



Positioned for growth

友发国际有限公司
YHI INTERNATIONAL LIMITED

Listed on the mainboard of the Singapore Stock Exchange

Company Registration Number : 200007455H

Annual Report 2004

Corporate Profile

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST) on 3 July 2003, the YHI Group has come a long way since its humble beginnings as a sole proprietorship established in 1948, engaged in the distribution of tyres, alloy wheels and automotive batteries. Over the years, moving in tandem with an increasing demand for automotive and industrial products, we have successfully diversified our business, and carved a niche for ourselves in the global automotive arena as an established alloy wheels manufacturer.

Today YHI is a familiar and trusted name in alloy wheels manufacturing as an Original Design Manufacturer (ODM) with two manufacturing plants located in Shanghai, China and Taoyuan, Taiwan.

With 16 subsidiaries in 7 countries across the Asia-Pacific region, we are strategically positioned to deliver professional solutions that are customised to your unique automotive and industrial product needs.

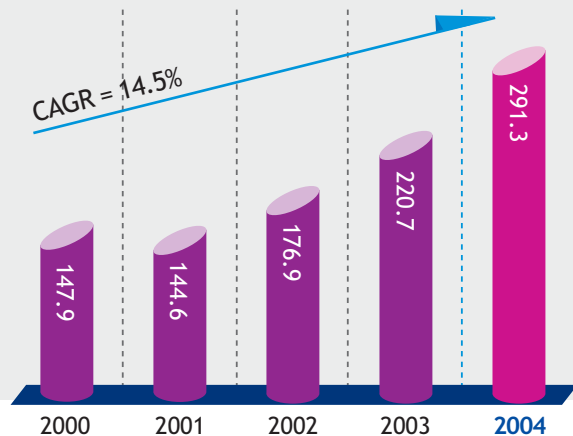
So be assured that we will respond and deliver. Today and tomorrow.

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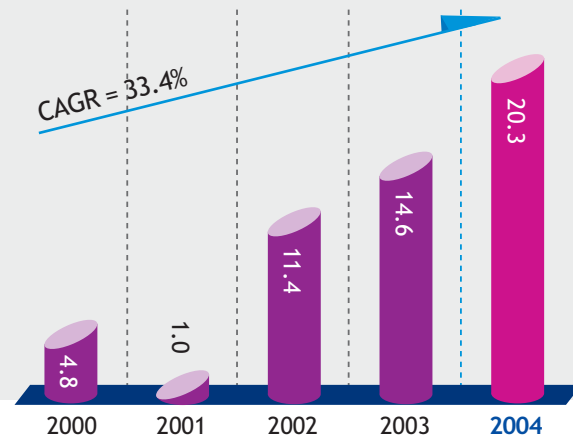
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Financial Highlights

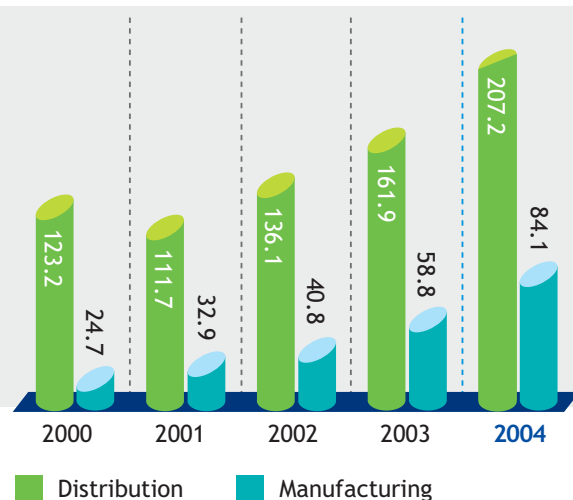
Group Revenue (S\$'million)



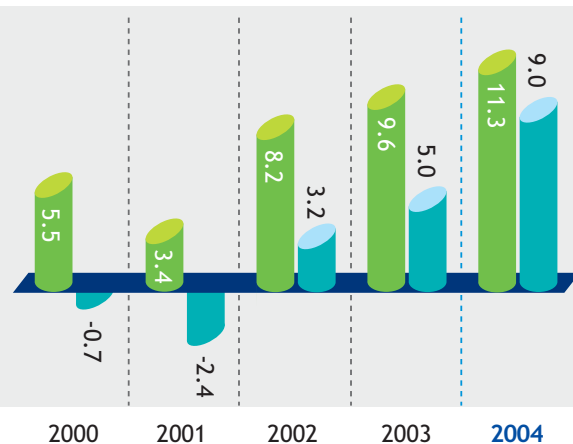
Group PAT (S\$'million)



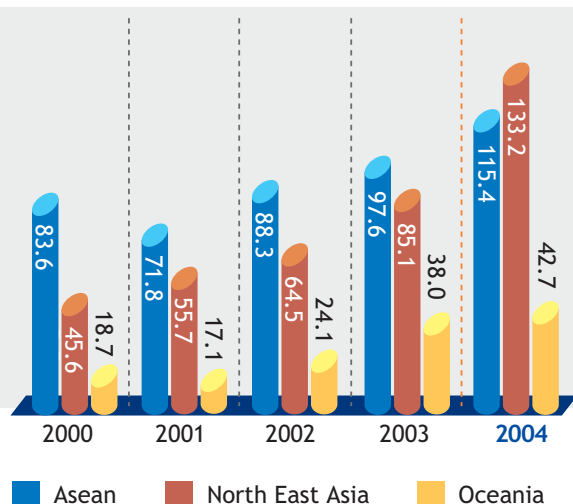
Revenue by Business Segments (S\$'million)



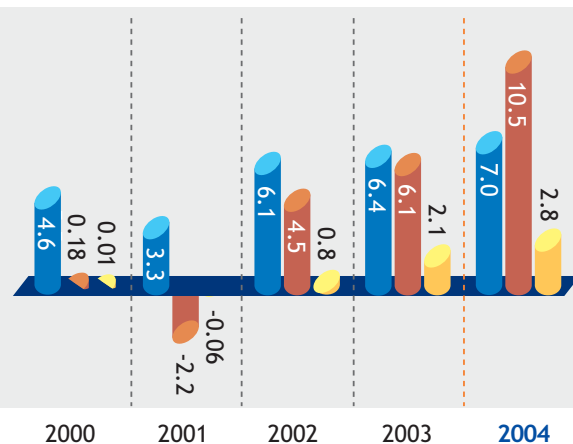
PAT by Business Segments (S\$'million)



Revenue by Geographical Markets (S\$'million)



PAT by Geographical Markets (S\$'million)



PAT - Profit After Tax

Group Managing Director's Message

With our Group's upcoming manufacturing plants in Suzhou, PRC and Sepang, Malaysia, together with our existing manufacturing plants in Shanghai, PRC and Taoyuan, Taiwan, we are well positioned to augment our production capacity to meet the global demand for alloy wheels.

Dear shareholders,

I take pride in announcing that the YHI Group has achieved its best ever performance in FY2004. Our Group's revenue and profit after tax surged 32% to S\$291.3 million and 39% to S\$20.3 million respectively.

On behalf of the YHI Group, I would like to express my deepest appreciation to our customers, suppliers, business associates and fellow colleagues for their strong support, co-operation and contribution to our growth.

Our Performance in FY2004

Our robust performance in FY2004 was attributable to the good growth recorded from our two business segments - manufacturing and distribution.

We saw an increase in turnover from our manufacturing business by 43% from S\$58.8 million in FY2003 to S\$84.1 million in FY2004. This was driven largely by expanded production capacity in our Shanghai operations. Our Shanghai plant increased its production lines from four to six in FY2004, which resulted in an increase of 59% in turnover.

We also made good progress in our distribution business with revenue rising from \$161.9 million in FY2003 to \$207.2 million in FY2004, representing a 28% increase. This was primarily driven by higher tyre sales volume in Asean, PRC and Oceania.

Moving Forward

The improving economic conditions of 2005, coupled with sound business strategies that are aligned with global market trends, will put us in good stead for our next phase of growth. Indeed, our stellar results for FY2004 have set the benchmark for us as we move into the next financial year.

In FY2005, we will continue to work hard to expand both our manufacturing and distribution businesses.

I believe the current global demand for alloy wheels will continue to grow. In particular, the rising trend of alloy wheels manufacturers from developed countries worldwide outsourcing their production augurs well for us. With our Group's upcoming manufacturing plants in Suzhou, PRC and Sepang, Malaysia, together with our existing manufacturing plants in Shanghai, PRC and Taoyuan, Taiwan, we are well positioned to augment our production capacity to meet this global



郑添和先生
Mr Tay Tian Hoe Richard

demand. Markets such as North America, Europe, and Japan continue to remain our key export markets for our alloy wheels.

For our distribution business, we will leverage on our competitive edge to focus on strengthening and expanding our global distribution networks to increase market share and capture more business opportunities.

Our businesses are managed by an experienced and enterprising team of professionals who are committed to delivering superior value to our stakeholders. To meet the dynamic demands of our business environment, we will build upon our strengths and seek opportunities for expansion, while embarking on initiatives to improve and develop our systems and people.

These are crucial factors which will propel us ahead in our quest to achieve sustainable growth and returns for our Group, as well as becoming a market leader in our core business areas.

Rewarding Shareholders

We recently announced on 7 December 2004, a 1-to-2 share split which was effected on 1 February 2005 with the aim to improve market liquidity of our

shares and to make our shares more accessible to our existing and potential shareholders.

To show our appreciation for your support and to enhance the value of your investment and trust in YHI, our Board of Directors would like to recommend a tax-exempt (one-tier) final dividend of 0.6 cents per share (of par value S\$0.10) for FY2004.

In addition, the Company has also proposed a bonus issue of one (1) bonus share for every five (5) existing shares of par value S\$0.10 each for our shareholders.

A Word of Thanks

Our achievements would not have been possible without the support and contribution of our shareholders, customers, business associates and staff. Once again, a big thank you.

I believe that FY2005 will be a fruitful year for the YHI Group and we hope to deliver another year of good returns for our valued shareholders.

Richard Tay
Group Managing Director

集团董事经理寄语

我们的业务由一组经验丰富，富进取心并全力争取卓越股东价值的专业人士管理。为了应付业务上不断更新的需求，我们在从事新计划以加强及发展我们的系统及人力资源的同时，不忘继续发挥我们的能力及寻找扩展的机会。

各位股东，

我很荣幸的宣布，2004年是友发集团史上业绩最辉煌的一年。我们集团的营业额跃升32%，达到2亿9130万新元，而税后净利则上扬39%，达到2030万新元。

我谨代表友发集团，向我们的客户，供应商，商务伙伴及各位同仁致以万二分的谢意，感谢你们的鼎力支持，合作及对我们成长作出的贡献。

2004年度业绩

我们的两项业务 - 制造及批发业务的卓越增长是促使我们2004年度取得优越表现的功臣。

我们制造业务的营业额取得43%的增长，营业额从2003财年的5880万新元增至2004财年的8410万新元。在很大的程度上，这要归功于我们上海工厂增加产能的成果。在2004财年，上海工厂的生产线从四条增加至六条，促使营业额增加超过59%。

我们的批发业务进展良好。亚西安，中国及大洋洲市场的轮胎销售量增加，促使批发业务的营业额从2003财年的1亿6190万新元增至2004财年的2亿072万新元，涨幅达28%。

迈向未来

2005年经济蓬勃发展，加上与全球市场趋势并进的具体商业策略，将让我们能以最好的状态促进下个阶段的增长。实际上，2004财年的杰出表现已经为我们设定了另一个财年的基准。

2005年，我们将继续努力扩展制造及批发业务。

我相信，全球对铝轮圈的需求将继续增长。尤其是发达国家的铝轮圈制造商外包的趋势增加，预示着情况是对我们有利的。随着我们集团在中国苏州，马来西亚雪邦的厂房将在明年初投产，加上我们在中国上海及台湾桃园的现有工厂，我们已准备就绪增产以应付全球的需求。如北美，欧洲及日本等市场，依旧是我们集中精力主攻的铝轮圈出口市场。



批发业务方面，我们将发挥我们的竞争优势以集中精力加强及扩展全球经销市场的实力，以增加市场占有率及争取更多的商机。

我们的业务由一组经验丰富，富进取心并全力争取卓越股东价值的专业人士管理。为了应付业务上不断更新的需求，我们在从事新计划以加强及发展我们的系统及人力资源的同时，不忘继续发挥我们的能力及寻找扩展的机会。

这些将是我们追求集团的持续增长及回报，还有使核心业务成为市场领导的主要推动力量。

回报股东

我们刚于2004年12月7日宣布将股票一拆为二（2005年2月1日起生效），目的是加强我们股票的市场流动性，并让现有及有意成为友发国际股东的人士更容易进行投资活动。

为了向你们的支持表示谢意并增加你们的投资价值及对友发国际的信任，我们的董事局将建议为2004

财年派发每股0.6分（每股面值0.10新元）的免税年终股息。

除此之外，公司也建议以每持五对一的比例发行每股面值0.10新元的红利股给友发国际的股东们。

致谢

友发国际如果没有股东，客户，商业伙伴及员工的支持与贡献，将不可能取得今日的佳绩。

我相信2005年将会是友发国际集团丰收的一年，我们期待这一年能再给股东们带来优厚的回报。

郑添和

集团董事经理

Financial Summary

Results of Operations

	— Actual —	for the financial year ended 31 December			
		Proforma			
	FY2004 S\$'000	FY2003 S\$'000	FY2002 S\$'000	FY2001 S\$'000	FY2000 S\$'000
Sales	291,325	220,672	176,921	144,636	147,882
Profit before tax	26,275	19,215	14,886	2,266	6,489
Profit after tax and minority interests	20,347	14,643	11,426	1,035	4,775
Earnings per share	8.35	7.31	6.70	0.61	2.80

Financial Position

	— Actual —	as at 31 December			
		Proforma			
	FY2004 S\$'000	FY2003 S\$'000	FY2002 S\$'000	FY2001 S\$'000	FY2000 S\$'000
Current assets	130,651	108,015	78,298	65,269	65,772
Non-current assets					
Other investments	3,743	128	82	105	168
Property, plant and equipment	51,507	41,924	38,809	34,538	33,744
Intangibles	861	942	0	0	0
Deferred tax assets	2,118	1,534	1,285	1,310	1,296
	58,229	44,528	40,176	35,953	35,208
Total assets	188,880	152,543	118,474	101,222	100,980
Current liabilities	70,659	51,616	74,472	68,163	68,389
Non-current liabilities					
Borrowings	8,867	9,965	8,848	4,951	5,271
Deferred tax liabilities	1,950	2,304	34	20	0
	10,817	12,269	8,882	4,971	5,271
Total liabilities	81,476	63,885	83,354	73,134	73,660
Net assets	107,404	88,658	35,120	28,088	27,320
Shareholders' equity	104,698	87,221	34,116	27,699	26,983
Minority interests	2,706	1,437	1,004	389	337
	107,404	88,658	35,120	28,088	27,320
Net asset value per share (cents)	42.98	35.81	20.00	16.24	15.82

Explanatory Notes

The above tables present a summary of our actual and proforma financial data. The proforma data presented in the above table have been prepared as if our group corporate structure as at the date of the proforma financial information had been in existence since 1 January 2000. Our proforma financial information reflects the results of operations and financial position of the businesses and subsidiaries transferred to us pursuant to the Restructuring Exercise as described in our Prospectus dated 24 June 2003. The objective of the proforma financial information is to show what our historical information might have been had our Group, as restructured, existed at an earlier date.

