CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

The year 2022 was indeed very challenging. In the 2021 Annual Report, I had informed that there would be uncertainties and downside risks in 2022. Many of these risks were in fact realised and the severity of some was even beyond our expectations.

A FALTERING GLOBAL ECONOMY

The global economy entered 2022 in a weaker position as the fragile recovery in 2021 was battered by headwinds and faltered. Rising energy prices and supply disruptions in the United States, Europe and emerging markets had stoked higher inflation. China continued to grapple with COVID-19 outbreaks, leading to travel restrictions and lockdowns across the country including key manufacturing and business hubs.

The Russia-Ukraine war which started in February 2022, sent shock waves across the world. It created a severe energy crisis spurring further inflationary pressures and uncertainties, impacting not only Europe but also the world.

Elevated inflation risk has triggered a tightening of global financial conditions. Central banks of major economies such as the US Federal Reserve, European Central Bank and Reserve Bank of Australia undertook several rounds of interest rates hikes in 2022 to curb surging inflation.

> A STRONG FINANCIAL FOUNDATION IS IMPORTANT IN PROVIDING THE NECESSARY RESOURCES AND STRENGTHS TO WITHSTAND HEADWINDS AND MITIGATE ADVERSITIES. OVER THE YEARS, THE GROUP HAS ADHERED TO THE "3R" STRATEGY OF REDUCING STOCKS, ACCOUNTS RECEIVABLES AND OPERATING COSTS.

Geopolitical tensions, persistent inflation and higher interest rates, have cast a pall on global markets for automobiles and automotive products including tyres and wheels which constitute the Group's core product offerings.

A YEAR OF TWO HALVES

As a global company with international presence spanning more than 100 countries across the Asia-Pacific, North America and Europe, YHI is invariably affected by the ebbs

CHAIRMAN'S MESSAGE

and flows of global and regional economic and geopolitical trends. In the face of diverse challenges in various markets, the Group has stayed agile and responded to changes in the business environment with decisiveness and adroitness.

The Group has entered 2022 with greater resilience. The growth momentum in 2021 was carried forward into the first half of 2022. Except for China, markets in North America, Europe and the Asia-Pacific had relaxed pandemic restrictions and adjusted to living with COVID-19. The emerging positive market conditions have driven demand for the Group's tyres, energy and other industrial products and solutions. The Group was able to take advantage of the improved business and consumer sentiments to strengthen its international networks and ramp up its sales and marketing efforts.

Riding on the momentum, the Group's performance for 1HFY2022 was comparable to the same period in FY2021. Contribution by the distribution business remained robust in ASEAN, Oceania and USA. With the lifting of travel restrictions, people are driving more in big markets like North America, Australia and New Zealand, necessitating more frequent replacement of tyres and batteries.

The Group's alloy wheel manufacturing activities in Malaysia and Taiwan also turned in steady performances, recording 9.1% increase in revenue in 1HFY2022, offsetting the slowdown in the China business due to COVID-19 restrictions.

The second half of FY2022 saw a deterioration in the macro-economic environment. The impact of the Ukraine war has spilled over from Europe and gradually reverberated to the rest of the world. Inflation has broadened in many major global economies, reflecting the impact of rising food and energy prices and disruptions to energy supply and manufacturing value chains. Amid COVID-19 outbreaks and lockdowns, China's slowdown was worse than expected.

The downturn was particularly sharp in the fourth quarter, due to the convergence of disruption of energy supply and surge in energy prices resulting in higher prices for electricity and a wide range of daily necessities from food to petrol and healthcare. Consequently, confidence and purchasing power of consumers were low, affecting the consumption of goods and services.

The Group's distribution and manufacturing businesses were unavoidably affected in 2HFY2022 by the worsening macro-economic trends. In particular, wheel manufacturing decreased by 25.6% to $39.7 million in 2HFY2022 from $53.4 million in the same period the year before. As about 35% of the Group's alloy wheels are exported to Europe, the sharp fall in demand for wheels in the EU has curtailed the Group's wheel manufacturing drastically.

A SUSTAINABLE PERFORMANCE

Given the very challenging operating environment, aggravated by geopolitical tensions and financial markets volatility, the Group has done reasonably well in FY2022. It was a sustainable performance, a testament to the Group's astute strategies, robust fundamentals and operational excellence.

The Group was able to deliver net profit attributable to equity holders of the Company amounting to $20.7 million in FY2022. It was a decline of 2.1% compared to $21.2 million in the previous year. However, putting the decline in its proper perspective, this year's profit was a significant improvement over the results in the pre-pandemic years. The Group's ability to maintain a steady upward trajectory in profitability underpins the sustainability of the business over the long-term.

