Hong Kong	**59**	59
New Zealand	**236**	86
	1,681	1,531

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the component parts business in which the CGU operates.

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18. INTANGIBLE ASSETS (continued)

(a) Goodwill arising on consolidation (continued)

Key assumptions used for value-in-use calculations:

	Distribution of automotive products and industrial products			
	2012		**2011**	
	Singapore	**Malaysia**	Singapore	Malaysia
Gross margin [1]	**21%**	**22%**	21%	23%
Growth rate [2]	**5%**	**4%**	12%	7%
Discount rate [3]	**7%**	**13%**	7%	11%

[1] Average budgeted gross margin

[2] Average growth rate used to extrapolate cash flows from the first to fifth year. Weighted average growth rate beyond the fifth year is 1% (2011: 1%) per annum.

[3] Average pre-tax discount rate applied to the pre-tax cash flow projections.

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflect specific risks relating to the segment.

(b) Trademark

	Group	
	2012 **$'000**	**2011** **$'000**
Cost		
Beginning and end of financial year	**1,861**	1,861
Accumulated amortisation		
Beginning of financial year	**249**	187
Amortisation charge (Note 5)	**62**	62
End of financial year	**311**	249
Net book value	**1,550**	1,612

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19. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade payables to				
– Non-related parties	**16,688**	24,203	**–**	–
– Associated companies	**293**	328	**–**	–
	16,981	24,531	**–**	–
Due to directors (non-trade) [Note (a)]	**2,867**	4,702	**2,867**	4,702
Accrued operating expenses	**10,142**	11,959	**537**	616
Provision for employees leave entitlement [Note (b)]	**2,249**	2,483	**–**	–
Other payables	**12,501**	10,788	**278**	329
Advance payments received	**765**	2,224	**–**	–
	45,505	56,687	**3,682**	5,647

(a) This amount relates primarily to performance bonus payable to the Executive Directors of the Company based on the results of the financial year ended pursuant to the service agreements between the Executive Directors and the Company.

(b) Movement in provision for employees leave entitlement is as follows:

	Group	
	2012	2011
	$'000	$'000
Beginning of financial year	**2,483**	1,990
Currency translation differences	**(72)**	7
Provision made	**824**	618
Provision utilised	**(986)**	(132)
End of financial year	**2,249**	2,483

20. BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current				
Current portion of long-term bank loans	**6,832**	4,993	**6,400**	4,000
Short-term bank loans	**38,998**	60,357	**–**	–
Trust receipt loans	**35,288**	27,234	**–**	–
Bank overdrafts (Note 10)	**4,070**	2,589	**–**	–
Finance lease liabilities (Note 21)	**1,690**	1,273	**–**	–
	86,878	96,446	**6,400**	4,000
Non-current				
Long-term bank loans	**41,215**	18,131	**17,800**	14,000
Finance lease liabilities (Note 21)	**4,374**	3,487	**–**	–
	45,589	21,618	**17,800**	14,000
Total borrowings	**132,467**	118,064	**24,200**	18,000

20. BORROWINGS (continued)

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
6 months or less	**77,542**	91,451	**3,200**	2,000
6 – 12 months	**9,336**	4,995	**3,200**	2,000
1 – 5 years	**34,191**	21,618	**17,800**	14,000
Over 5 years	**11,398**	–	**–**	–
	132,467	118,064	**24,200**	18,000

(a) Security granted

Certain borrowings granted to the Group are guaranteed by the Company and secured on the following:

(i) Borrowings of $1,199,000 (2011: $1,825,000) are secured over a first legal mortgage on certain subsidiaries' freehold and leasehold properties [Note 17(b)];

(ii) Borrowings of $9,245,000 (2011: $11,020,000) are secured over a first legal charge on plant and machinery of certain subsidiaries [Note 17(b)];

(iii) Borrowings of $56,377,000 (2011: $51,164,000) are secured over a fixed and floating charge on all the assets of certain subsidiaries; and

(iv) Borrowings of $2,772,000 (2011: $3,305,000) are secured over banker's guarantees, up to $8.0 million (2011: $8.0 million), given as security to other financial institutions which granted banking facilities to certain subsidiaries. The banker's guarantees are in turn secured by a fixed and floating charge on all the assets of a subsidiary referred to in paragraph (iii) above.

Finance lease liabilities are secured by the rights to the leased property, plant and equipment [Note 17(a)], which will revert back to the lessor in the event of default by the Group.