The proforma financial statements of the Group, because of their nature, may not give a true picture of the Group's financial position or results. The proforma financial statements of the Group are not necessarily indicative of results of the operations or related effects on the financial position that would have been attained had the Group actually existed earlier.

Financial Calendar

Announcement of first quarter unaudited results 2004
Announcement of half year unaudited results 2004
Announcement of third quarter unaudited results 2004
Financial year-end
Announcement of full year unaudited results 2004
Annual General Meeting

14 May 2004
13 August 2004
12 November 2004
31 December 2004
23 February 2005
18 April 2005

Corporate Information

Board of Directors

Tay Tian Hoe Richard
Group Managing Director

Tay Tiang Guan
Executive Director

Tay Tiang Chong Jackson
Executive Director

Yuen Sou Wai
Executive Director

Henry Tan Song Kok
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

Remuneration Committee

Hee Theng Fong
Chairman

Tay Tian Hoe Richard
Member

Henry Tan Song Kok
Member

Nominating Committee

Phua Tin How
Chairman

Tay Tian Hoe Richard
Member

Henry Tan Song Kok
Member

Joint Company Secretaries

Tan Min-Li LLB Hons, LLM

Gn Jong Yuh Gwendolyn LLB Hons

Auditors

PricewaterhouseCoopers
8 Cross Street
PWC Building Level 17
Singapore 048424

Partner-in-charge:
Tham Tuck Seng
Year of appointment: 2003

Share Registrar

Barbinder & Co Pte Ltd
8 Cross Street
PWC Building Level 11
Singapore 048424

Principal Bankers

DBS Bank

Standard Chartered Bank

Malayan Banking Berhad

Registered Office

2 Pandan Road
Singapore 609254
Telephone: (65) 6264 2155
Facsimile : (65) 6265 9927
Email : yhigroup@yhi.com.sg
Website : www.yhi.com.sg
Company Registration No. 200007455H

Our Board of Directors

Mr Tay Tian Hoe Richard

Aged 54, Singaporean
Group Managing Director
Member of Board of Directors
Member of Remuneration Committee
Member of Nominating Committee

Mr Tay Tian Hoe Richard was appointed to the Board on 26 August 2000. Mr Tay is our Group Managing Director and is also the key founder of our Group. With more than 30 years of experience in the business of sales and distribution relating to automotive products, Mr Tay is involved in the overall management of our Group. He has been and will continue to be responsible for setting the strategic growth and direction of our Group. He is also responsible for spearheading the development and growth of our alloy wheels manufacturing business and he oversees our manufacturing operations in North East Asia. He is a member of the Singapore Institute of Directors.

Mr Tay Tiang Guan

Aged 53, Singaporean
Executive Director (Sales and Business Development)
Member of Board of Directors

Mr Tay Tiang Guan was appointed to the Board on 26 August 2000. Mr Tay has more than 25 years of experience and has extensive knowledge in the automotive and industrial products industry. He has been responsible for spearheading our Group's operations in ASEAN and will continue to be responsible for the business and market development of our tyre and industrial product distribution business. He is a member of the Singapore Institute of Directors.

Mr Tay Tiang Chong Jackson

Aged 51, Singaporean
Executive Director (Export Development)
Member of Board of Directors

Mr Tay Tiang Chong Jackson was appointed to the Board on 22 May 2003. He has more than 25 years of experience in the sale of automotive products and is responsible for overseeing the Export Department of YHI Corporation (Singapore) Pte Ltd. He is a member of the Singapore Institute of Directors.

Mr Yuen Sou Wai

Aged 51, Singaporean
Executive Director (Finance)
Member of Board of Directors

Mr Yuen Sou Wai was appointed to the Board on 22 May 2003. In addition to his financial portfolio in our Group, he is also responsible for our Group's operations in Oceania. Mr Yuen has 30 years of experience in financial management and he joined the Company as our Group Chief Financial Officer in 1996. Prior to joining our Group, Mr Yuen was the Regional Finance Director (Asia Pacific) with Diversey Corporation, Canada. He was with the Diversey Group of companies since 1988 and had held several key portfolios in financial management within the Asia Pacific Region.

Mr Yuen holds a Master of Business Administration Degree from the University of Leicester, United Kingdom. He is a Fellow of the Chartered Institute of Management Accountants (UK) and also a Fellow Certified Public Accountant, Singapore. He is a member of the Singapore Institute of Directors.



Mr Tay Tian Hoe Richard

Mr Tay Tiang Chong Jackson

Mr Tay Tiang Guan

Mr Yuen Sou Wai

Mr Phua Tin How

Aged 55, Singaporean

Independent, Non-executive Director

Chairman of Nominating Committee

Member of Board of Directors

Member of Audit Committee

Mr Phua Tin How was appointed to the Board as an Independent Director on 22 May 2003 and is also the Chairman of the Nominating Committee. He is a director with several companies in Singapore and is the Vice-Chairman of Network China, International Enterprise Singapore. He holds a Master of Business Administration Degree from INSEAD, France and a Bachelor of Science Degree (Honours) from the University of Singapore.

Mr Henry Tan Song Kok

Aged 41, Singaporean

Independent, Non-executive Director

Chairman of Audit Committee

Member of Board of Directors

Member of Remuneration Committee

Member of Nominating Committee

Mr Henry Tan Song Kok was appointed to the Board as an Independent Director on 22 May 2003 and is also the Chairman of the Audit Committee. He is a partner of Nexia Tan and Sitoh, a firm of Certified Public Accountants and a director of Nexia TS Pte Ltd. He is also a director in several listed and non-listed companies. Mr Tan graduated with a First Class Honours Degree in Bachelor of Accountancy

from National University of Singapore. He is a member of the Institute of Certified Public Accountants of Singapore, Institute of Chartered Accountants in Australia, Institute of Internal Auditors, Inc. (Singapore Chapter) and Singapore Institute of Directors.

Mr Hee Theng Fong

Aged 51, Singaporean

Independent, Non-executive Director

Chairman of Remuneration Committee

Member of Board of Directors

Member of Audit Committee

Mr Hee Theng Fong was appointed to the Board as an Independent Director on 22 May 2003 and is also the Chairman of the Remuneration Committee. He has been practicing as an advocate and solicitor of the Supreme Court of Singapore since 1982. He is also a director of several companies including Ban Joo & Company Ltd, Tye Soon Limited, Datapulse Technology Ltd, Singapore Chinese Orchestra Limited and Sinomem Technology Limited. Mr Hee graduated from University of Singapore with a LLB Hons Degree. He is also a Fellow of the Chartered Institute of Arbitrators (U.K) and Singapore Institute of Arbitrators.

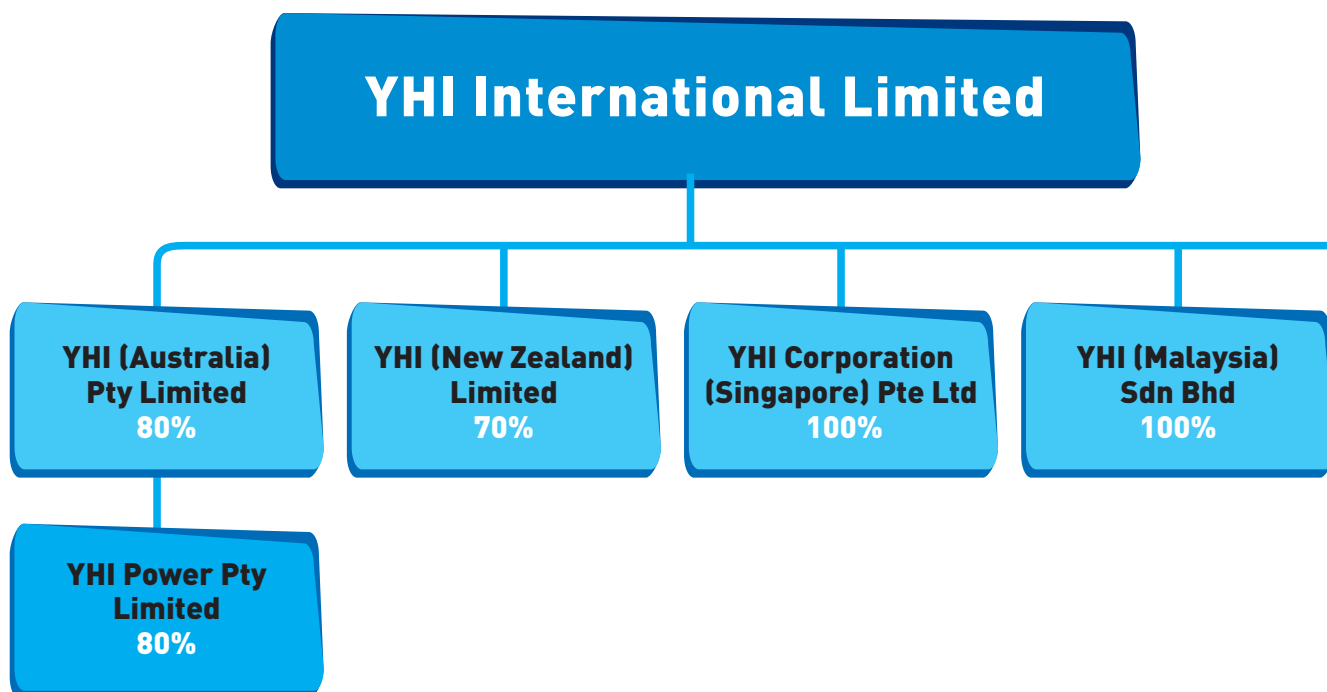


Mr Phua Tin How

Mr Henry Tan Song Kok

Mr Hee Theng Fong

Our Corporate Structure as at 31 December 2004



SINGAPORE

YHI Corporation (Singapore) Pte Ltd
YHI Manufacturing (Singapore) Pte Ltd

No. 2 Pandan Road
Singapore 609254
Tel : (65) 6264 2155
Fax : (65) 6265 9927
Email : yhigroup@yhi.com.sg
Website : www.yhi.com.sg



HONG KONG

YHI (Hong Kong) Co Ltd
YHI (China) Strategy Co Ltd

Unit A & B, 11/F Dynamic Cargo Centre,
188 Yeung Uk Road,
Tsuen Wan, New Territories,
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Tel : (852) 2727 1883
Fax : (852) 2727 1301
Email : contact@yhihongkong.com.hk
Website : www.yhihongkong.com



NEW ZEALAND

YHI (New Zealand) Ltd

Unit A, 140 Plunket Avenue,
Manukau City,
Auckland,
New Zealand
Tel : (64) 9-278 1712
Fax : (64) 9-279 4855
Email : chris@yhi.co.nz
Website : www.yhi.co.nz



MALAYSIA

YHI (Malaysia) Sdn Bhd
YHI Manufacturing (Malaysia) Sdn Bhd

No. 15 Jalan U1/23, Seksyen U1,
HICOM-Glenmarie Industrial Park,
40150 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel : (60) 3-7804 9880
Fax : (60) 3-7804 9878
Email : yhim@yhim.com.my
Website : www.yhimalaysia.com



AUSTRALIA

YHI (Australia) Pty Ltd
YHI Power Pty Ltd

1044 – 1046 Canley Vale Road,
Wetherill Park, NSW 2164,
Sydney, Australia
Tel : (61) 2-9756 6688
Fax : (61) 2-9756 6288
Email : tsuhan@yhi.com.au/
dchen1@bigpond.net.au
Website : www.yhi.com.au



TAIWAN

YHI International (Taiwan) Co Ltd

No. 859, Sec. 2, Yang-Hu Road,
Yang-Mei, Taoyuan,
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Tel : (886) 3-472 6260
Fax : (886) 3-472 6263
Email : sales@yhitaiwan.com.tw
Website : www.yhitaiwan.com.tw



CHINA

YHI Manufacturing (Shanghai) Co Ltd

YHI Advanti Manufacturing (Shanghai) Co Ltd

YHI Manufacturing (Suzhou) Co Ltd

No. 611 Shen Fu Road,
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Shanghai, PRC
Tel : [86] 21-6489 6655
Fax : [86] 21-6489 4455
Email : lqq@yhias.com
Website : www.yhichina.com

YHI International Marketing (Shanghai) Co Ltd

No. 611 Shen Fu Road,
Xin Zhuang Industry Zone,
Shanghai, PRC
Tel : [86] 21-6489 6655
Fax : [86] 21-6489 6273
Email : im@yhias.com
Website : www.yhichina.com

Eastbourne Metal Coatings Co Ltd

No. 7 Yangshi Industrial Park
HuiShan District, Wuxi, Jiangsu,
PRC
Tel : [86] 510-355 0988
Fax : [86] 510-355 7742
Email : adm@yhiemc.com



JAPAN

TTS International Co Ltd

8F Prosperita Yotsubashi
1-7-5 Shinmachi Nishi-Ku,
Osaka 550-0013, Japan
Tel : [81] 6-4390 0771
Fax : [81] 6-4390 0772
Email : mike@tts-intl.com

Our Executive Officers & Heads of Subsidiaries

The day-to-day operations of our Group are entrusted to an experienced and qualified team of Executive Officers and Heads of Subsidiaries who are responsible for the different functions of our Group. The particulars of the Executive Officers and Heads of Subsidiaries are set out below:

SINGAPORE



**YHI Corporation
(Singapore) Pte Ltd**

Mr Colin Heng
Deputy General Manager
(Automotive Business Unit - Asean)



**YHI Corporation
(Singapore) Pte Ltd**

Mr Robert Tan
Deputy General Manager
(Alloy Wheels Business Unit - Asean)

MALAYSIA



YHI (Malaysia) Sdn Bhd

Mr Jerome Wong
Deputy General Manager

NEW ZEALAND



YHI (New Zealand) Ltd

Mr Christopher Talbot
Managing Director

AUSTRALIA



YHI (Australia) Pty Ltd

Mr Tony Suhan
Managing Director



YHI Power Pty Ltd

Mr David Chen
Director

TAIWAN



**YHI International
(Taiwan) Co Ltd**

Mr Wu Hung-Ling
General Manager

JAPAN



**TTS International
Co Ltd**

Mr Takashi Tatemoto
Managing Director

HONG KONG



YHI (Hong Kong) Co Ltd

Mr Jacky Coke
Branch Manager

CHINA



**YHI Manufacturing
(Shanghai) Co Ltd**

Mr Lu Chun Ya
General Manager



**YHI International
Marketing (Shanghai)
Co Ltd**

Mr Steve Liew
General Manager



**Eastbourne Metal
Coatings Co Ltd**

Mr Zhang Xiao Long
Deputy General Manager

Our Alloy Wheels Manufacturing Milestones

While distribution has been the core business of YHI, our Group took a bold initiative to venture into alloy wheels manufacturing in 1996. With more than 8 years of manufacturing experience, we have come a long way to becoming an Original Design Manufacturer providing integrated services comprising design and development, manufacturing, marketing and distribution of alloy wheels.

