友 发 国 际 有 限 公 司

YHI INTERNATIONAL LIMITED

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

ANNUAL REPORT
2013

STAYING FOCUSED

Our Mission

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

Contents

STAYING FOCUSED

DRIVEN TO MOVE FORWARD WITHOUT LOSING SIGHT OF OUR VISION TO BE A GLOBALLY ACKNOWLEDGED DISTRIBUTOR OF HIGH-QUALITY AUTOMOTIVE AND INDUSTRIAL PRODUCTS AND A TRUSTED BRAND IN ALLOY WHEELS MANUFACTURING, WE WILL FOCUS ON DISCIPLINED GROWTH THROUGH PROVEN CAPABILITIES AND INVESTMENT PRUDENCE TO WEATHER CHALLENGES.

FOCUSED ON EFFICIENCY

We are prudently growing our business by integrating disciplined cost management with focused efforts to widen our range of products and expanding our sales channels.

Corporate Profile

YHI's wide international presence can be seen in over 100 countries operating through its 30 subsidiaries and one associated company located in Asia Pacific, North America and Europe. YHI distributes a diverse range of automotive products, which includes tyres, alloy wheels, automotive and industrial batteries, as well as golf and utility buggies to more than 5,000 customers globally.

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

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

Today, YHI's wide international presence can be seen in over 100 countries operating through its 30 subsidiaries and one associated company located in Asia Pacific, North America and Europe. YHI distributes a diverse range of automotive products, which includes tyres, alloy wheels, automotive and industrial batteries, as well as golf and utility buggies to more than 5,000 customers globally.

YHI currently has 5 alloy wheels manufacturing plants located in Shanghai and Suzhou, China, Taoyuan in Taiwan and Sepang and Malacca, Malaysia with a current total production capacity of 4.0 million units per annum. As an integrated ODM solutions provider, it provides services from the design and development to the manufacturing, marketing and distribution of alloy wheels.

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

Our Products

TYRES

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

SINGAPORE

JAPAN

JAPAN

ITALY

THAILAND

THAILAND

TAIWAN

INDONESIA

INDONESIA

KOREA

KOREA

INDIA

INDIA

USA

ALLOY WHEELS

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

SINGAPORE

JAPAN

GERMANY

ITALY

ITALY

USA

USA

JAPAN

JAPAN

BUGGY & UTILITY VEHICLES

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

USA	USA	DENMARK

INDUSTRIAL POWER

Industrial and Automotive Batteries

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

SINGAPORE	USA	USA	USA
JAPAN	JAPAN	TAIWAN	CHINA
CHINA	MALAYSIA	ITALY	KOREA

Other Products

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

CHINA	CHINA	CANADA	TAIWAN
GERMANY	GERMANY	GERMANY	USA

Manufacturing Capabilities

The YHI Manufacturing Group started with its first plant in Taiwan in 1996, and has since then evolved to 5 plants today located in Shanghai and Suzhou in China, Taoyuan in Taiwan and Sepang and Malacca in Malaysia with the capability to generate an annual production capacity of 4.0 million of alloy wheels.

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

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

In our manufacturing R&D, the team has achieved a breakthrough with a new proprietary Dynamic Spinning Technology (DST) launched for the Aftermarket segment. Based on flow forming technology, the new DST alloy wheels offer the strength and high performance of forged wheel at cost effective rate. This new technology will enable YHI to produce lighter and stronger alloy wheels, which will, in turn, lead to lower production costs and enhance the Group's competitiveness.

YHI Manufacturing (Shanghai) Co., Ltd

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

YHI Advanti Manufacturing (Suzhou) Co., Ltd

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

YHI International Taiwan Co., Ltd

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

YHI Precision Moulding (Shanghai) Co., Ltd

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

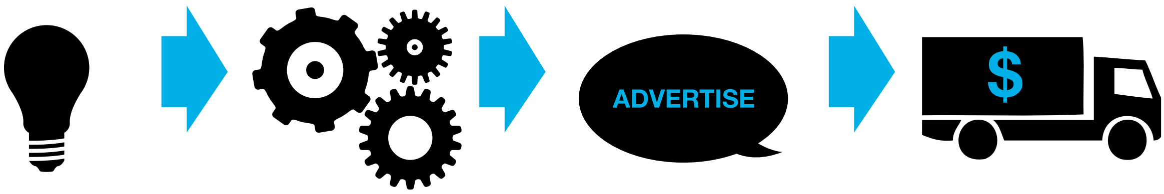
YHI Manufacturing (Malaysia) Sdn Bhd

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

YHI Advanti Manufacturing (Malaysia) Sdn Bhd

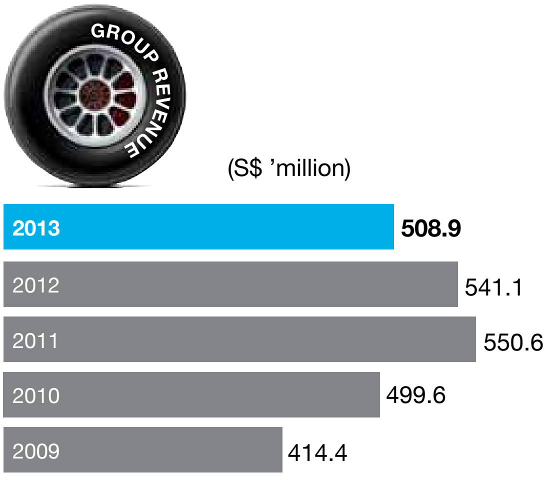
Malacca, Malaysia
Land area: 88,000 m^2
Annual production capacity: 0.6 million
Products: Alloy Wheels
Year of Production: 2012

OUR VALUED PROPOSITION

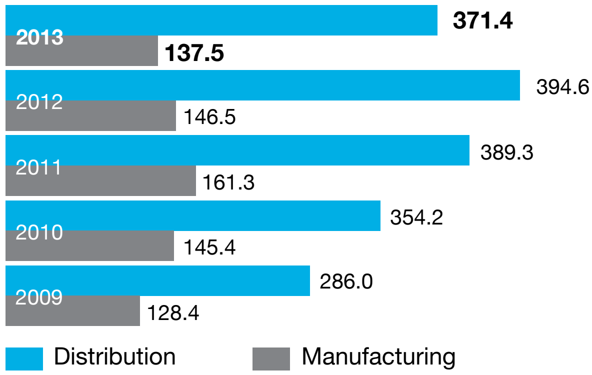


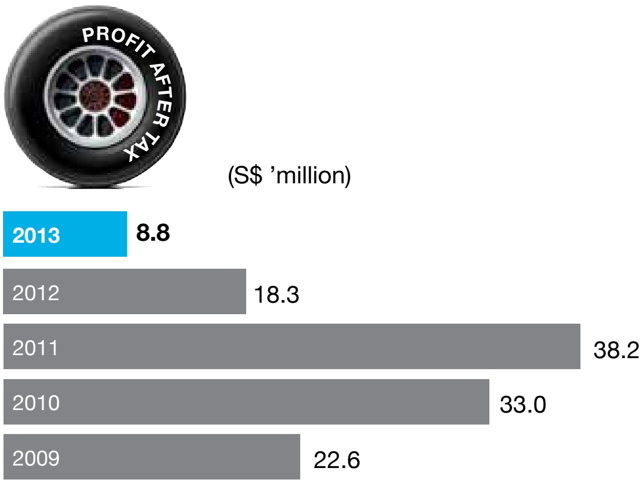
Design & Development
Manufacturing
Advertising & Promotion
Sales & Distribution

Five-year Financial Highlights

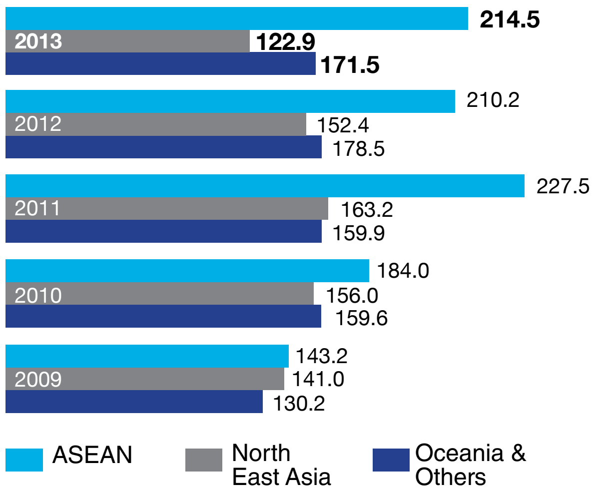


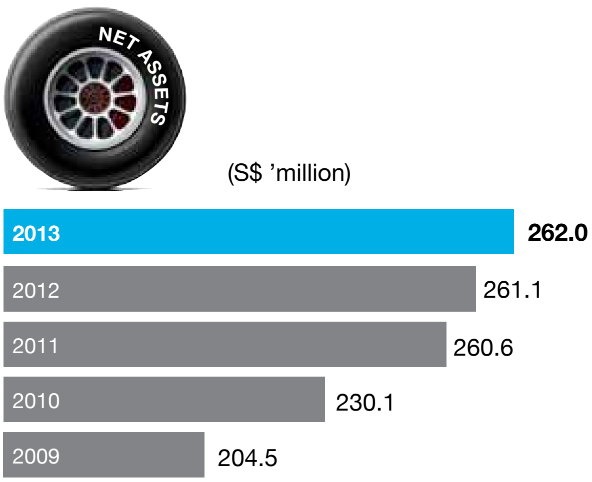
REVENUE BY BUSINESS SEGMENTS
(S$ 'million)





REVENUE BY GEOGRAPHY
(S$ 'million)





DIVIDEND PAYOUT
(%)

Five-year Financial Summary

RESULTS OF OPERATIONS

FINANCIAL YEAR ENDED 31 DECEMBER 2013	FY2013 S$ '000	FY2012 S$ '000	FY2011 S$ '000	FY2010 S$ '000	FY2009 S$ '000
Sales	**508,923**	541,122	550,610	499,582	414,392
Gross Profit %	**22.0**	23.3	23.7	24.8	23.2
Profit before income tax	**16,417**	31,885	52,295	45,490	31,870
Net profit attributable to equity holders of the Company	**8,823**	18,326	38,187	32,951	22,572
Net Profit %	**2.0**	3.9	7.5	7.1	5.9
EBITDA	**39,188**	52,620	68,902	60,989	48,124

FINANCIAL POSITION

AS AT 31 DECEMBER 2013	FY2013 S$ '000	FY2012 S$ '000	FY2011 S$ '000	FY2010 S$ '000	FY2009 S$ '000
Current assets	**285,563**	277,791	301,541	242,852	217,800
Non-current assets	**161,105**	165,718	142,151	118,951	115,514
Total assets	**446,668**	**443,509**	**443,692**	**361,803**	**333,314**
Current liabilities	**141,722**	134,615	158,986	120,284	113,446
Non-current liabilities	**42,911**	47,805	24,135	11,456	15,411
Total liabilities	**184,633**	**182,420**	**183,121**	**131,740**	**128,857**
Net assets	**262,035**	**261,089**	**260,571**	**230,063**	**204,457**
Capital and reserves attributable to equity holders of the Company	**249,350**	247,241	248,347	219,899	196,656
Non-controlling interests	**12,685**	13,848	12,224	10,164	7,801
Total equity	**262,035**	**261,089**	**260,571**	**230,063**	**204,457**

FINANCIAL INDICATORS

	FY2013	FY2012	FY2011	FY2010	FY2009
Return on shareholders equity (%)	**3.5**	7.4	15.4	15.0	11.5
Earnings per share (cents)	**1.51**	3.13	6.53	5.64	3.86
Net asset value per share (cents)	**42.65**	42.29	42.48	37.62	33.64
Dividend per share (cents)	**0.68**	1.25	1.96	1.69	1.15
Cash and bank balances (S$ '000)	**57,426**	42,470	58,179	43,942	37,323
Net debt to equity ratio (%)	**31.3**	34.5	23.0	13.7	19.5

Chairman's Message

"YHI strives to focus on brand building, product innovation, as well as improvements in production systems to enhance quality and productivity."

The global economy in 2013 was marked by the languishing effects of an anaemic US economy and an Eurozone hobbled by a continuing debt crisis. Asia, while resilient, was not impervious to external shocks. China's growth slowed to its weakest growth rate of 7.7% since 1999, while Singapore managed a commendable 4.1 % GDP growth for the whole of 2013.

During the year, we have steered a steady course and delivered a respectable financial performance for FY2013.

PERFORMANCE REVIEW

For the year ended 31 December 2013, the Group achieved a revenue of S$508.9 million and a net profit attributable to equity holders (net profit) of S$8.8 million.

The weaker financial performance can be attributed to an overall decrease in demand for the Group's products in both the distribution and manufacturing segments for the past year. Besides the lingering effect of Eurozone anti-dumping import duties and intense competition from the Chinese manufacturers, consumers are more cautious towards spending on discretionary automotive products amid a weak global economy.

Steadfastly, the Group has stayed focused and stood resilient against the challenges. We have remained vigilant and continued to improve our business and financial fundamentals, keeping in line with our strategy of strengthening our core competencies.

The distribution business anchors 73% of the Group's total turnover and has brought in a stable revenue stream of S$371.4 million. However, the weakened currencies in our key markets of Thailand, Indonesia and Australia have impacted our profit margins significantly.

Leveraging on our strong business alliances and global network, the distribution business weathered the storm and stayed on track to our Multi-product, Multi-brand and Multi-category (3M) marketing strategy. ASEAN remains our key market which contributes around 44% of our distribution revenue, with Yokohama Tyres as our anchor premium brand.

The manufacturing business, which accounts for 27% of the revenue, registered a turnover of S$137.5 million. Faced with the challenge of overcapacity of After-Market wheels globally, we have restructured our manufacturing business for long term sustainable growth.

In Malaysia, we are consolidating all the manufacturing capabilities from Sepang to Malacca to raise productivity and efficiency while reducing operating costs. Likewise, the two production facilities in China have been streamlined to cater to domestic and export markets in Shanghai and Suzhou respectively.

Our Original Equipment Manufacturer (OEM) market in Malaysia is also well positioned for growth as the OEM supplier for alloy wheels to three popular car models of Proton.

STRONG FINANCIAL POSITION

Our focus on building our core strategies and strong business fundamentals has enabled us to maintain a strong financial position. The Group's balance sheet remains healthy, backed by net assets of S$262 million. This also translates to a net asset value per share of 42.65 Singapore cents as at 31 December 2013. YHI's net working capital was stronger at S$143.8 million with cash and cash equivalents balance of S$57.4 million and a net gearing ratio of 31% as at 31 December 2013.To reward our shareholders for their loyal support and commitment, our Board of Directors has proposed a first and final dividend of 0.68 Singapore cents per share. We remain committed to drive sustainable growth and shareholder value for our shareholders.

BUSINESS OUTLOOK FOR 2014

Moving ahead, we believe that the recovery of the global economy in 2014 will continue to be moderate and volatile. However, there is a silver lining in sight. Riding on the phenomenal vehicle sales of over 21 million in China in 2013, we are

Steadfastly, the Group has stayed focused and stood resilient against the challenges. We have remained vigilant and continued to improve our business and financial fundamentals, keeping in line with our strategy of strengthening our core competencies.

cautiously optimistic that the demand for vehicles in the world's largest automotive market will continue to rise in 2014. Likewise, the moderate recovery in the US and European markets are expected to kick in, especially when the anti-dumping import duties in Europe are lifted in 2015.

In response to prevailing uncertainties in the business environment, cost management and greater operational efficiency will be our key priorities for the year ahead. Our Group will vigilantly pursue our 3R policy – Reduce stock inventory, Reduce accounts receivables risk and Reduce costs – to counteract inflationary pressures and economic challenges. We will continue with cost improvement initiatives, raise productivity and maximise operational efficiency.

At the same time, we will escalate our marketing programmes to deepen our market reach and strengthen our product portfolio, branding-building initiatives and global business networks. This is in line with our strategic move to lay a firm foundation for our businesses, so as to stay ahead of competition when the global economy gears for the upturn.

Sustained brand-building investments remain our key strategy to grow YHI into a global brand leader where "The World is Our Market". Our goal remains unchanged—to be recognised as the global distributor of high quality automotive and industrial products, with a trusted brand name in alloy wheels manufacturing as an Original Design Manufacturer (ODM).

For our distribution business, we have heightened our brand-building efforts, giving emphasis to the portfolio of our premium and proprietary brands. The three year collaboration with Mercedes AMG Petronas Formula ONE ("F1") team since 2013 has already catapulted the standing of Advanti Racing to the league of global brand names. To sustain the momentum, we will intensify the market expansion for the range of product mix of tyre, alloy wheels and industrial power under our proprietary Neuton and Advanti Racing brand names.