Revenue for FY2022 came in at $430.9 million, 3.1% lower than the $444.7 million achieved the year before. The decline was attributed to lower sales recorded by both the distribution and manufacturing businesses. The distribution business, which accounted for 75.1% of total revenue, was impacted by lower sales of tyres, particularly in China and Malaysia. The COVID-19 outbreaks and subsequent lockdowns restricting the movement of people in key cities in China have dampened tyres sales. In Malaysia, the sale of 51% share capital of Yokohama Tyre Sales Malaysia Sdn Bhd ("YTSM") was completed in January 2022. As a result, the revenue of Yokohama brand of tyres in Malaysia was no longer consolidated in the Group's financial statement in FY2022. The lower sales in tyres were however cushioned by higher sales in the wheels and energy distribution

CHAIRMAN'S MESSAGE

businesses. Manufacturing sales were impacted by sharp drop in demand for alloy wheels in Europe and weak demand in Asia-Pacific.

In line with lower sales, gross profit decreased by 7.3% year-on-year to $98.2 million from $105.8 million in FY2021 due to weaker sales in the distribution of tyres. Gross profit margins were lower in FY2022, decreasing to 22.8% from 23.8% in FY2021. This was attributed by lower GP margins of tyres and energy distribution businesses due to challenging market conditions. While revenue from energy and other industrial products improved, particularly in ASEAN, the margins for these businesses remained depressed as the Group was investing in resources to expand marketing and sales networks.

On balance, the Group's overall financial performance in FY2022, while not as good as the previous year, reflects deep foundational strengths and resilience which have been built over many years of unrelenting pursuit of operations and manufacturing excellence. The Group's focus on diversifying revenue streams and building brands beyond the core tyres and wheel businesses is paying off. Revenue for our energy solutions segment comprising an extensive range of rechargeable batteries for commercial and industrial use reached $124.7 million in FY2022, exceeding $107.2 million for alloy wheel manufacturing. This significant milestone is a testament of the Group's success in implementing a multi-product, multi-brand, multi-category ("3M") growth strategy. In addition to a more diverse offering of products and services, the Group is also making inroads into new non-traditional markets as well as developing a deeper presence in existing markets in ASEAN.

A HEALTHY BALANCE SHEET

The Group maintains an unwavering focus on maintaining a healthy balance sheet. A strong financial foundation is important in providing the necessary resources and strengths to withstand headwinds and mitigate adversities. Over the years, the Group has adhered to the "3R" strategy of reducing stocks, accounts receivables and operating costs. This strategy has strengthened the Group's financial position and enhanced its resilience.

In FY2022, net cash flow of $16.1 million was generated from operating activities. As at 31 December 2022, cash and cash equivalents stood at $60.6 million compared to $83.6 million as at the end of last year. Net assets attributable to shareholders stood at S$288.4 million, which, based on 290.4 million shares in issue, translate to a net asset value per share of 96.55 cents. The Group's net gearing ratio was 3.4% as at 31 December 2022.

A CLOUDY OUTLOOK

The outlook for 2023 provided by various international financial agencies is cloudy. The World Economic Outlook published by the International Monetary Fund (IMF) forecast that global growth is expected to fall from 3.4% in 2022 to 2.9% in 2023.[1] The IMF notes that downside risks remain as the war in Ukraine could further escalate, inflation continues to require tight monetary policies and China's recovery from Covid-19 disruptions remains fragile.

The World Bank in its Global Economic Prospects projected a sharp, long-lasting slowdown, with global growth declining to 1.7 percent in 2023.[2] The deterioration is broad-based,

CHAIRMAN'S MESSAGE

in virtually all regions of the world and per-capita income growth will be slower than it was during the decade before COVID-19.

The Singapore Ministry of Trade and Industry ("MTI") projected an uneven economic growth outlook for Singapore, maintaining 2023 GDP forecast at 0.5% to 2.5%.[3] Singapore's external demand outlook for 2023 has "improved slightly" but outlook for Western economies remains weak because of tight financial conditions, which will weigh on consumption and investment spending.

The outlook for the Group in FY2023 is uncertain. The balance of risks remains tilted to the downside. Recession in the US and Europe is a distinct possibility. The scope and duration of the recession will have negative and uncertain impact on the demand for tyres and wheels. Persistent and elevated inflation and interest rates will impact the cost of capital and weigh on the Group's financial performance. There is no certainty on the outcome of the Ukraine war and the wider repercussions creating risks for which the Group has and will continue to make contingency plans to cope with any eventuality.