1996: We started our first plant in Taoyuan, Taiwan which has a land area of about 7,200 sqm. Our Taiwan plant operates on one production line.

2000: We completed the first phase construction of our second manufacturing plant which is located in Shanghai, PRC in July. With a land area of 47,000 sqm, our Shanghai plant has the capacity to expand up to 6 production lines.

We commenced production of our first production line at our Shanghai plant in September.

2001: In July, we expanded our production capacity in our Shanghai plant by adding on our second production line. At the same time, we also commenced on the second phase expansion of our Shanghai plant.

2002: Our second phase expansion in Shanghai was completed in September with the construction of additional production facilities. At the same time, our third production line was added to expand our production capabilities.

2003: The fourth production line at our Shanghai plant commenced production in July raising our production capacity further to meet growing global market demand for alloy wheels.

2004: In March, we entered into a joint venture to set up Eastbourne Metal Coatings Co Ltd in Wuxi, PRC to meet the growing global demand for chrome wheels.

To expand our network further, we incorporated a subsidiary in Osaka Japan in April, to act as a distributor and authorized sales representative in Japan for our manufacturing operations in PRC and Taiwan.

By last quarter of 2004, both the fifth and sixth production lines in our Shanghai plant have started production.

2005: In 2005, we have plans to set up 2 new manufacturing plants in Suzhou, PRC and Sepang, Malaysia. Both plants are targeted to meet the increasing demand for alloy wheels internationally and in the Asean region.

2005

Up & coming by end 2005
Our Suzhou & Sepang Plants

1996



2000



2003



2004



Review of Operations

We will continue our drive to strengthen our market position in North America, Europe and Japan. Both our plants in Taiwan and Shanghai, PRC are currently operating at 90% capacity and our order books are full for all existing 7 lines.

Percentage PAT Contribution
By Business Segment



Performance Overview

FY2004 had been both a challenging and rewarding year for us. Our Group achieved another set of commendable results in which both our distribution and manufacturing business segments recorded good growth.

Group's sales for FY2004 of S\$291.3 million was S\$70.6 million or 32% higher than the S\$220.7 million achieved in FY2003.

Group's profit after tax increased by 39% from S\$14.6 million in FY2003 to S\$20.3 million in FY2004.

In FY2004, our Group expanded the manufacturing activities of our Shanghai operations with the installation of two more production lines. Profit after tax from our manufacturing business accounted for 44% of the Group's total profit after tax in FY2004 as compared to 34% in FY2003.

Distribution Business

Sales from our distribution business segment increased by S\$45.3 million or 28% from S\$161.9 million in FY2003 to S\$207.2 million in FY2004.

Profit after tax from our distribution business increased by S\$1.7 million from S\$9.6 million in FY2003 to S\$11.3 million in FY2004.



The increase in tyre sales was attributable to our Asean, PRC and Oceanic operations. Both Asean and PRC operations benefited primarily from Yokohama's on-going capacity expansion in the region. In addition, our Oceanic operations have been quite successful in expanding its distribution networks with more product range of tyres sourced from existing suppliers.

Manufacturing Business

Sales from our manufacturing business increased by S\$25.3 million or 43% from S\$58.8 million to S\$84.1 million in FY2004.

The increase was primarily due to increase in turnover from our operations in Shanghai which had increased its production lines from 4 to 6 in FY2004. Turnover from our Shanghai operations increased by more than 59%.

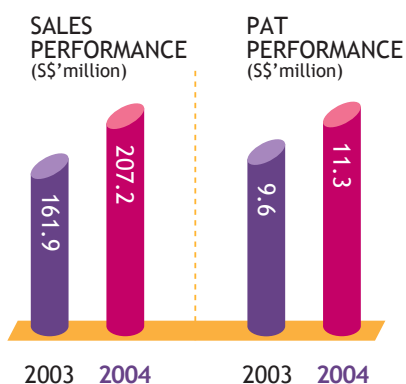
Profit after tax from our manufacturing business segment increased by S\$4.0 million from S\$5.0 million in FY2003 to S\$9.0 million in FY2004.

For FY2004, although we did experience rising raw material costs of aluminum ingots, gross profit margin remained steady as a result of higher productivity and economies of scale achieved.

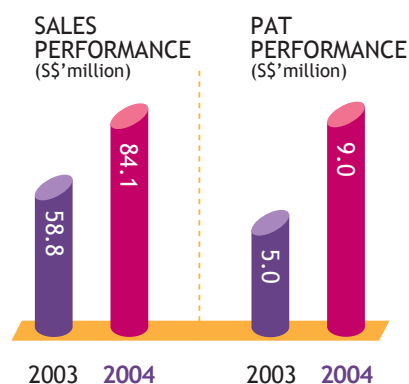


Quality certificates for our manufacturing operations
Clock wise: VIA (Japan), SFI (USA), TUV (Germany), QS9000 & ISO9001

Our Distribution Business Performance



Our Manufacturing Business Performance



Review of Operations

Looking ahead

For the year ahead, we hope to see continual increase in sales for both our distribution and manufacturing businesses.

We will continue to focus our efforts in expanding both our distribution and manufacturing businesses. For our distribution business, we will strengthen and expand our global distribution networks to increase market share and capture more business opportunities.

With the announcements made by our principal supplier, Yokohama Rubber Co Ltd, to bring forward its regional expansion plans, we believe this will provide us with more opportunities in our tyre distribution business. The increase in production capacity in Yokohama Tire Philippines Inc and the setting up of Yokohama Tire Manufacturing (Thailand) Co Ltd will enable us to have more supply of tyres and wider tyre product range to meet the Asean market demand.

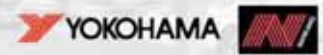
Hangzhou Yokohama Tire Co Ltd in the PRC has also commenced its second phase of expansion plans to double its current production capacity of tyres from existing 700,000 pieces to 1.4 million pieces by second half of 2005.

For our manufacturing business, we will scale up our production capabilities in terms of production facilities and efficiencies, as well as continuous improvement to the quality and designs of our alloy wheels and quality value-added services to maintain and grow our position in the international arena. Global demand for alloy wheels will continue to grow attributable to rising trend of alloy wheels manufacturers from developed countries worldwide outsourcing their production to low cost production base, particularly in PRC.

We will continue our drive to strengthen our market position in North America, Europe and Japan. Both our plants in Taiwan and Shanghai, PRC are currently operating at 90% capacity and our order books are full for all existing 7 lines.

To meet the global demand of alloy wheels, we will speed up the setting up of our second PRC alloy wheels manufacturing plant in Suzhou. To cater for the Asean market and to take advantage of the Asean Free Trade Area (AFTA) tariffs, we will set up another manufacturing plant in Sepang, Malaysia. Both plants are anticipated to be operationally ready by first quarter of 2006.

Going forward, our Group will continue to leverage on its strategic market position to capture new opportunities, as well as strengthening its portfolio of products and services to sharpen its competitive edge and ensure sustainable growth.



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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.

The SGX-ST's Listing Manual requirement requires that an issuer who holds its Annual General Meeting ("AGM") on or after 1 January 2003 (the "effective date") should describe its corporate governance practices with specific reference to the Code of Corporate Governance ("Code") in its annual report.

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: Board's Conduct of its Affairs

The Board comprises four executive Directors and three independent non-executive 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:

1. reviewing and approving key business strategies and financial plans and monitoring the organizational performance;

2. reviewing the adequacy and integrity of the company's internal controls, risk management systems and financial reporting and compliance;
3. approving major investments and divestments and funding proposals; and
4. 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. Board meetings are conducted in Singapore and attendance by Directors are regular. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings are disclosed in Table 1 below.

Principle 2: Board Composition and Balance

The Board comprises four executive Directors and three independent non-executive Directors. Key information regarding the Directors is given in the "Our Board of Directors" section of this annual report. The independence of each Director will be reviewed annually by the Nominating Committee. The Nominating Committee is of the view that the current Board, with independent non-executive Directors making up at least one-third of the Board, has a strong and independent element that is able to exercise objective judgement on corporate affairs independently from the management. The Nominating Committee is also of the view that no individual or small group of individuals dominates the Board's decision making process.

Table 1 : Attendance of Directors at Board and Board Committee Meetings

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
	No. of meetings Held: 4	No. of meetings Held: 4	No. of meetings Held: 1	No. of meetings Held: 1
	Mtgs attended	Mtgs attended	Mtgs attended	Mtgs attended
Tay Tian Hoe Richard	4	N.A.	1	1
Tay Tiang Guan	4	N.A.	N.A.	N.A.
Tay Tiang Chong Jackson	3	N.A.	N.A.	N.A.
Yuen Sou Wai	4	N.A.	N.A.	N.A.
Henry Tan Song Kok	4	4	1	1
Hee Theng Fong	4	4	N.A.	1
Phua Tin How	4	4	1	N.A.

CORPORATE GOVERNANCE REPORT

The Board is of the view that the current board size of seven 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. 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.

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.

Principle 3: Role of Chairman and Group Managing Director

Currently, we do not have a Chairman of the Board. However, a Chairman is usually appointed for our Board meetings and the Chairman exercises control over quality, quantity and timeliness of the flow of information between management and the Board.

Our Group Managing Director is Mr Tay Tian Hoe Richard. 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. Our Group Managing Director's performance and appointment to the Board is reviewed annually by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee.

Principle 4: Board Membership

Mr Phua Tin How, an independent non-executive Director, is the Chairman of the Nominating Committee. The Nominating Committee comprises two independent non-executive Directors, Messrs Phua Tin How and Henry Tan Song Kok and an executive Director, Mr Tay Tian Hoe Richard.

We believe that Board renewal must be an ongoing process, to both ensure good governance, and maintain 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 and subject themselves to 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.

The Nominating Committee recommended to the Board that Mr Tay Tiang Guan, Mr Henry Tan Song Kok and Mr Hee Theng Fong 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 responsibilities of the Nominating Committee are:

- reviewing and recommending to the Board annually, the Board structure, size and composition;
- identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each AGM of the Company, having regard to the Directors' contribution and performance, including independent non-executive Directors;
- determining the criteria for identifying candidates and reviewing nominations for the appointment of Directors to the Board; and
- deciding how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

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 and individually by the Board annually and informally by the Nominating Committee with inputs from the other Board members and the Group Managing Director.

We believe that apart from the fiduciary duties (i.e. act 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 ensuring that the long term objective of enhancing shareholders' wealth 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 the financial indicators set out in paragraph 5.2 of the Code of Corporate Governance as guidelines for evaluation of the Board's performance.

CORPORATE GOVERNANCE REPORT

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 operational and financial performance of the Company.

All Directors receive a Board report issued prior to any Board meeting to enable the Directors to obtain further information, where necessary, in order to be briefed properly before any meeting.

The Board has separate and independent access to the senior management and 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.

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.

Please refer to the "Corporate Information" section of this 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

Principle 9: Disclosure on 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 non-executive Director is the Chairman of the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Directors, Messrs Hee Theng Fong and Henry Tan Song Kok and an executive Director Mr Tay Tian Hoe Richard.

The responsibilities of the Remuneration Committee are:

- a. to recommend to the Board a framework of remuneration for the executive Directors and key executives of the Group (where applicable) of all aspects of remuneration such as Directors' fees, salaries, allowance, bonuses, options and benefits-in-kind; and

- b. to determine the specific remuneration packages and terms of employment for each of the executive Director.

The Remuneration Committee has access to expert professional advice on human resource matters whenever there is a need to consult externally. 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. The remuneration of non-executive Directors should be determined by his contribution to the Company, taking into account factors such as efforts and time spent as well as his responsibilities on the Board. The Board will recommend the remuneration of the independent non-executive Directors for approval at the AGM.

We have in place the YHI Option Scheme ("Scheme") on 22 May 2003. However, no option has been granted pursuant to the Scheme in the past financial year. The Scheme will be administered by a committee comprising the following members:

- Hee Theng Fong (Chairman)
- Henry Tan Song Kok
- Tay Tian Hoe Richard *

*Mr Tay Tian Hoe Richard is our executive Director and controlling shareholder of the Company and thus by the policy of the Scheme is not entitled to participate in the Scheme. Details of the Scheme can be obtained from our Prospectus dated 24 June 2003.

Principle 9: Disclosure on Remuneration

Our executive Directors' remuneration consists of their salary, allowances, bonuses and profit sharing awards conditional upon their meeting certain profit before tax targets. The details of their remuneration packages are disclosed in Table 2.

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.

We have not granted any share options pursuant to the YHI Share Option Scheme. The report on Directors' Remuneration for financial year 2004 is disclosed in Table 2.