The Group will also continue to explore and develop business opportunities by executing the Multi-product, Multi-brand and Multi-category ("3M") marketing strategies by offering wider range of products and expanding more sales channels. In addition, YHI will leverage on its stable of products to capitalize growth opportunities in the existing markets and also explore business opportunities in new markets.

To boost its stable of proprietary brands, the Group will accelerate the expansion drive for both the distribution network and product development for Neuton Tyres. The Group has started extending distribution network in China and Latin America in 2013. Beyond that, we will be actively venturing into Africa, Russia, Middle East and South America. For developed countries, we are targeting our Neuton tyres to penetrate into the United States and Australia.

In the face of stiff global competition, the Group will continue its efforts in innovation, product design and improvements in its production systems to reduce operating costs and improve productivity. In our manufacturing R&D, we have achieved a breakthrough with a new YHI "Flow Forming" technology that enables YHI to produce lighter and stronger alloy wheels. Dynamic Spinning Tech (DST) is the latest proprietary technology that Advanti Racing has launched for the Aftermarket segment. Both new technologies will lead to lower production costs and enhance the Group's competitive edge.

While holding a tight rein on our operating costs, the Group will exercise prudence in evaluating new strategic partnerships and new technology platforms with a view to reinforce our core competencies to enhance shareholder value in a sustainable way.

NOTE OF APPRECIATION

I have confidence that YHI Group supported by our good management team, dedicated staff, extensive distribution network and strong manufacturing presence will be able to deliver sustainable growth in the year ahead.

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

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

Richard Tay
Executive Chairman &
Group Managing Director

董事长
献词

友发致力专注於品牌建设、产品革新、生产系统的改善上，以此提高产品质量和生产力。

2013年的全球经济被笼罩在美国疲软的经济和欧盟地区持续不断的债务危机，亚洲地区经济虽有增长，但依然不可避免地受到冲击。整个2013年，中国的经济增长放缓至7.7%，是其自1999年以来增长最薄弱的一年，而新加坡则享有不错的4.1%GDP增长。

2013年，我们稳步前进，并达致了可观的财务业绩。

业绩回顾

截至2013年12月31日，本集团取得总营业额5.1亿新元，净利润为8.8百万新元。

不尽人意的财务业绩可归因于市场对本集团产品（包括各个销售公司和制造工厂）的需求在过去一年整体下跌。除了欧元区的反倾销进口关税与来自中国制造商激烈竞争的持续影响外，尚包括消费者因受疲软的全球经济影响，对选择非必需品的汽车产品更加谨慎的态度之转变。

本集团坚持不懈地、专心且灵活快速地应对各种挑战。我们时刻保持警觉，持续不断地改善我们的运营和财务基础，不断贯彻并增强核心竞争力的策略。

批发部销售公司的业绩占了本集团总营业额的73%，收益为3.714亿新元。然而，泰国，印度尼西亚和澳大利亚货币的贬值很大程度上影响了我们的利润率。

凭借我们强大的商业联盟和全球网络，分销业务承接了多产品，多品牌，多种类（3M）营销策略并将之纳入正轨，从而抵御了经济风暴。有横滨轮胎作为我们的优质品牌，东盟仍是我们的主要市场，占44 %的营业额。

制造事业部创收1.375亿新元，占整个集团营业额的27%。面对全球售后市场产能过剩的挑战，我们调整了轮圈制造事业部的架构使其长期可持续增长。

在马来西亚，我们将雪邦工厂的制造产能移到马六甲以达两厂整合后带来的高效率和高生产力，同时降低运营成本。同样，在中国工厂的两个生产基地设施已简化，以分别满足在上海和苏州工厂的国内市场和国外市场需求。

作为Proton OEM的供应商，我们也准备好了扩大业务量，以满足Proton在市场上三个畅销车型的产品需求。

稳健的财务状况

我们专注于建立核心战略和坚实的业务基础，致使我们能够维持强有力的财务状况。本集团的资产负债表仍然稳健，净资产为2.62亿新元。这也意味着2013年12月31日每股的资产净值为42.65分。友发的净营运资金为1.438亿新元和5.74千万新元的现金；2013年12月31日净负债比率为31%。为报答股东的忠诚、支持和贡献，我们董事会已建议派发首期及末期股息0.68分/每股。我们将继续致力于持续稳定的增长，为股东们创造价值。

2014年业务展望

展望未来，我们深信2014年的全球经济将持续受调控且动荡不定。看看2013年，中国惊人的汽车销售量超过21亿，我们有理由相信，在2014年全球最大的汽车市场对汽车的需求将持续上升。同样，美国和欧洲市场的温和复苏的经济将起作用，尤其是2015年将被取消的欧洲反倾销进口关税。

本集团坚持不懈地、专心且灵活快速地应对各种挑战。我们时刻保持警觉，持续不断地改善我们的运营和财务基础，不断贯彻并增强核心竞争力的策略。

为应对经营环境的不确定性，成本管理和更有效的运营效率将是我们未来一年致关重要的努力事项。本集团将贯彻始终3R政策 - 降低库存，降低应收账款风险，降低成本 - 来抵消通货膨胀压力和经济环境的挑战。我们将继续成本改善措施，提高生产率和最大限度地提高运营效率。

与此同时，我们将致力提升营销计划，以深化我们的市场范围、加强我们的产品组合，品牌建设和全球业务网络。这也符合我们的战略，为我们的业务开拓并奠定坚实的基础，从而当全球经济好转时，能保持贯有的竞争优势。

持续的品牌建设投资，仍然是友发成长为一个“世界为我市场”全球品牌领导者的重大战略。我们的目标仍然不变，作为一个原创设计轮圈制造厂商，能够拥有一个值得信赖的品牌名称，从而被公认为高品质的汽车和工业产品的全球分销商。

对于我们的分销业务，我们已加强我们的品牌建设工作，将重点放在我们的优质产品和自主品牌的组合上。与奔驰AMG F1方程式队签订的自2013起的三年合作联盟，已经将雅泛迪的地位一跃成为全球品牌。为了保持这一势头，我们将加大市场拓展，将轮胎，铝合金轮毂，NEUTON品牌的工业电池和雅泛迪赛这一品牌有效结合。

本集团亦将继续通过执行多产品，多品牌，多种类的3M营销策略，提供更广泛的产品，扩展更多的销售渠道，以探索和开拓商机。此外，友发将凭借其稳定优质的产品，把握商机，增长现有市场，开拓新市场。

为了提高自主品牌的稳定性，本集团将加快扩张NEUTON轮胎的分销网络和产品开发。本集团已在2013年开始扩大在中国和拉丁美洲的销售网络。除此之外，我们将积极进军非洲，俄罗斯，中东和南美。对于发达国家来说，我们的目标是把NEUTON轮胎渗透到美国和澳大利亚市场。

在激烈的全球竞争面前，本集团将继续加强创新的力度、产品的设计和生产系统的改进，以此降低运营成本，提高生产力。我们友发新旋压技术的生产研发，已经取得了突破性进展，使友发能够生产更轻，更坚固的铝合金轮毂。DST则是最新的动态旋压专有技术，已针对售后市场推出了很多款雅泛迪轮圈款式。这两种新技术将使生产成本降低，从而提升集团的竞争优势。

严格控制我们的经营成本，本集团将评估新的战略伙伴关系和新的技术平台，以加强我们的核心竞争力，从而给股东带来持续的收益。

感谢词

我有信心，凭借着优秀的管理团队、敬业的员工、四通八达的分销网络和强大的制造事业部支持友发集团，未来一年将能够实现永续的成长率。

本人谨代表董事会，感谢我们的管理层、员工、客户和业务合作伙伴等所给予的坚定不移之支持，和对本集团的默默奉献。同时，也衷心感谢忠诚的股东们给予友发持续不断的信心和投资。

最后要感谢董事会的同僚们，对于你们的指导，以及对友发的成长和友发的成功所作出的宝贵贡献，我要致上万二分的谢意。

郑添和
执行主席兼集团董事长

FOCUSED ON PRODUCTIVITY

Amidst a competitive landscape, we will drive productivity through enhanced production systems, and boost the product quality our customers have always relied on.

Business Review

The Group expects the distribution business to continue to be the key contributor for the Group.

Despite the challenging operating environment, YHI International Limited (YHI) has steered a firm course in 2013. It stayed focused on building its core competencies while streamlining its business operations to maximise operational efficiency.

Throughout the year, the Group continued to cautiously grow its manufacturing and distribution businesses, and strengthened its Multi-brand, Multi-category and Multi-product (3M) sales initiatives for all its sales offices and distributors in more than 100 countries worldwide.

ASEAN continued to be our biggest market contributing about 42% of the Group revenue. The distribution business, which accounts for 73% of the Group's total turnover, recorded a decrease of 6% in turnover to S$371.4 million in FY2013. The manufacturing business, which constitutes 27% of the Group's total turnover, recorded a decrease of 6% in turnover to S$137.5 million, as compared with S$146.5 million in FY2012.

The weaker financial performance can be attributed to an overall decrease in demand for the Group's products in both the distribution and manufacturing segments for the past year. Besides the lingering effect of Eurozone anti-dumping import duties and intense competition from the Chinese manufacturers, consumers are more cautious towards spending on discretionary automotive products amid a weak global economy.

DISTRIBUTION BUSINESS

The distribution business is the crown jewel of the YHI Group. Since its humble beginnings in 1948, the YHI Group now holds the distribution rights to a diverse portfolio of high-quality automotive and industrial products globally. Key tyre brands represented by the Group are Yokohama, Nitto, Nankang, Nexen, Pirelli, Archilles and its proprietary brand, Neuton Tyres. Its alloy wheels brand portfolio includes Enkei, OZ, Konig, Breyton and its proprietary brand, Advanti Racing.

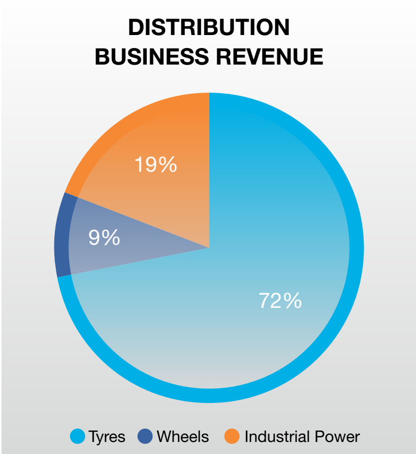
YHI's industrial power products portfolio includes both automotive and rechargeable batteries for commercial and industrial use as well as golf and utility buggies from E-Z-GO and Cushman and other industrial power products like solar panels, chargers and UPS. Some of the key brands it distributes are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

ASEAN remains our key market which contributes around 44% of our distribution revenue, with Yokohama Tyres as our anchor premium brand. YHI is the exclusive distributor for Yokohama tyres in seven ASEAN countries, namely Singapore, Malaysia, Brunei, Vietnam, Cambodia, Indonesia and Myanmar.

Business Review

The revenue of our tyres segment represents about 72% of the distribution business, followed by 19% for industrial power segment and 9% for wheels segment respectively.

The revenue of our tyres segment represents about 72% of the distribution business, followed by 19% for industrial power segment and 9% for wheels segment respectively.



Throughout 2013, the Group remained vigilant in existing and new markets to fortify its reputation as a global distributor of high-quality automotive and industrial products and a trusted manufacturer of alloy wheels. In spite of the weakened currency in our key markets of Thailand, Indonesia and Australia that impacted the profit margins significantly, we remained focused on strengthening our strong business alliances and global network to keep up with the growth momentum for the distribution business.

With an international presence in over 100 countries operating through more than 30 entities located in Asia Pacific, North America and Europe, the Group has newly expanded into the Philippines in March 2013 through the incorporation of a wholly-owned subsidiary, the YHI Philippines, in Makati City, Metro Manila. The Group also consolidated its presence in Canada through the acquisition of YHI America's shareholding interest in YHI Canada for YHI Canada to become a 100% wholly-owned subsidiary of the Company.

The Group has also successfully continued to expand new business opportunities by implementing its 3M marketing strategies. The strategy is centred on the promotion and development of its portfolio of premium and proprietary brands.

Winning the new exclusive distribution rights for Mickey Thompson, a U.S. high performance tyre and wheel for the track and off-road racing, has added to the stable of prestigious brands under YHI Group. The Group has successful clinched the exclusive distribution rights for the 4x4 range and truck tyres in China and Thailand in 2013 and has extended to the Philippines, Malaysia and Cambodia in 2014.

To boost its stable of proprietary brands, the Group intensified the drive for both the distribution network and product development for Neuton Tyres. The Group has started expanding the distribution of its Neutron Tyres in Asia and the Middle East in 2013. In terms of product range of Neuton Tyres sizes, the Group will be adding another three sizes of 4x4 range and four sizes for passenger cars range sizes by third quarter of 2014. This will bring the total sizes available to more than 80 sizes, thus giving consumers a wider range of selection. In 2014, the Group is also planning to add another two new sizes of Truck and Bus radial range to cater to the ASEAN market. More than 32 new product sizes targeting the European Union, North America and Latin America markets are also underway.

In New Zealand, the Group has successfully made inroads into the industrial power segment. The newly acquired Power Systems Ltd, an Auckland-based specialist in the supply and servicing of Uninterruptible Power Supply (UPS) equipment, had been successfully integrated within the Group. In addition, the team has gained a distributorship for Eaton UPS products to further expand their range of product offerings.

MANUFACTURING BUSINESS

FY2013 marked a major milestone in YHI's manufacturing facilities as the manufacturing business underwent restructuring to yield long term sustainable growth for the company.

In Malaysia, our Malacca plant is fully operational with an annual production capacity of 0.6 million wheels per annum. This effectively bring the total capacity of YHI group to 4.0 million per annum by 2013.

More critically, we have decisively re-strategised and has commenced the process of consolidating all the manufacturing capacity in the Malacca plant. With the eventual relocation of all the machinery from Sepang, we expect to raise productivity and production efficiency significantly while reducing operating costs in headcount duplication and the cost of energy.

In China, the two production facilities have been streamlined to cater for domestic and export markets in Shanghai and Suzhou respectively. This re-alignment will enable us to re-deploy our production capacity to harness the anticipated increase in demand due to the anticipated growth in China vehicle sales which hit over 21 million in China in 2013.

In the face of stiff global competition, the Group will continue its efforts in innovation, product design and improvements in its production systems to reduce operating costs and improve productivity.

In its manufacturing R&D, the team has achieved a breakthrough with a new proprietary Dynamic Spinning Technology (DST) launched for the Aftermarket segment. Based on flow forming technology, the new DST alloy wheels offer the strength and high performance of forged wheel at cost effective rate. This new technology will enable YHI to produce lighter and stronger alloy wheels, which will, in turn, lead to lower production costs and enhance the Group's competitiveness.

While our focus is in Original Design Manufacturer (ODM) wheels, YHI's proactive marketing strategy is to grow its After-Market and Original Equipment Manufacturing (OEM) businesses in Malaysia, China and other regional markets. Our Malaysian plant is already in full swing in rolling out the OEM contract to supply alloy wheels to Proton for its three popular car models. Riding on the phenomenal vehicle sales of over 21 million in China in 2013, we are well positioned to harness the anticipated demand for vehicles tyres and alloy wheels as the world's largest automotive market continues to rise in 2014. At the same time, we will continue to develop the U.S. and Asian markets and focus on better product mix targeting on higher value alloy wheels to improve margins.

To raise the profile of its own proprietary brands, the Group has continued its investment in building the Advanti Racing brand of alloy wheels as the Official Supplier to the MERCEDES AMG PETRONAS Formula One Team for three years. This is YHI's second participation in the Formula One after its sponsorship of Scuderia Torro Formula One earlier. The Group will continue to work with its partners and distributors to be the trend setter and market leader of alloy wheel designs and quality.

BUSINESS OUTLOOK

Moving ahead, the Group expects the recovery of the global economy in 2014 will continue to be moderate and volatile. However, there is a silver lining in sight. Riding on the phenomenal vehicle sales of over 21 million in China in 2013, we are

Business Review

cautiously optimistic that the demand for vehicles in the world's largest automotive market will continue to rise in 2014. Likewise, the moderate recovery in the US and European markets are expected to kick in, especially when the anti-dumping import duties in Europe are lifted in 2015.

The Group expects the outlook of manufacturing business to remain challenging due to the prevailing weak global demand for the After-Market wheels. The Group will continue to focus on brand building, product innovation and design, as well as improvements in our production systems to enhance quality and productivity.

The operating environment of our distribution business is expected to remain competitive. In addition to the competitive industry landscape, the unstable political situation in Thailand as well as the weakened Indonesian rupiah and Australian dollars are expected to continue to weigh on our operating margins. The Group has put in place appropriate cost management measures to minimise the likely impact on our bottomline.

