

**YHI INTERNATIONAL LIMITED**(Company Registration No. 200007455H)
(Incorporated In the Republic of Singapore)**Unaudited Second Quarter 2016 Financial Statements****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS****1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year****1(a)(i) CONSOLIDATED INCOME STATEMENT (2Q FY2016 vs 2Q FY2015)**

	Group 01/04/16- 30/06/16 S\$ '000	Group 01/04/15- 30/06/15 S\$ '000	Incr/(Decr) %
Sales	112,762	134,323	(16.1%)
Cost of sales	(88,358)	(106,429)	(17.0%)
Gross profit	24,404	27,894	(12.5%)
Other gains - net	734	685	7.2%
Expenses			
- Distribution	(10,785)	(12,897)	(16.4%)
- Administrative	(11,365)	(11,820)	(3.8%)
- Finance	(1,161)	(1,358)	(14.5%)
Share of profit of an associated company	714	279	NM
Profit before income tax	2,541	2,783	(8.7%)
Income tax expense	(900)	(906)	(0.7%)
Net profit	1,641	1,877	(12.6%)
Profit Attributable to:			
Equity holders of the Company	1,429	1,615	(11.5%)
Non-controlling interests	212	262	(19.1%)
	1,641	1,877	(12.6%)

NOTES TO CONSOLIDATED INCOME STATEMENT (2Q FY2016 vs 2Q FY2015)

	Group 01/04/16- 30/06/16 S\$ '000	Group 01/04/15- 30/06/15 S\$ '000	Incr/(Decr) %
Interest income	65	77	(15.6%)
Interest on borrowings	(1,161)	(1,358)	(14.5%)
Depreciation of property, plant and equipment	(3,388)	(3,818)	(11.3%)
Amortisation of intangible assets	(15)	(15)	NM
Allowance for impairment of doubtful trade receivables	(359)	(375)	(4.3%)
Write-down of inventories	(150)	(308)	(51.3%)
Currency exchange loss - net	(351)	(652)	(46.2%)
Share of profit of an associated company	714	279	NM
Gain on disposal of property, plant and equipment	108	39	NM

NM – Not meaningful

**YHI INTERNATIONAL LIMITED**(Company Registration No. 200007455H)
(Incorporated In the Republic of Singapore)**NOTES TO CONSOLIDATED INCOME STATEMENT (2Q FY2016 vs 2Q FY2015) (Cont'd)****Income Tax Expenses**

Tax expense attributable to profit is made up of:

Current income tax

- Singapore

- Foreign

Deferred income tax

Under/(over) provision in previous financial year

- Current income tax

- Deferred income tax

	Group 01/04/16- 30/06/16 S\$ '000	Group 01/04/15- 30/06/15 S\$ '000	Incr/(Decr) %
	126	47	NM
	774	778	(0.5%)
	900	825	9.1%
	(18)	65	NM
	882	890	(0.9%)
	23	16	43.8%
	(5)	-	NM
	900	906	(0.7%)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (2Q FY2016 vs 2Q FY2015)**Profit for the period****Other comprehensive loss, net of tax:**

Items that may be reclassified subsequently to profit or loss

- Currency translation differences

Total comprehensive loss for the period**Total comprehensive loss attributable to:**

Equity holders of the Company

Non-controlling interests

	Group 01/04/16- 30/06/16 S\$ '000	Group 01/04/15- 30/06/15 S\$ '000	Incr/(Decr) %
	1,641	1,877	(12.6%)
	(3,946)	(5,737)	(31.2%)
	(2,305)	(3,860)	(40.3%)
	(2,392)	(3,468)	(31.0%)
	87	(392)	NM
	(2,305)	(3,860)	(40.3%)


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1(a)(ii) CONSOLIDATED INCOME STATEMENT (1H FY2016 vs 1H FY2015)