CORPORATE GOVERNANCE REPORT

Remuneration of Key Executive Officers

Details of remuneration* paid to the top five executives (who are not Directors of the company) of the Group for the financial year 2004 are set out below:

Name of Key Executive	S\$0 To S\$250,000	S\$250,001 To S\$500,000	No. of Stock Options granted as at 31 December 2004 (exercise price)
Liew Ngok Fook Steve	•	-	N.A.
Heng Koon Seng Colin	•	-	N.A.
Tan Yong Quan Robert	•	-	N.A.
Wu Hung-Ling	•	-	N.A.
Lu Chun Ya	-	•	N.A.

* Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions. There was no share options granted to employees during the financial year.

Employees whose remuneration exceed S\$100,000 and are immediate family members of our Executive Directors

Name of Key Executive	S\$0 To S\$250,000	S\$250,001 To S\$500,000	No. of Stock Options granted as at 31 December 2004 (exercise price)
Tay Thiam Seng +	•	-	N.A.
Tay Soek Eng Margaret +	•	-	N.A.

+ Mr Tay Thiam Seng and Mdm Tay Soek Eng Margaret are siblings of our executive Directors, Mr Tay Tian Hoe Richard, Mr Tay Tiang Guan and Mr Tay Tiang Chong Jackson.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board believes that it should promote best practices as a mean to build an excellent business for our shareholders as they are accountable to shareholders for the Company 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 are announced or issued within the mandatory period.

Principle 11: Audit Committee

Mr Henry Tan Song Kok, an independent non-executive Director is the Chairman of the Audit Committee. The Audit Committee comprises three independent non-executive Directors, Messrs Henry Tan Song Kok, Hee Theng Fong and Phua Tin How. At least two members of the Audit Committee have the appropriate accounting or related financial management expertise of experience.

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

- the audit plan of our Company's external auditors;
- the external auditors' reports;
- the co-operation given by our officers to the external auditors;
- the scope and results of the internal audit procedures;

Table 2 : The breakdown of the Directors' remuneration for FY2004

Name of Director	S\$0 To S\$250,000	S\$250,001 To S\$500,000	S\$500,001 To S\$1,000,000	Above S\$1,000,000	Directors' Fees (S\$ '000)	Percentage of Variable Remuneration	Percentage of Fixed Remuneration (including Directors' fees)	No. of Stock Options granted as at 31 December 2004 (exercise price)
Tay Tian Hoe Richard	-	-	-	•	-	78.2	21.8	N.A.
Tay Tiang Guan	-	-	-	•	-	82.1	17.9	N.A.
Yuen Sou Wai	-	-	-	•	-	76.6	23.4	N.A.
Tay Tiang Chong Jackson	-	-	•	-	-	80.7	19.3	N.A.
Henry Tan Song Kok	-	-	-	-	30	-	-	N.A.
Hee Theng Fong	-	-	-	-	30	-	-	N.A.
Phua Tin How	-	-	-	-	30	-	-	N.A.

CORPORATE GOVERNANCE REPORT

- (e) the financial statements of our Company and our Group before their submission to our Board;
- (f) nominate external auditors for appointment;
- (g) our Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time;
- (h) interested person transactions; and
- (i) capital expenditure transactions.

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

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.

There were no non-audit services provided by external auditors to the Group during the financial year.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming AGM.

Principle 12: Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. During the year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the internal control system put in place by the management and is satisfied that there are adequate internal controls in the Company. The Directors regularly review the effectiveness of all internal controls, including operational controls.

Principle 13: Internal Audits

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 IA reports directly to the chairman of the Audit Committee on audit matters. The Audit Committee meets with the IA at least once during the year without the presence of management. The Audit Committee also reviews 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 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 will review the IA's activities on a half yearly basis.

D. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

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.

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act (Cap 50, Singapore), the Board's policy is that all shareholders should be equally and timely 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 are promptly disseminated through SGXNET, press releases, various media as well as our corporate website (<http://www.yhi.com.sg>).

The Group Managing Director and executive Directors hold discussions with analysts and investors the day after each quarter's announcement of results to the SGX-ST. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. 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 to ensure a high level of accountability and to stay informed of the Company's strategy and goals. 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. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairman of the Audit, Remuneration and Nominating Committees and the external auditors are normally available at the meeting to answer those questions relating to the work of these committees.

CORPORATE GOVERNANCE REPORT

E. DEALING IN SECURITIES

The Company has adopted internal codes pursuant to the SGX-ST Best Practices Guide applicable to all its officers in relation to dealings in the Company's securities. Its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly, half-yearly results and one month before the announcement of the Company's full year results and ending on the date of the announcement of these results.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within permitted trading period.

F. BEST PRACTICES GUIDE

The Board confirms that during the financial year ended 31 December 2004, the Company has complied materially with the Best Practices Guide issued by SGX-ST and that internal controls are adequate for its current operations.

G. MATERIAL CONTRACTS

There are 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 2004.

H. INTERESTED PERSONS 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 SGX-ST Listing Manual on interested persons transactions, the Audit Committee meets quarterly to review all interested persons transactions of the Company. However, if the Company enters into an interested person transaction, the Audit Committee would ensure the compliance of the relevant rules under Chapter 9.

The following interested persons transactions took place between the Group and interested persons during the financial period from 01 January 2004 to 31 December 2004:

Interested Persons	Aggregate value of all interested persons transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' Mandate) S\$'000	Aggregate value of all interested persons transactions conducted under shareholders' Mandate (excluding transactions less than S\$100,000) S\$'000	Total S\$'000
a) Sales to a related company	162	-	162
b) Purchases from a related company	686	-	686
c) Interest paid to holding company	125	-	125
d) Management fee received/receivable from holding company	45	-	45
e) Transfer of investment	2,219	-	2,219
Total	3,237	-	3,237

Explanatory Notes:-

a) Sales to a related company

Sales to a related company pertain to LTH Logistics (Singapore) Pte Ltd disclosed under "Transactions with LTH Logistics (Singapore) Pte Ltd" on page 120 of our prospectus dated 24 June 2003. On 18 November 2004, the ultimate holding company, YHI Holdings Pte Ltd sold its entire stake in LTH Logistics (Singapore) Pte Ltd to a third party, thereby removing LTH Logistics (Singapore) Pte Ltd from the ambit of an "Interested Persons Transaction."

b) Purchases from a related company

Purchases from a related company pertain to purchases from Enkei (Malaysia) Sdn Bhd, a company affiliated by a common director in a non-executive position. This director has since resigned from Enkei (Malaysia) Sdn Bhd on 13 January 2005.

c) Interest Paid to holding company

Interest paid to YHI Holdings Pte Ltd is described and disclosed under "Restructuring Exercise" on pages 60 and 120 of our prospectus dated

24 June 2003. Under the "Restructuring Exercise", a subsidiary acquired from YHI Holdings Pte Ltd the property with a fair value of S\$5,250,000. The amount due to YHI Holdings Pte Ltd is unsecured and interest is charged at SIBOR rates.

d) Management fee received/receivable from holding company

Management fees to LTH Logistics (S) Pte Ltd is charged through YHI Holdings Pte Ltd and is described and disclosed under "Provision of Management Services to YHI Holdings and LTH" and "Provision of support services to YHI Holdings and LTH" on pages 120 and 121 of our Prospectus dated 24 June 2003. On 18 November 2004, the ultimate holding company, YHI Holdings Pte Ltd sold its entire stake in LTH Logistics (Singapore) Pte Ltd to a third party, thereby removing LTH Logistics (Singapore) Pte Ltd from the ambit of an "Interested Persons Transaction."

e) Transfer of investment

On 2 March 2004, a subsidiary acquired the equity interest of US\$1.2 million held by YHI Holdings Pte Ltd in Hangzhou Yokohama Tire Co., Ltd.

DIRECTORS' REPORT

For the financial year ended 31 December 2004

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2004 and the balance sheet of the Company at 31 December 2004.

Directors

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

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

Arrangements to enable directors to acquire shares or 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.

Directors' interests in shares or debentures

- (a) The interests of the directors holding office at the end of the financial year in the share capital of the Company and related corporations, as recorded in the register of directors' shareholdings, were as follows:

	Holdings registered in name of director			Holdings in which a director is deemed to have an interest		
	At	At	At	At	At	At
	<u>21.1.2005</u>	<u>31.12.2004</u>	<u>1.1.2004 or date of appointment, if later</u>	<u>21.1.2005</u>	<u>31.12.2004</u>	<u>1.1.2004 or date of appointment, if later</u>
The Company						
- Ordinary shares of \$0.20 each						
Tay Tian Hoe Richard	250,000	250,000	-	150,579,845	150,579,845	170,579,845
Tay Tiang Guan	200,000	100,000	-	-	-	-
Tay Tiang Chong Jackson	-	-	-	-	-	-
Yuen Sou Wai	100,000	100,000	100,000	-	-	-
Hee Theng Fong	100,000	100,000	100,000	-	-	-
Henry Tan Song Kok	100,000	100,000	100,000	-	-	-
Phua Tin How	100,000	100,000	100,000	-	-	-
YHI Holdings Pte Ltd						
- Ordinary shares of \$1 each						
Tay Tian Hoe Richard	388,967	388,967	330,000	-	-	-
Tay Tiang Guan	170,450	170,450	159,000	-	-	-
Tay Tiang Chong Jackson	159,000	159,000	159,000	-	-	-

DIRECTORS' REPORT

For the financial year ended 31 December 2004

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 financial statements and in this report.

Share options

YHI Share Option Scheme

The YHI Share Option Scheme (the "Scheme") in respect of unissued shares of \$0.20 each in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting on 22 May 2003. The purpose of the Scheme is to 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 Tay Tian Hoe Richard, Hee Theng Fong and Henry Tan Song Kok.

The aggregate number of shares issuable under the Scheme shall not exceed 15% of the issued shares of the Company. 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 shareholders by ordinary resolution in general meeting.

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

No shares were issued during the 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 and the subsidiaries under the option at the end of the financial year.

DIRECTORS' REPORT

For the financial year ended 31 December 2004

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

TAY TIAN HOE RICHARD

Director

YUEN SOU WAI

Director

23 February 2005

STATEMENT BY DIRECTORS

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 29 to 72 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2004 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

YUEN SOU WAI

Director

23 February 2005

AUDITORS' REPORT TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

We have audited the accompanying financial statements of YHI International Limited set out on pages 29 to 72 for the financial year ended 31 December 2004, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. 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 plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards 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 2004, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) 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
Certified Public Accountants

Singapore, 23 February 2005

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2004

	Notes	2004 \$'000	2003 \$'000
Sales	3	291,325	144,998
Cost of sales		(215,281)	(105,816)
Gross profit		76,044	39,182
Other operating income	3	641	667
Distribution costs		(24,338)	(11,015)
Administrative expenses		(22,062)	(13,277)
Other operating expenses		(2,374)	(1,202)
Profit from operations	4	27,911	14,355
Finance costs	5	(1,636)	(1,283)
Profit before tax		26,275	13,072
Income tax expense	7	(5,623)	(2,388)
Profit from ordinary activities after tax		20,652	10,684
Minority interests	26	(305)	(641)
Net profit for the financial year		20,347	10,043
Basic and diluted earnings per share	8	8.35 cents	7.32 cents

Note :

The YHI International Limited Group was formed on 16 May 2003 pursuant to a Restructuring Exercise. Accordingly, the comparative figures for the Group were for the financial period from 16 May 2003 to 31 December 2003.

BALANCE SHEETS

As at 31 December 2004

		The Group		The Company	
	Notes	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	19,142	24,394	9,643	14,064
Trade and other receivables	10	52,172	43,932	37,754	33,891
Inventories	11	55,537	37,229	-	-
Other current assets	12	3,800	2,460	29	5
		130,651	108,015	47,426	47,960
Non-current assets					
Investments in subsidiaries	13	-	-	45,049	34,963
Other investments	14	3,743	128	-	-
Property, plant and equipment	15	51,507	41,924	517	-
Intangible assets	16	861	942	-	-
Deferred income tax assets	7	2,118	1,534	-	20
		58,229	44,528	45,566	34,983
Total assets		188,880	152,543	92,992	82,943
LIABILITIES					
Current liabilities					
Trade and other payables	17	37,315	24,431	5,349	4,197
Borrowings	18	30,446	23,223	5	-
Current income tax liabilities	7	2,601	1,358	291	8
Dividends	20	-	2,314	-	-
Provision for other liability	21	297	290	-	-
		70,659	51,616	5,645	4,205
Non-current liabilities					
Borrowings	18	8,867	9,965	-	-
Deferred income tax liabilities	7	1,950	2,304	-	-
		10,817	12,269	-	-
Total liabilities		81,476	63,885	5,645	4,205
NET ASSETS		107,404	88,658	87,347	78,738
EQUITY					
Share capital	23	48,716	48,716	48,716	48,716
Share premium		28,285	28,285	28,285	28,285
Foreign currency translation account		(1,229)	180	-	-
Retained earnings	24	27,186	9,317	10,346	1,737
General reserve	25	1,740	723	-	-
Shareholders' equity		104,698	87,221	87,347	78,738
Minority interests	26	2,706	1,437	-	-
		107,404	88,658	87,347	78,738

The accompanying notes form an integral part of these financial statements.
Auditors' Report - Page 28

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2004

	Notes	Share capital \$'000	Share premium \$'000	Foreign currency translation account \$'000	Retained earnings \$'000	General reserve \$'000	Total \$'000
Balance at 1 January 2004		48,716	28,285	180	9,317	723	87,221
Net exchange differences on translation of financial statements of foreign subsidiaries		-	-	(1,409)	-	-	(1,409)
Net loss recognised directly in equity		-	-	(1,409)	-	-	(1,409)
Net profit for the financial year		-	-	-	20,347	-	20,347
Total recognised (loss)/gains for the financial year		-	-	(1,409)	20,347	-	18,938
Transfer to general reserve		-	-	-	(1,017)	1,017	-
Dividends relating to 2003	20	-	-	-	(1,461)	-	(1,461)
Balance at 31 December 2004		48,716	28,285	(1,229)	27,186	1,740	104,698
Balance at 1 January 2003#		*	-	-	(3)	-	(3)
Net exchange differences on translation of financial statements of foreign subsidiaries		-	-	180	-	-	180
Net gain recognised directly in equity		-	-	180	-	-	180
Net profit for the financial year		-	-	-	10,043	-	10,043
Total recognised gains for the financial year		-	-	180	10,043	-	10,223
Transfer to general reserve		-	-	-	(723)	723	-
Issue of shares pursuant to Restructuring Exercise	23	34,116	-	-	-	-	34,116
Issue of ordinary shares pursuant to initial public offering	23	11,600	17,400	-	-	-	29,000
Issue of placement shares	23	3,000	13,425	-	-	-	16,425
Share issue expenses		-	(2,540)	-	-	-	(2,540)
Balance at 31 December 2003		48,716	28,285	180	9,317	723	87,221

The YHI International Limited Group was formed on 16 May 2003 pursuant to a Restructuring Exercise. Balances as at 1 January 2003 related to balance of the Company.