The Group will also continue to explore and develop business opportunities by executing the Multi-product, Multi-brand and Multi-category ("3M") marketing strategies by offering wider range of products and expanding more sales channels. In addition, YHI will leverage on its stable of products to capitalize growth opportunities in the existing markets and also explore business opportunities in new markets.

The Group expects the distribution business to continue to be the key contributor for the Group.

(3rd from left) Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah presented the Golden Bull Award to Mr Tay Tiang Guan, Executive Director, YHI International Limited.

YHI (MALAYSIA) WINS GOLDEN EAGLE AWARD 2013

YHI (Malaysia) was awarded the most prestigious annual business award in Malaysia, the Golden Eagle Award 2013 (formerly known as Golden Bull Award) under Eminent Eagle Category. Organized by Nanyang Siang Pau, the award aims to provide an effective platform to benchmark successful SMEs and to inspire more SMEs to strive for business excellence.

Held at Genting International Convention Centre on 18th October 2013, the Second Finance Minister, Datuk Seri Ahmad Husni Mohamad Hanadzlah, was the Guest of Honour.

PAST AWARDS

Golden Bull Award				Golden Eagle Award
Super Golden Bull Category	Super Golden Bull Category **6th position**	Super Golden Bull Category **3rd position**	Super Golden Bull Category **2nd position**	**Winner of Eminent Eagle Category**
2007	*2010*	*2011*	*2012*	*2013*

FOCUSED ON SUSTAINABILITY

To us, sustainable growth entails heightening our brand building efforts, product innovation & design, with the aim of expanding our distribution network.

Financial Review

INCOME STATEMENT REVIEW

The Group maintained a steady momentum and delivered a respectable financial performance over the past year.

YHI Group reported a 6% decrease in turnover to S$508.9 million in FY2013, as compared to S$541.1 million in the preceding year. This is mainly due to lower sales volume in both the distribution and manufacturing business.

Net profit after tax attributable to shareholders of the Company decreased by 51.9% to S$8.8 million in FY2013 from S$18.3 million in FY2012.

The distribution business, which accounts for 73% of the Group's total turnover, recorded a decrease of 6% in turnover to S$371.4 million in FY2013, as compared with S$394.6 million in the preceding year. The manufacturing business which constitutes 27% of the Group's total turnover, recorded a decrease of 6% in turnover to S$137.5 million, as compared with S$146.5 million in the previous year.

The weaker financial performance can be attributed to an overall weak demand for the Group's products in both the distribution and manufacturing segments for the past year. Besides the lingering effect of Eurozone anti-dumping import duties and intense competition from the Chinese manufacturers, consumers are more cautious towards spending on discretionary automotive products amid a weak global economy. The weakend currencies in the key markets has also impacted the profit margins significantly.

A review of the Group's performance by geographical markets, ASEAN, Oceania, North East Asia, and Others contributed 42%, 30%, 24%, and 4% to the total turnover respectively. The turnover in ASEAN, our largest revenue contributor, increased by 2% to S$214.5 million mainly due to higher turnover in Malaysia and Vietnam. The turnover in Oceania dropped by 4% to S$152.6 million mainly due to lower turnover in Australia and the partially offset by higher turnover in New Zealand. Likewise, North East Asia fell by 19% to S$122.9 million mainly due to lower turnover in China and Japan. The turnover in Others also decreased by 3% to S$18.9 million due to lower turnover in USA and Canada.

Gross profit decreased by 11.3% to S$111.8 million in FY2013 from S$126.1 million in FY2012. The lower gross profit in FY2013 was mainly due to lower turnover and gross profit margin in both the manufacturing and distribution business. The Group's gross profit margin declined to 22% in FY2013 compared to 23.3% in FY2012.

The Group maintained a stable total operating expenses which dipped marginally at S$98.7 million in FY2013 compared to S$98.8 million in FY2012. Distribution expenses increased by 6.3% (or S$2.9 million) in FY2013 to S$49.1 million as compared to S$46.2 million in FY2012 mainly due to higher staff related costs, higher R&D expenses and allowance for impairment of doubtful trade receivables.

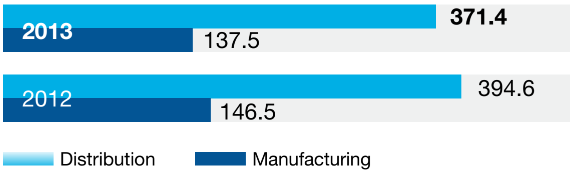
Administrative expenses decreased by 5.7% (or S$2.7 million) in FY2013 to S$44.4 million as compared to S$47.1 million in FY2012, mainly due to lower bonuses accrued and partially offset by a gain in unrealised currency translation in FY2013.

Financing costs decreased by 5.5% (or S$0.3 million) in FY2013 to S$5.2 million as compared to S$5.5 million in FY2012. The decrease was due to lower borrowings in certain subsidiaries in FY2013. Interest cover was at 4.1 times for the financial year ended 2013.

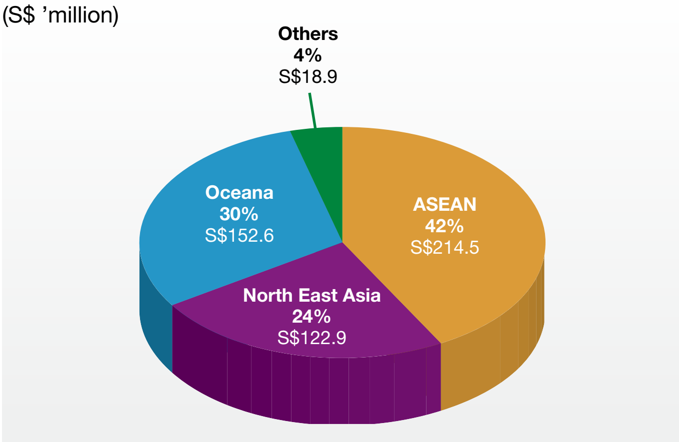
Our associated company reported lower profit and our share of profit was S$0.6 million in FY2013 compared to a share of profit of S$0.8 million in FY2012.

GROUP REVENUE
FY2013

REVENUE BY BUSINESS SEGMENTS
(S$ 'million)



REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS
(S$ 'million)



FINANCIAL POSITION REVIEW

The Group continues to benefit from a healthy balance sheet with net asset of S$262.0 million. This gives a net asset value per share of 42.65 Singapore cents as of 31 December 2013. The Group's net working capital was stronger at S$143.8 million with cash and cash equivalents of S$57.4 million and net gearing ratio of 31% as at 31 December 2013.

As at 31 December 2013, total assets amounted to about S$446.7 million comprising S$285.6 million of current assets and S$161.1 million of non-current assets. Total liabilities amounted to about S$184.6 million comprising current liabilities of S$141.7 million and non-current liabilities of S$42.9 million. Shareholders' equity including non-controlling interests amounted to S$262.0 million.

Trade and other receivables decreased from S$86.3 million to S$83.7 million mainly due to lower sales. In FY2013, the debtors turnover remained stable at 57 days compared to 56 days in FY2012.

Inventories decreased from S$134.2 million to S$131.1 million mainly due to lower purchases in line with lower sales. Inventory turnover was 120 days in FY2013 compared to 118 days in FY2012.

Property, plant and equipment (PPE) decreased by S$5.0 million to S$136.9 million from S$141.9 million mainly due to additions of PPE offset by depreciation charged during the year. Given the S$11.1 million capital expenditure incurred for PPE, S$5.1 million was for the equipment installation for the Malacca factory.

Trade and other payables decreased from S$45.5 million to S$41.7 million mainly due to lower purchases in line with lower sales and settlement of PPE payable during the year.

Borrowings increased from S$132.5 million to S$139.4 million due to additional bank borrowings for trade financing and capital expenditure in property, plant and equipment during the year. The short term loans of S$86.4 million, which comprises mainly trust receipts and revolving credits, are used for trade financing while the long term loans of S$53.0 million are used for capital expenditure in property, plant and equipment.

Group Net Borrowings (net of cash) decreased from S$90.0 million to S$82.0 million at the end of December 2013. Consequently, net gearing of the Group (borrowings net cash) to equity fell to 31%. The reduced net borrowings was attributed mainly to higher cash balances resulting from effective collections of trade receivables and lower purchases of inventories for the financial year ended 31 December 2013.

CASH FLOW REVIEW

Cash and cash equivalents amounted to S$53.8 million at the end of December 2013, compared to S$38.4 million reported at end of December 2012.

The Group's net cashflow from operating activities improved to S$32.2 million at the end of December 2013, as compared with S$24.6 million in the preceding year. The improvement was mainly due to lower inventory and trade receivables balance compared to the previous year.

The Group utilized S$10.5 million in investing activities mainly for the purchase of plant and equipment. A total of S$6.3 million was used in financing activities mainly for the payment of dividends to equity holders of the Company.

DIVIDEND

In appreciation of the shareholders for their support, the Board of Directors recommends a one-tier tax-exempt first and final dividend of 0.68 Singapore cents per share to be approved by shareholders at the forthcoming annual general meeting on 25 April 2014.

This translates to a dividend yield of 2.7% based on the closing share price of S$0.25 as at 24 February 2014 and a dividend payout ratio of 45% based on earnings per share of 1.51 Singapore cents for FY2013.

Corporate Milestones

1948

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

1997

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

1996

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

1999

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

2005

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

1973-1975

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

1980-1995

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

2000

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

2003-2004

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

CONTINUE

Corporate Milestones

2006

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

2009

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

2010

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

2013

- YHI's proprietary brand, Advanti Racing, has been appointed as the Official Supplier to MERCEDES AMG PETRONAS Formula One Team, exclusively supplying alloy wheels for all its race cars.
- Ventured into Philippines.
- For the fifth consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2013 Award (formerly known as Golden Bull Award) for outstanding SME in Malaysia.

2007

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

2008

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

2011

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

2012

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

Board of Directors

MR TAY TIAN HOE, RICHARD, 62
Executive Chairman & Group Managing Director

Mr Richard Tay is the Executive Chairman & Group Managing Director of YHI International Limited and the key founder of our Group. He is a member of our Nominating Committee.

He has more than 40 years of business experience in the area of sales and distribution of automotive products. He is responsible for formulating the overall business strategies and policies for our Group, including the development and growth of our distribution and manufacturing operations.

Under his stewardship, Mr Tay has led the development and growth of our alloy wheels manufacturing business. He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000.

MR TAY TIANG GUAN, 61
Executive Director

Mr Tay Tiang Guan is the Executive Director of our Group. He has more than 35 years of business experience and has extensive knowledge in the automotive and industrial products industry.

He is responsible for spearheading our Group's operations in ASEAN and overseeing the business development and operational management of our tyre and industrial product distribution business. He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000.

MR HENRY TAN SONG KOK, 49
Lead Independent Director

Mr Henry Tan was appointed to the Board on 22 May 2003. He currently chairs the Audit Committee and is a member of our Remuneration Committee and Nominating Committee. He is the Managing Director of Nexia TS Public Accounting Corporation, the Chairman of Nexia China. He was the past Asia Pacific Regional Chairman and board member of Nexia International.

He holds directorship for several companies. He is a director of Ascendas Funds Management (S) Ltd, manager of Ascendas REIT. He is also a director of Raffles Education Corporation Limited, Chosen Holdings Limited, Pertama Holdings Limited and China New Town Development Co Ltd.

Mr Tan graduated with a First Class Honours Degree in Accountancy from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants in Australia, CPA Australia and Insolvency Practitioners Association of Singapore Ltd and a member of Institute of Internal Auditors, Inc (Singapore Chapter), Singapore Institute of Accredited Tax Professional Limited and Singapore Institute of Directors.

MR YUEN SOU WAI, 59
Independent Director

Mr Yuen Sou Wai was appointed to the Board on 22 May 2003 and re-designated as an Independent Director from Non-Executive Director on 25 February 2014. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

He was formerly our Group Chief Financial Officer as well as Executive Director responsible for the Group's operations in Australia, New Zealand, Italy, United States America (USA) and Canada before his appointment as a Non-Executive Director on 1 September 2009.

Mr Yuen is presently the Lead Independent Director of both Chew's Group Limited and Libra Group Limited. He is also Chairman of the Audit Committee for both companies, which are listed on Catalist of the SGX-ST.

He has more than 36 years of broad-based financial management experiences in various large local and global multi-national companies. He had held several senior financial positions including Chief Financial Officer, Regional Finance Director and Group Controller in the Asia Pacific region.

Mr Yuen holds a Master in Business Administration Degree from the University of Leicester, United Kingdom. He is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

MR HEE THENG FONG, 59
Independent Director

Mr Hee Theng Fong was appointed to the Board on 22 May 2003. He currently chairs the Remuneration Committee and is a member of our Audit Committee. He is a senior partner of RHTLaw Taylor Wessing LLP and has been practising as an advocate and solicitor of the Supreme Court of Singapore since 1982.

Mr Hee is also a director of several companies including Delong Holdings Ltd, Datapulse Technology Limited and NTUC Fairprice Co-operative Limited.

He is actively involved in arbitration in the Asia Pacific region and holds several arbitral appointments. He is a Fellow of the Chartered Institute of Arbitrators (UK) and an Arbitrator with the Singapore International Arbitration Centre (SIAC), China International Economic and Trade Arbitration Commission (CIETAC), Beijing Arbitration Commission (BAC) and the Asia-Pacific Regional Group (APRAG).

MR PHUA TIN HOW, 63
Independent Director

Mr Phua Tin How was appointed to the Board on 22 May 2003. He currently chairs the Nominating Committee and is a member of our Audit Committee and Remuneration Committee.

He has held senior appointments in the public service before becoming Group President and CEO of the DelGro Group of companies and the Singapore Bus Services respectively from 1994 to 2003. He is also a director of several companies in Singapore, with the most recent appointment as Independent Director & Non- Executive Chairman of Valuemax Group Limited in Oct 2013.

He holds an MBA from INSEAD, France and a Bachelor of Science (Hons) Degree from the then University of Singapore (now known as National University of Singapore).

Senior Management Team

MR GARY SU THIAM HUAT
Group Chief Financial Officer (CFO)

Mr Gary Su is responsible for the Group's financial reporting & controls, risk management, corporate finance, treasury, investor relations, corporate governance, tax and regulatory compliance functions.

He began his career as an Auditor in London, United Kingdom (UK) and has more than 20 years of experience gained in different industries with various multi-national corporations and public listed companies in Singapore and overseas. Prior to joining YHI, Mr Su was CFO & Company Secretary of a SGX Main Board listed company.

Mr Su holds a Second Class Honours Degree in Accounting from the University of Hull, UK and a Diploma in Treasury from the Association of Corporate Treasurers, UK. He is a Fellow of the Association of Chartered Certified Accountants, UK, associate member of the Association of Corporate Treasurers, UK and a member of the Institute of Singapore Chartered Accountants.

MR ALEX ONG CHIN KIONG
Chief Operating Officer (COO)
Distribution Group

Mr Alex Ong is responsible for the development of strategic business goals as well as operational implementation for YHI Distribution Group. He oversees the business operation of all the subsidiaries within the Group, including principal relationship maintenance and product sourcing.

He first joined the Group in 2000 as Sales Manager (Industrial Power Solution) after four years with his previous company as a Regional Operations Manager. To date, Mr Ong has more than 20 years of business experience in sales operations and has extensive knowledge of the transportation, automotive and industrial products industries.

He holds a Bachelor of Science (Honours) in Management from the University of London.

MR LU CHUN YA
Group General Manager,
Manufacturing Group, China Operations

Mr Lu Chun Ya was appointed Group General Manager of the YHI Manufacturing Group, China operations on 3 December 2013. With over 23 years of experience in alloy wheels manufacturing, he is now responsible for overseeing our business operations in China, as well as the alloy wheels manufacturing plants and mold manufacturing plant in Shanghai and Suzhou respectively.

Mr Lu first joined YHI International (Taiwan) Co., Ltd as a Quality Assurance Manager in 1998 and was promoted to General Manager of Production Division of YHI Manufacturing Group. He was responsible for the business operations of the alloy wheels manufacturing plant in Shanghai before he left YHI in September 2010.

Prior to joining YHI International, he was a consultant with NingBo Superim Shenglong Technologies Co. Ltd from 2011 to 2012.

Mr Lu holds a Bachelor of Mechanical Engineering degree from Zhong Yuan University, Taoyuan, Taiwan.

MR STEVE LIEW NGOK FOOK
General Manager,
Tyre Division

Mr Steve Liew oversees the Group's expansion of the automotive tyre products distribution business. He joined YHI in 1996 as General Manager (Automotive Division) after serving four years as Regional Export Manager (Asia) with a multi-national corporation.

Mr Liew has more than 25 years of sales and distribution experience in automotive products. He holds a Graduate Diploma in Business Administration from the University of Western Sydney, Australia.