A SILVER LINING IN THE HORIZON

Even as dark clouds hover over the current operating environment, there is a silver lining in the horizon. The IMF reported that inflation, though remaining elevated, appeared to have peaked in 2022. It also stated that the global slowdown is less pronounced than previously anticipated due to greater-than-expected resilience in many economies. The Monetary Authority of Singapore ("MAS") reported that core inflation in Singapore is expected to ease in 2H 2023 and the global economy is likely to experience a shallow downturn.[4]

For YHI, despite the severe challenges, 2022 has also thrown up some positive developments. Revenue from energy solutions and other industrial products segments has seen positive improvement in FY2022, attesting to the success of the Group's product and income diversification strategy. The Group's businesses in Vietnam and the Philippines have made higher contributions to profits, reaping the benefits of astute investments in these markets.

The Group's battery, solar panel and lubricant products are gaining traction in many ASEAN markets. The enormous potential of Indonesia, Vietnam, the Philippines and the region became apparent as the Group accelerated investments in these markets. Going forward, the Group will leverage its knowledge of the region and extensive business networks to expand its presence in the high-growth markets.

The pandemic has thrown a sharper focus on the need to diversify markets and revenue streams in order to enhance resilience. On this note, the Group will step out of the comfort zone and explore opportunities beyond traditional markets in places like South Asia, Middle East and Africa. This strategy will not only burnish the Group's reputation as a global company but also fortify a geographically diversified and more resilient business.

AN UNWAVERING COMMITMENT

The Group has an unwavering commitment to share the fruits of success with shareholders. The Board is recommending a first and final tax-exempt dividend of 3.60 cents per ordinary share for FY2022, subject to approval at the Group's forthcoming Annual General Meeting. This represents a dividend yield of 7.2% based on the closing share price of $0.495 as at the last practicable date before the printing of this report. The total dividend to be paid out will amount to 50% of our net profit, demonstrating the Group's commitment to returning value to shareholders and an appreciation of their continued support, even during trying times.

A DEEP APPRECIATION

On behalf of the Board of Directors, I would like to extend our heartfelt appreciation to our partners, customers and shareholders for their undeviating support during the challenging year. I would also like to express my thanks to the management and staff for another year of hard work and dedication. I would personally like to thank the Board of Directors for their insights and advice. While the year ahead seems daunting, I believe that together we can overcome the adversities and emerge stronger than before.

RICHARD TAY
Executive Chairman & Group Managing Director

Reference:

1 World Economic Outlook Update, January 2023, International Monetary Fund
2 Global Economic Prospects, January 2023, World Bank
3 Press Release, 13 February 2023, "MTI Maintains 2023 GDP Growth Forecast at "0.5 to 2.5 Per Cent"", Ministry of Trade and Industry
4 Recent Economic Developments, 17 February 2023, Monetary Authority of Singapore

董事长献词

亲爱的股东们，

2022年是极具挑战的一年。在2021年度报告中，我提到2022年全球环境的不确定性和经济下滑的诸多风险。许多风险已实现且其中一些风险的严重程度已超出了我们的预期。

步履蹒跚的全球经济

2021年经济复苏受到不利因素打击而蹒跚前行，致使进入2022年，全球经济处于薄弱的态势。在美国、欧洲和新兴市场，能源价格的上升和供应链的中断加剧了通货膨胀。在中国，新冠疫情导致了全国范围内的旅行受限和封锁，这也累及到主要的生产和商业中心，始于2022年2月的俄乌战争给世界经济造成了严重的冲击。它造成的严重能源危机，进一步加速了通货膨胀压力和经济环境的不确定性，不仅影响了整个欧洲甚至殃及全球。

通货膨胀风险引发了全球金融状况收紧。美国联邦储备委员会，欧洲中央银行和澳大利亚储备银行等主要经济体的央行，在2022年进行了多轮加息以遏制通货膨胀飙升。

政治的紧张局势，通货膨胀和较高利率给全球的汽车和汽车产品市场蒙上了一层阴影；受影响的产品也包括我们集团核心业务产品：轮胎和轮毂。

上下半年回顾

作为一家全球性公司，友发国际业务遍布亚太、北美和欧洲100多个国家，不可避免受到全球和区域经济和政治起伏变化的影响。面对每个市场的各种挑战，集团审时度势，果断和机敏地应对业务环境的变化。