* Represents 2 ordinary share of \$1 per share of the Company

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Notes	2004 \$'000	2003 \$'000
Cash flows from operating activities			
Profit before tax		26,275	13,072
Adjustments for:			
Depreciation of property, plant and equipment	15	5,107	2,565
Interest expense	5	1,636	1,283
Interest income	3	(76)	(70)
Net (gain)/loss from sale of property, plant and equipment		(42)	9
Amortisation of goodwill on consolidation	16	183	114
Amortisation of negative goodwill on consolidation	16	(82)	(51)
Exchange differences		(275)	(22)
Operating cash flow before working capital changes		32,726	16,900
Changes in operating assets and liabilities:			
Trade and other receivables		(8,240)	(1,181)
Inventories		(18,308)	(5,470)
Other current assets		(1,340)	610
Trade and other payables and provision		11,838	5,723
Cash generated from operations		16,676	16,582
Income tax paid	7	(5,320)	(2,090)
Interest received		76	70
Net cash from operating activities		11,432	14,562
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		93	197
Purchase of property, plant and equipment		(13,809)	(4,994)
Purchase of other investments		(3,615)	(54)
Cash and cash equivalents in subsidiaries acquired	9	803	2,791
Acquisition of additional interest in a subsidiary		(78)	-
Net proceed from minority interest		64	-
Net cash used in investing activities		(16,542)	(2,060)
Cash flows from financing activities			
Net proceeds from issue of shares		-	42,885
(Repayment of)/proceeds from long-term bank loans		(3,328)	3,200
Proceeds from/(repayment of) trust receipt loans		2,276	(5,303)
Interest paid		(1,670)	(1,497)
Repayment of finance lease liabilities		(301)	(58)
Dividends paid to shareholders		(3,775)	-
Dividends paid to minority interests		-	(26)
Proceeds from/(repayment of) of short-term bank loans		5,977	(27,899)
Net cash (used in)/from financing activities		(821)	11,302
Net (decrease)/increase in cash and cash equivalents held		(5,931)	23,804
Cash and cash equivalents at the beginning of the financial year		23,894	-
Effects of exchange rate changes on cash and cash equivalents		(188)	90
Cash and cash equivalents at the end of the financial year	9	17,775	23,894

The accompanying notes form an integral part of these financial statements.
Auditors' Report - Page 28

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

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

1. General

YHI International Limited (the "Company") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of the Company's 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 13 to the financial statements.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

Sale of goods

Revenue from sales of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Dividend income

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

Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(c) Group accounting

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to note 2(e) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(c) Group accounting (continued)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of post-acquisition fair values of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

Please refer to note 2(f) for the Company's accounting policy on investments in subsidiaries.

(d) Property, plant and equipment

(1) *Land and buildings*

Freehold land are recorded at cost less accumulated impairment losses (note 2(g)). Buildings and leasehold properties are recorded at cost less accumulated depreciation and accumulated impairment losses (note 2(g)).

(2) *Other property, plant and equipment*

Motor vehicles, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 2(g)).

(3) *Depreciation*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(3) *Depreciation (continued)*

	%
Freehold buildings	2
Leasehold properties	2 to 33.33
Office equipment, plant & machinery	10 to 50
Motor vehicles	15 to 26
Renovation	9.5 to 20
Computers	20 to 40
Furniture and fittings	10 to 40

(4) *Disposal*

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement; any amount in revaluation reserve relating to that asset is transferred to retained earnings.

(e) Goodwill

(i) *Goodwill*

Goodwill for the Group represents the excess of the cost of an acquisition of subsidiaries over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill recognised as intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses (note 2 (g)). Goodwill is amortised using the straight-line method over its estimated useful life of 10 years.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

On the acquisition of a foreign subsidiary, the goodwill arising is translated at the exchange rate prevailing at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(e) Goodwill (continued)

(ii) *Negative Goodwill*

Negative goodwill represents the excess of the fair value of the Group's share of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, the portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

Any remaining negative goodwill, not exceeding the fair values of the non-monetary depreciable assets acquired, is recognised in the consolidated income statement over the remaining average useful life of those assets of 10 years; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately.

(f) Investments

Investments in subsidiaries are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other non-current investments, are stated at cost less allowance for diminution in value based on a review at the balance sheet date. An allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments; such reduction being determined and made for each investment individually. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, including subsidiaries, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(g) Impairment of assets

Assets including property, plant and equipment, goodwill and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment of goodwill, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

(h) Trade receivables

Trade receivables are stated at cost less allowance for doubtful receivables based on a review of outstanding amounts at the balance sheet date. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect amounts due according to original terms of the receivables. Bad debts are written off when identified.

(i) Financial instruments

Forward foreign exchange contracts

Forward foreign exchange contracts are used to hedge the Group's exposure to foreign currency risks. The notional principal amounts of the forward foreign exchange contracts are recorded as off-balance sheet items. The contracted rates of the forward foreign exchange contracts are used to translate the hedged foreign currency monetary assets and liabilities. The fair values of the forward foreign exchange contracts are not recognised in the financial statements.

(j) Leases

Finance leases

Leases of assets in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(j) Leases (continued)

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. 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 the cost of completion and selling expenses.

(l) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(m) Provisions for other liabilities and charges

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(n) Employee benefits

(1) *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, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

(2) *Employee leave entitlement*

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

(o) Foreign currency translation

(1) *Measurement currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollars, which is the measurement currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(o) Foreign currency translation (continued)

(2) *Transactions and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.

(3) *Translation of Group entities' financial statements*

The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this 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 at the dates of the transactions); and
- (iii) All resulting exchange differences are taken to the foreign currency translation account.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are taken to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities of the acquirer and recorded at the exchange rate at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(p) Borrowings

Borrowings are stated in the balance sheet at cost.

(q) Affiliates

Affiliates are corporations in which the directors and/or shareholders of the Company and its subsidiaries have significant influence.

(r) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(s) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are included in borrowings on the balance sheet.

(t) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments, other than for the acquisition of businesses, are taken to equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issuance of new equity instruments for the acquisition of businesses are included in the cost of acquisition as part of the purchase consideration.

(u) Dividend

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

3. Revenue

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Sale of goods	291,325	144,998
Other operating income:		
- Rental income	31	45
- Gain on disposal of property, plant and equipment	42	-
- Amortisation of negative goodwill (note 4)	82	51
- Sale of mould and scrap materials	309	249
- Foreign exchange gain	-	183
- Interest Income	76	70
- Sundry income	101	69
Total other operating income	641	667
	<u>291,966</u>	<u>145,665</u>

4. Profit from operations

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
The following items have been included in arriving at profit from operations:		
Charging/(crediting)		
Amortisation charge:		
- goodwill (included in 'Other operating expenses') (note 16)	183	114
- negative goodwill (included in 'Other operating income') (note 16)	(82)	(51)
Auditors' remuneration paid/payable to:		
- Auditors of the Company	85	85
- Other auditors *	191	62
Other fees paid/payable to auditors of the Company	-	12
Depreciation of property, plant and equipment (note 15)		
- Freehold buildings	65	42
- Leasehold properties	1,255	766
- Office equipment, plant & machinery	2,963	1,466
- Motor vehicles	437	142
- Renovation	45	22
- Computers	263	95
- Furniture & fittings	79	32
	<u>5,107</u>	<u>2,565</u>
Allowance for doubtful receivables and bad debts written off	1,980	981
Allowance for slow-moving and obsolete inventories	1,401	632
Inventories written off	627	49
Rental expense - operating leases	1,099	581
Foreign exchange loss/(gain) - net	<u>209</u>	<u>(183)</u>

* Includes PricewaterhouseCoopers firms outside Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

5. Finance costs

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Interest expense:		
- Bank loans	(801)	(849)
- Bank overdrafts	(193)	(130)
- Trust receipt loans	(472)	(218)
- Finance leases	(45)	(10)
- Loan from holding company	(125)	(76)
	<u>(1,636)</u>	<u>(1,283)</u>

6. Staff costs

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Wages and salaries	22,935	11,528
Employer's contribution to defined contribution plans including Central Provident Fund	1,314	1,007
	<u>24,249</u>	<u>12,535</u>
Number of employees at the end of the financial year	<u>1,386</u>	<u>851</u>

Included in total staff costs is an amount of \$5,479,000 (2003: \$2,533,000) which has been capitalised under inventory, being the direct production costs incurred by some subsidiaries in the Group.

Key management remuneration is disclosed in note 31(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

7. Tax

(a) Income tax expense

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	1,509	752
- Foreign	4,827	1,826
	6,336	2,578
Deferred tax	(724)	(190)
	5,612	2,388
Under/(over) provision in the preceding financial year:		
- current income tax (note 7(b))	248	-
- deferred tax (note 7(c))	(237)	-
	5,623	2,388

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Profit before tax	26,275	13,072
Tax calculated at a tax rate of 20% (2003: 22%)	5,255	2,876
Singapore statutory stepped income exemption	(32)	(23)
Effect of different tax rates in other countries	678	554
Effect of changes in tax rate	20	-
Income not subject to tax	(643)	(669)
Expenses not deductible for tax purposes	614	676
Exempt income	(234)	(1,084)
Effect of tax losses not recognised	-	96
Others	(46)	(38)
	5,612	2,388

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

7. Tax (continued)

(b) Movements in current income tax liabilities

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
At the beginning of financial year	1,358	-	8	-
Acquisition of subsidiaries	-	839	-	-
Exchange differences	(21)	31	-	-
Income tax paid	(5,320)	(2,090)	(8)	-
Tax expense on profit (note 7(a))				
- current financial year	6,336	2,578	291	8
- under provision in preceding financial year	248	-	-	-
At the end of financial year	2,601	1,358	291	8

(c) Deferred income taxes

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

The Group

Deferred income tax liabilities

	<u>Accelerated tax depreciation</u>	<u>Others</u>	<u>Total</u>
	\$'000	\$'000	\$'000
At 1 January 2004	2,377	3	2,380
Exchange differences	8	-	8
Credited to income statement	(278)	(3)	(281)
Under provision in preceding financial year	14	-	14
At 31 December 2004	2,121	-	2,121
At 1 January 2003	-	-	-
Exchange differences	66	-	66
Charged to income statement	111	3	114
Acquisition of subsidiaries	2,200	-	2,200
At 31 December 2003	2,377	3	2,380

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

7. Tax (continued)

(c) Deferred income taxes (continued)

The Group (continued)

Deferred income tax assets

	<u>Provision</u>	<u>Impairment</u>	<u>Tax losses</u>	<u>Others</u>	<u>Total</u>
	<u>\$'000</u>	<u>of assets</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At 1 January 2004	1,212	75	23	300	1,610
Exchange differences	1	1	-	(17)	(15)
Credited/(charged) to					
income statement	440	(45)	-	48	443
Under provision in preceding					
financial year	274	-	(23)	-	251
At 31 December 2004	<u>1,927</u>	<u>31</u>	<u>-</u>	<u>331</u>	<u>2,289</u>
At 1 January 2003	-	-	-	-	-
Exchange differences	50	1	1	2	54
Credited/(charged) to					
income statement	368	(29)	(42)	7	304
Acquisition of subsidiaries	794	103	64	291	1,252
At 31 December 2003	<u>1,212</u>	<u>75</u>	<u>23</u>	<u>300</u>	<u>1,610</u>

The Company

	<u>Unrealised</u>	<u>Total</u>
	<u>exchange loss</u>	<u>\$'000</u>
	<u>\$'000</u>	<u>\$'000</u>
At 1 January 2004	20	20
Charged to income statement	(20)	(20)
At 31 December 2004	<u>-</u>	<u>-</u>
At 1 January 2003	-	-
Credited to income statement	20	20
At 31 December 2003	<u>20</u>	<u>20</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

7. Tax (continued)

(c) Deferred income taxes (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
- Deferred income tax assets	(2,118)	(1,534)	-	(20)
- Deferred income tax liabilities	1,950	2,304	-	-
	(168)	770	-	(20)

The amounts shown in the balance sheet included the following:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets to be recovered after more than 12 months	(1,451)	(827)	-	(20)
Deferred income tax liabilities to be settled after more than 12 months	1,738	2,164	-	-

8. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to members of YHI International Limited by the weighted average number of ordinary shares in issue during the financial year.

	<u>The Group</u>	
	2004	2003
Net profit attributable to members of YHI International Limited (\$'000)	20,347	10,043
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	243,580	137,154
Basic earnings per share	8.35 cents	7.32 cents

Diluted earnings per share is the same as basic earnings per share. There are no dilutive potential ordinary shares as no share options have been granted during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

9. Cash and cash equivalents

Cash and cash equivalents in the balance sheet is made up of:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	9,736	10,902	308	641
Fixed deposits with financial institutions	9,406	13,492	9,335	13,423
Total cash and bank balances	19,142	24,394	9,643	14,064

The carrying amounts of cash and bank balances approximate their fair value.

Cash and bank balances are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	9,152	12,470	7,795	10,642
United States Dollar	3,235	5,112	1,848	3,422
Renminbi	4,341	4,791	-	-
Others	2,414	2,021	-	-
	19,142	24,394	9,643	14,064

Fixed deposits have an average maturity of 3 months (2003: 3 months) from the end of the financial year with the following weighted average effective interest rates:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	%	%	%	%
Singapore Dollar	1.02	0.25	1.02	0.25
United States Dollar	2.10	2.10	2.10	2.10
Others	1.30	1.30	-	-

For the purposes of the consolidated cash flow statement, the financial year end consolidated cash and cash equivalents comprise the following:

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Cash and bank balances (as above)	19,142	24,394
Less: Bank overdrafts (note 18)	(1,367)	(500)
Cash and cash equivalents per consolidated cash flow statement	17,775	23,894

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

9. Cash and cash equivalents (continued)

Acquisition of subsidiaries

During the year, the Company through a wholly owned subsidiary, YHI Manufacturing (Singapore) Pte Ltd, acquired 51% of the registered capital of Eastbourne Metal Coatings Co., Ltd for a cash consideration of \$837,000 (note 13).