MR ROBERT TAN YONG QUAN
General Manager,
ASEAN Management

Mr Robert Tan is General Manager, ASEAN Management. He has over 12 years of experience managing the YHI distribution group in ASEAN and is responsible for overseeing the business operations in Thailand, Indonesia, Malaysia, Vietnam and the Philippines. In Singapore, he oversees the management of the Operation Process Centre (OPC) of YHI Corporation (S) Pte Ltd.

Mr Tan holds an Advanced Diploma in Information System Technology from the Singapore Polytechnic; a Graduate Diploma in Marketing from CIM UK; a Bachelor of Commence (Marketing and Finance) from Curtin University of Technology, Perth Australia; and an Executive Master of Business Administration from the Helsinki School of Economics, Finland.

MS AMY SOO WEE HSIEN
General Manager, Group Human Resource/Administration, 5S & Kaizen

Ms Amy Soo oversees the Group's Human Resource Management Development and the administration functions and the implementation of 5S and Kaizen across the entire Group.

She joined the Group in 2001 as Group Human Resource Manager after one and the half years with a public listed company and 5 years in a local multinational corporation as a Human Resource Manager. To date, Ms Soo has more than 25 years of experience in Human Resource Management/Development.

She holds a Master of Science in Human Resource Management from the University of Bradford, UK as well as a Bachelor of Business Administration from the National Chengchi University, Taiwan.

Heads of Subsidiaries

MALAYSIA

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

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

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

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

THAILAND

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

INDONESIA

MR EKA SATRIA
Deputy General Manager
PT YHI Indonesia

VIETNAM

MR TAN FOONG SIONG
Manager
YHI (Vietnam) Co., Ltd

BRUNEI

MR RICKEY TAY
Manager
YHI Corporation (B) Sdn Bhd

HONG KONG

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

JAPAN

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

AUSTRALIA

MR TONY SUHAN
Managing Director
YHI (Australia) Pty Ltd

MR DAVID CHEN
Managing Director
YHI Power Pty Ltd

CHINA

MR LU CHUN YA
Group General Manager
YHI Manufacturing
(Shanghai) Co., Ltd.

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

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

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

CHINA

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

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

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

TAIWAN

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

NEW ZEALAND

MR CHRISTOPHER TALBOT
Managing Director
YHI (New Zealand) Ltd

USA

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

CANADA

MR RAYMOND CHAN
General Manager
YHI (Canada) Inc

ITALY

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

Corporate Structure

AS AT 31 DECEMBER 2013

YHI INTERNATIONAL LIMITED

DISTRIBUTION

Company	Location	Holding
YHI CORPORATION (SINGAPORE) PTE LTD	Singapore	100%
YHI (MALAYSIA) SDN BHD	Malaysia	100%
YHI (HONG KONG) CO LTD	Hong Kong	100%
YHI (CHINA) STRATEGY CO LTD	Hong Kong	100%
YHI (AUSTRALIA) PTY LTD	Australia	80%
YHI POWER PTY LTD	Australia	80%
YHI (NEW ZEALAND) LTD	New Zealand	70%
EVO-TREND CORPORATION (MALAYSIA) SDN BHD	Malaysia	70%
PT YHI INDONESIA	Indonesia	90%
YHI CORPORATION (B) SDN BHD	Negara Brunei Darussalam	100%
YHI CORPORATION (THAILAND) CO LTD	Thailand	49%
YHI (VIETNAM) CO., LTD	Vietnam	85%
YHI CORPORATION (BEIJING) CO LTD	Beijing, PRC	100%
YHI CORPORATION (SHANGHAI) CO LTD	Shanghai, PRC	90%
YHI (PHILIPPINES) INC	Philippines	90%
YHI CORPORATION (GUANGZHOU) CO LTD	Guangzhou, PRC	100%
YHI (CANADA) INC	Canada	100%
PAN-MAR CORPORATION D/B/A KONIG (AMERICAN)	USA	95%
ADVANTI RACING USA, LLC	USA	90%
YHI CORPORATION JAPAN CO., LTD	Osaka, Japan	90%
YHI ADVANTI (SHANGHAI) CO LTD	Shanghai, PRC	100%
YHI (AMERICA) PTE LTD	Singapore	100%

MANUFACTURING

YHI MANUFACTURING (SINGAPORE) PTE LTD
Singapore 100%

YHI INTERNATIONAL (TAIWAN) CO LTD
Taiwan 100%

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

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

YHI ADVANTI MANUFACTURING (SUZHOU) CO LTD
Suzhou, PRC 100%

YHI PRECISION MOULDING (SHANGHAI) CO LTD
Shanghai, PRC 100%

YHI MANUFACTURING (MALAYSIA) SDN BHD
Malaysia 100%

YHI ADVANTI MANUFACTURING (MALAYSIA) SDN BHD
Malaysia 100%

OZ S.p.A
Italy 35.51%

Our Global Presence

SINGAPORE (Head Office)

YHI Holdings Pte Ltd
YHI International Limited
YHI Corporation (Singapore) Pte Ltd
YHI Manufacturing (Singapore) Pte Ltd
YHI (America) Pte Ltd

No. 2, Pandan Road,
Singapore 609254
T: (65) 6264 2155
F: (65) 6265 9927 / 6266 5368
E: yhigroup@yhi.com.sg
W: www.yhigroup.com
W: www.yhi.com.sg

MALAYSIA

YHI (Malaysia) Sdn Bhd
No. 15, Jalan Jurutera U1/23, Seksyen U1,
HICOM-Glenmarie Industrial Park,
40150 Shah Alam, Selangor,
Malaysia
T: (60) 3 7804 9880
F: (60) 3 7804 9878
E: yhim@yhim.com.my
W: www.yhimalaysia.com

Johor Bahru Branch
No. 7 & 9, Jalan Mutiara Emas 5/2,
Taman Mount Austin,
81100 Johor Bahru, Johor, Malaysia
T: (60) 19 238 5366 / 658 5367
F: (60) 18 620 5368
E: yhijb88@gmail.com

Penang Branch
No. 12, Lorong Kikik 9,
Taman Inderawasih,
13600 Prai, Malaysia
T: (60) 4 397 4366 / 7
F: (60) 4 397 4363
E: yhipg@tm.net.my

Evo-Trend Corporation (Malaysia) Sdn Bhd
Lot Pt 1754 Jalan Persiaran Kip Utama
Taman Perindustrian Kip Kepong
52200 Kuala Lumpur
T: (60) 3 6280 1333
F:(60) 3 6273 6333
E: kmtham@evotrend.com

YHI Manufacturing (Malaysia) Sdn Bhd
YHI Advanti Manufacturing (Malaysia) Sdn Bhd
PT 29516 Lengkuk Teknologi,
Techpark @ Enstek, 71760 Bandar
Enstek, Negeri Sembilan, Malaysia
T: (60) 6 782 2288
F: (60) 6 782 2233
E: alan@yhimm.com
W: www.advanti-wheel.com

3533 Jalan P.B.R. 28
Kawasan Perindustrian Bukit Rambai
75250 Melaka Malaysia
T: (60) 6 351 8008
F: (60) 6 351 9008
E: alan@yhimm.com
W: www.advanti-wheel.com

THAILAND

YHI Corporation (Thailand) Co., Ltd
204 Romklao Rd.,
Khwang Klongsampravet,
Khet Ladkrabang, Bangkok 10520,
Thailand
T: (66) 2360 8455
F: (66) 2360 8458
E: narongrit@yhithailand.com

INDONESIA

PT YHI Indonesia
Jalan Agung Perkasa X Blok K2 No.4,
Sunter Agung Podomoro, Jakarta 14350,
Indonesia
T: (62) 21 651 2667
F: (62) 21 651 2635
E: marketing@yhi.co.id

Balikpapan Branch
Jalan Projakal Km. 5,5
Pergudangan Samekarindo No. 16,
Kec. Balikpapan Utara 76114,
Kalimantan Timur, Indonesia
T: (62) 54 286 2080
F: (62) 54 286 2089
E: otr@yhi.co.id

Surabaya Branch
Ruko Icon 21
Jl. Ir. Sukarno Blok R.38
Surabaya-Jawa Timur
Indonesia
T: (62) 31 9900 5265
E: sby@yhi.co.id

VIETNAM

YHI (Vietnam) Co., Ltd
135/17/77 Nguyen Huu Canh Street,
Ward 22, Binh Thanh District,
Ho Chi Minh City Vietnam
T: (84) 8 3510 6087
F: (84) 8 3510 6089
E: enquiries@yhi.com.vn

PHILIPPINES

YHI (Philippines) Inc
Warehouse 6AB,
Don Mariano Lim Industrial Complex,
Alabang-Zapote Road,
Corner Concha Cruz Drive,
Barangay Almanza UNO,
Las Pinas City, Philippines
T/F: (63) 2 807 7633
E: yhiph@yhi.com.ph

BRUNEI

YHI Corporation (B) Sdn Bhd
Block 6, Section 2A Muara Export Zone,
Negara Brunei Darassalam
T: (673) 277 1321 / 277 1322
F: (673) 277 1320
E: yhicorpbn@brunet.bn

HONG KONG

YHI (Hong Kong) Co., Ltd
YHI (China) Strategy Co., Ltd
Unit A & B, 11F Dynamic Cargo Centre,
188 Yeung UK Road, Tsuen Wan,
New Territories, Hong Kong
T: (852) 2727 1883
F: (852) 2727 1301
E: bennykan@yhihk.com.hk
lmg@yhics.com.hk
W: www.yhi.com.hk

TAIWAN

YHI International (Taiwan) Co., Ltd
(32668) No. 28, Lane 813, Kaoshi Road,
Youth Industrial District,
Yang-Mei, Taoyuan, Taiwan ROC
T: (886) 3 4966 777
F: (886) 3 4966 772
E: ajliou@yhi.com.tw
W: www.yhi.com.tw

JAPAN

YHI Corporation Japan Co., Ltd
Yamada Building, 1-12-10
Kitahorie Nishi-ku, Osaka 550-0014,
Japan
T: (81) 6 4390 0771
F: (81) 6 4390 0772
E: heyge@yhi-japan.com

CANADA

YHI (Canada) Inc
Unit 2, 97 Newkirk Road, Richmond Hill,
ON, Cananda L4C 3G4
T: (1) 905 884 9968
F: (1) 905 884 5938
E: raymondchan@yhicorp.com
W: www.yhicanada.com

CHINA

YHI Manufacturing (Shanghai) Co., Ltd
YHI Advanti Manufacturing (Shanghai) Co., Ltd
YHI Advanti (Shanghai) Co., Ltd
No. 611 Shen Fu Road,
Xinzhuang Industrial Zone,
Shanghai Zip Code 201108, PRC
T: (86) 21 6489 6655
F: (86) 21 6489 4455
E: lqq@yhias.com
E: wumeng@yhias.com
W: www.advanti-wheel.com

YHI Corporation (Shanghai) Co., Ltd
No. 611 Shen Fu Road,
Xinzhuang Industrial Zone,
Shanghai Zip Code 201108, PRC
T: (86) 21 6489 6655
F: (86) 21 6489 4455
E: scott-zhang@yhicorp.com.cn

YHI Advanti Manufacturing (Suzhou) Co., Ltd
No. 138 Hong Xi Road,
Suzhou New District,
Suzhou Zip Code 215151, PRC
T: (86) 512 6616 2288
F: (86) 512 6616 2211
E: linzw@yhisz.com
W: www.advanti-wheel.com

YHI Precision Moulding (Shanghai) Co., Ltd
666 Min Shen Road,
Song Jiang Industrial Zone, Shanghai, PRC
T: (86) 21 5768 5188
F: (86) 21 5768 5268
E: lds@yhias.com
W: www.advanti-wheel.com

YHI Corporation (Guangzhou) Co., Ltd
301 Room, No. C1 Building,
No. 19, Tang Fu Road, Tianhe District,
Guangzhou Zip Code 510630, PRC
T: (86) 20 6684 3600
F: (86) 20 6684 3601
E: gz_bw@yhigz.com
W: www.yhigz.cn

YHI Corporation (Beijing) Co., Ltd
Room 1005, B Block, Technological Edifice,
No. 4, Fufeng Road, Science Park,
Fengtai District, Beijing Zip Code 100070,
PRC
T: (86) 10 6373 7377
F: (86) 10 6387 0246
E: yhi_beijing@yhibj.com

AUSTRALIA

YHI (Australia) Pty Ltd
11A Grand Avenue, Camellia Business Park,
Sydney, NSW 2142, Australia
P.O. Box 2005, North Parramatta,
Sydney, NSW 1750, Australia
T: (61) 2 8832 9900
F: (61) 2 9684 1973
E: nsw_sales@yhi.com.au
W: www.wheeldemon.com.au

Brisbane Branch
141 Boundary Road, Oxley,
QLD 4075, Australia
T: (61) 7 3379 7188
F: (61) 7 3379 4898
E: qld_sales@yhi.com.au

Perth Branch
37 Hector Street, Osborne Park,
WA 6017, Australia
T: (61) 8 9204 3400
F: (61) 8 9204 3499
E: wa_sales@yhi.com.au

Melbourne Branch
88 Ricketts Road, Mount Waverley,
Victoria 3149, Australia
T: (61) 3 9541 9600
F: (61) 3 9541 9666
E: vic_sales@yhi.com.au

Adelaide Branch
290 Cormack Road,
Wingfield SA 5013, Australia
T: (61) 8 8343 9100
F: (61) 8 8359 6816
E: sa_sales@yhi.com.au

YHI Power Pty Ltd
20-22 Venture Way, Braeside,
Melbourne VIC 3195, Australia
T: (61) 3 9588 1888
F: (61) 3 9588 0838
E: dchen@yhipower.com.au
W: www.yhipower.com.au

Sydney Branch
1044-1046 Canley Vale Road,
Wetherill Park, NSW 2164, Australia
T: (61) 2 9729 2288
F: (61) 2 9756 4066
E: sales@yhipower.com.au

Brisbane Branch
23 Dulacca St, Acacia Ridge,
QLD 4110, Australia
T: (61) 7 3711 5077
F: (61) 7 3711 5066
E: mporter@yhipower.com.au

Perth Branch
24 Ernest Clark Road, Canning Vale,
WA 6155, Australia
T: (61) 8 9456 2224
F: (61) 8 9456 3331
E: rbennetts@yhipower.com.au

Adelaide Branch
Unit 2, 2 Belfree Drive, Green Fields,
SA 5107, Australia
T: (61) 8 8281 3624
F: (61) 8 8182 5391
E: areither@yhipower.com.au

NEW ZEALAND

YHI (New Zealand) Ltd
Auckland Branch
17Ha Crescent, Wiri, Auckland,
New Zealand
T: (64) 9 250 0000
F: (64) 9 279 2452
E: chris@yhi.co.nz
W: www.yhi.co.nz

Hamilton Branch
75 Duke Street, Hamilton
New Zealand
T: (64) 7 847 0526
F: (64) 7 847 8714

Tauranga Branch
64 Portside Drive, Mt Maunganui,
New Zealand
T: (64) 7 572 3391
F: (64) 7 574 9123

Wellington Branch
80-82 Sydney St, Petone, New Zealand
T: (64) 4 569 6485
F: (64) 4 569 6486

Christchurch Branch
22 Clarence Street South, Addington,
New Zealand
T: (64) 3 338 3125
F: (64) 3 943 3961

Dunedin Branch
11 Willis Street, Dunedin, New Zealand
T: (64) 3 477 3382
F: (64) 3 477 3384

USA

Pan-Mar Corporation
D/B/A Konig (American)
Advanti Racing USA, LLC
Los Angeles, California
13941 Norton Avenue, Unit D,
Chino, CA 91710, USA
T: (1) 909 591 1001
F: (1) 909 902 9853
E: raymond@konigwheels.com
E: jschaefer@konigwheels.com
W: www.konigwheels.com

Plainview, New York
88 Sunnyside Blvd, Suite 204
Plainview NY 11803, USA
T: (1) 516 822 5700
F: (1) 516 822 5703
W: www.konigwheels.com

ITALY

O.Z. S.p.A.
Via Monte Bianco 10,
35018 San Martino di Lupari (PD), Italy
T: (39) 49 942 3853
F: (39) 49 946 9176
E: lerrj.piazza@ozracing.com
W: www.ozracing.com

Corporate Information

BOARD OF DIRECTORS
Tay Tian Hoe Richard
Executive Chairman &
Group Managing Director

Tay Tiang Guan
Executive Director

Henry Tan Song Kok
Lead Independent Director

Yuen Sou Wai
Independent Director

Hee Theng Fong
Independent Director

Phua Tin How
Independent Director

AUDIT COMMITTEE
Henry Tan Song Kok
Chairman

Hee Theng Fong
Member

Phua Tin How
Member

Yuen Sou Wai
Member

REMUNERATION COMMITTEE
Hee Theng Fong
Chairman

Phua Tin How
Member

Henry Tan Song Kok
Member

Yuen Sou Wai
Member

NOMINATING COMMITTEE
Phua Tin How
Chairman

Tay Tian Hoe Richard
Member

Henry Tan Song Kok
Member

Yuen Sou Wai
Member

COMPANY SECRETARY
Gn Jong Yuh Gwendolyn
LLB Hons

AUDITOR
PricewaterhouseCoopers LLP
8 Cross Street
PWC Building Level 17
Singapore 048424
Partner-in-charge :
Tan Boon Chok
Year of appointment: 2013

SHARE REGISTRAR
Tricor Barbinder Share
Registration Services
80 Robinson Road
#02-00
Singapore 068898

PRINCIPAL BANKERS
DBS Bank
Standard Chartered Bank

REGISTERED OFFICE
2 Pandan Road
Singapore 609254
Tel: (65) 6264 2155
Fax: (65) 6265 9927/6266 5368
Email: yhigroup@yhi.com.sg
Website: www.yhigroup.com
Company Registration
No.: 200007455H

Financial Calendar

15 May 2013	: Announcement of first quarter unaudited results
6 August 2013	: Announcement of half year unaudited results
14 November 2013	: Announcement of third quarter unaudited results
31 December 2013	: Financial year-end
25 February 2014	: Announcement of full year unaudited results
25 April 2014	: Annual General Meeting

Corporate Governance Report

REPORT ON CORPORATE GOVERNANCE

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

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

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

A. BOARD MATTERS

The Board of Directors comprises:

Mr Tay Tian Hoe Richard (Executive Chairman & Group Managing Director)
Mr Tay Tiang Guan (Executive Director)
Mr Henry Tan Song Kok (Lead Independent Director)
Mr Hee Theng Fong (Independent Director)
Mr Phua Tin How (Independent Director)
Mr Yuen Sou Wai (Independent Director)

A description of the background of each director is presented in the "Board of Directors" section of this Annual Report.