(b) Fair values of non-current borrowings

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Long-term bank loans	**38,546**	17,092	**24,440**	13,136
Finance lease liabilities	**4,374**	3,487	**–**	–

The fair values above are determined from cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expected to be available to the Group as follows:

	Group		Company	
	2012	2011	2012	2011
Long-term bank loans	**2.7%**	2.9%	**2.9%**	2.8%
Finance lease liabilities	**7.2%**	7.6%	**–**	–

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20. BORROWINGS (continued)

(c) Interest rate risk

The Group weighted average effective per annum interest rates of total borrowings at the balance sheet date are as follows:

	2012							2011						
	AUD %	NZD %	MYR %	SGD %	USD %	RMB %	Other %	AUD %	NZD %	MYR %	SGD %	USD %	RMB %	Other %
Trust receipt loan	**6.9**	**–**	**4.2**	**–**	**3.5**	**–**	**7.0**	7.7	–	3.9	2.1	–	–	5.6
Bank overdrafts	**–**	**8.7**	**7.9**	**–**	**–**	**–**	**8.3**	–	–	7.6	–	–	–	8.3
Bank loans	**–**	**4.4**	**5.3**	**2.5**	**–**	**4.1**	**2.1**	–	4.6	6.1	2.2	–	7.2	1.8
Finance lease liabilities	**9.0**	**–**	**5.6**	**–**	**–**	**–**	**7.2**	10.2	–	5.6	–	–	–	1.5

The Company's weighted average effective per annum interest rates of total borrowings at the balance sheet date is 2.9% (2011: 2.8%) per annum.

21. FINANCE LEASE LIABILITIES

The Group leases certain property, plant and equipment from non-related parties under finance leases.

	Group	
	2012 $'000	2011 $'000
Minimum lease payments due:		
– Not later than one year	**2,077**	1,574
– Between two and five years	**4,815**	3,938
	6,892	5,512
Less: Future finance charges	**(828)**	(752)
Present value of finance lease liabilities	**6,064**	4,760

The present values of finance lease liabilities are analysed as follows:

	Group	
	2012 $'000	2011 $'000
Not later than one year (Note 20)	**1,690**	1,273
Between one and five years (Note 20)	**4,374**	3,487
	6,064	4,760

22. SHARE CAPITAL

The share capital of the Company and the Group comprises fully paid-up 584,592,000 (2011: 584,592,000) ordinary shares with no par value, amounting to a total of $77,001,000 (2011: $77,001,000).

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23. OTHER RESERVES

	Group 2012 $'000	Group 2011 $'000
(a) Composition:		
General reserve	**6,471**	6,649
Currency translation reserve	**(10,422)**	(2,878)
Transactions with non-controlling interests	**(2,210)**	(2,116)
	(6,161)	1,655

Other reserves are non-distributable.

	Group 2012 $'000	Group 2011 $'000
(b) Movements:		
(i) General reserve		
Beginning of financial year	**6,649**	6,141
Currency translation differences	**(336)**	269
Transfer from retained earnings	**158**	239
End of financial year	**6,471**	6,649
(ii) Currency translation reserve		
Beginning of financial year	**(2,878)**	(4,866)
Currency translation differences	**(7,544)**	1,988
End of financial year	**(10,422)**	(2,878)
(iii) Transactions with non-controlling interests		
Beginning of financial year	**(2,116)**	–
Acquisition of financial interest in a subsidiary	**–**	(2,116)
Partial disposal of a subsidiary	**(94)**	–
End of financial year	**(2,210)**	(2,116)

General reserve fund

Subsidiaries established in the People's Republic of China (the "PRC Subsidiaries") are required to maintain certain statutory reserves by transferring from their profit after taxation in accordance with the relevant laws and regulations and, if applicable, Articles of Association of the PRC Subsidiaries, before any dividend is declared and paid.

The PRC Subsidiaries are required to transfer at least 10% of their profit after taxation calculated in accordance with the PRC Accounting Standards and Systems, to the general reserve fund until the balance reaches 50% of their respective registered capital, where further transfers will be at their directors' recommendation. The general reserve fund can only be used to make up prior year losses or to increase share capital, provided that the fund does not fall below 25% of the registered capital.

For the current financial year, the Board of Directors of the PRC Subsidiaries approved to appropriate 10% of their profit after taxation to general reserve fund amounted to $158,000 (2011: $239,000).