The aggregate effects of acquisition of subsidiaries are as follows:

	<u>The Group</u> \$'000
Year ended 31 December 2004	
Fair values of identifiable net assets of a subsidiary acquired	
Cash and bank balances	1,640
Total assets	<u>1,640</u>
Net identifiable assets	1,640
Less: Minority interest	(803)
Net identifiable assets purchased	<u>837</u>
Total cash consideration	837
Less: Cash and cash equivalents in a subsidiary acquired	(1,640)
Net cash inflow from acquisition of a subsidiary	<u>(803)</u>
Year ended 31 December 2003	
Fair values of identifiable net assets of subsidiaries acquired	
Trade and other receivables	42,751
Inventories	31,759
Property, plant and equipment	39,842
Other investment	74
Cash and bank balances	3,917
Other current assets	3,070
Deferred tax assets	1,252
Total assets	<u>122,665</u>
Borrowings	62,857
Trade and other payables	21,854
Current tax liabilities (note 7(b))	839
Deferred income tax liabilities	2,200
Total liabilities	<u>87,750</u>
Net identifiable assets	34,915
Less: Minority interests	(957)
Net identifiable assets purchased	<u>33,958</u>
Goodwill	<u>1,005</u>
Total cash consideration	34,963
Less: Non-cash consideration *	(34,116)
Less: Cash and cash equivalents in subsidiaries acquired :	
- cash and bank balances	(3,917)
- bank overdraft	279
Net cash inflow from acquisitions of subsidiaries	<u>(2,791)</u>

* The non-cash purchase consideration was satisfied by the allotment and issue of 34,115,967 ordinary shares of \$1 each (note 23(b)) as part of a Restructuring Exercise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

10. Trade and other receivables

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Trade receivables :				
- third parties	61,290	51,550	-	-
- related corporation	-	52	-	-
	61,290	51,602	-	-
Less: Allowance for doubtful receivables - third parties	(9,508)	(8,314)	-	-
Trade receivables - net	51,782	43,288	-	-
Due from subsidiaries (non-trade)	-	-	37,754	33,891
Other receivables	390	644	-	-
	52,172	43,932	37,754	33,891

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

The carrying amounts of trade and other receivables approximate their fair value.

Trade and other receivables are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	11,900	12,110	34,836	30,917
United States Dollar	15,015	9,327	-	-
Renminbi	5,583	4,746	-	-
Australia Dollar	7,353	5,550	1,704	824
New Zealand Dollar	3,534	3,005	968	690
Malaysian Ringgit	4,331	4,818	58	533
Others	4,456	4,376	188	927
	52,172	43,932	37,754	33,891

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

11. Inventories

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
<i>At cost</i>		
Work-in-progress	1,544	1,482
Materials and supplies	2,251	2,325
	<u>3,795</u>	<u>3,807</u>
<i>At net realisable value</i>		
Finished goods	51,742	33,422
Total	<u>55,537</u>	<u>37,229</u>

Inventories of \$15,948,000 (2003: \$12,465,000) of the Group have been pledged as security for bank borrowings (note 18).

12. Other current assets

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Prepayments	3,213	2,017	29	5
Deposits	587	443	-	-
	<u>3,800</u>	<u>2,460</u>	<u>29</u>	<u>5</u>

The carrying amounts of current deposits approximate their fair value.

13. Investments in subsidiaries

	<u>The Company</u>	
	2004	2003
	\$'000	\$'000
Unquoted equity shares, at cost	<u>45,049</u>	<u>34,963</u>

Acquisition of a subsidiary

The Company through its wholly owned subsidiary, YHI Manufacturing (Singapore) Pte Ltd ("YHI Manufacturing") entered into a joint venture and shareholders agreement ("the Agreement") with Chromtech Plating Co., Ltd ("Chromtech"), to incorporate Eastbourne Metal Coatings Co., Ltd ("Eastbourne"). The total registered capital of Eastbourne is US\$1,000,000, with YHI Manufacturing holding 40% of its registered capital.

On 18 May 2004, YHI Manufacturing, exercised the option to acquire a further 110,000 shares representing 11% of the initial registered capital of Eastbourne from Chromtech. Upon the completion of the acquisition, YHI Manufacturing holds 51% of the registered capital of Eastbourne. Pursuant to terms of the Agreement, the total purchase consideration including the option shares was US\$510,000 (S\$873,000), which was based on the value of the initial registered capital of Eastbourne.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

13. Investments in subsidiaries (continued)

The acquired subsidiary contributed revenue of \$1,056,000 and loss from operations of \$1,458,000 to the Group for the period from 18 May 2004 to 31 December 2004. The subsidiary's assets and liabilities at 31 December 2004 were \$4,903,000 and \$4,676,000 respectively.

The fair value of the net assets acquired approximated their fair value. The effect of the acquisition of the Group's financial position is disclosed in note 9.

Details of subsidiaries:

	<u>Name of Company</u>	<u>Principal Activities</u>	<u>Country of Incorporation/ Place of Business</u>	<u>Percentage of equity holdings</u>	
				2004 %	2003 %
	<i>Held by the Company:</i>				
+	YHI Manufacturing (Singapore) Pte Ltd	Investment holding, importer, exporter and distributor of alloy wheels and related goods	Singapore	100	100
+	YHI Corporation (Singapore) Pte Ltd	Importer, exporter and distributor of tyres, alloy wheels and related goods and industrial batteries	Singapore	100	100
++	YHI (Malaysia) Sdn Bhd	Importer and distributor of tyres, alloy wheels and related goods and industrial batteries	Malaysia	100	100
***	YHI (China) Strategy Company Limited	Investment holding	Hong Kong	100	100
***	YHI (Hong Kong) Co Limited	Importer, exporter and distributor of tyres, alloy wheels and related goods	Hong Kong	100	100
++	YHI International (Taiwan) Co., Ltd.	Manufacturing, distribution and export of alloy wheels	Taiwan	100	99.17
*	YHI (Australia) Pty Limited	Importer and distributor of tyres, alloy wheels and related goods	Australia	80	80
++	YHI (New Zealand) Limited	Importer and distributor of tyres, alloy wheels and related goods	New Zealand	70	70
	<i>Held by subsidiaries:</i>				
**	YHI Manufacturing (Shanghai) Co., Ltd ⁽¹⁾	Manufacturing, distribution and export of alloy wheels	The People's Republic of China	100	100
**	YHI Advanti Manufacturing (Shanghai) Co., Ltd ^{(1) (n)}	Manufacturing, distribution and export of alloy wheels	The People's Republic of China	100	-
**	Eastbourne Metal Coatings Co., Ltd ^{(1) (p)}	Metal finishing services for aluminium wheels and accessories	The People's Republic of China	51	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

13. Investments in subsidiaries (continued)

Details of subsidiaries (continued)

	<u>Name of Company</u>	<u>Principal Activities</u>	<u>Country of Incorporation/ Place of Business</u>	<u>Percentage of equity holdings</u>	
				2004 %	2003 %
	<i>Held by subsidiaries:</i>				
#	YHI Manufacturing (Suzhou) Co Ltd ^{(1) (n)}	Manufacturing, distribution and export of alloy wheels	The People's Republic of China	100	-
****	YHI Manufacturing (Malaysia) Sdn Bhd ^{(1) (n)}	Manufacturing, distribution and export of alloy wheels	Malaysia	100	-
++	TTS International Co., Ltd ^{(1) (n)}	Importer, exporter and distributor of alloy wheels and related goods	Japan	60	-
**	YHI International Marketing (Shanghai) Co., Ltd ⁽²⁾	Distribution of tyres, alloy wheels and related goods	The People's Republic of China	100	100
*	YHI Power Pty Limited ⁽³⁾	Importer and distributor of industrial batteries	Australia	64	64

+ Audited by PricewaterhouseCoopers, Singapore.

++ Audited by other members of the worldwide PricewaterhouseCoopers organisation.

* Audited by Lamb Lowe & Partners, Australia.

** Audited by Shanghai Da Long Certified Public Accountants Co., Ltd for local statutory purposes. For the purpose of preparing the consolidated financial statements, these financial statements have been audited by PricewaterhouseCoopers, Shanghai, a member of the worldwide PricewaterhouseCoopers organisation.

*** Audited by Wilson Ho & Co., Certified Public Accountants, Hong Kong.

**** Audited by SE Lai Associates, Chartered Accountants, Malaysia.

Not audited as the Company was incorporated on 18 November 2004. As at 31 December 2004, the Company was dormant and no capital injection has been made.

(1) These shares are held by YHI Manufacturing (Singapore) Pte Ltd.

(2) These shares are held by YHI (China) Strategy Company Limited.

(3) These shares are held by YHI (Australia) Pty Limited.

(n) These subsidiaries were incorporated during the financial year.

(p) This subsidiary was acquired during the year.

14. Other investments

	<u>The Group</u>	
	2004 \$'000	2003 \$'000
Club memberships:		
- At cost	198	195
- Less: Allowance for diminution in value	(67)	(67)
	131	128
Non-marketable securities, at cost	3,612	-
	3,743	128

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

14. Other investments (continued)

Non-marketable securities comprise equity interest in unlisted companies. There is no active market for the equity interest as the purchase agreement stipulated the requirement to sell all interests to the main shareholder, when the need arises. As such, it is not practicable to determine with sufficient reliability the fair value of the non-marketable securities. However, the directors do not anticipate that the carrying amount of the unquoted investments will be significantly in excess of their fair value.

The Group purchase one of the above equity interests for a consideration of \$2,219,000 from its holding company (note 31(a)). Subsequently, additional capital of \$1,361,000 was injected into this unlisted company, resulting in a total investment of \$3,580,000.

15. Property, plant and equipment

The Group

	Freehold <u>Land</u> \$'000	Freehold <u>Buildings</u> \$'000	Leasehold <u>Properties</u> \$'000	Office equipment, plant and <u>machinery</u> \$'000	Motor <u>Vehicles</u> \$'000	<u>Renovation</u> \$'000	<u>Computers</u> \$'000	Furniture and fittings \$'000	<u>Total</u> \$'000
<u>Cost</u>									
At 1 January 2004	2,620	3,639	22,289	21,954	1,349	965	1,446	663	54,925
Exchange differences	(34)	55	(519)	(344)	(20)	(20)	(16)	(6)	(904)
Additions	-	-	3,947	9,536	1,510	45	413	79	15,530
Disposals	-	-	-	(66)	(92)	(2)	(26)	(2)	(188)
At 31 December 2004	2,586	3,694	25,717	31,080	2,747	988	1,817	734	69,363
<u>Accumulated depreciation</u>									
At 1 January 2004	-	67	2,437	7,878	553	567	1,021	478	13,001
Exchange differences	-	1	14	(75)	(14)	(21)	(15)	(5)	(115)
Depreciation charge	-	65	1,255	2,963	437	45	263	79	5,107
Disposals	-	-	-	(18)	(90)	(2)	(26)	(1)	(137)
At 31 December 2004	-	133	3,706	10,748	886	589	1,243	551	17,856
<u>Net book value at 31 December 2004</u>	2,586	3,561	22,011	20,332	1,861	399	574	183	51,507
<u>Net book value at 31 December 2003</u>	2,620	3,572	19,852	14,076	796	398	425	185	41,924

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

15. Property, plant and equipment (continued)

The Company

	<u>Motor Vehicles</u> \$'000
<u>Cost</u>	
At 1 January 2004	-
Additions	600
At 31 December 2004	<u>600</u>
<u>Accumulated depreciation</u>	
At 1 January 2004	-
Depreciation charge	83
At 31 December 2004	<u>83</u>
<u>Net book value at</u>	
31 December 2004	<u>517</u>
<u>Net book value at</u>	
31 December 2003	<u>-</u>

- (a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$15,530,000 (2003: \$4,507,000) of which \$634,000 (2003: \$172,000) was acquired by means of finance lease.
- (b) At the balance sheet date, the net book value of property, plant and equipment of the Group under finance lease agreements (note 19) amounted to \$764,000 (2003: \$311,000).
- (c) As at 31 December 2004, a subsidiary of the Group which was acquired on 18 May 2004, has not been granted ownership certificates for its leasehold buildings by the relevant authorities. The Group has however been granted the land use rights of 20 years to the year 2023 with respect to the land in which the buildings are erected. Currently, the registration of the ownership of the leasehold buildings is pending final approval from the relevant authorities.

At the balance sheet date, the net book value of the leasehold land and buildings amounted to \$1,610,000 (RMB 8,130,000).

- (d) At the balance sheet date, property, plant and equipment of the Group pledged as securities for borrowings (note 18) are as follows:

	<u>The Group</u>	
	2004	2003
	Net book value	Net book value
	\$'000	\$'000
Freehold land	2,359	2,404
Freehold buildings	3,266	3,329
Leasehold properties	7,456	7,652
Office equipment, plant and machinery	1,841	2,158
	<u>14,922</u>	<u>15,543</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

16. Intangible assets

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Goodwill arising on consolidation (note (i))	1,551	1,714
Negative goodwill arising on consolidation (note (ii))	(690)	(772)
	<u>861</u>	<u>942</u>
(i) Goodwill arising on consolidation		
At the beginning of financial year	1,714	-
Acquisition of subsidiaries	20	1,828
Amortisation charge	(183)	(114)
At the end of financial year	<u>1,551</u>	<u>1,714</u>
Gross goodwill	1,848	1,828
Accumulated amortisation	(297)	(114)
Net book value	<u>1,551</u>	<u>1,714</u>
(ii) Negative goodwill arising on consolidation		
At the beginning of financial year	(772)	-
Acquisition of subsidiaries	-	(823)
Amortisation charge	82	51
At the end of financial year	<u>(690)</u>	<u>(772)</u>
Gross goodwill	(823)	(823)
Accumulated amortisation	133	51
Net book value	<u>(690)</u>	<u>(772)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

17. Trade and other payables

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Trade payables	18,609	9,652	-	-
Due to holding company (non-trade)	-	2,448	-	1,048
Due to a related party (non-trade)	43	12	-	-
Accrued operating expenses	7,381	7,205	241	253
Other payables	3,739	1,751	196	22
Payable for purchase of property, plant and equipment	1,459	372	-	-
Advance payments received	1,172	117	-	-
Payables to directors*	4,912	2,874	4,912	2,874
	<u>37,315</u>	<u>24,431</u>	<u>5,349</u>	<u>4,197</u>

The carrying amounts of trade and other payables approximate their fair value.