Principle 1: The Board's Conduct of Affairs

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

The principal functions of the Board are:

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

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

Corporate Governance Report

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

The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings in respect of the financial year 2013 is disclosed in Table 1 below.

Table 1: Attendance of Directors at Board and Board committee Meetings in FY2013

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

^ : By Invitation

Principle 2: Board Composition and Balance

The Board comprises two Executive Directors and four Independent Directors.

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

The Independent Directors of the Company are Mr Henry Tan Song Kok, Mr Phua Tin How, Mr Hee Theng Fong and Mr Yuen Sou Wai. In particular, Mr Yuen Sou Wai had been re-designated as an Independent Director of the Company with effect from 25 February 2014. The independence of each Director is reviewed annually by the Nominating Committee. The Nominating Committee is of the view that the current Board, with Independent Non-Executive Directors making up more than half of the Board, has a strong and independent element that is able to exercise objective judgement on corporate affairs independently from the management and persons with interest in not less than 10% of voting shares of the Company. The Nominating Committee is also of the view that no individual or small group of individuals dominates the Board's decision making process.

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

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

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

Corporate Governance Report

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

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

Principle 3: Role of Chairman and Group Managing Director

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

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

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

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

Principle 4: Board Membership

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

Mr Phua Tin How, an Independent Non-Executive Director, is the Chairman of the Nominating Committee. The Nominating Committee further comprises the Lead Independent Director, Mr Henry Tan Song Kok, an Independent Director, Mr Yuen Sou Wai and an Executive Director, Mr Tay Tian Hoe Richard.

Corporate Governance Report

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

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

The Board does not prescribe a fixed number of listed company board representations for each Director. However, all Directors are required to declare their board representations. The Nominating Committee determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. The Nominating Committee takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties, notwithstanding their multiple board representations in other listed companies.

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

The Nominating Committee recommended to the Board that Messrs Phua Tin How and Yuen Sou Wai be nominated for re-appointment at the forthcoming AGM. In making the recommendation, the Nominating Committee had considered the Directors' contribution to the Group.

The Nominating Committee has also rigorously considered the long tenure and reviewed the independence of Messrs Henry Tan Song Kok, Phua Tin How, Hee Theng Fong and Yuen Sou Wai, who, in the financial year 2013, will have served on the Board beyond nine years from the date of their first appointments. In the Nominating Committee's view, the Directors remain independent in character and able to exercise objective judgement on corporate affairs notwithstanding their tenure on the Board. With the Director's in-depth knowledge of and familiarity with the Company's operations, they are well-positioned to monitor and evaluate the performance of the Board and management with a view to the best interests of the Company.

Principle 5: Board Performance

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

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

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

Corporate Governance Report

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

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

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

Principle 6: Access to Information

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

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

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

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

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

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

B. REMUNERATION MATTERS

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

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

Mr Hee Theng Fong, an Independent Director, is the Chairman of the Remuneration Committee. The Remuneration Committee further comprises the following Directors: Messrs Henry Tan Song Kok, Phua Tin How, and Yuen Sou Wai. All the members of Remuneration Committee including the Chairman are non-executive and independent.

The responsibilities of the Remuneration Committee are:

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

Corporate Governance Report

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

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

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

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

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

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

Principle 9: Disclosure of Remuneration

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

a. The details of remuneration and fees paid to Directors' in financial year 2013 is disclosed in Table 2.

Table 2: Details of remuneration and fees paid to Directors' in FY2013

	Number of Directors	
	2013	2012
S$1,000,000 and above	**1**	2
S$750,000 to S$1,000,000	**1**	-
Below S$250,000	**4**	4
Total	**6**	6

Corporate Governance Report

b. The breakdown of the annual remuneration (in percentage terms) of Directors' of the Company for FY2013 is disclosed in Table 3.

Table 3: The breakdown of the Directors' annual remuneration (in percentage terms) for FY2013

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Tay Tian Hoe Richard	34.0	65.1	-	0.9	100
Tay Tiang Guan	31.2	67.5	-	1.3	100
Yuen Sou Wai	-	-	100	-	100
Henry Tan Song Kok	-	-	100	-	100
Hee Theng Fong	-	-	100	-	100
Phua Tin How	-	-	100	-	100

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

Remuneration of Employees

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

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

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

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

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Corporate Governance Report

Principle 11: Risk Management and Internal Controls

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

In order to streamline the functions of the Board and its Board Committees, the Board has decided that the function of a board risk committee shall be undertaken by the Audit Committee. Accordingly, the Audit Committee assumes the responsibility of overseeing the overall adequacy and effectiveness of the Company's risk management systems.

The identification and management of risks are delegated to Management who assumes ownership and day-to-day management of these risks. An Enterprise Risk Management Executive Committee ("RMEC"), which comprises members from Management and is headed by the Group Managing Director and Group Chief Financial Officer, is responsible for the effective implementation of risk management strategy, policies and procedures to facilitate the achievement of business plans and goals within the risk tolerance levels set by the Board. The RMEC regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks.

The Group Chief Financial Officer will provide updates to the Audit Committee and the Board half-yearly or as and when necessary, where there may be areas of concern arising in relation to any of the key risks identified, if any, which should be brought to the Audit Committee and the Board's attention and for their advice and guidance.

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

The management reviews the Company's business and operational activities regularly to identify areas of significant business, operational and compliance risks, and employs a wide range of measures to control these risks, including financial, operational, compliance and information technology controls. The management has embedded the risk management process and internal controls into all business operating procedures, where it becomes ultimately the responsibility of all business and operational managers. All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. Targets are set to measure and monitor the performance of operations periodically, such as sales growth, profit margins, operating expenses, management of inventory, management of receivables and personnel attendance. The identified risks and the corresponding countervailing controls are regularly reviewed by the managers to ensure that they are up to date and effective, for example, financial risk management is discussed in Note 27 of the financial statements set out on pages 93 to 102. All significant matters are highlighted to the Board and the Audit Committee for their review, and the Board monitors the adequacy and effectiveness of the internal controls and risk management policies.

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

Corporate Governance Report

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

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

Based on the internal controls and risk management practices established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance, information technology controls and risk management policies were adequate and effective as at 31 December 2013.

Principle 12: Audit Committee

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

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

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

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

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

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

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

Corporate Governance Report

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

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

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

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

The Group has complied with Rules 712 and Rule 715 or 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited ("SGX-ST") in relation to its auditors. The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services are set out below:

	2013	2012
	S$	S$
Fees on audit services paid/payable to:		
Auditor of the Co – PWC Singapore	182,000	149,000
Other PWC network firms	147,000	171,000
Other auditors	221,000	245,000
Fees on non-audit services paid/payable to:		
Auditor of the Co – PWC Singapore	48,000	17,000
Other PWC network firms	-	-
Other auditors	34,000	35,000
Total	632,000	617,000

Principle 13: Internal Audit

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

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

Corporate Governance Report

D. COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

E. DEALING IN SECURITIES

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

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

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

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

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

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

Corporate Governance Report

F. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries for the benefit of the Directors or controlling shareholders during the financial year ended 31 December 2013.

G. INTERESTED PERSON TRANSACTIONS

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

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

For the year ended 31 December 2013, there was no interested person mandate obtained by the company. There were no interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST.

There were no significant interested person transactions entered between the Group and interested persons during the financial year from 01 January 2013 to 31 December 2013.

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

Financial Contents

Directors' Report

For the financial year ended 31 December 2013

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2013 and the balance sheet of the Company as at 31 December 2013.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on page 52 of this report.

Directors' interests in shares or debentures

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

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2013	At 1.1.2013	At 31.12.2013	At 1.1.2013
Company				
(No. of ordinary shares)				
Mr Tay Tian Hoe Richard	18,674,000	18,674,000	346,591,628	346,591,628
Mr Tay Tiang Guan	3,805,000	3,805,000	341,391,628	341,791,628
Mr Yuen Sou Wai	240,000	240,000	-	-
Mr Hee Theng Fong	120,000	120,000	-	-
Mr Henry Tan Song Kok	40,000	40,000	-	-
Mr Phua Tin How	110,000	110,000	-	-
Immediate and ultimate holding company				
- YHI Holdings Pte Ltd				
(No. of ordinary shares)				
Mr Tay Tian Hoe Richard	641,392	641,392	-	-
Mr Tay Tiang Guan	375,000	375,000	-	-

Directors' Report

For the financial year ended 31 December 2013

Directors' interests in shares or debentures (continued)

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

	At 31.12.2013	At 1.1.2013
YHI (Australia) Pty Limited		
- No. of ordinary shares	80,000	80,000
YHI (New Zealand) Limited		
- No. of ordinary shares	70,000	70,000
Pan-Mar Corporation D/B/A Konig (American)		
- Common stock	US$142,500	US$142,500
YHI Corporation Japan Co., Ltd		
- No. of ordinary shares	360	360
YHI Power Pty Limited		
- No. of ordinary shares	8,000	8,000
YHI Corporation (Thailand) Co Ltd		
- No. of ordinary shares	24,500	24,500
Evo-Trend Corporation (Malaysia) Sdn Bhd		
- No. of ordinary shares	140,000	140,000
YHI (Canada) Inc.		
- No. of ordinary shares	180,000	180,000
Advanti Racing USA LLC		
- Common stock	US$85,500	US$85,500
PT YHI Indonesia		
- No. of ordinary shares	288,000	288,000
YHI (Vietnam) Co Ltd	VND	VND
- Share capital	5,311,650,000	5,311,650,000
YHI Corporation (Shanghai) Co. Ltd		
- Share capital	US$360,000	US$360,000

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

Directors' Report

For the financial year ended 31 December 2013

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr Tay Tian Hoe Richard and Tay Tiang Guan have received remuneration as a result of their employment with the Company.

Share options

YHI Share Option Scheme

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

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

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

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

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

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

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

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

Directors' Report

For the financial year ended 31 December 2013

Audit Committee

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

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

All members of the Audit Committee were independent non-executive directors, except for Mr Yuen Sou Wai; who was a non-independent non-executive director. Mr Yuen was re-designated as an independent non-executive director on 25 February 2014.

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

Independent auditor

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

On behalf of the directors

TAY TIAN HOE RICHARD
Director

TAY TIANG GUAN
Director

19 March 2014

Statement by Directors

For the financial year ended 31 December 2013

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 56 to 107 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf of the directors

TAY TIAN HOE RICHARD
Director

TAY TIANG GUAN
Director

19 March 2014

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of YHI International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 107, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 19 March 2014

Consolidated Income Statement

For the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Sales	4	**508,923**	541,122
Cost of sales	5	**(397,075)**	(415,028)
Gross profit		**111,848**	126,094
Other gains – net	4	**2,700**	3,822
Expenses			
- Distribution	5	**(49,066)**	(46,153)
- Administrative	5	**(44,436)**	(47,140)
- Finance	6	**(5,233)**	(5,540)
Share of profit of associated company	15	**604**	802
Profit before income tax		**16,417**	31,885
Income tax expense	8	**(6,178)**	(10,755)
Net profit		**10,239**	21,130
Profit attributable to:			
Equity holders of the Company		**8,823**	18,326
Non-controlling interests		**1,416**	2,804
		10,239	21,130
Earnings per share attributable to the equity holders of the Company	**9**		
- Basic		**1.51 cents**	3.13 cents
- Diluted		**1.51 cents**	3.13 cents

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

	2013 $'000	2012 $'000
Profit for the year	**10,239**	21,130
Other comprehensive income, net of tax;		
Items that may be classified subsequently to profit or loss		
- Currency translation differences	**(1,034)**	(8,202)
Total comprehensive income for the year	**9,205**	12,928
Total comprehensive income attributable to:		
Equity holders of the Company	**8,658**	10,446
Non-controlling interests	**547**	2,482
	9,205	12,928

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at 31 December 2013

	Note	The Group 2013 $'000	The Group 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	**57,426**	42,470	**2,480**	2,112
Trade and other receivables	11	**83,696**	86,325	**43,789**	50,530
Inventories	12	**131,096**	134,210	**-**	-
Other current assets	13	**13,345**	14,786	**14**	13
		285,563	277,791	**46,283**	52,655
Non-current assets					
Transferable club memberships, at cost		**146**	181	**-**	-
Derivative financial instruments	14	**-**	104	**-**	104
Investment in associated company	15	**16,741**	16,137	**-**	-
Investments in subsidiaries	16	**-**	-	**100,122**	100,122
Property, plant and equipment	17	**136,857**	141,908	**-**	38
Intangible assets	18	**3,174**	3,231	**-**	-
Deferred income tax assets	8(c)	**4,187**	4,157	**-**	-
		161,105	165,718	**100,122**	100,264
Total assets		**446,668**	443,509	**146,405**	152,919
LIABILITIES					
Current liabilities					
Trade and other payables	19	**41,734**	45,505	**2,229**	3,682
Current income tax liabilities	8(b)	**1,189**	2,209	**148**	314
Borrowings	20	**98,646**	86,878	**6,400**	6,400
Derivative financial instruments	14	**153**	23	**153**	23
		141,722	134,615	**8,930**	10,419
Non-current liabilities					
Borrowings	20	**40,790**	45,589	**11,400**	17,800
Deferred income tax liabilities	8(c)	**1,987**	2,216	**-**	-
Derivative financial instruments	14	**134**	-	**134**	-
		42,911	47,805	**11,534**	17,800
Total liabilities		**184,633**	182,420	**20,464**	28,219
NET ASSETS		**262,035**	261,089	**125,941**	124,700
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	**77,001**	77,001	**77,001**	77,001
Other reserves	23	**(6,592)**	(6,161)	**-**	-
Retained profits	24	**178,941**	176,401	**48,940**	47,699
		249,350	247,241	**125,941**	124,700
Non-controlling interests		**12,685**	13,848	**-**	-
Total equity		**262,035**	261,089	**125,941**	124,700