	Group 01/01/16- 30/06/16 S\$ '000	Group 01/01/15- 30/06/15 S\$ '000	Incr/(Decr) %
Sales	227,895	264,299	(13.8%)
Cost of sales	(177,556)	(209,382)	(15.2%)
Gross profit	50,339	54,917	(8.3%)
Other gains - net	1,402	1,481	(5.3%)
Expenses			
- Distribution	(22,192)	(24,876)	(10.8%)
- Administrative	(23,140)	(23,268)	(0.6%)
- Finance	(2,368)	(2,616)	(9.5%)
Share of profit of an associated company	1,200	502	NM
Profit before income tax	5,241	6,140	(14.6%)
Income tax expense	(1,734)	(1,928)	(10.1%)
Net profit	3,507	4,212	(16.7%)
Profit Attributable to:			
Equity holders of the Company	3,162	3,712	(14.8%)
Non-controlling interests	345	500	(31.0%)
	3,507	4,212	(16.7%)

NOTES TO CONSOLIDATED INCOME STATEMENT (1H FY2016 vs 1H FY2015)

	Group 01/01/16- 30/06/16 S\$ '000	Group 01/01/15- 30/06/15 S\$ '000	Incr/(Decr) %
Interest income	138	216	(36.1%)
Interest on borrowings	(2,368)	(2,616)	(9.5%)
Depreciation of property, plant and equipment	(6,758)	(7,647)	(11.6%)
Amortisation of intangible assets	(31)	(31)	NM
Allowance for impairment of doubtful trade receivables	(960)	(692)	38.7%
Write-down of inventories	(677)	(616)	9.9%
Currency exchange loss - net	(774)	(1,127)	(31.3%)
Share of profit of an associated company	1,200	502	NM
Gain on disposal of property, plant and equipment	139	74	87.8%

NM – Not meaningful

**YHI INTERNATIONAL LIMITED**(Company Registration No. 200007455H)
(Incorporated In the Republic of Singapore)**NOTES TO CONSOLIDATED INCOME STATEMENT (1H FY2016 vs 1H FY2015) (Cont'd)**

Income Tax Expenses	Group 01/01/16- 30/06/16 S\$ '000	Group 01/01/15- 30/06/15 S\$ '000	Incr/(Decr) %
Tax expense attributable to profit is made up of:			
Current income tax			
- Singapore	153	362	(57.7%)
- Foreign	1,595	1,635	(2.4%)
	1,748	1,997	(12.5%)
Deferred income tax	26	(38)	NM
	1,774	1,959	(9.4%)
Under/(over) provision in previous financial year			
- Current income tax	61	132	(53.8%)
- Deferred income tax	(101)	(163)	(38.0%)
	1,734	1,928	(10.1%)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (1H FY2016 vs 1H FY2015)

	Group 01/01/16- 30/06/16 S\$ '000	Group 01/01/15- 30/06/15 S\$ '000	Incr/(Decr) %
Profit for the period	3,507	4,212	(16.7%)
Other comprehensive loss, net of tax:			
Items that may be reclassified subsequently to profit or loss			
- Currency translation differences	(5,363)	(4,240)	26.5%
Total comprehensive loss for the period	(1,856)	(28)	NM
Total comprehensive loss attributable to:			
Equity holders of the Company	(2,065)	305	NM
Non-controlling interests	209	(333)	NM
	(1,856)	(28)	NM

**YHI INTERNATIONAL LIMITED**(Company Registration No. 200007455H)
(Incorporated In the Republic of Singapore)**1(b) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year****STATEMENT OF FINANCIAL POSITION**