* This relate primarily to performance bonus payable to the executive directors of the Company based on the result of the financial year ended 31 December 2004 pursuant to the service agreements entered between the executive directors and the Company. The Comparative figure was performance bonus payable based on the results from 16 May 2003 to 31 December 2003.

Trade and other payables are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	9,755	10,211	5,349	4,197
United States Dollar	2,134	1,872	-	-
Renminbi	17,303	5,495	-	-
Taiwan Dollar	2,074	2,108	-	-
Australia Dollar	2,256	2,043	-	-
Others	3,793	2,702	-	-
	<u>37,315</u>	<u>24,431</u>	<u>5,349</u>	<u>4,197</u>

The non-trade amount due to a related party is unsecured, interest-free and is repayable on demand. The related party is a company in which certain directors have interest in.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

18. Borrowings

(a) Current

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Trust receipt loans	13,798	11,522	-	-
Bank overdrafts	1,367	500	-	-
Finance lease liabilities (note 19)	147	79	5	-
Short-term bank loans	14,225	8,248	-	-
Long-term bank loans due within twelve months	909	2,874	-	-
	<u>30,446</u>	<u>23,223</u>	<u>5</u>	<u>-</u>

(b) Non-current

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Finance lease liabilities (note 19)	480	215	-	-
Long-term bank loans	3,137	4,500	-	-
Loan from holding company	5,250	5,250	-	-
	<u>8,867</u>	<u>9,965</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>39,313</u>	<u>33,188</u>	<u>5</u>	<u>-</u>

(c) Secured liabilities

Included in the borrowings are the following secured liabilities:

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Trust receipt loans	13,798	11,522
Finance lease liabilities (note 19)	627	294
Bank overdrafts	1,367	500
Short-term bank loans	14,225	8,248
Long-term bank loans	4,046	7,374
	<u>34,063</u>	<u>27,938</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

18. Borrowings (continued)

(c) Secured liabilities (continued)

Security for borrowings

Trust receipt loans, bank overdrafts, short-term loans and long-term bank loans granted to the Group, are secured by the following:

- (i) a first legal mortgage on the Group's freehold and leasehold properties (note 15 (d));
- (ii) a first legal charge on office equipment, plant and machinery of a subsidiary (note 15 (d));
- (iii) a first and floating charge on all the assets of a subsidiary amounting to \$44,911,000 (2003: \$39,597,000);
- (iv) corporate guarantee from the Company (note 27); and
- (v) banker's guarantees, up to \$8.3 million (2003: \$10.3 million), given as security to another financial institution which granted banking facilities to a subsidiary. The banker's guarantees is in turn secured by a first and floating charge on all the assets of a subsidiary as referred to paragraph (iii) above.

(d) Currency risk

The carrying amounts of total borrowings are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	5,225	6,131	5	-
United States Dollar	15,495	13,228	-	-
Renminbi	9,879	3,481	-	-
Australia Dollar	4,695	5,197	-	-
New Zealand Dollar	3,182	2,975	-	-
Others	837	2,176	-	-
	<u>39,313</u>	<u>33,188</u>	<u>5</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

18. Borrowings (continued)

(e) Interest rate risk

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

The Group

	SGD %	2004 USD %	Others %	SGD %	2003 USD %	Others %
Trust receipt loans	-	4.4	-	-	3.3	-
Bank overdrafts	-	-	8.4	-	-	6.1
Bank loans	-	4.3	6.1	-	5.7	3.4
Loan from ultimate holding	2.4	-	-	2.3	-	-
Finance lease liabilities	2.2	-	7.3	-	-	7.6

The Company

	SGD %	2004 USD %	Others %	SGD %	2003 USD %	Others %
Finance lease liabilities	2.2	-	-	-	-	-

The exposure of borrowings of the Group to interest rate changes and the periods in which the borrowings reprice are as follows:

	<u>Less than 6 months</u> \$'000	<u>6 to 12 months</u> \$'000	<u>1 to 5 years</u> \$'000	<u>Over 5 years</u> \$'000	<u>Total</u> \$'000
<u>The Group</u>					
At 31 December 2004					
Total borrowings	38,762	71	480	-	39,313
At 31 December 2003					
Total borrowings	32,939	34	87	128	33,188

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

18. Borrowings (continued)

(f) Carrying amounts and fair values

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings (excluding finance lease liabilities) are as follows:

	<u>Carrying amounts</u>		<u>Fair values</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Bank loans	3,137	4,500	3,137	4,500
Loan from holding company	5,250	5,250	5,250	5,250

The borrowing rates for long-term bank loans and loan from holding company are variable and are based on a fixed margin over the lending banks' cost of funds and/or SIBOR rate. The directors expect the borrowings rates to be similar to the borrowing rates to be available to the Group at the balance sheet date. The directors are of the opinion that the carrying amounts of the long-term bank loans and loan from holding company approximate to their fair values.

(g) Maturity of non-current borrowings

Maturity of non-current borrowings (excluding finance lease liabilities) is as follows:

	<u>The Group</u>	
	2004 \$'000	2003 \$'000
Later than one year and not later than five years	7,898	9,750
Later than five years	489	-
	<u>8,387</u>	<u>9,750</u>

19. Finance lease liabilities

	<u>The Group</u>	
	2004 \$'000	2003 \$'000
Minimum lease payments due:		
- not later than one year	194	100
- later than one year but not later than five years	563	254
	<u>757</u>	<u>354</u>
Less: Future finance charges	(130)	(60)
Present value of finance lease liabilities	<u>627</u>	<u>294</u>

The present value of finance lease liabilities may be analysed as follows:

Not later than one year (note 18(b))	147	79
Later than one year but not later than five years (note 18(b))	480	215
	<u>627</u>	<u>294</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

20. Dividends

(a) Dividends payables

Dividend payable in 2003 of \$2,314,000 related to interim dividends declared by subsidiaries pursuant to a Restructuring Exercise.

(b) Dividends paid or proposed

	<u>The Group and The Company</u>	
	2004	2003
	\$'000	\$'000
<i>Ordinary dividends paid or proposed</i>		
Final exempt (one-tier) dividend paid in respect of the previous financial year of 0.60 cents (2003: Nil) per shares	1,461	-

At the Annual General Meeting on 18 April 2005, a final exempt (one- tier) dividend of 1.20 cents per shares (based on the issued ordinary share capital as at 31 December 2004) or 0.60 cents per share (based on the issued ordinary share capital after the share split on 1 February 2005 [note 33(ii)]) amounting to a total of \$2,923,000 is to be recommended. These financial statements do not reflect this dividend, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2005.

21. Provision for other liability

Provision relates to business tax that was levied on a foreign subsidiary, YHI International (Taiwan) Co., Ltd ("YHI Taiwan").

YHI Taiwan entered into a lease agreement ("Lease Agreement") with a third party in 1996. YHI Taiwan built a new factory in 1996 and the newly-built factory was transferred to the third party in 1997 in accordance with the Lease Agreement.

In 1998, the Taoyuan County Tax Department ("Tax Department") ruled that a 5% business tax, which is NT\$996,188 (\$51,000) is applicable to such a transfer. In addition, YHI Taiwan had to pay a penalty which is 6 times the quantum of the business tax. YHI Taiwan had paid the business tax of NT\$996,188 and accrued for the penalty of NT\$5,793,000 (\$297,000).

YHI Taiwan has filed an appeal and the matter is still currently pending. A full provision for the penalty has been made for this contingent exposure.

22. Holding company

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

23. Share capital of YHI International Limited

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 500 million shares (2003: 500 million shares) with a par value of \$0.20 per share (2003: \$0.20 per share).

(b) Issued ordinary share capital

	2004 Shares '000	2003 Shares '000	2004 \$'000	2003 \$'000
At the beginning of financial year	243,580	*	48,716	*
Issue of shares of \$1 each pursuant to the Restructuring Exercise	-	34,116	-	34,116
Before sub-division of shares	243,580	34,116	48,716	34,116
Sub-division of each ordinary share of \$1 each into 5 ordinary shares of \$0.20 each	-	170,580	-	34,116
Issue of shares pursuant to the initial public offering	-	58,000	-	11,600
Issue of placement shares	-	15,000	-	3,000
At the end of financial year	243,580	243,580	48,716	48,716

* Represents 2 ordinary shares of \$1 per share of the Company.

24. Retained earnings

Movement in retained earnings for the Company are as follows:

	<u>The Company</u>	
	2004 \$'000	2003 \$'000
At the beginning of financial year	1,737	(3)
Net profit for the financial year	10,070	1,740
Dividends paid	(1,461)	-
At the end of financial year	10,346	1,737

Movement in retained earnings for the Group is shown in the Consolidated Statement of Changes in Equity.

25. General reserve

This represents amounts set aside in compliance with local laws in certain overseas subsidiaries and is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

26. Minority interests

	2004 \$'000	2003 \$'000
At the beginning of financial year	1,437	-
Acquisition of subsidiaries	809	957
Share of profit after tax of subsidiaries	305	641
Exchange differences	155	121
Dividends	-	(282)
At the end of financial year	2,706	1,437

27. Contingent liabilities

- (a) Corporate guarantees given are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unsecured guarantees given to banks in connection with bank facilities provided to subsidiaries	-	-	105,476	95,927

- (b) The Company has given an undertaking to provide continued financial support to certain subsidiaries in the normal course of business.

28. Commitments

- (a) Capital commitments

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

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Expenditure contracted for purchase of property, plant and machinery	1,966	4,735	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

28. Commitments (continued)

(b) Operating lease commitments

The Group has lease commitments in respect of leases of land which are as follows:

- (i) lease of land up to 31 August 2009 for a monthly rental presently of \$6,486; and
- (ii) lease land up to 30 September 2014 for a monthly rental presently of \$11,683.

The above lease rentals are subject to annual revision up to 7.6% per annum.

In addition, the Group has future minimum lease payments under non-cancellable operating leases payable as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than one year	411	372	-	-
Later than one year but not later than five years	213	201	-	-
	624	573	-	-

29. Financial risk management

The Group is mainly exposed to interest rate risk, currency exchange risk, credit risk and liquidity risk that arise in its normal course of business. The Group's risk management policies and guidelines are set to monitor and control the potential material adverse impact of these exposures.

(i) Interest rate risk

The Group's exposure to interest rate risk relates primarily to its debt obligation and fixed deposit placed with financial institutions. Interest rates on borrowings are monitored closely to ensure that the borrowings are maintained at competitive interest rates.

(ii) Foreign exchange risk

The Group is exposed to movements in foreign currency rates arising from purchases of goods from suppliers and sales made to customers in several countries primarily with respect to United States dollars, Euro dollars and Japanese Yen. Where appropriate, the Group engages in foreign currency forward contracts to reduce exposure from the currency fluctuations arising from its trading operations. The Group does not utilise forward contracts or other arrangements for trading or speculative purposes. The outstanding foreign exchange forward contracts at financial year end are disclosed in note 30.

(iii) Credit risk

The Group has no significant concentration of credit risk. The Group's policy is to manage its credit risk through application of credit approvals, credit limits and monitoring procedures. The Group also maintains a provision for doubtful accounts receivable based on the expected collectibility of all accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

29. Financial risk management (continued)

(iv) Liquidity risk

The Group's policy on liquidity risk management is to monitor and maintain sufficient cash resources and the availability of funding through an adequate amount of committed credit facilities.

30. Financial instruments

In order to manage the risks arising from fluctuations in currency exchange rates, the Group makes use of the following derivative financial instruments:

Forward foreign exchange contracts

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rate for efficient portfolio management.

At 31 December 2004, the settlement dates on the open forward foreign exchange contracts ranged between one to three months. The local currency equivalent amounts to be received and contractual exchange rates of the Group's outstanding forward foreign exchange contracts were:

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
US Dollars		
[at rates averaging US\$1 = S\$1.69 (2003: S\$1.77)]	2,642	2,173

There was no outstanding forward foreign exchange contract for the Company at 31 December 2004 (2003: Nil).

Fair values

The unfavourable fair values of the forward foreign exchange contracts for the Group at 31 December 2004 were \$196,000 (2003: \$93,000). The fair values of forward foreign exchange contracts have been calculated (using the rates quoted by the Group's bankers) to terminate the contracts at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

31. Related party transactions

The following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

(a) Sales and purchases of goods and services

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Sales to a fellow subsidiary of the holding company	162	73
Interest paid to holding company	125	76
Purchase of alloy rims from an affiliate	686	313
Purchase of other investment from ultimate holding company (note 14)	2,219	-
Management fee received/receivable from holding company	45	120
Legal fees paid to Hee Theng Fong & Co	5	3
	<u>3,242</u>	<u>585</u>

Hee Theng Fong & Co is owned by a director of the Company, Mr Hee Theng Fong. Professional fees charged to the Group are based on normal commercial terms.

