

YHI INTERNATIONAL LIMITED

Proforma Half Year Financial Statement And Dividend Announcement

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

(i) Income Statement

	Group (Proforma)	Group (Proforma)		Group (Actual)
	01/01/03 to 30/06/03 S\$'000	01/01/02 to 30/06/02 S\$'000	% Increase/(Decrease)	16/05/03 to 30/06/03 S\$'000
Turnover	100,230	81,049	23.7	24,556
Cost of sales	(74,359)	(61,673)	20.6	(18,145)
Gross profit	25,871	19,376	33.5	6,411
Other operating income	458	479	(4.4)	139
Distribution costs	(8,676)	(6,124)	41.7	(1,915)
Administrative expenses	(7,492)	(5,600)	33.8	(2,084)
Other operating expenses	(681)	(1,021)	(33.3)	(217)
Operating profit	9,480	7,110	33.3	2,334
Finance income	8	10	(20.0)	4
Finance cost	(1,432)	(1,454)	(1.5)	(348)
Profit before tax	8,056	5,666	42.2	1,990
Tax	(1,742)	(1,757)	(0.9)	(442)
Profit after tax	6,314	3,909	61.5	1,548
Minority interests	(289)	(118)	144.9	(76)
Profit attributable to shareholders	6,025	3,791	58.9	1,472

Explanatory Notes :-

(a) The Company was incorporated in Singapore under the name of YHI International Pte Ltd on 26 August 2000 as a private company limited by shares. On 28 May 2003, it changed its name to YHI International Limited in connection with the Company's conversion to a public company limited by shares.

(b) The YHI International Limited Group was formed as a result of a Restructuring Exercise

undertaken pursuant to a Restructuring agreement dated 16 May 2003 as described in the Prospectus dated 24 June 2003.

(c) For the purpose of this announcement:-

(i) The Group's proforma income statement and cash flow statement for the half year ended 30 June 2003 including the comparatives are prepared on the assumption that the Group structure arising from the Restructuring Exercise as described in the Prospectus dated 24 June 2003 had been in place throughout the period since 1 January of the relevant financial period. The income statement and cash flow statement prepared based on the actual Group structure are also presented for information purposes.

(ii) The balance sheet of the Group as at 30 June 2003 and the statement of changes in equity of the Group for the half year ended 30 June 2003 are prepared based on the actual Group structure. The comparatives for the balance sheet as at 31 December 2002 of the Group are prepared on a proforma basis on the assumption that the Group had been in place on that date. The comparatives for the statement of changes in equity of the Group for the half year ended 30 June 2002 are prepared on the assumption that the Group structure had been in place since 1 January 2002.

(ii) Notes to Income Statement:-

	Group (Proforma)	Group (Proforma)	Group (Actual)
	01/01/03 to 30/06/03 S\$'000	01/01/02 to 30/06/02 S\$'000	16/05/03 to 30/06/03 S\$'000
Other income including interest income	8	10	4
Interest on borrowings	(1,432)	(1,454)	(348)
Depreciation and amortisation	(1,646)	(1,644)	(468)
Allowance for doubtful debts and bad debts written off	(1,183)	(1,178)	(267)
(Write-off)/write-back for stock obsolescence	(138)	(106)	9
Foreign exchange gain	79	182	36
Profit or (loss) on sale of investments, properties, and/or plant and equipment	31	(79)	27
Property, plant and equipment written off	-	(6)	-

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheet	Group (Actual)	Group (Proforma)	Company (Actual)	Company (Actual)
	30/06/03 S\$'000	31/12/02 S\$'000	30/06/03 S\$'000	31/12/02 S\$'000
Current assets:				
Cash at bank and on hand	5,603	8,915	10	-

Receivables	42,970	35,477	238	-
Inventories	33,834	31,412	-	-
Other current assets	2,118	2,494	-	-
Deferred tax assets	592	584	-	-
Total current assets	85,117	78,882	248	-
Non-current assets:				
Property, plant and equipment	42,414	38,809	-	-
Intangibles	(1,014)	-	-	-
Other investment	74	82	-	-
Investments in subsidiaries	-	-	34,963	-
Deferred tax assets	757	701	-	-
Total non-current assets	42,231	39,592	34,963	-
Total assets	127,348	118,474	35,211	-
Current liabilities:				
Trade and other payables	26,498	19,993	303	3
Provision for current tax	1,296	642	7	-
Borrowings	53,706	53,837	764	-
Total current liabilities	81,500	74,472	1,074	3
Non-current liabilities:				
Deferred tax liabilities	39	34	-	-
Borrowings	8,100	8,848	-	-
Total non-current liabilities	8,139	8,882	-	-
Total liabilities	89,639	83,354	1,074	3
Net assets/(liabilities)	37,709	35,120	34,137	(3)
Shareholders' equity	36,489	34,116	34,137	(3)
Minority interest	1,220	1,004	-	-
	37,709	35,120	34,137	(3)