	Group 30/06/16	Group 31/12/15	Company 30/06/16	Company 31/12/15
	S\$ '000	S\$ '000	S\$ '000	S\$ '000
ASSETS				
Current assets				
Cash and cash equivalents	46,165	52,271	3,361	2,739
Trade and other receivables	94,724	97,797	34,477	38,661
Inventories	113,442	126,299	-	-
Other current assets	10,449	11,310	11	10
	264,780	287,677	37,849	41,410
Non-current assets				
Transferable club membership, at cost	227	227	-	-
Investment in an associated company	16,298	15,441	-	-
Investments in subsidiaries	-	-	100,122	100,122
Property, plant and equipment	109,009	115,187	193	228
Intangible assets	3,343	3,376	-	-
Deferred income tax assets	3,478	3,396	-	-
	132,355	137,627	100,315	100,350
Total assets	397,135	425,304	138,164	141,760
LIABILITIES				
Current liabilities				
Trade and other payables	37,303	35,807	577	1,400
Current income tax liabilities	647	639	-	86
Derivative financial instrument	12	289	-	277
Borrowings	79,197	98,171	1,800	4,400
	117,159	134,906	2,377	6,163
Non-current liabilities				
Borrowings	24,416	28,099	-	600
Deferred income tax liabilities	2,320	2,159	-	-
Other – non-current liabilities	403	311	-	-
	27,139	30,569	-	600
Total liabilities	144,298	165,475	2,377	6,763
NET ASSETS	252,837	259,829	135,787	134,997
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	77,001	77,001	77,001	77,001
Other reserves	(22,031)	(16,629)	-	-
Retained profits	185,047	186,036	58,786	57,996
	240,017	246,408	135,787	134,997
Non-controlling interests	12,820	13,421	-	-
Total equity	252,837	259,829	135,787	134,997

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

Group As at 30/06/16		Group As at 31/12/15	
Secured S\$ '000	Unsecured S\$ '000	Secured S\$ '000	Unsecured S\$ '000
79,197	-	98,171	-

Amount repayable after one year

Group As at 30/06/16		Group As at 31/12/15	
Secured S\$ '000	Unsecured S\$ '000	Secured S\$ '000	Unsecured S\$ '000
24,416	-	28,099	-

Details of any collateral

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

- (i) a first legal mortgage on certain subsidiaries' freehold and leasehold properties;
- (ii) a first legal charge on office equipment, plant and machinery of certain subsidiaries;
- (iii) a fixed and floating charge on all the assets of certain subsidiaries;
- (iv) corporate guarantee from the Company; and
- (v) banker's guarantees, up to S\$7.2 million (2015: S\$7.2 million), given as security to banks 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.


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1(d) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year
1(d)(i) CONSOLIDATED STATEMENT OF CASH FLOWS (2Q FY2016 vs 2Q FY2015)

	Group 01/04/16- 30/06/16 S\$ '000	Group 01/04/15- 30/06/15 S\$ '000
Cash flows from operating activities		
Net profit	1,641	1,877
Adjustments for:		
Income tax expenses	900	906
Depreciation of property, plant and equipment	3,388	3,818
Amortisation of intangible assets	15	15
Gain on disposal of property, plant and equipment	(108)	(39)
Interest expense	1,161	1,358
Interest income	(65)	(77)
Share of profit of an associated company	(714)	(279)
Fair value gain on derivative financial instruments	(86)	(212)
Unrealised currency translation differences	(26)	(2,948)
Operating cash flow before working capital changes	<u>6,106</u>	<u>4,419</u>
Changes in working capital:		
Inventories	(3,493)	6,032
Trade and other receivables	3,212	(2,267)
Other current assets	145	2,192
Trade and other payables	682	(1,915)
Cash generated from operations	<u>6,652</u>	<u>8,461</u>
Interest received	65	77
Income tax paid	(991)	(1,761)
Net cash provided by operating activities	<u>5,726</u>	<u>6,777</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	45	179
Purchase of property, plant and equipment	(946)	(2,460)
Net cash used in investing activities	<u>(901)</u>	<u>(2,281)</u>
Cash flows from financing activities		
Dividends paid to equity holders of the Company	(4,151)	(3,508)
Dividends paid to non-controlling interests	(810)	(310)
Interest paid	(1,024)	(1,213)
Proceeds from borrowings	2,542	5,812
Repayments of borrowings	(8,216)	(3,201)
Repayments of finance lease liabilities	(225)	(339)
Net cash used in financing activities	<u>(11,884)</u>	<u>(2,759)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(7,059)</u>	<u>1,737</u>
Cash and cash equivalents at beginning of the financial period	<u>52,612</u>	<u>48,795</u>
Effects of currency translation on cash and cash equivalents	(523)	(1,351)
Cash and cash equivalents at end of the financial period	<u>45,030</u>	<u>49,181</u>
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	46,165	49,319
Less: Bank overdrafts	(1,135)	(138)
Cash and cash equivalents as per consolidated statement of cash flows	<u>45,030</u>	<u>49,181</u>