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

	Note	Share capital $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		<---------Attributable to equity holders of the Company--------->					
2013							
Beginning of financial year		**77,001**	**(6,161)**	**176,401**	**247,241**	**13,848**	**261,089**
Transfer from other reserve to retained earnings	23(b)(i)	-	(266)	266	-	-	-
Dividends relating to 2012 paid	25	-	-	(7,307)	(7,307)	(952)	(8,259)
Transaction with non-controlling interests		-	-	758	758	(758)	-
Total comprehensive income for the year		-	(165)	8,823	8,658	547	9,205
End of financial year		**77,001**	**(6,592)**	**178,941**	**249,350**	**12,685**	**262,035**
2012							
Beginning of financial year		**77,001**	**1,655**	**169,691**	**248,347**	**12,224**	**260,571**
Transfer from retained earnings to other reserves	23(b)(i)	-	158	(158)	-	-	-
Dividends relating to 2011 paid	25	-	-	(11,458)	(11,458)	(973)	(12,431)
Transaction with non-controlling interests	23(b)(iii)	-	(94)	-	(94)	115	21
Total comprehensive income for the year		-	(7,880)	18,326	10,446	2,482	12,928
End of financial year		**77,001**	**(6,161)**	**176,401**	**247,241**	**13,848**	**261,089**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Net profit		**10,239**	21,130
Adjustments for:			
- Income tax		**6,178**	10,755
- Depreciation of property, plant and equipment		**17,476**	15,133
- Amortisation of intangible assets		**62**	62
- Gain on disposal of property, plant and equipment		**(9)**	(138)
- Interest expense		**5,233**	5,540
- Interest income		**(289)**	(263)
- Fair value loss/(gain) on derivative financial instruments		**369**	(1,100)
- Share of profit of associated company		**(604)**	(802)
- Loss on disposal of transferable club membership		**32**	-
- Unrealised currency translation differences		**(3,194)**	(3,419)
Operating cash flow before working capital changes		**35,493**	46,898
Changes in working capital, net of effects from disposal of subsidiary:			
- Inventories		**3,114**	(16,070)
- Trade and other receivables		**2,629**	15,689
- Other current assets		**1,441**	997
- Trade and other payables		**(3,658)**	(9,881)
Cash generated from operations		**39,019**	37,633
Interest received		**289**	263
Income tax paid		**(7,085)**	(13,295)
Net cash provided by operating activities		**32,223**	24,601
Cash flows from investing activities			
Acquisition of business	10	**-**	(600)
Purchases of property, plant and equipment [Note (a)]		**(11,066)**	(42,362)
Proceeds from sale of property, plant and equipment		**579**	798
Proceeds from transfer of club membership		**10**	-
Proceeds from disposal of an associated company		**-**	7,824
Net cash used in investing activities		**(10,477)**	(34,340)
Cash flows from financing activities			
Dividends received		**-**	163
Proceeds from borrowings		**22,783**	60,836
Repayments of borrowings		**(13,838)**	(49,216)
Repayments of finance lease liabilities		**(1,804)**	(306)
Interest paid		**(5,209)**	(5,490)
Proceeds from partial disposal of a subsidiary		**-**	21
Dividends paid to equity holders of the Company		**(7,307)**	(11,458)
Dividends paid to non-controlling interests		**(952)**	(973)
Net cash used in financing activities		**(6,327)**	(6,423)
Net increase/(decrease) in cash and cash equivalents		**15,419**	(16,162)
Cash and cash equivalents at beginning of the financial year		**38,400**	55,590
Effects of currency translation on cash and cash equivalents		**(28)**	(1,028)
Cash and cash equivalents at end of the financial year	10	**53,791**	38,400

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $11,489,000 (2012 :$42,618,000) of which $560,000 (2012: $1,610,000) were acquired on finance leases. During the financial year, cash payments of $137,000 (2012: $1,354,000) were made in respect of property, plant and equipment acquired on credit terms in the previous years.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

On 1 January 2013, the Group has adopted the following revised FRS:-

Amendments to FRS 1 – Presentation of items of Other Comprehensive Income

The amendment requires items presented in other comprehensive income ("OCI") to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either:

- as required by FRS 8 "Accounting policies, changes in accounting estimates and error"; or
- voluntarilly.

FRS 113 Fair value measurement

FRS 113, "Fair value measurement", explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or when additional fair value measurements are required. The project converges FRS and US GAAP on how to measure fair value, but there will continue to be differences in certain respects, including when fair value measurements are required and when gains and losses can be recognised.

The adoption of the above FRS did not materially impact the financial statements of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

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

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

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

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

2.3 Group accounting

(a) *Subsidiaries*

(i) Consolidation

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

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

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

(ii) Acquisitions

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

(ii) *Acquisitions (continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) *Disposals*

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

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

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

(b) *Transactions with non-controlling interests*

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

(c) *Associated companies*

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(c) *Associated companies (continued)*

(i) *Acquisitions*

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

(ii) *Equity method of accounting*

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

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

(iii) *Disposals*

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

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

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

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

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

(ii) *Components of costs*

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

(b) Depreciation

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

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

Construction-in-progress is not depreciated.

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.5 Intangible assets

(a) Goodwill on acquisitions

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

(b) Acquired trademarks

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

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

2.6 Borrowing costs

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

2.7 Investments in subsidiaries and associated companies

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

2.8 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (continued)

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

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

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

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

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

2.9 Financial assets

(a) *Classification*

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

Loans and receivables

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

(b) *Recognition and derecognition*

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

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

(c) *Initial measurement*

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

(d) *Subsequent measurement*

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

(e) *Impairment*

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(e) Impairment (continued)

Loans and receivables

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

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

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

2.10 Borrowings

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

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

2.11 Trade and other payables

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

2.12 Derivative financial instruments and hedging activities

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

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

2.13 Fair value estimation of financial assets and liabilities

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases

When the Group is the lessee:

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

(a) Lessee - Finance leases

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

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

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

(b) Lessee - Operating leases

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

2.15 Inventories

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

2.16 Income taxes

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes (continued)

Deferred income tax is measured:

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

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

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

2.17 Provisions

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

2.18 Employee compensation

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

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.19 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

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

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

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

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

2.20 Segment reporting

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

2.21 Cash and cash equivalents

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

2.22 Share capital

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

2.23 Dividends to Company's shareholders

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Estimated impairment of goodwill

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in profit or loss. The amount of trade receivables from non-related parties past due but not impaired is $6,952,000 [Note 27(b)(ii)].

(c) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is an indication that these assets may be impaired. The Group considers the guidance of FRS 36 in assessing whether there is any indication that an item of property, plant and equipment may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated to ascertain the amount of impairment loss. The recoverable amount is defined as the higher of the fair value less cost to sell and value-in-use.

In the financial year ended 31 December 2013, property, plant and equipment of a certain subsidiary, amounting to $26,764,000 was subjected to impairment test. The recoverable amount of these assets is determined based on value-in-use calculations. These calculations require the use of estimates.

Cash flows projections used in the value-in-use calculations for the subsidiary was based on financial budgets of the following year, 2014 and a further projections of four years to 2018. The financial budgets and projections are approved by the Board of Directors. The key estimates used for value-in-use calculations include budgeted average gross margins and proceeds from eventual disposal of the property, plant and equipment and pre-tax discount rates. The average gross margin and pre-tax discount rate used in the value-in-use calculations for the subsidiary were 12% and 12% respectively.

As at 31 December 2013, based on these calculations, no impairment charge is required as the recoverable amounts of the property, plant and equipment for the subsidiary exceeded its carrying amounts.

If the estimated average gross margin used for 2014 to 2018 in the value-in-use calculations is increased by 5 percentage points, the recoverable amount of property, plant and equipment for the subsidiary will be higher than its carrying amount by approximately $1,698,000. If the estimated average gross margin used for 2014 to 2018 in the value-in-use calculations is decreased by 5 percentage points, the recoverable amount of property, plant and equipment for the subsidiary will be lower than its carrying amount by approximately $647,000.

If the pre-tax discount rate applied to the value-in-use calculation is increased by 0.5 percentage point, the recoverable amount of the property, plant and equipment for the subsidiary would exceed its carrying amount by $68,000.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. REVENUE AND OTHER GAINS – NET

	Group 2013 $'000	Group 2012 $'000
Sale of goods		
- Automotive and industrial products	**371,383**	394,577
- Alloy wheels	**137,540**	146,545
Total sales	**508,923**	541,122
Other gains – net:		
- Gain on disposal of property, plant and equipment	**9**	138
- Interest income from banks	**289**	263
- Fair value (loss)/gain on derivative financial instruments (Note 14)	**(369)**	1,100
- Other	**2,771**	2,321
Total other gains – net	**2,700**	3,822
	511,623	544,944

5. EXPENSES BY NATURE

	Group 2013 $'000	Group 2012 $'000
Advertising and promotion	**5,549**	5,545
Amortisation of intangible assets [Note 18(b)]	**62**	62
Carriage outwards	**8,556**	8,548
Changes in inventories of raw materials, work-in-progress and finished goods	**(3,114)**	(16,470)
Commission charges	**5,227**	4,669
Currency translation (gain)/loss – net	**(383)**	2,248
Depreciation of property, plant and equipment (Note 17)	**17,476**	15,133
Employee compensation (Note 7)	**55,863**	49,689
Purchases of raw materials, finished goods and consumables	**370,003**	402,185
Write-down of inventories	**1,224**	335
Repair and maintenance	**1,045**	1,839
Rental on operating leases	**7,124**	6,713
Research expense	**2,318**	1,815
Transportation and travelling expense	**6,124**	5,954
Other expenses	**13,503**	20,056
Total cost of sales, distribution and administrative expenses	**490,577**	508,321

6. FINANCE EXPENSES

	Group 2013 $'000	Group 2012 $'000
Interest expense:		
- Bank loans	**3,016**	2,643
- Bank overdrafts	**320**	506
- Trust receipt loans	**1,432**	1,933
- Finance leases	**465**	458
	5,233	5,540

Notes to the Financial Statements

For the financial year ended 31 December 2013

7. EMPLOYEE COMPENSATION

	Group 2013 $'000	Group 2012 $'000
Wages and salaries	**50,227**	44,645
Employer's contribution to defined contribution plans including Central Provident Fund	**5,636**	5,044
	55,863	49,689

8. INCOME TAX

(a) Income tax expense

	Group 2013 $'000	Group 2012 $'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	**605**	950
- Foreign	**6,201**	9,088
	6,806	10,038
Deferred income tax [Note 8(c)]	**648**	423
	7,454	10,461
(Over)/under provision in previous financial years		
- Current income tax [Note 8(b)]	**(487)**	294
- Deferred income tax [Note 8(c)]	**(789)**	-
	6,178	10,755

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

	Group 2013 $'000	Group 2012 $'000
Profit before income tax	**16,417**	31,885
Share of profit of associated company, net of tax	**(604)**	(802)
Profit before tax and share of profit of associated company	**15,813**	31,083
Tax calculated at a tax rate of 17% (2012: 17%)	**2,688**	5,284
Effects of:		
- Singapore statutory stepped income exemption	**(82)**	(52)
- Effects of different tax rates in other countries	**889**	3,228
- Expenses not deductible for tax purposes	**1,571**	2,194
- Exempt income	**-**	(10)
- Unremitted statutory profits of China subsidiaries	**3**	47
- Income not subject to tax	**(215)**	(1,108)
- Tax losses for which no deferred income tax asset was recognised	**2,542**	-
- Other	**58**	878
Tax charge	**7,454**	10,461

Notes to the Financial Statements

For the financial year ended 31 December 2013

8. INCOME TAX (CONTINUED)

(b) Movements in current income tax liabilities

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Beginning of financial year	**2,209**	5,471	**314**	494
Currency translation differences	**(254)**	(299)	**-**	-
Income tax paid	**(7,085)**	(13,295)	**(298)**	(525)
Tax expense on profit from the current financial year	**6,806**	10,038	**234**	498
(Over)/under provision in previous financial years [Note 8(a)]	**(487)**	294	**(102)**	(153)
End of financial year	**1,189**	2,209	**148**	314

(c) Deferred income taxes

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

	Group	
	2013 $'000	2012 $'000
Deferred income tax assets:		
- To be recovered within one year	**(635)**	(563)
- To be recovered after one year	**(3,552)**	(3,594)
	(4,187)	(4,157)
Deferred income tax liabilities:		
- To be settled within one year	**200**	110
- To be settled after one year	**1,787**	2,106
	1,987	2,216
Movement in deferred income tax account is as follows:		
Beginning of financial year	**(1,941)**	(2,604)
Currency translation differences	**(118)**	240
(Credited)/charged to income statement [Note 8(a)]	**(141)**	423
End of financial year	**(2,200)**	(1,941)

Notes to the Financial Statements

For the financial year ended 31 December 2013

8. INCOME TAX (CONTINUED)

(c) Deferred income taxes (continued)

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000
2013	
Beginning of financial year	2,216
Currency translation differences	95
Credited to income statement	(324)
End of financial year	1,987
2012	
Beginning of financial year	1,880
Currency translation differences	(38)
Charged to income statement	374
End of financial year	2,216

Deferred income tax assets

	Provisions $'000	Excess of net book value over tax written-down value $'000	Other $'000	Total $'000
2013				
Beginning of financial year	**(2,556)**	(1,408)	**(193)**	(4,157)
Currency translation differences	**80**	(167)	**(126)**	(213)
Charged/(credited) to income statement	**47**	186	**(50)**	183
End of financial year	**(2,429)**	(1,389)	**(369)**	(4,187)
2012				
Beginning of financial year	**(2,825)**	(1,616)	**(43)**	(4,484)
Currency translation differences	**51**	195	**32**	278
Charged/(credited) to income statement	**218**	13	**(182)**	49
End of financial year	**(2,556)**	(1,408)	**(193)**	(4,157)

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

9. EARNINGS PER SHARE

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

	Group	
	2013	**2012**
Net profit attributable to equity holders of the Company ($'000)	**8,823**	18,326
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**584,592**	584,592
Basic earnings per share	**1.51 cents**	3.13 cents

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

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 **$'000**	**2012** **$'000**	**2013** **$'000**	**2012** **$'000**
Cash at bank and on hand	**48,075**	35,944	**2,480**	2,112
Short-term bank deposits	**9,351**	6,526	**-**	-
	57,426	42,470	**2,480**	2,112

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

	Group	
	2013 **$'000**	**2012** **$'000**
Cash and bank balances (as above)	**57,426**	42,470
Less: Bank overdrafts (Note 20)	**(3,635)**	(4,070)
Cash and cash equivalents per consolidated statement of cash flows	**53,791**	38,400

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade receivables				
- Non-related parties	**81,695**	84,567	**-**	-
- Associated company	**1,436**	1,465	**-**	-
	83,131	86,032	**-**	-
Less: Allowance for impairment of receivables - non-related parties	**(1,791)**	(1,556)	**-**	-
Trade receivables – net	**81,340**	84,476	**-**	-
Due from subsidiaries (non-trade)	**-**	-	**43,789**	50,530
Other receivables	**2,356**	1,849	**-**	-
	83,696	86,325	**43,789**	50,530

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

12. INVENTORIES

	Group	
	2013 $'000	2012 $'000
Materials and supplies	**8,995**	12,472
Work-in-progress	**5,128**	4,591
Finished goods	**116,973**	117,147
	131,096	134,210

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $368,117,000 (2012: $386,050,000).

13. OTHER CURRENT ASSETS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Prepayments	**11,598**	12,999	**14**	13
Deposits	**1,747**	1,787	**-**	-
	13,345	14,786	**14**	13

Notes to the Financial Statements

For the financial year ended 31 December 2013

14. DERIVATIVE FINANCE INSTRUMENTS

	Contract notional amount $'000	Group and Company Fair value Asset $'000	Group and Company Fair value Liability $'000
2013			
Non-hedging instruments			
- Currency swaps	**10,000**	**-**	**287**
Less: Current portion		**-**	**(153)**
Non-current portion		**-**	**134**
2012			
Non-hedging instruments			
- Currency swaps	**14,000**	104	(23)
Less: Current portion		-	23
Non-current portion		104	-

In 2011, the Company obtained a S$20,000,000 bank loan denominated in Singapore dollars. The loan has been measured initially at fair value and subsequently at amortised cost. At the same time, the Company entered into a swap arrangement with the bank to swap the loan to US$16,000,000. As at 31 December 2013, the outstanding amount of the loan is S$10,000,000 [2012: S$14,000,000] (Note 20) and the corresponding contract notional amount of the swap is US$8,039,000 (S$10,000,000) [2012: US$11,254,000 (S$14,000,000)] .

The swap is a derivative financial instrument which is marked-to-market at each balance sheet date. As at 31 December 2013, a fair value loss of $369,000 [2012: gain of $1,100,000] (Note 4), has been recognised in profit or loss.