Explanatory Notes:-

The balance sheet of the Group as at 30 June 2003 did not include the proceeds from the issue of new shares pursuant to the IPO of the Company on 3 July 2003 as the proceeds were received after 30 June 2003.

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 30/06/03		As at 31/12/02	
Secured	Unsecured	Secured	Unsecured
53,706	0	53,837	0

Amount repayable after one year

As at 30/06/03		As at 31/12/02	
Secured	Unsecured	Secured	Unsecured
2,850	5,250	3,598	5,250

Details of any collateral

The Group's borrowings are secured by the following:-

- (i) a first legal mortgage on the Group's freehold and leasehold properties;
- (ii) a first legal charge on office equipment, plant and machinery of a subsidiary and guarantee notes provided by the subsidiary;
- (iii) a first and floating charge on all the assets of a subsidiary;
- (iv) corporate guarantee from YHI Holdings Pte Ltd;
- (v) banker's guarantees, up to \$10.3 million, given as security to banks which granted banking facilities to certain subsidiaries. The banker's guarantees are in turn secured by a first and floating charge on all the assets of a subsidiary as referred to paragraph (iii) above; and
- (vi) joint and several personal guarantees of certain directors of the Company. Following the listing of the Company on the SGX-ST, the directors intend to seek a discharge from their obligations under the personal guarantees.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group (Proforma)	Group (Proforma)	Group (Actual)
	01/01/03 to 30/06/03 S\$'000	01/01/02 to 30/06/02 S\$'000	16/05/03 to 30/06/03 S\$'000
Cash flows from operating activities:			
Profit before tax	8,056	5,666	1,990
Adjustment for:			
Depreciation of property, plant and equipment	1,646	1,644	482
(Loss)/profit on disposal of property, plant and equipment	(31)	79	(27)

Property, plant and equipment written off	-	6	-
Loss of disposal of other investment	4	-	-
Interest expense	1,432	1,454	348
Interest income	(8)	(10)	(4)
Amortisation of negative goodwill	-	-	(14)
Exchange differences	(125)	421	11
Operating cash flow before working capital changes	10,974	9,260	2,786
Changes in operating assets and liabilities			
Receivables	(7,576)	(5,923)	(218)
Other current assets	376	307	952
Inventories	(2,422)	(1,737)	(2,075)
Payables	3,757	(1,426)	4,002
Cash generated from operations	5,109	481	5,447
Income tax paid	(1,211)	(597)	(68)
Net cash generated from operating activities	3,898	(116)	5,379
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	70	442	44
Purchase of property, plant and equipment	(4,897)	(1,975)	(2,359)
Proceeds from sale of club membership	4	-	-
Interest received	8	10	4
Net cash outflow from investing activities	(4,815)	(1,523)	(2,311)
Cash flows from financing activities:			
Interest paid	(1,427)	(1,499)	(409)
Proceeds from/(repayment of) trust receipts loans	1,575	8,166	(29)
Repayment of long-term bank loans	(814)	(977)	(151)
Repayment of short-term bank loans	(160)	(2,353)	(722)
Repayment of finance lease liabilities	(152)	(48)	(13)
Dividends payment to minority shareholders	(206)	-	(26)

Net transfer of funds for other investments by shareholders	-	(4,052)	-
Net cash outflow from financing activities	(1,184)	(763)	(1,350)
Net (decrease)/increase in cash and cash equivalents held	(2,101)	(2,402)	1,718
Cash and cash equivalents at the beginning of the financial period	7,443	3,840	3,638
Effects of exchange rate changes on cash and cash equivalents	116	(92)	102
Cash and cash equivalents at the end of the financial period	5,458	1,346	5,458

Explanatory Notes:-

	Group (Proforma)	Group (Proforma)	Group (Actual)
Cash and cash equivalents comprise:-	01/01/03 to 30/06/03 S\$'000	01/01/02 to 30/06/02 S\$'000	16/05/03 to 30/06/03 S\$'000
Cash at bank and on hand	5,603	2,891	5,603
Bank overdrafts	(145)	(1,545)	(145)
	5,458	1,346	5,458