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1(d)(ii) CONSOLIDATED STATEMENT OF CASH FLOWS (1H FY2016 vs 1H FY2015)

	Group 01/01/16- 30/06/16 S\$ '000	Group 01/01/15- 30/06/15 S\$ '000
Cash flows from operating activities		
Net profit	3,507	4,212
Adjustments for:		
Income tax expenses	1,734	1,928
Depreciation of property, plant and equipment	6,758	7,647
Amortisation of intangible assets	31	31
Gain on disposal of property, plant and equipment	(139)	(74)
Interest expense	2,368	2,616
Interest income	(138)	(216)
Share of profit of an associated company	(1,200)	(502)
Fair value gain on derivative financial instruments	(277)	(78)
Unrealised currency translation differences	782	(1,013)
Operating cash flow before working capital changes	<u>13,426</u>	<u>14,551</u>
Changes in working capital:		
Inventories	10,381	7,766
Trade and other receivables	4,847	(16,874)
Other current assets	(3,905)	1,985
Trade and other payables	2,429	(515)
Cash generated from operations	<u>27,178</u>	<u>6,913</u>
Interest received	138	216
Income tax paid	(1,789)	(2,802)
Net cash provided by operating activities	<u>25,527</u>	<u>4,327</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	613	205
Purchase of property, plant and equipment	(3,960)	(4,646)
Purchase of transferable club membership	-	(84)
Net cash used in investing activities	<u>(3,347)</u>	<u>(4,525)</u>
Cash flows from financing activities		
Dividends paid to equity holders of the Company	(4,151)	(3,508)
Dividends paid to non-controlling interests	(810)	(702)
Interest paid	(2,105)	(2,792)
Proceeds from borrowings	3,459	13,987
Repayments of borrowings	(24,303)	(11,249)
Repayments of finance lease liabilities	(379)	(731)
Net cash used in financing activities	<u>(28,289)</u>	<u>(4,995)</u>
Net decrease in cash and cash equivalents	(6,109)	(5,193)
Cash and cash equivalents at beginning of the financial period	51,734	55,543
Effects of currency translation on cash and cash equivalents	(595)	(1,169)
Cash and cash equivalents at end of the financial period	<u>45,030</u>	<u>49,181</u>
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	46,165	49,319
Less: Bank overdrafts	(1,135)	(138)
Cash and cash equivalents as per consolidated statement of cash flows	<u>45,030</u>	<u>49,181</u>

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- 1(e) 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

←Attributable to equity holders of the Company→

	Share capital S\$ '000	Other reserves S\$ '000	Retained earnings S\$ '000	Sub-total S\$ '000	Non-controlling interests S\$ '000	Total S\$ '000
The Group						
Balance at 1 January 2016	77,001	(16,629)	186,036	246,408	13,421	259,829
Total comprehensive income/(loss) for the period	-	(5,227)	3,162	(2,065)	209	(1,856)
Dividends relating to 2015 paid	-	-	(4,151)	(4,151)	(810)	(4,961)
Balance at 30 June 2016	77,001	(21,856)	185,047	240,192	12,820	253,012

	Share capital S\$ '000	Other reserves S\$ '000	Retained earnings S\$ '000	Sub-total S\$ '000	Non-controlling interests S\$ '000	Total S\$ '000
The Group						
Balance at 1 January 2015	77,001	(7,117)	181,421	251,305	12,826	264,131
Total comprehensive income/(loss) for the period	-	(3,407)	3,712	305	(333)	(28)
Dividends relating to 2014 paid	-	-	(3,508)	(3,508)	(702)	(4,210)
Balance at 30 June 2015	77,001	(10,524)	181,625	248,102	11,791	259,893