15. INVESTMENT IN AN ASSOCIATED COMPANY

	Group 2013 $'000	Group 2012 $'000
Beginning of financial year	**16,137**	15,498
Share of profit, net of tax	**604**	802
Dividend income	**-**	(163)
End of financial year	**16,741**	16,137

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

	Group 2013 $'000	Group 2012 $'000
- Assets	**63,569**	51,517
- Liabilities	**27,872**	26,612
- Revenue	**75,573**	76,216
- Net profit	**1,664**	2,149

Notes to the Financial Statements

For the financial year ended 31 December 2013

15. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Details of associated company are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2013 %	2012 %
Held by a subsidiary:				
OZ S.p.A *	Investment holding, manufacturer, importer, exporter and distributor of alloy wheels	Italy	36	36

* Audited by Deloitte and Touche, Italy.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2013 $'000	2012 $'000
Equity investment at cost		
Beginning of financial year	**100,122**	95,697
Additions	**-**	4,425
End of financial year	**100,122**	100,122

Notes to the Financial Statements

For the financial year ended 31 December 2013

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

	Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2013 %	Effective equity holding 2012 %
Held by the Company:					
(a)	YHI Manufacturing (Singapore) Pte Ltd	Investment holding, importer, exporter and distributor of alloy wheels and related goods	Singapore	**100**	100
(a)	YHI Corporation (Singapore) Pte Ltd	Importer, exporter and distributor of tyres, alloy wheels and related goods and industrial batteries	Singapore	**100**	100
(b)	YHI (Malaysia) Sdn Bhd	Importer and distributor of tyres, alloy wheels and related goods and industrial batteries	Malaysia	**100**	100
(c)	YHI (China) Strategy Company Limited	Investment holding, trading of golf car accessories and related goods	Hong Kong	**100**	100
(c)	YHI (Hong Kong) Co Limited	Importer, exporter and distributor of tyres, alloy wheels and related goods	Hong Kong	**100**	100
(d)	YHI International (Taiwan) Co., Ltd.	Manufacturing, distribution and export of alloy wheels	Taiwan	**100**	100
(e)	YHI (Australia) Pty Limited	Importer and distributor of tyres, alloy wheels and related goods	Australia	**80**	80
(f)	YHI (New Zealand) Limited	Importer and distributor of tyres, alloy wheels and related goods	New Zealand	**70**	70
(e)	YHI Power Pty Ltd	Importer and distributor of industrial batteries	Australia	**80**	80
Held by subsidiaries:					
(g), (h)	YHI Manufacturing (Shanghai) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**100**	100
(g)	YHI Advanti Manufacturing (Shanghai) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**100**	100
(g)	YHI Precision Moulding (Shanghai) Co., Ltd	Manufacturing and supply of alloy wheels moulds	People's Republic of China	**100**	100
(g), (h)	YHI Advanti Manufacturing (Suzhou) Co Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**100**	100

Notes to the Financial Statements

For the financial year ended 31 December 2013

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2013 %	2012 %
Held by subsidiaries: (continued)					
(b)	YHI Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**100**	100
(a)	YHI (America) Pte Ltd	Investment holding	Singapore	**100**	100
(i)	Pan-Mar Corporation D/B/A Konig (American)	Importer, exporter and distributor of tyres, alloy wheels and related goods	United States of America	**95**	95
(j)	YHI Corporation Japan Co., Ltd	Importer, exporter and distributor of alloy wheels and related goods	Japan	**90**	90
(k)	YHI Corporation (Thailand) Co Ltd	Distribution of tyres, alloy wheels and related goods	Thailand	**49**	49
(b)	Evo-Trend Corporation (Malaysia) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Malaysia	**70**	70
(l)	YHI Corporation (Guangzhou) Co Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**100**	100
(m)	YHI (Canada) Inc.	Importer, exporter and distributor of tyres, alloy wheels and related goods	Canada	**90**	90
(i)	Advanti Racing USA LLC	Importer, exporter and distributor of tyres, alloy wheels and related goods	United States of America	**86**	86
(n)	PT YHI Indonesia	Distribution of tyres, alloy wheels and related goods	Indonesia	**90**	90
(o)	YHI Corporation (B) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Negara Brunei Darussalam	**100**	100
(p)	YHI Corporation (Shanghai) Co Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**90**	90
(p)	YHI Advanti (Shanghai) Co Ltd	Importer, exporter and distributor of alloy wheels and related goods	People's Republic of China	**100**	100
(b)	YHI Advanti Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**100**	100
(p)	YHI Corporation (Beijing) Co Ltd	Distribution of alloy wheels and related goods	People's Republic of China	**100**	100

Notes to the Financial Statements

For the financial year ended 31 December 2013

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2013 %	Effective equity holding 2012 %
	Held by subsidiaries: (continued)				
(q)	YHI (Vietnam) Co Ltd	Distribution of tyres, alloy wheels and related goods	Vietnam	**85**	85
(r)	YHI Philippines Inc.	Distribution of tyres, alloy wheels and related goods	Philippines	**90**	-

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Buildings on freehold land $'000	Leasehold properties $'000	Office equipment, plant and machinery $'000	Motor vehicles $'000	Renovation $'000	Computers $'000	Furniture and fittings $'000	Construction in-progress $'000	Total $'000
Group										
2013										
Cost										
Beginning of financial year	3,431	12,792	69,137	115,577	6,818	1,157	3,585	1,583	231	214,311
Currency translation differences	-	(676)	1,641	3,537	(347)	(37)	70	(22)	-	4,166
Additions	-	23	2,662	6,894	907	346	358	299	-	11,489
Reclassification	-	-	-	283	-	(283)	-	-	-	-
Disposals	-	-	(9)	(2,316)	(498)	(30)	(346)	(47)	-	(3,246)
End of financial year	3,431	12,139	73,431	123,975	6,880	1,153	3,667	1,813	231	226,720
Accumulated depreciation and impairment loss										
Beginning of financial year	-	1,258	7,152	56,422	3,337	754	2,625	855	-	72,403
Currency translation differences	-	(74)	320	2,481	(117)	(11)	61	-	-	2,660
Depreciation	-	186	2,114	13,513	899	61	541	162	-	17,476
Reclassification	-	-	-	94	-	(94)	-	-	-	-
Disposals	-	-	(3)	(1,973)	(302)	(30)	(332)	(36)	-	(2,676)
End of financial year	-	1,370	9,583	70,537	3,817	680	2,895	981	-	89,863
Net book value										
End of financial year	**3,431**	**10,769**	**63,848**	**53,438**	**3,063**	**473**	**772**	**832**	**231**	**136,857**

Notes to the Financial Statements

For the financial year ended 31 December 2013

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings on freehold land	Leasehold properties	Office equipment, plant and machinery	Motor vehicles	Renovation	Computers	Furniture and fittings	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
2012										
Cost										
Beginning of financial year	3,431	10,420	32,007	101,384	6,288	1,096	3,548	1,460	23,212	182,846
Currency translation differences	-	(366)	(1,597)	(4,301)	(197)	(38)	(140)	(59)	-	(6,698)
Additions	-	2,738	9,063	21,422	1,544	286	361	463	6,741	42,618
Transfer from construction-in-progress	-	-	29,722	-	-	-	-	-	(29,722)	-
Disposals	-	-	(58)	(2,928)	(817)	(187)	(184)	(281)	-	(4,455)
End of financial year	3,431	12,792	69,137	115,577	6,818	1,157	3,585	1,583	231	214,311
Accumulated depreciation and impairment loss										
Beginning of financial year	-	1,033	5,767	49,799	3,183	791	2,387	1,041	-	64,001
Currency translation differences	-	(31)	(275)	(2,347)	(102)	(30)	(107)	(45)	-	(2,937)
Depreciation	-	256	1,696	11,533	875	125	513	135	-	15,133
Disposals	-	-	(36)	(2,563)	(619)	(132)	(168)	(276)	-	(3,794)
End of financial year	-	1,258	7,152	56,422	3,337	754	2,625	855	-	72,403
Net book value										
End of financial year	**3,431**	**11,534**	**61,985**	**59,155**	**3,481**	**403**	**960**	**728**	**231**	**141,908**

Notes to the Financial Statements

For the financial year ended 31 December 2013

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles $'000
Company	
2013	
Cost	
Beginning and end of financial year	550
Accumulated depreciation	
Beginning of financial year	512
Depreciation charge	38
End of financial year	550
Net book value	
End of financial year	**-**
2012	
Cost	
Beginning and end of financial year	550
Accumulated depreciation	
Beginning of financial year	463
Depreciation charge	49
End of financial year	512
Net book value	
End of financial year	**38**

(a) Included in additions in the consolidated financial statements are motor vehicles and office equipment, plant and machinery acquired under finance leases amounting to $124,000 (2012: $149,000) and $436,000 (2012: $1,461,000) respectively.

The carrying amounts of motor vehicles, and office equipment, plant and machinery held under finance leases are $1,823,330 (2012: $1,677,000) and $4,590,434 (2012: $4,100,000) respectively at the balance sheet date.

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

	Group	
	2013 $'000	**2012 $'000**
Freehold land	**2,841**	2,089
Buildings on freehold land	**8,317**	2,252
Leasehold properties	**27,979**	29,081
Plant and machinery	**11,649**	6,526
Other equipment	**2,506**	3,465
	53,292	43,413

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. INTANGIBLE ASSETS

Composition:

	Group 2013 $'000	Group 2012 $'000
Goodwill arising on consolidation [Note (a)]	**1,686**	1,681
Trademark [Note (b)]	**1,488**	1,550
	3,174	3,231

(a) Goodwill arising on consolidation

	Group 2013 $'000	Group 2012 $'000
Cost		
Beginning of financial year	**2,451**	2,301
Additions	**-**	150
Currency translation differences	**5**	-
End of financial year	**2,456**	2,451
Accumulated impairment		
Beginning and end of financial year	**770**	770
Net book value	**1,686**	1,681

Impairment tests for goodwill

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

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

	Distribution of automotive products and industrial products 2013 $'000	Distribution of automotive products and industrial products 2012 $'000
Singapore	**881**	881
Malaysia	**505**	505
China/Hong Kong	**59**	59
New Zealand	**241**	236
	1,686	1,681

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation (continued)

Key assumptions used for value-in-use calculations:

	Distribution of automotive products and industrial products			
	2013		2012	
	Singapore	Malaysia	Singapore	Malaysia
Gross margin [1]	**22%**	**23%**	21%	22%
Growth rate [2]	**5%**	**5%**	5%	4%
Discount rate [3]	**6%**	**11%**	7%	13%

[1] Average budgeted gross margin

[2] Average growth rate used to extrapolate cash flows from the first to fifth year. Weighted average growth rate beyond the fifth year is 1% (2012: 1%) per annum.

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

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

(b) Trademark

	Group	
	2013 $'000	2012 $'000
Cost		
Beginning and end of financial year	**1,861**	1,861
Accumulated amortisation		
Beginning of financial year	**311**	249
Amortisation charge (Note 5)	**62**	62
End of financial year	**373**	311
Net book value	**1,488**	1,550

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade payables to				
- Non-related parties	**19,797**	16,688	**-**	-
- Associated companies	**181**	293	**-**	-
	19,978	16,981	**-**	-
Due to directors (non-trade) [Note (a)]	**1,510**	2,867	**1,510**	2,867
Accrued operating expenses	**10,553**	10,142	**594**	537
Provision for employees leave entitlement [Note (b)]	**1,857**	2,249	**-**	-
Other payables	**6,557**	12,501	**125**	278
Advance payments received	**1,279**	765	**-**	-
	41,734	45,505	**2,229**	3,682

Notes to the Financial Statements

For the financial year ended 31 December 2013

19. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

	Group	
	2013 $'000	2012 $'000
Beginning of financial year	**2,249**	2,483
Currency translation differences	**(218)**	(72)
Provision made	**585**	824
Provision utilised	**(759)**	(986)
End of financial year	**1,857**	2,249

20. BORROWINGS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current				
Current portion of long-term bank loans	**10,373**	6,832	**6,400**	6,400
Short-term bank loans	**38,469**	38,998	**-**	-
Trust receipt loans	**44,292**	35,288	**-**	-
Bank overdrafts (Note 10)	**3,635**	4,070	**-**	-
Finance lease liabilities (Note 21)	**1,877**	1,690	**-**	-
	98,646	86,878	**6,400**	6,400
Non-current				
Long-term bank loans	**37,125**	41,215	**11,400**	17,800
Finance lease liabilities (Note 21)	**3,665**	4,374	**-**	-
	40,790	45,589	**11,400**	17,800
Total borrowings	**139,436**	132,467	**17,800**	24,200

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
6 months or less	**93,232**	77,542	**3,200**	3,200
6 – 12 months	**6,129**	9,336	**3,200**	3,200
1 – 5 years	**31,397**	34,191	**11,400**	17,800
Over 5 years	**8,678**	11,398	**-**	-
	139,436	132,467	**17,800**	24,200

Notes to the Financial Statements

For the financial year ended 31 December 2013

20. BORROWINGS (CONTINUED)

(a) Security granted

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

(i) Borrowings of $1,394,000 (2012: $1,199,000) are secured over a first legal mortgage on certain subsidiaries' freehold and leasehold properties [Note 17(b)];

(ii) Borrowings of $6,095,000 (2012: $9,245,000) are secured over a first legal charge on plant and machinery of certain subsidiaries [Note 17(b)];

(iii) Borrowings of $57,992,000 (2012: $56,377,000) are secured over a fixed and floating charge on all the assets of certain subsidiaries; and

(iv) Borrowings of $2,791,000 (2012: $2,772,000) are secured over banker's guarantees, up to $5.4 million (2012: $8.0 million), given as security to other financial institutions which granted banking facilities to certain subsidiaries. The banker's guarantees are in turn secured by a fixed and floating charge on all the assets of a subsidiary referred to in paragraph (iii) above.

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

(b) Fair values of non-current borrowings

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Long-term bank loans	**35,858**	38,546	**10,771**	16,500
Finance lease liabilities	**3,645**	4,374	**-**	-

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

	Group		Company	
	2013	2012	2013	2012
Long-term bank loans	**1.5%**	2.7%	**2.8%**	2.9%
Finance lease liabilities	**6.8%**	7.2%	**-**	-

21. FINANCE LEASE LIABILITIES

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

	Group	
	2013	2012
	$'000	$'000
Minimum lease payments due:		
- Not later than one year	**2,196**	2,077
- Between two and five years	**3,965**	4,815
	6,161	6,892
Less: Future finance charges	**(619)**	(828)
Present value of finance lease liabilities	**5,542**	6,064

Notes to the Financial Statements

For the financial year ended 31 December 2013

21. FINANCE LEASE LIABILITIES (CONTINUED)

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

	Group	
	2013 $'000	2012 $'000
Not later than one year (Note 20)	**1,877**	1,690
Between one and five years (Note 20)	**3,665**	4,374
	5,542	6,064

22. SHARE CAPITAL

The share capital of the Company and the Group comprises fully paid-up 584,592,000 (2012: 584,592,000) ordinary shares with no par value, amounting to a total of $77,001,000 (2012: $77,001,000).

23. OTHER RESERVES

	Group	
	2013 $'000	2012 $'000
(a) Composition:		
General reserve	**6,679**	6,471
Currency translation reserve	**(11,061)**	(10,422)
Transactions with non-controlling interests	**(2,210)**	(2,210)
	(6,592)	(6,161)

Other reserves are non-distributable.

	Group	
	2013 $'000	2012 $'000
(b) Movements:		
(i) General reserve		
Beginning of financial year	**6,471**	6,649
Currency translation differences	**474**	(336)
Transfer (to)/from retained earnings	**(266)**	158
End of financial year	**6,679**	6,471
(ii) Currency translation reserve		
Beginning of financial year	**(10,422)**	(2,878)
Currency translation differences	**(639)**	(7,544)
End of financial year	**(11,061)**	(10,422)
(iii) Transactions with non-controlling interests		
Beginning of financial year	**(2,210)**	(2,116)
Partial disposal of a subsidiary	**-**	(94)
End of financial year	**(2,210)**	(2,210)

Notes to the Financial Statements

For the financial year ended 31 December 2013

23. OTHER RESERVES (CONTINUED)

(b) Movements: (continued)

General reserve fund

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

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

24. RETAINED EARNINGS

(a) Retained profits of the Group are distributable except for accumulated retained profits of associated company amounting to $5,963,000 (2012: $5,282,000). Retained profits of the Company are distributable.

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

	Company	
	2013	**2012**
	$'000	**$'000**
Beginning of financial year	**47,699**	50,863
Net profit	**8,548**	8,294
Dividends paid (Note 25)	**(7,307)**	(11,458)
End of financial year	**48,940**	47,699

25. DIVIDENDS

	Group and Company	
	2013	**2012**
	$'000	**$'000**
Ordinary dividends paid or proposed		
Final exempt dividend paid in respect of the previous financial year of 1.25 cent (2012: 1.96 cent) per share	**7,307**	11,458

At the Annual General Meeting to be held on 25 April 2014, a final exempt dividend of 0.68 cent per share amounting to a total of $3,975,226 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2014.