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Retained profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<u>The Group (Actual)</u>				
Balance at 1 January 2003	*	-	(3)	(3)
Issue of shares pursuant to the Restructuring Exercise	34,116	-	-	34,116
Net profit	-	-	1,472	1,472

Foreign currency translation differences	-	904	-	904
Balance at 30 June 2003	34,116	904	1,469	36,489

The Group (Proforma)	Total S\$'000
Balance at 1 January 2002	27,699
Foreign currency translation difference	(941)
Net profit	3,791
Net transfer of funds for other investments by shareholders	(4,052)
Balance at 30 June 2002	26,497

	Share capital	(Accumulated loss) / Retained profits	Total
	S\$'000	S\$'000	S\$'000
<u>The Company (Actual)</u>			
Balance at 1 January 2003	*	(3)	(3)
Issue of shares pursuant to the Restructuring Exercise	34,116	-	34,116
Net profit	-	24	24
Balance at 30 June 2003	34,116	21	34,137

	Share capital	Accumulated loss	Total
	S\$'000	S\$'000	S\$'000
<u>The Company (Actual)</u>			
Balance at 1 January 2002	*	(2)	(2)
Net loss	-	(1)	(1)
Balance at 30 June 2002	-	(3)	(3)

* The share capital is S\$2.00.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

(a) Changes In Authorised Share Capital

At the date of incorporation on 26 August 2000, the authorised share capital of the Company was S\$100,000 divided into 100,000 ordinary shares of S\$1.00 each.

On 22 May 2003 the authorised share capital was increased from S\$100,000 divided into 100,000 ordinary shares of S\$1.00 each to S\$100,000,000 divided into 100,000,000 ordinary shares of

S\$1.00 each.

On the same day, the ordinary shares of S\$1.00 each in the authorised and issued and paid up share capital of the Company were sub-divided into 5 ordinary shares of S\$0.20 each.

(b) Changes in Issued And Fully Paid Ordinary Shares

	Number of shares	S\$
Issued and fully paid ordinary shares of S\$1.00 each as at 1 January 2003	2	2
Issue of ordinary shares of S\$1.00 each pursuant to the Restructuring Exercise as at 22 May 2003 as described on page 60 to 62 of the Prospectus dated 24 June 2003	34,115,967	34,115,967
	34,115,969	34,115,969
Sub-division of ordinary shares from S\$1.00 each into 5 ordinary shares of S\$0.20 and issued and fully paid ordinary shares at 30 June 2003	170,579,845	34,115,969
Issue of ordinary shares of S\$0.20 each at a premium of S\$0.30 per share pursuant to the initial public offering of shares (see note (i))	58,000,000	11,600,000
Post-Invitation ordinary shares of S\$0.20 each on 3 July 2003	228,579,845	45,715,969

Explanatory Note:-

(i) Following the listing of the Company on 3 July 2003, and after taking into account of the issue of 58,000,000 ordinary shares of S\$0.20 each at a premium of S\$0.30 per share pursuant to the initial public offering of shares, the enlarged share capital of the Company is S\$45,715,969.

2. **Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figure have not been audited nor reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation adopted in the preparation of the proforma financial statements presented in the Company's prospectus dated 24 June 2003. A summary of significant accounting policies can be found on page 173 to 175 of the Prospectus dated 24 June 2003.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

There were no changes in the accounting policies and methods of computation.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

Earning per share	Pre-Invitation Group (Proforma)		Post-Invitation Group (Proforma)	
	30/06/03	30/06/02	30/06/03	30/06/02
(a) Based on the weighted average number of ordinary shares on issue (cents)	3.53	2.22	2.64	1.66
(b) On fully diluted basis (cents)	NA	NA	NA	NA

NA - Not applicable

Pre-Invitation Proforma basic earning per share is calculated based on the Group's Proforma net profit attributable to shareholders for the half year ended 2003 and 2002 divided by the pre-invitation issued share capital of the Company of 170,579,845 shares.

For purpose of comparison, the effect of earnings per share following the listing of the Company on 3 July 2003 was presented under the Post-invitation column.

Post-Invitation Proforma basic earning per share is calculated based on the Group's Proforma net profit attributable to shareholders for the half year ended 2003 and 2002 divided by the post-invitation issued share capital of the Company of 228,579,845 shares.