	Share Capital S\$ '000	Retained earnings S\$ '000	Total S\$ '000
The Company			
Balance at 1 January 2016	77,001	57,996	134,997
Total comprehensive income for the period	-	4,941	4,941
Dividends relating to 2015 paid	-	(4,151)	(4,151)
Balance at 30 June 2016	77,001	58,786	135,787

	Share Capital S\$ '000	Retained earnings S\$ '000	Total S\$ '000
The Company			
Balance at 1 January 2015	77,001	53,111	130,112
Total comprehensive income for the period	-	7,340	7,340
Dividends relating to 2014 paid	-	(3,508)	(3,508)
Balance at 30 June 2015	77,001	56,943	133,944

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- 1(f) 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 or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

The share capital of the Company as at 31 December 2015 was 584,591,628 ordinary shares.

Subsequent to 31st December 2015, the Company has completed its Share Consolidation exercise effective on 19 January 2016 and every two (2) Existing Shares has been consolidated to constitute one (1) Consolidated Share. Following the completion of the Share Consolidation, the issued share capital of the Company now comprises 292,295,811 Consolidated Shares.

- 1(g) State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares, excluding treasury shares of the issuer, 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**

The Company did not hold any treasury shares as at 30 June 2016 and 31 December 2015.

- 1(h)(i) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	Company 30/6/16	Company 31/12/15
Total numbers of issued shares (pre-consolidation) [Note 1(f)]	-	584,591,628
Total numbers of issued shares (post-consolidation) [Note 1(f)]	292,295,811	-
Less: Treasury shares	-	-
Total numbers of issued shares excluding treasury shares	292,295,811	584,591,628

- 1(h)(ii) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2016.

- 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 figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

Except for those as disclosed under paragraph 5, the accounting policies and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements.

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

On 1 January 2016, the Group has adopted the following revised FRS:-

FRS 1 Presentation of financial statements (effective for annual periods beginning on or after 1 January 2016)

The amendment clarifies guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

This amendment is not expected to have any significant impact on the financial statements of the Group.

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

	Group 01/04/16 - 30/06/16	Group 01/04/15 - 30/06/15	Group 01/01/16 - 30/06/16	Group 01/01/15 - 30/06/15
(A) Pre-consolidation [Note 1(f)]				
(a) Based on the number of ordinary shares on issue (cents)	-	0.28	-	0.63
(b) On fully diluted basis (cents)	-	0.28	-	0.63
Weighted average number of ordinary shares	-	584,591,628	-	584,591,628
(B) Post-consolidation [Note 1(f)]				
(a) Based on the number of ordinary shares on issue (cents)	0.49	0.55	1.08	1.27
(b) On fully diluted basis (cents)	0.49	0.55	1.08	1.27
Weighted average number of ordinary shares	292,295,811	292,295,811	292,295,811	292,295,811

(i) The Group earnings per share for current and preceding financial year are based on the number of post-consolidated shares of 292,295,811 ordinary shares.

(ii) 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.

(iii) There was no material impact on prior period EPS on adoption of the revised FRS as disclosed in paragraph 5.

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7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares, excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year**

NET ASSET VALUE PER SHARE

	Group 30/06/16	Group 31/12/15	Company 30/06/16	Company 31/12/15
Net asset value per ordinary share (cents) (pre-consolidation) [Note 1(f)]	-	42.15	-	23.09
Net asset value per ordinary share (cents) (post-consolidation) [(Note 1(f)]	82.17	84.30	46.46	46.18

- (i) The Group and Company net asset value per share as at 30 June 2016 and as at 31 December 2015 are based on the actual number of consolidated shares of 292,295,811 ordinary shares.
- (ii) There was no material impact on prior year net asset value per share on adoption of the revised FRS as disclosed in paragraph 5.