(b) Key management's remuneration

The key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit is included. The total key management's remuneration is as follows:

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Key management of the Group:		
- directors of the Company	6,090	3,737
- directors of subsidiaries	<u>2,426</u>	<u>987</u>

The YHI International Limited Group was formed on 16 May 2003 pursuant to a Restructuring Exercise. Accordingly, the comparative figures for the Group were for the financial period from 16 May 2003 to 31 December 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

32. Segment information

Primary reporting format - business segments

	Distribution of automotive products and industrial products \$'000	Manufacturing of alloy wheels \$'000	Elimination \$'000	Group \$'000
Year ended				
31 December 2004				
Sales :				
- external sales	207,158	84,167	-	291,325
- inter-segment sales	-	13,928	(13,928)	-
	<u>207,158</u>	<u>98,095</u>	<u>(13,928)</u>	<u>291,325</u>
Segment result	17,836	10,165	-	28,001
Unallocated costs				(90)
Profit from operations				<u>27,911</u>
Finance costs				(1,636)
Profit before tax				<u>26,275</u>
Income tax expense				(5,623)
Profit after tax				<u>20,652</u>
Minority interests				(305)
Net profit				<u>20,347</u>
Segment assets	112,380	69,408	(5,213)	176,575
Unallocated assets				12,305
Consolidated total assets				<u>188,880</u>
Segment liabilities	60,390	20,532	(43,409)	37,513
Unallocated liabilities				43,963
Consolidated total liabilities				<u>81,476</u>
Other segment items				
Capital expenditure	1,855	13,675	-	15,530
Depreciation	1,545	3,562	-	5,107
Amortisation	175	(74)	-	101
Allowance for slow- moving and obsolete inventories	1,202	199	-	1,401
Inventories written off	259	368	-	627

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

32. Segment information (continued)

Primary reporting format - business segments

	Distribution of automotive products and industrial products \$'000	Manufacturing of alloy wheels \$'000	Elimination \$'000	Group \$'000
Year ended				
31 December 2003				
Sales :				
- external sales	104,600	40,398	-	144,998
- inter-segment sales	-	11,476	(11,476)	-
	<u>104,600</u>	<u>51,874</u>	<u>(11,476)</u>	<u>144,998</u>
Segment result	10,430	4,185	-	14,615
Unallocated costs				(260)
Profit from operations				<u>14,355</u>
Finance costs				(1,283)
Profit before tax				<u>13,072</u>
Income tax expense				(2,388)
Profit after tax				<u>10,684</u>
Minority interests				(641)
Net profit				<u>10,043</u>
Segment assets	90,542	50,885	(4,617)	136,810
Unallocated assets				15,733
Consolidated total assets				<u>152,543</u>
Segment liabilities	36,550	23,064	(36,776)	22,838
Unallocated liabilities				41,047
Consolidated total liabilities				<u>63,885</u>
Other segment items				
Capital expenditure	697	3,810	-	4,507
Depreciation	844	1,721	-	2,565
Amortisation	105	(42)	-	63
Allowance for slow- moving and obsolete inventories	391	241	-	632
Inventories written off	49	-	-	49

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

32. Segment information (continued)

At 31 December 2004, the Group is organised into two main business segments:

- (a) Distribution
 - the distribution of automotive products and industrial products.
- (b) Manufacturing
 - the manufacturing of alloy wheels.

Inter-segment transactions are determined on an arm's length basis. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and mainly exclude other investment and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation, borrowing and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment.

Secondary reporting format - geographical segments

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

	<u>Sales</u>		<u>Total assets</u>		<u>Capital expenditure</u>	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	87,595	47,461	41,877	40,407	776	223
Malaysia	27,825	15,565	12,965	12,213	189	71
China/Hong Kong	122,026	53,372	84,615	56,188	13,507	3,793
Taiwan	21,932	14,701	9,556	9,776	338	87
Japan	3,222	-	1,016	-	187	-
Australia	29,401	16,080	20,545	14,723	485	307
New Zealand	13,252	9,295	10,536	9,247	48	26
Unallocated corporate assets	-	-	16,199	15,733	-	-
	305,253	156,474	197,309	158,287	15,530	4,507
Eliminations	(13,928)	(11,476)	(8,429)	(5,744)	-	-
	291,325	144,998	188,880	152,543	15,530	4,507

- (a) Singapore, Malaysia, Japan, Australia and New Zealand
 - the areas of operation mainly arise from distribution of automotive and industrial products.
- (b) China/Hong Kong
 - the areas of operation mainly arise from both distribution of automotive products and manufacturing of alloy wheels.
- (c) Taiwan
 - the areas of operation mainly arise from manufacturing of alloy wheels.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2004

33. Event occurring after balance sheet date

- (i) On 19 January 2005, YHI Manufacturing (Singapore) Pte Ltd made a capital injection of \$1,956,000 (US\$1,200,000) in YHI Manufacturing (Suzhou) Co Ltd, a wholly owned subsidiary incorporated in the People's Republic of China, which is engaged in manufacturing and distribution of alloy wheels.
- (ii) On 1 February 2005, the share capital of the Company was subdivided by dividing each share of \$0.20 each into two new shares of \$0.10 each. The result of the Share Split would be that the Company will have an authorised capital of S\$100,000,000 divided into 1,000,000,000 shares of \$0.10 each and an issued and paid-up capital of \$48,715,969 divided into 487,159,690 shares of \$0.10 each.
- (iii) On 22 February 2005, the directors of the company proposed a bonus issue (the "Bonus Issue") of 97,431,938 new ordinary shares of \$0.10 each in the capital of the Company (the "Bonus Shares"). This will be on the basis of one (1) Bonus Share for every five (5) existing ordinary shares of par value \$0.10 each held by the shareholders of the Company (the "Shareholders") as at a book closure date to be announced subsequent to the date of these financial statements.

The Bonus Shares will be issued pursuant to a general mandate to be obtained at the forthcoming Annual General Meeting ("AGM") of the Company which allows the Directors to issue shares in the Company up to an aggregate of twenty per cent (20%) of the Company's issued shares as at the date of the AGM. The Bonus Issue will also be effected upon the amendment of the articles of association of the Company to delete the existing requirement for shareholders' approval for bonus issues.

The Company will capitalize the sum of \$9,743,194 from its share premium account to be applied towards paying up in full for the Bonus Issue. The actual number of Bonus Shares that will be issued by the Company will depend on the total issued share capital of the Company as at the book closure date. As at 31 December 2004, the balance in the Company's share premium account was \$28,284,910.

The Bonus Shares, when issued will rank *pari passu* in all respects with the existing shares in the capital of the Company except that they will not be entitled to any dividend declared in respect of the financial year ended 31 December 2004.

The Bonus Issue and the listing and quotation of the Bonus Shares are subject to the approval of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the Bonus Shares on the Mainboard of the Stock Exchange of Singapore ("SGX Mainboard"). The Company will make an application to the SGX-ST for permission to deal in and for listing and quotation of the Bonus Shares on the SGX-Mainboard.

34. 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 23 February 2005.

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STATISTICS OF SHAREHOLDINGS

as at 8 March 2005

ANALYSIS OF SHAREHOLDINGS

Authorised share capital	\$100,000,000.00
Issued Share Capital	\$48,715,969.00
Number of Shares	487,159,690
Class of shares	ordinary shares of S\$0.10 each
Voting rights	one vote per share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 - 999	-	-	-	-
1,000 - 10,000	957	46.37	6,716,000	1.38
10,001 - 1,000,000	1,091	52.86	61,816,000	12.69
1,000,001 - and above	16	0.77	418,627,690	85.93
Grand Total	2,064	100.00	487,159,690	100.00

PUBLIC SHAREHOLDERS	%
Non-public shareholders	61.82
Public shareholders	38.18

Pursuant to Rules 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, 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		<u>%</u>
	<u>Direct Interest</u>	<u>Deemed Interest</u>	
YHI Holdings Pte Ltd	301,159,690	-	61.82
Tay Tian Hoe Richard	500,000	301,159,690	61.92
Seletar Investments Pte Ltd	30,000,000	-	6.16 ⁽¹⁾

Note

- ⁽¹⁾ Temasek Holdings (Private) Limited is deemed to have an interest in the 30,000,000 shares registered in the name of Seletar Investments Pte Ltd.

STATISTICS OF SHAREHOLDINGS

as at 8 March 2005

TWENTY LARGEST SHAREHOLDERS AS AT 8 MARCH 2005

	Name of Shareholder	No. of Shares	% of Shareholdings
1	YHI HOLDINGS PTE LTD	301,159,690	61.82
2	SELETAR INVESTMENTS PTE LTD	30,000,000	6.16
3	RAFFLES NOMINEES PTE LTD ⁽¹⁾	24,853,000	5.10
4	DBS VICKERS SECURITIES (S) PTE LTD	16,970,000	3.48
5	DBS NOMINEES PTE LTD	8,324,000	1.71
6	CITIBANK NOMINEES SINGAPORE PTE LTD	6,460,000	1.33
7	OVERSEA CHINESE BANK NOMINEES PTE LTD	5,510,000	1.13
8	ORIX INVESTMENT AND MANAGEMENT PTE LTD	4,000,000	0.82
9	WATERWORTH PTE LTD	4,000,000	0.82
10	HSBC (SINGAPORE) NOMINEES PTE LTD	3,530,000	0.73
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,139,000	0.64
12	SUMMERHILL PTE LTD	2,800,000	0.57
13	SUMMERLIGHT PTE LTD	2,800,000	0.57
14	SUNFIELD PTE LTD	2,800,000	0.57
15	LEE LING LING	1,280,000	0.26
16	G K GOH STOCKBROCKERS PTE LTD	1,002,000	0.21
17	UOB KAY HIAN PTE LTD	996,000	0.21
18	PHILLIP SECURITIES PTE LTD	991,000	0.20
19	OCBC SECURITIES PRIVATE LTD	668,000	0.14
20	SIA LING SING	620,000	0.13
Total:		421,902,690	86.60

Note

⁽¹⁾ Raffles Nominees Pte Ltd holds the shares on behalf of various entities.

YHI INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 200007455H

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of YHI International Limited will be held at Jurong Country Club, 9 Science Centre Road Singapore 609078 on Monday, 18 April 2005 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

- | | |
|---|---------------------|
| 1. To receive and, if approved, to adopt the Audited Accounts for the financial year ended 31 December 2004 together with the Directors' Report and Auditors' Report thereon | Resolution 1 |
| 2. To declare a first and final dividend of 1.20 cents per share tax exempt (one-tier) (based on the issued ordinary share capital as at 31 December 2004) or 0.6 cents per share tax exempt (one-tier) (based on the issued ordinary share capital after the share split on 1 February 2005) as recommended by the Directors | Resolution 2 |
| 3. To approve Directors' fees of S\$90,000 for the financial year ended 31 December 2004 (2003: S\$44,877) | Resolution 3 |
| 4. To re-elect Mr Tay Tiang Guan who is retiring under Article 107 of the Articles of Association | Resolution 4 |
| 5. To re-elect Mr Hee Theng Fong who is retiring under Article 107 of the Articles of Association | Resolution 5 |
| 6. To re-elect Mr Henry Tan Song Kok is retiring under Article 107 of the Articles of Association | Resolution 6 |
| 7. To re-appoint Messrs PricewaterhouseCoopers, Certified Public Accountants as auditors of the Company and to authorise the Directors to fix their remuneration | Resolution 7 |
| 8. To transact any other ordinary business which may be properly transacted at an Annual General Meeting. | |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

- | | |
|--|---------------------|
| 9. IT WAS RESOLVED THAT approval be and is hereby given to the Directors to offer and grant options under the YHI Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15 per cent of the total issued share capital of the Company from time to time | Resolution 8 |
| 10. IT WAS RESOLVED THAT the Directors be and are hereby authorised pursuant to the provisions of Section 161 of the Companies Act, Cap. 50 (the "Act") to allot and issue shares and convertible securities of the Company on such terms and conditions and with such rights or restrictions as they may deem fit PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed fifty per cent (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the issued share capital of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. For the purposes of this resolution, the percentage of issued share capital shall be based on the Company's issued share capital at the time of the passing of this resolution after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities or from exercising share options for 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 listing manual; and

(b) any subsequent consolidation or subdivision of shares | Resolution 9 |

YHI INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 200007455H

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS ALSO HEREBY GIVEN THAT the Transfer Book and the Register of Members of the Company will be closed from 25 April 2005 to 26 April 2005 (both dates inclusive) for the purpose of preparing dividend warrants. Duly completed transfers received by the Company's Registrar, Barbinder & Co. Pte Ltd, at 8 Cross Street #11-00 PWC Building, Singapore 048424 up to 5.00p.m. on 22 April 2005 will be registered to determine shareholders' entitlement to the proposed dividend. The first and final dividend of 0.60 cents per share tax exempt (one-tier), if approved at the Annual General Meeting, will be paid on 10 May 2005.

BY ORDER OF THE BOARD

Ms Gn Jong Yuh Gwendolyn

COMPANY SECRETARY

30 March 2005
SINGAPORE

Notes :

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Company's registered office at No. 2 Pandan Road, Singapore 609254 at least 48 hours before the time of the Meeting.

- (ii) Directors' fees paid in FY2003 was for the period from 3 July to 31 December 2003.
- (iii) If re-elected under Resolution 4, Mr Tay Tiang Guan will remain as executive Director of the Company.
- (iv) If re-elected under Resolution 5, Mr Hee Theng Fong will remain as a member of the Audit Committee and Chairman of the Remuneration Committee, and will be considered an independent Director of the Company.
- (v) If re-elected under Resolution 6, Mr Henry Tan Song Kok will remain as Chairman of the Audit Committee and a member of the Remuneration Committee and a member of the Nominating Committee, and will be considered an independent Director of the Company.

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YHI INTERNATIONAL LIMITED

(Company No: 200007455H)

(Incorporated in the Republic of Singapore on 26 August 2000)

PROXY FORM

For Annual General Meeting

IMPORTANT:

1. For investors who have used their CPF monies to buy YHI International Limited shares, this 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.

I/We _____ of _____

being a member/members of the above-mentioned Company, hereby appoint:-

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Jurong Country Club, 9 Science Centre Road Singapore 609078 on Monday, 18 April 2005 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	To adopt the Audited Accounts, Directors' Report and Auditors' Report		
2.	To declare a first and final dividend of 0.60 cents per share tax exempt (one- tier)		
3.	To approve the payment of Directors' Fees		
4.	To re-elect Mr Tay Tiang Guan as a Director under Article 107		
5.	To re-elect Mr Hee Theng Fong as a Director under Article 107		
6.	To re-elect Mr Henry Tan Song Kok as a Director under Article 107		
7.	To re-appoint Auditors and authorise Directors to fix their remuneration		
	Special Business		
8.	To authorise Directors to allot and issue shares in connection with the exercise of options granted pursuant to YHI Share Option Scheme		
9.	To authorise Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50		

Dated this _____ day of _____ 2005.

Signature(s) of member(s) or Common Seal

No. of Shares Held

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes to the Proxy Form

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), 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 the 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 shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead.
3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 2 Pandan Road, Singapore 609254 at least 48 hours before the time appointed for the Annual General Meeting.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such a 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.
7. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged 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 Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



友发国际有限公司
YHI INTERNATIONAL LIMITED

Listed on the mainboard of the Singapore Stock Exchange

2 Pandan Road Singapore 609254

Tel : (65) 6264 2155 Fax : (65) 6265 9927 / 6266 5368

Email : yhigroup@yhi.com.sg Website : www.yhi.com.sg

Company Registration Number : 200007455H