Diluted earnings per share have not been calculated as no diluting events existed during these periods. No share options were granted to any employees during these periods.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

Net asset value per share

	Group (Actual) 30/06/03	Group (Proforma) 31/12/02	Company (Actual) 30/06/03	Company (Actual) 31/12/02
Net asset value per ordinary share (cents)	21.39	20.00	20.01	NM

NM - Not meaningful.

Net asset value per ordinary share as at 30 June 2003 and 31 December 2002 was calculated based on the pre-invitation issue share capital of the Company of 170,579,845 shares of S\$0.20 each.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

REVIEW OF FIRST SIX MONTHS PROFORMA FINANCIAL RESULTS

The Group's Proforma turnover for the first half of FY2003 of S\$100.2 million was S\$19.2 million or 23.7% higher than the S\$81.0 million recorded in the first half of FY2002. The increase was due primarily to increase in both the distribution and manufacturing businesses.

Turnover from the distribution business increased by S\$11.2 million or 17.6% from S\$63.7 million in the first half of FY2002 to S\$74.9 million in the first half of FY2003.

Turnover from the manufacturing business increased by approximately S\$8.0 million or 46.0% due primarily to increase in turnover from the operations in Shanghai which had 3 production lines in the first half of FY2003 as compared to 2 production lines for the same period in the previous year.

Gross profit ("GP") increased by approximately S\$6.5 million to S\$25.8 million in first half of FY2003 (2002 : S\$19.3 million). The overall increase in GP was due to higher GP margin achieved in both the distribution and manufacturing of alloy wheels. GP margin from the Oceanic operations was further boosted by lower cost of purchases which were made in US\$ following the strengthening of A\$ and NZ\$ against US\$.

Comparing first half year of FY2003 with the same period in FY2002, the increase in distribution costs was primarily due to increase in selling expenses as a result of higher sales activities. The increase in administrative expenses was due mainly to expanded operations overseas and other costs as a result of reorganisation for listing on the SGX-ST.

Profit after taxation and minority interests increased by approximately S\$2.2 million or 59% to S\$6.0 million in the first half of FY2003 as compared to S\$3.8 million for the same period in FY2002. This was mainly attributable to higher profits earned from the Shanghai operation which is exempted from taxation as it qualified for the tax incentive of "3-year exemption and 4-year 50% reduction".

Property, plant and equipment increased by approximately S\$3.6 million due primarily to purchases of plant and machinery for the fourth production line in the manufacturing plant in Shanghai, PRC.

Total current assets increased by approximately S\$6.2 million mainly due to increase in receivables of approximately S\$7.5 million and inventory of approximately S\$2.4 million which were in line with the higher turnover. However this was offset by a decrease in cash and cash equivalents of approximately S\$3.3 million due primarily to purchases of machinery and equipment in the PRC operations.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

10. **A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

With improving outlook for the regional economies in the second half of the year, the Group is confident that the distribution business segment, particularly on tyres, should continue to see demand for its products in the Asean, North East Asia and Oceanic operations.

The global alloy wheel market particularly in North America and Japan, remains buoyant and the Group expects that this should help in the continuous growth for the alloy wheel manufacturing

business segment. As announced on 31 July 2003 the Group had secured two new contracts worth approximately US\$6 million (S\$10.54 million) for the supply of alloy wheels to NHK Sales Co Ltd and YFC Co Ltd, two of the largest wholesalers of automotive products in Japan. With these contracts, the order books for alloy wheels for YHI's Shanghai manufacturing facilities are full for delivery until December 2003. The fourth production line at our Shanghai plant started production in July 2003, raising the total production capacity of the plant to approximately 60,000 to 80,000 pieces of alloy wheels per month depending on the models of the alloy wheels.

As part of its long-term growth strategy, YHI intends to embark on a phased expansion programme to increase the number of production lines in its Shanghai plant to eight lines.

YHI is currently embarking on a pro-active marketing strategy in China to grow its market share for automotive products such as tyres through a network of Yokohama concept stores.

So far, the Group has been able to sharpen its competitive edge by offering value added services, in particular, the integrated range of services from design and development, to production and marketing and distribution to meet customers specifications and demands.

Barring unforeseen circumstances, the Group's performance in the second half of 2003 is expected to be better than the first half of 2003.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not applicable.

(d) Books closure date

Not Applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been recommended for the current reporting period

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ()	Previous Full Year ()
Ordinary		
Preference	0	0
Total:		

BY ORDER OF THE BOARD

Yuen Sou Wai
Executive Director
26/08/2003