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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 SECOND QUARTER FINANCIAL RESULTS

Turnover

The Group reported a 16.1% (or \$21.5 million) decrease in turnover to \$112.8 million (2Q2016) from \$134.3 million (2Q2015) mainly due to lower sales in both our Distribution and Manufacturing business as compared to the corresponding period last year.

Distribution business, accounting for 70.4% of the Group's total turnover, recorded a decrease of 16.9% (or \$16.1 million) in turnover, from \$95.5 million (2Q2015) to \$79.4 million (2Q2016). Manufacturing business, accounting for 29.6% of the Group's total turnover, recorded a decrease of 14.0% (or \$5.4 million) in turnover, from \$38.8 million (2Q2015) to \$33.4 million (2Q2016).

Gross Profit

Gross Profit decreased by 12.5% (or \$3.5 million) to \$24.4 million (2Q2016) from \$27.9 million (2Q2015). The Group's gross profit margin increased to 21.6% in 2Q2016 compared to 20.8% in 2Q2015 mainly due to higher gross profit margin from the distribution business.

Operating Expenses

Distribution expenses decreased by 16.4% (or \$2.1 million) in 2Q2016 to \$10.8 million compared to \$12.9 million in 2Q2015 mainly due to lower carriage outward, advertising & promotion and staff related expenses.

Administrative expenses decreased by 3.8% (or \$0.4 million) in 2Q2016 to \$11.4 million compared to \$11.8 million in 2Q2015 mainly due to lower unrealised foreign exchange translation losses.

Financing costs decreased by 14.5% (or \$0.1 million) in 2Q2016 to \$1.2 million compared to \$1.3 million in 2Q2015 mainly due to lower interest costs incurred.

Share of Profit of an Associated Company

Our associated company reported better performance and our share of profit was \$0.7 million in 2Q2016 compared to \$0.3 million in 2Q2015.

Income Tax expense

Income tax expense decreased by 0.7% mainly due to lower Group profit before tax for the period.

Net Profit after Tax and Non-controlling Interests

Net profit after tax and non-controlling interests attributable to shareholders of the Company decreased by 11.5% (or \$0.2 million) to \$1.4 million in 2Q2016 from \$1.6 million in 2Q2015.



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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 SIX-MONTH YEAR-TO-DATE FINANCIAL RESULTS (1H2016 VS 1H2015)

Turnover

The Group reported a 13.8% (or \$36.4 million) decrease in turnover to \$227.9 million (1H2016) from \$264.3 million (1H2015) mainly due to lower sales in both our Distribution and Manufacturing business as compared to the corresponding period last year.

Distribution business, accounting for 68.4% of the Group's total turnover, recorded a decrease of 15.3% (or \$28.2 million) in turnover, from \$184.1 million (1H2015) to \$155.9 million (1H2016). Manufacturing business, accounting for 31.6% of the Group's total turnover, recorded a decrease of 10.3% (or \$2.8 million) in turnover, from \$80.2 million (1H2015) to \$72.0 million (1H2016).

Gross Profit

Gross Profit decreased by 8.3% (or \$4.6 million) to \$50.3 million (1H2016) from \$54.9 million (1H2015). The Group's gross profit margin increased to 22.1% in 1H2016 compared to 20.8% in 1H2015 mainly due to higher gross profit margin from both the distribution and manufacturing business.

Operating Expenses

Distribution expenses decreased by 10.8% (or \$2.7 million) in 1H2016 to \$22.2 million compared to \$24.9 million in 1H2015 mainly due to lower carriage outward, advertising & promotion and staff related expenses.

Administrative expenses decreased by 0.6% (or \$0.1 million) in 1H2016 to \$23.2 million compared to \$23.3 million in 1H2015 mainly due to lower unrealised foreign exchange translation losses.

Financing costs decreased by 9.5% (or \$0.2 million) in 1H2016 to \$2.4 million compared to \$2.6 million in 1H2015 mainly due to lower interest costs incurred.

Share of Profit of an Associated Company

Our associated company reported better performance and our share of profit was \$1.2 million in 1H2016 compared to \$0.5 million in 1H2015.