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24. RETAINED EARNINGS

(a) Retained profits of the Group are distributable except for accumulated retained profits of associated companies amounting to $5,282,000 (2011: $4,480,000). Retained profits of the Company are distributable.

(b) Movement in retained profits for the Company is as follows:

	Company	
	2012	**2011**
	$'000	**$'000**
Beginning of financial year	**50,863**	48,723
Net profit	**8,294**	12,020
Dividends paid (Note 25)	**(11,458)**	(9,880)
End of financial year	**47,699**	50,863

25. DIVIDENDS

	Group and Company	
	2012	**2011**
	$'000	**$'000**
Ordinary dividends paid or proposed		
Final exempt dividend paid in respect of the previous financial year of 1.96 cent (2011: 1.69 cent) per share	**11,458**	9,880

At the Annual General Meeting to be held on 26 April 2013, a final exempt dividend of 1.25 cent per share amounting to a total of $7,307,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2013.

26. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Property, plant and equipment	**–**	15,961

26. COMMITMENTS (continued)

(b) Operating lease arrangements – where the Group is a lessee

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Not later than one year	**4,945**	5,465
Between one and five years	**12,264**	11,836
Later than five years	**8,710**	8,688
	25,919	25,989

Included in the above are the Group's lease commitments in respect of leases of land up to 30 September 2040 for a monthly rental presently of $25,500.

The lease rentals are subject to annual revision up to 5.5% per annum.

27. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group's risk management policies and guidelines are set to monitor and control the potential material adverse impact of these exposures. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Currency risk

The Group operates principally in Asia-Pacific with dominant operations in Singapore, Australia, Malaysia and the People's Republic of China. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Renminbi ("RMB"), Malaysian Ringgit ("MYR"), Australian Dollar ("AUD") and New Zealand Dollar ("NZD"). To manage the currency risk, individual Group entities enter into currency forwards or currency swaps, where appropriate. As at 31 December 2012, the Group does not have any significant outstanding currency forwards contracts except for the S$ bank borrowings obtained which has been swapped to US$ via a currency swap (Note 14). The Group's exposures to foreign currencies are primarily managed through matching financial assets and financial liabilities denominated in foreign currencies. The Group does not utilise currency forwards or other arrangements for trading or speculative purposes.

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For the financial year ended 31 December 2012

27. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	RMB $'000	AUD $'000	MYR $'000	NZD $'000	Other $'000	Total $'000
2012								
Financial assets								
Cash and cash equivalents	5,928	6,705	10,602	3,771	11,254	2	4,208	42,470
Trade and other receivables	13,839	15,030	9,951	24,103	3,224	5,153	15,025	86,325
Derivative financial instruments	104	–	–	–	–	–	–	104
Inter-company balances	49,256	44,181	16,939	3,054	30,113	1,075	1,119	145,737
Other financial assets	161	280	3,618	1,505	5,464	661	3,097	14,786
	69,288	66,196	41,110	32,433	50,055	6,891	23,449	289,422
Financial liabilities								
Borrowings	60,028	2,772	4,624	23,274	14,735	6,159	20,875	132,467
Derivative financial instruments	23	–	–	–	–	–	–	23
Inter-company balances	49,256	44,181	16,939	3,054	30,113	1,075	1,119	145,737
Other financial liabilities	9,004	3,186	10,237	8,560	8,650	1,689	4,179	45,505
	118,311	50,139	31,800	34,888	53,498	8,923	26,173	323,732
Net financial assets/(liabilities)	(49,023)	16,057	9,310	(2,455)	(3,443)	(2,032)	(2,724)	(34,310)
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	10,948	1,016	(15,382)	3,119	(10,338)	2,895	10,626	2,884
Currency exposure on financial assets and liabilities	(38,075)	17,073	(6,072)	664	(13,781)	863	7,902	(31,426)

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27. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