集团凭借更强的韧性进入2022年。2021年的增长势头一直延续到2022年上半年。除中国外，北美、欧洲和亚太地区的市场已经放宽了对疫情的限制，采取调整政策与新冠共存的方式。一些新兴的市场环境积极地推动了人们对友发轮胎、能源和其他工业产品的需求。集团通过充分利用市场和消费者购买意愿的崛起来巩固其国际网络，增加销售量，加强市场营销力度。

乘势而上，集团2022年上半财年的表现与2021财年同期相当。批发业务在东盟、大洋洲和美国的表现依然强劲。随着政府对旅行限制的解除，人们在北美、澳大利亚和新西兰等大市场用车越来越多，因此需要更频繁地更换轮胎和电池。

马来西亚和台湾两家工厂的轮毂制造业务也表现稳定，2022年上半财年收入增长9.1%，弥补了中国工厂因新冠疫情限制政策对业务造成的影响。

2022年下半财年，宏观经济环境恶化。乌克兰战争的影响已经从欧洲蔓延开来，并逐渐波及世界其他地区。通货膨胀在全球许多主要经济体传播扩散，导致了食品和能源价格上涨，以及能源供应和制造业价值链的中断。在新冠疫情爆发和封锁期间，中国经济的放缓程度比预期更严重。

第四季度的下滑特别严重，这是由于在能源供应中断和价格飙升的双重打压下，电力，以及从食品到汽油和医疗保健的各种日用品价格上涨。因此，消费者的信心受到打击，其购买力下降，影响了商品和服务的消费。

集团的批发及制造业务在2022年下半年不可避免地受到经济恶化的影响。特别是，轮毂制造从去年同期的5,340万元下降25.6% 至2022年下半年的3,970万元。由于集团约35%的轮毂出口到欧洲，而欧盟对轮毂的需求锐减，从而大幅削减了集团在轮毂制造这一块的业务。

可持续的业绩表现

虽然面临极具挑战性的经营环境，加上政治紧张局势和金融市场波动加剧，集团在2022财政年度表现还是相当不错。这是一个可持续的业绩表现，证明了集团精明的战略、稳健的基本面和卓越的运营。

2022财政年度，集团归属于公司股东净利润达2,070万元。与前面一年净利润2,120万元相比下降了2.1%。然而，从正确的角度来看，2022年的利润比疫情大流行前有了显着提升。集团具有保持业务稳定上升的盈利能力，这为业务的长期可持续发展奠定了基础。

2022财年的营业收入为4.309亿元，比去年4.447亿元下降3.1%。这是由于批发和制造业务的销售额下降造成的。批发业务占总收入的75.1%，受到轮胎销售下降的影响，特别是在中国和马来西亚市场影响尤为显著。新冠疫情的爆发和随后中国主要城市人员流动的封锁限制抑制了轮胎销售。2022年1月，集团完成出售横滨轮胎销售马来西亚私人有限公司

董事长献词

（“YTSM”）的51%股本。因此，横滨品牌轮胎在马来西亚的收入不再计入到集团2022财年的财务报表中。然而，轮胎销售额的下降被轮毂和能源批发业务的销售额增长所抵消。集团制造业部分的销售额受到欧洲轮毂需求大幅下降，以及亚太地区需求疲软的影响。

由于轮胎批发业务疲软，销售下降，2022财年的毛利从2021年的1.058亿元同比下降7.3%至9,820万元。2022年的毛利率也较低，从2021财年的23.8%降至22.8%。这是由于充满挑战的市场条件导致轮胎和能源批发业务的毛利润率的下降。能源及工业产品的收入有所改善，特别是在东盟市场，但由于集团正在进一步投资以扩大营销和销售网络，因此这些业务的利润率微薄。

总的来说，集团2022年的整体财务表现虽然不及上一年，但也反映出了集团多年来不懈追求卓越运营和制造所建立的深厚基础实力和韧性。集团专注于多元化，在轮胎和轮毂两大核心业务之外建立品牌，这些举措正在取得回报。2022财年，我们的能源与工业产品部门，包括用于商业和工业的多种可充电电池的收入达到1.247亿元，超过轮毂制造的1.072亿元。这一重要里程碑证明了集团在实施多产品、多品牌、多类别（“3M”）增战略方面取得的成功。除了提供更多元化的产品和服务外，集团还进军新的非传统市场，并在东盟现有市场发展更深层次的业务。