Income Tax expense

Income tax expense decreased by 10.1% mainly due to lower Group profit before tax for the period.

Net Profit after Tax and Non-controlling Interests

Net profit after tax and non-controlling interests attributable to shareholders of the Company decreased by 14.8% (or \$0.6 million) to \$3.1 million in 1H2016 from \$3.7 million in 1H2015.



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STATEMENT OF FINANCIAL POSITION REVIEW

As at 30 June 2016, total assets amounted to about \$397.1 million comprising \$264.8 million of current assets and \$132.3 million of non-current assets. Total liabilities amounted to about \$144.3 million comprising current liabilities of \$117.2 million and non-current liabilities of \$27.1 million. Shareholders' equity including non-controlling interests amounted to \$252.8 million.

The substantial changes in the statement of financial position compared to 31 December 2015 are as follows:

Inventories

Inventories decreased from \$126.3 million to \$113.4 million mainly due to better inventory management.

Derivative financial instrument

Derivative financial instrument decreased from \$0.3 million to \$12,000 mainly due to settlement of derivative liability during the period arising from a currency swap contract to hedge our USD receivables.

Borrowings (current & non-current)

Borrowings decreased from \$126.3 million to \$103.6 million due to repayment of bank borrowings during the period.

Other non-current liabilities

Other non-current liability is mainly due to provision for long services leave in Australia's subsidiaries.

Other reserves

Other reserves consist of foreign currency losses which changed from \$16.6 million to \$22.0 million resulting mainly from the weakening of RMB against SGD.

STATEMENT OF CASH FLOW REVIEW

\$25.5 million was provided by operating activities in 1H2016. The Group utilised \$3.3 million in the investing activities mainly for the purchase of plant and equipment. A total of \$28.3 million was used in the financing activities mainly for the repayment of bank borrowings and payment of dividend. Cash and cash equivalents amounted to \$45.0 million as at 30 June 2016 compared to \$51.7 million reported as at 31st December 2015.

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

There is no forecast or prospect statement previously disclosed.

**YHI INTERNATIONAL LIMITED**

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10. A commentary at the date of the announcement of the significant trends and 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

The overall business operating environment is expected to remain challenging in view of the uncertain global economic outlook and the volatility of global financial markets. We expect the current low consumer confidence to dampen consumer spending and lower demand for our products across our key markets in Asia Pacific.

Weak consumer demand continued to impact our manufacturing business and the overall capacity utilization rate for 1H2016 was about 65%. We expect the sluggish demand for After-market wheels to continue for the rest of the year amid a slowing global economy. We will continue to invest in R&D design, technical competencies and improve on our production processes so as to reduce our overall production costs.

For our distribution business, we expect the prevailing overcapacity in the tyres industry and the weak global demand to continue to impact our tyres distribution business in the second half of 2016. The Group will continue to work on various business strategies including its 3“R” reduction policy to reduce inventory, reduce account receivables and reduce operating costs which has been effective in mitigating the impact on the tyres distribution business.

The Group will continue to rationalize and streamline the operations to reduce operating costs in FY2016 amid the weak global demand.

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 period ended 30 June 2016.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, please make a statement to that effect

The Company does not have a shareholders' mandate under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.



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14. Statement Pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited

We, Tay Tian Hoe Richard and Tay Tiang Guan, being two of the directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the three months ended 30 June 2016 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1).

The Company confirmed that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. 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 to Q1, Q2, & Q3 results.

17. 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 to Q1, Q2, & Q3 results.

18. A breakdown of sales

A breakdown of sales:-

Not applicable to Q1, Q2, & Q3 results.

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

Not applicable to Q1, Q2, & Q3 results.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Not applicable to Q1, Q2, & Q3 results.

BY ORDER OF THE BOARD

Tay Tian Hoe Richard
Executive Chairman and Group Managing Director
12/08/2016

Submitted by Tay Tian Hoe Richard, Executive Chairman and Group Managing Director on 12/08/2016 to the SGX.