	SGD $'000	USD $'000	RMB $'000	AUD $'000	MYR $'000	NZD $'000	Other $'000	Total $'000
2011								
Financial assets								
Cash and cash equivalents	8,405	23,217	6,029	4,675	11,100	113	4,640	58,179
Trade and other receivables	19,857	28,538	11,721	21,788	2,328	4,865	20,741	109,838
Inter-company balances	52,913	22,074	16,763	2,891	11,161	983	5,547	112,332
Other financial assets	2,542	351	4,249	1,125	4,455	930	2,132	15,784
	83,717	74,180	38,762	30,479	29,044	6,891	33,060	296,133
Financial liabilities								
Borrowings	57,684	8,856	4,478	14,049	12,921	5,416	14,660	118,064
Derivative financial instruments	-	1,019	-	-	-	-	-	1,019
Inter-company balances	52,913	22,074	16,763	2,891	11,161	983	5,547	112,332
Other financial liabilities	13,396	7,044	15,876	7,506	5,037	1,341	6,487	56,687
	123,993	38,993	37,117	24,446	29,119	7,740	26,694	288,102
Net financial assets/(liabilities)	(40,276)	35,187	1,645	6,033	(75)	(849)	6,366	8,031
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	12,785	1,254	(10,183)	716	(8,021)	2,381	(10,266)	(11,334)
Currency exposure on financial assets and liabilities	(27,491)	36,441	(8,538)	6,749	(8,096)	1,532	(3,900)	(3,303)

notes to the financial statements

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27. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	2012					2011				
	SGD $'000	USD $'000	AUD $'000	Other $'000	Total $'000	SGD $'000	USD $'000	AUD $'000	Other $'000	Total $'000
Financial Assets										
Cash and cash equivalents	**2,043**	**69**	**–**	**–**	**2,112**	3,558	37	–	–	3,595
Trade and other Receivables	**32,372**	**13,965**	**2,333**	**1,860**	**50,530**	45,427	–	6,172	2,031	53,630
Other financial assets	**13**	**–**	**–**	**–**	**13**	14	–	–	–	14
Derivative financial instruments	**104**	**–**	**–**	**–**	**104**	–	–	–	–	–
	34,532	**14,034**	**2,333**	**1,860**	**52,759**	48,999	37	6,172	2,031	57,239
Financial Liabilities										
Borrowings	**24,200**	**–**	**–**	**–**	**24,200**	18,000	–	–	–	18,000
Derivative financial instruments	**23**	**–**	**–**	**–**	**23**	–	1,019	–	–	1,019
Other financial liabilities	**3,682**	**–**	**–**	**–**	**3,682**	5,647	–	–	–	5,647
	27,905	**–**	**–**	**–**	**27,905**	23,647	1,019	–	–	24,666
Net financial assets	**6,627**	**14,034**	**2,333**	**1,860**	**24,854**	25,352	(982)	6,172	2,031	32,573
Net financial assets denominated in functional currency	**(6,627)**	**–**	**–**	**–**	**(6,627)**	(25,352)	–	–	–	(25,352)
Currency exposure	**–**	**14,034**	**2,333**	**2,510**	**18,227**	–	(982)	6,172	2,031	7,221

27. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD, RMB and AUD change against the SGD by **0.6**% (2011: 8%), **2**% (2011: 4%) and **0.3**% (2011: 4%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	2012		2011	
	Increase/(decrease)			
	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income
	$'000	$'000	$'000	$'000
Group				
USD against SGD				
– Strengthened	**86**	**(12)**	2,487	(173)
– Weakened	**(86)**	**12**	(2,487)	173
RMB against SGD				
– Strengthened	**(142)**	**207**	(283)	478
– Weakened	**142**	**(207)**	283	(478)
AUD against SGD				
– Strengthened	**16**	**89**	224	583
– Weakened	**(16)**	**(89)**	(224)	(583)
Company				
USD against SGD				
– Strengthened	**70**	**–**	(65)	–
– Weakened	**(70)**	**–**	65	–
AUD against SGD				
– Strengthened	**6**	**–**	205	–
– Weakened	**(6)**	**–**	(205)	–

(ii) Price risk

The Group is not exposed to equity securities price risk arising from the investments held by the Group.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group's policy is to maintain 60% to 80% of its borrowings in short-term or fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings. The Company does not have significant exposure to cash flow interest rate risks. The Group manages these cash flow interest rate risks by reviewing the floating rates periodically.

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27. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in AUD, RMB and MYR. If the AUD, RMB and MYR interest rates increase/decrease by 1% (2011: 1%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by $245,000 (2011: $153,000), $7,000 (2011: $17,000) and $49,000 (2011: $44,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the respective Heads of the various subsidiaries based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Finance.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2012	**2011**
	$'000	**$'000**
Corporate guarantees provided to banks on subsidiaries' loans	**96,645**	88,944

The Company's investment holding activities do not expose it to significant credit risk.

27. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
By geographical areas		
Singapore	**13,635**	16,104
Malaysia	**3,202**	2,403
Taiwan	**158**	247
Australia	**24,044**	21,202
New Zealand	**5,135**	4,863
United States	**4,434**	5,533
United Kingdom	**290**	995
Italy	**1,576**	2,742
Indonesia	**3,553**	7,857
Sweden	**678**	798
People's Republic of China	**10,481**	12,193
Other countries	**17,290**	23,615
	84,476	98,552
By types of customers		
Non-related parties		
– Other companies	**77,573**	87,914
– Individuals	**6,903**	10,638
	84,476	98,552

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group and Company do not have any receivables that would have been past due or impaired if the terms were not re-negotiated during the financial year.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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27. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Past due one month	**2,847**	3,767
Past due two months	**353**	1,748
Past due over two months	**1,820**	974
	5,020	6,489

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Past due one month	**96**	324
Past due two months	**525**	483
Past due over two months	**935**	687
	1,556	1,494
Less: Allowance for impairment	**(1,556)**	(1,494)
	–	–
Beginning of financial year	**1,494**	1,716
Currency translation differences	**(67)**	18
Allowance made	**1,438**	846
Allowance utilised	**(453)**	(327)
Allowance written back	**(856)**	(759)
End of financial year	**1,556**	1,494

The impaired trade receivables are long outstanding and are not expected to be recovered.

(c) Liquidity risk

The Group and Company manage liquidity risk by maintaining sufficient cash and other financial assets to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and Company for managing liquidity risk included cash and short-term bank deposits as disclosed in Note 10.

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27. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year $'000	Between 1 and 5 years $'000	Total $'000
Group			
2012			
Trade and other payables	**45,505**	**–**	**45,505**
Borrowings	**90,605**	**47,017**	**137,622**
	136,110	**47,017**	**183,127**
2011			
Trade and other payables	56,687	–	56,687
Borrowings	100,131	22,413	122,544
	156,818	22,413	179,231
Company			
2012			
Trade and other payables	**3,682**	**–**	**3,682**
Borrowings	**6,584**	**18,313**	**24,897**
	10,266	**18,313**	**28,579**
2011			
Trade and other payables	5,647	–	5,647
Borrowings	4,114	14,398	18,512
	9,761	14,398	24,159

The table below analyses the derivative financial instruments of the Group and the Company for which the contractual maturity is essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000	Between 1 and 5 years $'000	Total $'000
Group and Company			
2012			
Net-settled currency swap			
– Net cash outflows	**4,115**	**10,288**	**14,403**
2011			
Net-settled currency swap			
– Net cash outflows	4,114	14,398	18,512

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27. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group's and Company's strategies, which were unchanged from 2011, are to maintain gearing ratios within 50% to 70%.

The gearing ratio is calculated as total borrowings divided by total capital and reserves attributable to equity holders of the Company.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Total borrowings	**132,467**	118,064	**24,200**	18,000
Total capital and reserves attributable to equity holders	**247,241**	248,347	**124,700**	127,864
Gearing ratio	**54%**	48%	**19%**	14%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

27. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements

The following table presents the assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 $'000	Level 2 $'000	Total $'000
Group			
As at 31 December 2012			
Derivative financial instruments			
– Asset	–	104	104
– Liability	–	23	23
As at 31 December 2011			
Derivative financial instruments			
– Asset	–	–	–
– Liability	–	1,019	1,019

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

28. IMMEDIATE AND ULTIMATE HOLDING CORPORATION

The immediate and ultimate holding corporation is YHI Holdings Pte Ltd, incorporated in Singapore.

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For the financial year ended 31 December 2012

29. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group	
	2012	**2011**
	$'000	**$'000**
Sales of goods to associated companies	**9,825**	13,157
Purchases of goods from associated companies	**(702)**	(805)
Legal fees paid to a firm in which a director has a financial interest	**6**	–

Outstanding balances at 31 December 2012, arising from sale/purchase of goods to/from associated companies, are unsecured and receivable/payable within 12 months from balance sheet date, are set out in Notes 11 and 19 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Salaries and other short-term employee benefits	**6,691**	10,124
Post-employment benefits – contribution to CPF	**204**	195
	6,895	10,319

Included in the above was total compensation to directors of the Company amounted to $3,871,000 (2011: $5,706,000).

30. SEGMENT INFORMATION

The Company has determined the operating segments based on the reports reviewed by senior management that are used to make strategic decisions.

Management manages and monitors the business segments as follows:

- Manufacturing
  – Geographical areas include China, Malaysia and Taiwan which are engaged in the manufacturing of alloy wheels.