Notes to the Financial Statements

For the financial year ended 31 December 2013

26. COMMITMENTS

(a) Capital commitments

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

	Group	
	2013	**2012**
	$'000	**$'000**
Property, plant and equipment	**364**	-

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

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

	Group	
	2013	**2012**
	$'000	**$'000**
Not later than one year	**5,755**	4,945
Between one and five years	**12,299**	12,264
Later than five years	**9,700**	8,710
	27,754	25,919

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

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

27. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Currency risk

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

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Renminbi ("RMB"), Malaysian Ringgit ("MYR"), Australian Dollar ("AUD") and New Zealand Dollar ("NZD"). To manage the currency risk, individual Group entities enter into currency forwards or currency swaps, where appropriate. As at 31 December 2013, the Group does not have any significant outstanding currency forwards contracts except for the S$ bank borrowings obtained which has been swapped to US$ via a currency swap (Note 14). The Group's exposures to foreign currencies are primarily managed through matching financial assets and financial liabilities denominated in foreign currencies. The Group does not utilise currency forwards or other arrangements for trading or speculative purposes.

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk (continued)*

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

	SGD $'000	USD $'000	RMB $'000	AUD $'000	MYR $'000	NZD $'000	Other $'000	Total $'000
2013								
Financial assets								
Cash and cash equivalents	10,049	8,621	11,567	2,592	16,146	901	7,550	57,426
Trade and other receivables	11,800	17,647	9,865	17,368	2,757	5,917	18,342	83,696
Inter-company balances	43,026	58,407	9,615	3,013	28,671	699	1,465	144,896
Other financial assets	-	-	2,631	-	2,234	-	870	5,735
	64,875	84,675	33,678	22,973	49,808	7,517	28,227	291,753
Financial liabilities								
Borrowings	51,726	30,423	3,334	21,129	6,618	8,165	18,041	139,436
Derivative financial instruments	287	-	-	-	-	-	-	287
Inter-company balances	43,026	58,407	9,615	3,013	28,671	699	1,465	144,896
Other financial liabilities	7,132	5,891	12,554	4,967	4,515	2,335	4,340	41,734
	102,171	94,721	25,503	29,109	39,804	11,199	23,846	326,353
Net financial assets/(liabilities)	(37,296)	(10,046)	8,175	(6,136)	10,004	(3,682)	4,381	(34,600)
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	26,168	4,484	5,211	8,856	(2,756)	4,381	2,454	48,798
Currency exposure on financial assets and liabilities	**(11,128)**	**(5,562)**	**13,386**	**2,720**	**7,248**	**699**	**6,835**	**14,198**

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk (continued)*

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

	2013					2012				
	SGD $'000	**USD $'000**	**AUD $'000**	**Other $'000**	**Total $'000**	**SGD $'000**	**USD $'000**	**AUD $'000**	**Other $'000**	**Total $'000**
Financial Assets										
Cash and cash equivalents	2,421	59	-	-	2,480	2,043	69	-	-	2,112
Trade and other Receivables	28,446	11,172	2,725	1,362	43,705	32,372	13,965	2,333	1,860	50,530
Other financial assets	1,340	-	-	-	1,340	13	-	-	-	13
Derivative financial instruments	-	-	-	-	-	104	-	-	-	104
	32,207	11,231	2,725	1,362	47,525	34,532	14,034	2,333	1,860	52,759
Financial Liabilities										
Borrowings	17,800	-	-	-	17,800	24,200	-	-	-	24,200
Derivative financial instruments	287	-	-	-	287	23	-	-	-	23
Other financial Liabilities	2,229	-	-	-	2,229	3,682	-	-	-	3,682
	20,316	-	-	-	20,316	27,905	-	-	-	27,905
Net financial assets	11,891	11,231	2,725	1,362	27,209	6,627	14,034	2,333	1,860	24,854
Net financial assets denominated in functional currency	(11,891)	-	-	-	(11,891)	(6,627)	-	-	-	(6,627)
Currency exposure	**-**	**11,231**	**2,725**	**1,362**	**15,318**	**-**	**14,034**	**2,333**	**1,860**	**18,227**

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk (continued)*

If the USD, RMB, AUD and MYR change against the SGD by 0.4% (2012: 0.6%), 2.4% (2012: 2.0%), 7.1% (2012: 0.3%) and 2.0% (2012: 1.5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	2013		2012	
	<-----Increase/(decrease)-----		----->	
	Profit after tax $'000	Other comprehensive income $'000	Profit after tax $'000	Other comprehensive income $'000
Group				
USD against SGD				
- Strengthened	**(18)**	**(18)**	86	(12)
- Weakened	**18**	**18**	(86)	12
RMB against SGD				
- Strengthened	**263**	**263**	(142)	207
- Weakened	**(263)**	**(263)**	142	(207)
AUD against SGD				
- Strengthened	**(159)**	**(159)**	16	89
- Weakened	**159**	**159**	(16)	(89)
MYR against SGD				
- Strengthened	**(120)**	**(120)**	(173)	(398)
- Weakened	**120**	**120**	173	398
Company				
USD against SGD				
- Strengthened	**37**	**-**	70	-
- Weakened	**(37)**	**-**	(70)	-
AUD against SGD				
- Strengthened	**(160)**	**-**	6	-
- Weakened	**160**	**-**	(6)	-

(ii) *Price risk*

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

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

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in AUD, RMB and MYR. If the AUD, RMB and MYR interest rates increase/decrease by 1% (2012: 1%) with all other variables including tax rate being held constant, the profit after tax will be higher/lower by $230,000 (2012: $245,000), $85,000 (2012: $7,000) and $279,000 (2012: $49,000) respectively as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

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

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

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

	Company	
	2013	**2012**
	$'000	**$'000**
Corporate guarantees provided to banks on subsidiaries' loans	**105,573**	96,645

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	Group	
	2013	2012
	$'000	$'000
By geographical areas		
Singapore	**14,359**	13,635
Malaysia	**2,906**	3,202
Taiwan	**3,739**	158
Australia	**17,186**	24,044
New Zealand	**5,912**	5,135
United States	**1,955**	4,434
United Kingdom	**320**	290
Italy	**806**	1,576
Indonesia	**3,915**	3,553
Sweden	**900**	678
People's Republic of China	**15,333**	10,481
Other countries	**14,009**	17,290
	81,340	84,476
By types of customers		
Non-related parties		
- Companies	**76,222**	77,573
- Individuals	**5,118**	6,903
	81,340	84,476

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

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

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

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

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

The age analysis of trade receivables from non-related parties past due but not impaired is as follows:

	Group	
	2013	2012
	$'000	$'000
Past due one month	**2,273**	2,847
Past due two months	**2,193**	353
Past due over two months	**2,486**	1,820
	6,952	5,020

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

	Group	
	2013 $'000	2012 $'000
Past due one month	**347**	96
Past due two months	**117**	525
Past due over two months	**1,327**	935
	1,791	1,556
Less: Allowance for impairment	**(1,791)**	(1,556)
	-	-
Beginning of financial year	**1,556**	1,494
Currency translation differences	**(14)**	(67)
Allowance made	**1,043**	1,438
Allowance utilised	**(550)**	(453)
Allowance written back	**(244)**	(856)
End of financial year	**1,791**	1,556

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

(c) Liquidity risk

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

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

	Less than 1 year $'000	Between 1 and 5 years $'000
Group		
2013		
Trade and other payables	**41,734**	**-**
Borrowings	**99,088**	**41,828**
	140,822	**41,828**
2012		
Trade and other payables	45,505	-
Borrowings	90,605	47,017
	136,110	47,017

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year $'000	Between 1 and 5 years $'000
Company		
2013		
Trade and other payables	2,229	-
Borrowings	6,730	11,562
	8,959	11,562
2012		
Trade and other payables	3,682	-
Borrowings	6,584	18,313
	10,266	18,313

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

	Less than 1 year $'000	Between 1 and 5 years $'000
Group and Company		
2013		
Gross-settled currency swaps		
- Receipts	4,108	6,011
- Payments	4,172	6,176
2012		
Gross-settled currency swaps		
- Receipts	4,030	10,029
- Payments	4,069	10,349

(d) Capital risk

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

Management monitors capital based on a gearing ratio. The Group's and Company's strategies, which were unchanged from 2012, are to maintain gearing ratios within 50% to 70%.

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (continued)

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Total borrowings	**139,436**	132,467	**17,800**	24,200
Total capital and reserves attributable to equity holders	**249,350**	247,241	**125,941**	124,700
Gearing ratio	**56%**	54%	**14%**	19%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

(e) Fair value measurements

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

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

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

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

	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Group			
As at 31 December 2013			
Derivative financial instruments			
- Asset	-	-	-
- Liability	-	287	287
As at 31 December 2012			
Derivative financial instruments			
- Asset	-	104	104
- Liability	-	23	23

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. IMMEDIATE AND ULTIMATE HOLDING CORPORATION

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

29. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	Group	
	2013	**2012**
	$'000	**$'000**
Sales of goods to associated companies	**8,964**	9,825
Purchases of goods from associated companies	**(439)**	(702)
Legal fees paid to a firm in which a director has a financial interest	**-**	6

Outstanding balances at 31 December 2013, arising from sale/purchase of goods to/from associated companies, are unsecured and receivable/payable within 12 months from balance sheet date, are set out in Notes 11 and 19 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Salaries and other short-term employee benefits	**4,367**	6,691
Post-employment benefits – contribution to CPF	**107**	204
	4,474	6,895

Included in the above was total compensation to directors of the Company amounted to $2,430,000 (2012: $3,871,000).

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. SEGMENT INFORMATION

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

Management manages and monitors the business segments as follows:

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

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

The segment information provided to senior management for the reportable segments for the year ended 31 December 2013 is as follows:

	Manufacturing segment	<----------------------Distribution segment---------------------->					
		North East Asia	ASEAN	Oceania	Others	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales							
Total segment sales	162,677	42,529	163,711	146,152	18,991	371,383	534,060
Inter-segment sales	(25,137)	-	-	-	-	-	(25,137)
Sales to external parties	137,540	42,529	163,711	146,152	18,991	371,383	508,923
Segment result	(8,616)	2,475	16,652	8,033	(160)	27,000	18,384
Other gains – net							2,700
Unallocated costs							(38)
							21,046
Finance expenses							(5,233)
Share of profit of associated company							604
Profit before income tax							16,417
Income tax expense							(6,178)
Net profit							10,239
Segment assets	190,640	25,959	120,364	87,219	8,803	242,345	432,985
Segment assets includes:							
Investment in an associated company	16,741	-	-	-	-	-	16,741
Additions to:							
- property, plant and equipment	7,709	109	1,124	2,535	12	3,780	11,489
Segment liabilities	(17,353)	(4,472)	(11,871)	(7,416)	(622)	(24,381)	(41,734)

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations

(i) Segment assets

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

Segment assets are reconciled to total assets as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Segment assets for reportable segments	**424,182**	427,500
Other segment assets	**8,803**	5,145
Unallocated:		
Deferred income tax assets	**4,187**	4,157
Short-term bank deposits	**9,350**	6,526
Transferable club membership, at cost	**146**	181
	446,668	443,509

(ii) Segment liabilities

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

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Segment liabilities for reportable segments	**41,112**	41,408
Other segment liabilities	**622**	4,120
Unallocated:		
Income tax liabilities	**1,189**	2,209
Deferred tax liabilities	**1,987**	2,216
Borrowings	**139,436**	132,467
Derivative financial instruments	**287**	-
	184,633	182,420

(b) Revenue from major products and services

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

	Group	
	2013	**2012**
	$'000	**$'000**
Distribution of automotive and related products	**371,383**	394,577
Manufacturing of alloy wheels	**137,540**	146,545
	508,923	541,122

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

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

	Sales* Group		Non-current assets Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**76,383**	76,385	**36,801**	32,987
Malaysia	**105,923**	104,388	**45,019**	45,931
China/Hong Kong	**102,059**	126,930	**61,306**	70,976
Taiwan	**18,102**	21,315	**3,242**	2,918
Australia	**116,361**	128,706	**5,269**	5,525
New Zealand	**36,244**	30,318	**1,572**	1,015
Other countries	**53,851**	53,080	**3,563**	2,028
	508,923	541,122	**156,772**	161,380

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

There are no revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue (2012: 10%).

31. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

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

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

32. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of YHI International Limited on 19 March 2014.

Statistics of Shareholdings

As at 12 March 2014

ANALYSIS OF SHAREHOLDINGS

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

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 999	89	4.61	36,528	0.01
1,000 – 10,000	586	30.33	3,746,873	0.64
10,001 – 1,000,000	1,239	64.13	83,563,199	14.29
1,000,001 and above	18	0.93	497,245,028	85.06
Total	**1,932**	**100.00**	**584,591,628**	**100.00**

Public Shareholders	%
Non public shareholders	63.13
Public shareholders	36.87

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

SUBSTANTIAL SHAREHOLDERS

	No.of Shares		
	Direct Interest	Deemed Interest	%
YHI Holdings Pte Ltd	341,391,628	–	58.40
Tay Tian Hoe Richard	–	365,265,628	62.48[1]
Tay Tiang Guan	705,000	344,491,628	59.05[2]
Tay Soek Eng Margaret	–	341,391,628	58.40[3]

Note

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

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

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

Shares held in the name of YHI Holdings Pte Ltd	341,391,628
Shares held in the name of nominees	3,100,000
	344,491,628

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

Statistics of Shareholdings

As at 12 March 2014

TWENTY LARGEST SHAREHOLDERS AS AT 12 MARCH 2014

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	YHI HOLDINGS PTE LTD	341,391,628	58.40
2	HSBC (SINGAPORE) NOMINEES PTE LTD	38,736,000	6.63
3	CITIBANK NOMINEES SINGAPORE PTE LTD	29,645,000	5.07
4	BANK OF SINGAPORE NOMINEES PTE LTD	22,172,000	3.79
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	19,922,000	3.41
6	NG CHWEE CHENG	8,067,000	1.38
7	RAFFLES NOMINEES (PTE) LTD	6,476,800	1.11
8	MAYBANK KIM ENG SECURITIES PTE LTD	5,211,400	0.89
9	PHILLIP SECURITIES PTE LTD	5,078,200	0.87
10	ORIX INVESTMENT AND MANAGEMENT PTE LTD	4,800,000	0.82
11	DBS NOMINEES PTE LTD	4,755,400	0.81
12	TAN YONG CHIANG OR TAN HUI LIANG	2,512,000	0.43
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,107,400	0.36
14	LEE LING LING	1,735,000	0.30
15	OCBC SECURITIES PRIVATE LTD	1,307,800	0.22
16	LIM KIM PON	1,159,000	0.20
17	LEE WOON KIAT	1,090,000	0.19
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,078,400	0.18
19	CHEW CHOON SENG	1,000,000	0.17
20	GOH KEE CHEONG	1,000,000	0.17
	Total:	**499,245,028**	**85.40**

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 (the "Company") will be held at 2 Pandan Road, Singapore 609254 on Friday, 25 April 2014 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of 0.68 Singapore cents per ordinary share for the financial year ended 31 December 2013 (2012: 1.25 Singapore cents). **(Resolution 2)**

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

   Mr Phua Tin How **(Resolution 3)**
   Mr Yuen Sou Wai **(Resolution 4)**

   Mr Phua Tin How will, upon re-election as a Director of the Company, remain as a member of the Audit and Remuneration Committees and Chairman of the Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Yuen Sou Wai will, upon re-election as a Director of the Company, remain as a member of the Audit, Remuneration and Nominating Committees and will be considered independent.

4. To approve the payment of Directors' fees of S$192,500 for the financial year ended 31 December 2013 (2012: S$190,000.00). **(Resolution 5)**

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

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

AS SPECIAL BUSINESS

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

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

   "That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

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

Notice of Annual General Meeting

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

provided that:

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

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

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

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

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

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

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

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

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

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 2 April 2014

Notice of Annual General Meeting

Explanatory Notes:

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

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

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

Note:

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

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

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

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

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

Proxy Form

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

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

I/We, ____ (name) of

____ (address)

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

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %

and/or (delete as appropriate)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 2 Pandan Road, Singapore 609254 on Friday, 25 April 2014 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' and Auditor's Report and Audited Accounts of the Company for the year ended 31 December 2013		
2.	Payment of proposed first and final dividend of 0.68 Singapore cent per ordinary share		
3.	Re-election of Mr Phua Tin How as Director of the Company		
4.	Re-election of Mr Yuen Sou Wai as Director of the Company		
5.	Approval of Directors' fees amounting to S$192,500 for the financial year ended 31 December 2013 (2012: S$190,000.00)		
6.	Re-appointment of PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants as Auditors and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue shares in the capital of the Company - Share Issue Mandate		
8.	Authority to grant options and issue shares under the YHI Share Option Scheme		

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

Dated this ______ day of ______________ 2014

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

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

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

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

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

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

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

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

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

General:

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

友 发 国 际 有 限 公 司

YHI INTERNATIONAL LIMITED

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

2 Pandan Road
Singapore 609254
Tel: (65) 6264 2155
Fax: (65) 6265 9927/6266 5368
Email: yhigroup@yhi.com.sg
Website: www.yhigroup.com