健康的资产负债表

集团始终致力保持健康的资产负债表。强大的财务基础在抵御逆风和缓解逆境时能提供必要的资源和优势，是非常重要的。多年来，本集团坚持减少库存、降低应收账款及缩减营运成本“3R”策略。这一策略加强了集团的财务状况，增强了抵御风险的韧性。

2022财年，经营活动产生的现金流量净额为1,610万元。截至2022年12月31日，现金流为6,060万元；去年年底该项金额为8,360万元。归属于股东的净资产为2.884亿元，基于已发行的2.904亿股，每股资产净值为96.55分。截至2022年12月31日，集团的净杠杆比率为3.4%。

不明朗的前景

各国际金融机构提供的2023年前景预测并不明朗。国际货币基金组织（IMF）发表的《世界经济展望》预测，全球经济增长预计将从2022年的3.4%下降到2023年的2.9%。[1] 国际货币基金组织指出：随着乌克兰战争可能进一步升级，紧缩货币政策仍将继续以缓解通货膨胀，中国经济将从新冠疫情中断中恢复，但仍然脆弱，经济下行风险仍然存在。

世界银行在其《全球经济展望》中预测：全球经济增速将大幅、长期放缓，并预计2023年全球经济增长率将降至1.7%。[2] 这种恶化是具有传播性的，会累及到世界几乎所有地区，人均收入增长将低于新冠之前的十年。

董事长献词

新加坡贸工部（“MTI”）预计新加坡经济增长前景不均衡，将2023年GDP预测维持在0.5%至2.5%。[3]新加坡2023年的外部需求前景“略有改善”，但由于紧缩的金融环境，西方经济体的前景仍然疲软，这将拖累消费和投资支出。

集团2023财年的前景并不明朗。风险天平仍然倾向于下行。美国和欧洲经济衰退的可能性很大。经济衰退的范围和持续时间将对轮胎和轮毂的需求产生负面和不确定的影响。持续及居高不下的通货膨胀及利率将影响资本成本，并对集团的财务业绩造成压力。乌克兰战争的结果以及更深层的影响尚不确定，集团已经并时刻准备制定应急计划以应对任何可能发生的风险。

地平线上的一线曙光

即使乌云笼罩着当前的运营环境，我们仍然看到一线曙光。国际货币基金组织报告称：通货膨胀率虽然居高不下，但似乎已在 2022 年达到顶峰。它还指出，由于许多经济体的韧性高于预期，全球经济放缓不如先前预期的那么明显。新加坡金融管理局（“MAS”）报告称：新加坡的核心通货膨胀预计将在 2023 年下半年有所缓解，全球经济可能会经历轻微下滑。[4]

对于友发来说，尽管面临严峻的挑战，但2022年迎来了一些积极的发展。能源与工业产品的收入于2022财年取得正增长，证明集团的产品和收入多元化战略取得了成功。集团在越南和菲律宾的业务取得了更高的利润，表明集团之前的投资是英明的，并已经取得收益。

集团的电池、太阳能电池板和润滑油产品在许多东盟市场越来越受欢迎。随着集团加快对印尼、越南、菲律宾这些市场的投资，该地区的巨大潜力得以显现出来。展望未来，集团将利用自身对这些地区的了解和广泛的业务网络，扩大在这些高潜力市场的影响力。

这场大疫情使人们更加关注市场和收入来源多元化的必要性，以增强企业自身的韧性。在这一点上，集团将走出舒适区，在南亚、中东和非洲等地探索传统市场以外的商机。这一战略不仅将提升集团作为全球性公司的声誉，还将加强地区多元化，使得业务更具弹性。

坚定不移的承诺

集团始终坚定不移地承诺与股东分享成果。董事会提议在2022财年派发每股普通股3.60分的最终股息，但该提议须经集团即将召开的年度股东大会批准。这意味着 股息收益率为7.2%，基于本年度报告发行前最后可行日期的收市股价为$0.495。将派发的总股息将达到我们净利润的50%，这表明集团一如既往致力于回报股东，以此感谢他们对友发持续的支持，即使是在艰难的时期也是如此。

深切的感谢

我谨代表董事会衷心感谢我们的合作伙伴、客户和股东在充满挑战的一年中给予的坚定支持。我还要感谢管理层和工作人员又一年的辛勤工作和奉献。我个人要感谢董事会的见解和建议。虽然未来的一年看似艰巨，但我相信，我们可以一起携手战胜逆境，打造一个更加强大的友发。

执行主席兼集团董事总经理

郑添和

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