- Distribution
  – Geographical areas include North East Asia, ASEAN and Oceania regions which are engaged in the distribution of automotive and industrial products.

notes to the financial statements

For the financial year ended 31 December 2012

30. SEGMENT INFORMATION (continued)

The segment information provided to senior management for the reportable segments for the year ended 31 December 2012 is as follows:

	Manufacturing segment	Distribution segment					
		North East Asia	ASEAN	Oceania	Others	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales							
Total segment sales	171,358	37,473	178,605	159,024	19,476	394,578	565,936
Inter-segment sales	(24,814)	–	–	–	–	–	(24,814)
Sales to external parties	146,544	37,473	178,605	159,024	19,476	394,578	541,122
Segment result	(360)	2,828	16,630	14,630	223	34,311	33,951
Other gains – net							2,722
Unallocated costs							(50)
							36,623
Finance expenses							(5,540)
Share of profit of associated companies	802	–	–	–	–	–	802
Profit before income tax							31,885
Income tax expense							(10,755)
Net profit							**21,130**
Segment assets	195,241	23,304	114,078	94,877	5,145	237,404	432,645
Segment assets includes:							
Investment in associated companies	16,137	–	–	–	–	–	16,137
Additions to:							
– property, plant and equipment	29,641	80	10,606	2,268	23	12,977	42,618
– goodwill	–	–	–	150	–	150	150
Segment liabilities	(18,086)	(3,367)	(9,611)	(10,344)	(4,120)	(27,442)	(45,528)

notes to the financial statements

For the financial year ended 31 December 2012

30. SEGMENT INFORMATION (continued)

The segment information provided to senior management for the reportable segments for the year ended 31 December 2011 is as follows:

	Manufacturing segment	Distribution segment					
		North East Asia	ASEAN	Oceania	Others	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales							
Total segment sales	183,188	31,912	197,459	141,007	18,949	389,327	572,515
Inter-segment sales	(21,905)	-	-	-	-	-	(21,905)
Sales to external parties	161,283	31,912	197,459	141,007	18,949	389,327	550,610
Segment result	1,183	1,225	29,411	12,863	78	43,577	44,760
Gain on disposal of investment in an associated company	–	–	2,394	–	–	2,394	2,394
Other gains – net							8,788
Unallocated costs							(65)
							55,877
Finance expenses							(4,587)
Share of profit of associated companies	859	–	146	–	–	146	1,005
Profit before income tax							52,295
Income tax expense							(11,187)
Net profit							**41,108**
Segment assets	183,427	18,494	144,759	80,004	7,067	250,324	433,751
Segment assets includes:							
Investment in associated companies	15,498	–	–	–	–	–	15,498
Additions to:							
– property, plant and equipment	25,526	29	23,887	1,835	182	25,933	51,459
Segment liabilities	(23,861)	(6,343)	(14,320)	(8,938)	(4,244)	(33,845)	(57,706)

Sales between segments are carried out at arm's length. The revenue from external parties reported to senior management is measured in a manner consistent with that in profit or loss.

Senior management assesses the performance of the operating segments based on segment result. This measurement basis excludes other gains and other unallocated costs. Finance expenses are not allocated to segments, as this type of activity is driven by the Group's treasury, which manages the cash position of the Group.

notes to the financial statements

For the financial year ended 31 December 2012

30. SEGMENT INFORMATION (continued)

(a) Reconciliations

(i) Segment assets

The amounts provided to senior management with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, senior management monitors the property, plant and equipment, intangible assets, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments other than deferred income tax assets, short-term bank deposits and transferable club membership.

Segment assets are reconciled to total assets as follows:

	Group	
	2012	**2011**
	S$'000	**S$'000**
Segment assets for reportable segments	**427,500**	426,684
Other segment assets	**5,145**	7,067
Unallocated:		
Deferred income tax assets	**4,157**	4,484
Short-term bank deposits	**6,526**	5,276
Transferable club membership, at cost	**181**	181
	443,509	443,692

(ii) Segment liabilities

The amounts provided to senior management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities and borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2012	**2011**
	S$'000	**S$'000**
Segment liabilities for reportable segments	**41,408**	53,462
Other segment liabilities	**4,120**	4,244
Unallocated:		
Income tax liabilities	**2,209**	5,471
Deferred tax liabilities	**2,216**	1,880
Borrowings	**132,467**	118,064
	182,420	183,121

notes to the financial statements

For the financial year ended 31 December 2012

30. SEGMENT INFORMATION (continued)

(b) Revenue from major products and services

Revenues from external customers are derived mainly from distribution of automotive and industrial products and manufacturing of alloy wheels. Breakdown of the revenue is as follows:

	Group	
	2012	**2011**
	S$'000	**S$'000**
Distribution of automotive and related products	**394,577**	389,328
Manufacturing of alloy wheels	**146,545**	161,282
	541,122	550,610

(c) Geographical information

The Group's two business segments operate in the following geographic areas:

	Sales *		Non-current assets	
	Group		Group	
	2012	**2011**	**2012**	**2011**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore	**76,385**	99,517	**32,987**	24,704
Malaysia	**104,388**	97,721	**45,931**	23,875
China/Hong Kong	**126,930**	140,895	**70,976**	78,514
Taiwan	**21,315**	19,156	**2,918**	2,924
Australia	**128,706**	115,031	**5,525**	4,821
New Zealand	**30,318**	25,976	**1,015**	749
Other countries	**53,080**	52,314	**2,028**	1,899
	541,122	550,610	**161,380**	137,486

* Sales are attributed to countries on the basis of the Group's subsidiaries locations.

There are no revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue (2011: nil).

notes to the financial statements

For the financial year ended 31 December 2012

31. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

- <u>Amendment to FRS 1 - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on 1 July 2012)</u>
  The amendment is applicable retrospectively to annual periods beginning on or after 1 July 2012. It requires items presented in other comprehensive income ("OCI") to be separated into two groups, based on whether they may be recycled to profit or loss in the future.

- <u>FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)</u>
  FRS 110 replaces all of the guidance on control and consolidation in FRS 27 "Consolidated and Separate Financial Statements" and INT FRS 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of FRS 110 and intends to apply the standard from 1 January 2014.

- <u>FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)</u>
  FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group has yet to assess the full impact of FRS 112 and intends to adopt the standard from 1 January 2014.

- <u>FRS 113 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)</u>
  FRS 113 provides consistent guidance across FRSs on how fair value should be determined and which disclosures should be made in the financial statements. The Group has yet to assess the full impact of FRS 113 and intends to adopt the standard from 1 January 2013.

32. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of YHI International Limited on 8 March 2013.

statistics of shareholdings

As at 12 March 2013

ANALYSIS OF SHAREHOLDINGS

Number of Shares	584,591,628
Class of Shares	ordinary shares
Voting rights	one vote per share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 999	86	4.50	34,728	0.00
1,000 – 10,000	592	30.98	3,670,583	0.63
10,001 – 1,000,000	1,215	63.58	82,407,489	14.10
1,000,001 and above	18	0.94	498,478,828	85.27
Total	**1,911**	**100.00**	**584,591,628**	**100.00**

Public Shareholders	%
Non public shareholders	63.2
Public shareholders	36.8

Pursuant to Rule 723 of the Listing Manual of the SGX-ST, it is confirmed that at least 10% of the issued ordinary shares of the Company is at all times held by the public.

SUBSTANTIAL SHAREHOLDERS

	No.of Shares		
	Direct Interest	Deemed Interest	%
YHI Holdings Pte Ltd	341,391,628	–	58.40
Tay Tian Hoe Richard	–	365,265,628	62.48[1]
Tay Tiang Guan	705,000	344,891,628	59.12[2]
Tay Soek Eng Margaret	–	341,391,628	58.40[3]

Note

(1) *Mr Tay Tian Hoe Richard is deemed to have an interest in the following shares by virtue of Section 7 of the Companies Act, Cap. 50:*

Shares held in the name of YHI Holdings Pte Ltd	*341,391,628*
Shares held in the name of nominees	*23,874,000*
	365,265,628

(2) *Mr Tay Tiang Guan is deemed to have an interest in the following shares by virtue of Section 7 of the Companies Act, Cap. 50:*

Shares held in the name of YHI Holdings Pte Ltd	*341,391,628*
Shares held in the name of nominees	*3,100,000*
Shares held by his spouse, Mdm Lam Foon Fong	*400,000*
	344,891,628

(3) *Mdm Tay Soek Eng Margaret is deemed to have an interest in the 341,391,628 shares held in the name of YHI Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.*

statistics of shareholdings

As at 12 March 2013

TWENTY LARGEST SHAREHOLDERS AS AT 12 MARCH 2013

	Name of Shareholder	No. of Shares	% of Shareholdings
1.	YHI HOLDINGS PTE LTD	341,391,628	58.40
2.	HSBC (SINGAPORE) NOMINEES PTE LTD	38,876,000	6.65
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	22,725,000	3.89
4.	BANK OF SINGAPORE NOMINEES PTE LTD	22,172,000	3.79
5.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	19,922,000	3.41
6.	DBS NOMINEES PTE LTD	12,339,400	2.11
7.	NG CHWEE CHENG	8,067,000	1.38
8.	RAFFLES NOMINEES (PTE) LTD	5,938,000	1.01
9.	MAYBANK KIM ENG SECURITIES PTE LTD	4,894,400	0.84
10.	ORIX INVESTMENT AND MANAGEMENT PTE LTD	4,800,000	0.82
11.	PHILLIP SECURITIES PTE LTD	4,304,200	0.73
12.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,681,400	0.46
13.	TAN YONG CHIANG OR TAN HUI LIANG	2,085,000	0.35
14.	OCBC SECURITIES PRIVATE LTD	1,825,800	0.31
15.	LIM & TAN SECURITIES PTE LTD	1,806,000	0.31
16.	YEO SWEE LIN	1,757,000	0.30
17.	LEE LING LING	1,735,000	0.30
18.	LIM KIM PON	1,159,000	0.20
19.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	972,000	0.17
20.	8 CAPITAL PTE LTD	926,000	0.16
	Total:	**500,376,828**	**85.59**

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of YHI International Limited (the "Company") will be held at 2 Pandan Road, Singapore 609254 on 26 April 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of 1.25 Singapore cents per ordinary share for the financial year ended 31 December 2012 (2011: 1.96 Singapore cents). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:

   Mr Hee Theng Fong **(Resolution 3)**
   Mr Tay Tiang Guan **(Resolution 4)**

   Mr Hee Theng Fong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Chairman of the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

4. To approve the payment of Directors' fees of S$190,000.00 for the financial year ended 31 December 2012 (2011: S$180,000.00). **(Resolution 5)**

5. To re-appoint PricewaterhouseCoopers LLP, Certified Public Accountants as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to allot and issue shares in the capital of the Company ("Shares") – Share Issue Mandate

   "THAT, pursuant to Section 161 of the Companies Act, Chapter 50 (the "Act") and Rule 806 of the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company (the "Shares") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require the Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

   (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

notice of annual general meeting

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new Shares arising from the conversion or exercise of convertible securities;

   (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

   (c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."
[See Explanatory Note (i)] **(Resolution 7)**

8. Authority to grant options and issue shares under the YHI Share Option Scheme

"THAT the Directors of the Company be and are hereby authorised to offer and grant options and share awards in accordance with the YHI Share Option Scheme (the "Scheme") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time."
[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 5 April 2013

notice of annual general meeting

Explanatory Notes:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time the Ordinary Resolution 7 is passed.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 2 Pandan Road, Singapore 609254 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

IMPORTANT:
1. For investors who have used their CPF monies to buy YHI International Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

YHI INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)
(Company Registration Number: 200007455H)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

I/We,____ (name) of

____(address) being a member/members of YHI International Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %
and/or *(delete as appropriate)*			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 2 Pandan Road, Singapore 609254 on 26 April 2013 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' and Auditor's Report and Audited Accounts of the Company for the year ended 31 December 2012		
2.	Payment of proposed first and final dividend of 1.25 Singapore cents per ordinary share		
3.	Re-election of Mr Hee Theng Fong as Director of the Company		
4.	Re-election of Mr Tay Tiang Guan as Director of the Company		
5.	Approval of Directors' fees amounting to S$190,000.00 for the financial year ended 31 December 2012 (2011: S$180,000.00)		
6.	Re-appointment of PricewaterhouseCoopers LLP, Certified Public Accountants as Auditors and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue shares in the capital of the Company ("Shares") – Share Issue Mandate		
8.	Authority to grant options and issue shares under the YHI Share Option Scheme		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this______________________day of _________________2013

Total number of Shares in:	No. of Shares Held
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have shares entered against your name in Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

4. A proxy need not be a member of the Company.

5. This proxy form must be deposited at the Company's registered office at No. 2 Pandan Road, Singapore 609254 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

YHI

友 发 国 际 有 限 公 司

YHI INTERNATIONAL LIMITED

Listed on the mainboard of the Singapore Exchange
Company Registration Number 200007455H

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