友发国际有限公司

YHI INTERNATIONAL LIMITED

Listed on the mainboard of the Singapore Exchange

Company Registration Number 200007455H

# STRATEGIZING FOR TOMORROW

ANNUAL REPORT 2014

# CONTENTS

# 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.

# STRENGTHENING OUR CORE COMPETENCIES

# CORPORATE PROFILE


**YHI's international presence spans across over 100 countries through its 29 subsidiaries and one associated company located in Asia Pacific, North America and Europe. YHI distributes a diverse range of premium 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 leading global distributor of high-quality automotive and industrial products, and a 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 international presence spans across over 100 countries through its 29 subsidiaries and one associated company located in Asia Pacific, North America and Europe. YHI distributes a diverse range of premium 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 four alloy wheels manufacturing plants located in Shanghai and Suzhou in China, Taoyuan in Taiwan and Malacca in Malaysia, with a current total production capacity of 3.6 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 strengthen the YHI distribution network, the Group will continuously sharpen its sales focus, as well as embark 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.

| | |
|---|---|
| NEUTON | SINGAPORE |
| YOKOHAMA | JAPAN |
| NITTO | JAPAN |
| PIRELLI | ITALY |
| DEESTONE | THAILAND |
| OTANI | THAILAND |
| NANKANG | TAIWAN |
| accelera | INDONESIA |
| Achilles RADIAL | INDONESIA |
| NEXEN TIRE | KOREA |
| ROADSTONE TIRE | KOREA |
| GRECKSTER | INDIA |
| BKT | INDIA |
| MICKEY THOMPSON | 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.

| | |
|---|---|
| Advanti RACING | SINGAPORE |
| ENKEI | JAPAN |
| Breyton | GERMANY |
| OZ Italian Company | ITALY |
| sparco WHEELS | ITALY |
| KONIG | USA |
| MAMBA | USA |
| Löwenhart | JAPAN |
| RacingHart | 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.

| | | |
|---|---|---|
| EZGO | CUSHMAN | GARIA |
| 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.

| | | |
|---|---|---|
| NEUTON POWER | Trojan | C&D TECHNOLOGIES |
| SINGAPORE | USA | USA |
| SUPREME | Panasonic | HITACHI Inspire the Next |
| USA | JAPAN | JAPAN |
| CSB BATTERY | shoto | VISION |
| TAIWAN | CHINA | CHINA |
| YOKOHAMA | FIAMM | |
| MALAYSIA | ITALY | |

## OTHER PRODUCTS

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

| | | |
|---|---|---|
| JinKO Solar | ReneSola | CanadianSolar |
| CHINA | CHINA | CANADA |
| delta-q | DELTA | BENNING |
| CANADA | TAIWAN | GERMANY |
| SMA | EATON | enphase ENERGY |
| GERMANY | USA | USA |

# MANUFACTURING CAPABILITIES

### YHI Manufacturing (Shanghai) Co., Ltd


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

### YHI Advanti Manufacturing (Suzhou) Co., Ltd

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

**Since its first plant in Taiwan in 1996, the YHI Manufacturing Group has expanded to four plants today. Located in Shanghai and Suzhou in China, Taoyuan in Taiwan and Malacca in Malaysia, the Group has an annual production capacity of 3.6 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.

While distribution had been the core business of YHI, the Group took the bold initiative to venture into alloy wheels manufacturing in 1996. From one production line in Taiwan, Taoyuan, we have since expanded to 18 manufacturing lines in operation at 4 production sites today. In September 2000, the Group took the bold initiative to invest in a new plant Shanghai, followed by further expansion in two new alloy wheels manufacturing plants – YHI Advanti Manufacturing (Suzhou) Co Ltd located in Suzhou, China and YHI Manufacturing ( Malaysia) Sdn Bhd located in Sepang, Malaysia -- in 2006. In 2012, the Malacca plant was added to become the fifth production site for the alloy wheel manufacturing, with 0.6 million new capacity added.

To enhance our capability as an integrated ODM, YHI Precision Moulding (Shanghai) Co Ltd was set up in 2004 to manufacture and supply alloy wheels moulds for the manufacturing plants. Through continuous innovation and improvements in production processes, Enkei Corporation has put the Group in the forefront

## OUR QUALITY CERTIFICATES







of alloy wheels manufacturing. Our Most Advanced Technology (MAT) is an innovative casting and wheel forming technology that is critical in improving the alloy wheel's material property and strength.

In Malaysia, we have successfully consolidated our manufacturing facilities from Sepang to Malacca and have put the Sepang plant up for sale. To date, the sale of the Group's factory in Sepang has met all the conditions precedent of the Sale and Purchase Agreement and is now pending for approval on the transfer of the land title to the Purchaser from the relevant state authority.

In terms of 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 has enabled YHI to produce lighter and stronger alloy wheels which will, in turn, lead to lower production costs and enhance the Group's competitiveness.

## YHI International Taiwan Co., Ltd


**Taoyuan, Taiwan**
Products: **Alloy Wheels**
Land area: **13,500 m$^2$**
Year of Production: **1996**
Annual production capacity: **0.4 million**

## YHI Manufacturing (Malaysia) Sdn Bhd
## YHI Advanti Manufacturing (Malaysia) Sdn Bhd

**Malacca, Malaysia**
Products: **Alloy Wheels**
Land area: **88,000 m$^2$**
Year of Production: **2006**
Annual production capacity: **1.0 million**

## YHI Precision Moulding (Shanghai) Co., Ltd

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







# DST TECHNOLOGY

### ADVANTI RACING DYNAMIC SPINNING TECHNOLOGY

## Advanti Racing's latest wheel manufacturing process, Dynamic Spinning Technology (DST), is a proprietary technology in alloy wheel manufacturing as it offers significant strength, rigidity and lightness.

DST is an evolutionary alloy wheel manufacturing process that combines traditional monoblock cast technology with state-of-the art flow-forming technology.

Utilising flow form technology to apply pressure on the inner wheel after casing, the DST process stretches and forms the material, resulting in greater tensile strength and shock resistance over conventional cast wheels. This effectively translates into better vehicle performance.

With lightweight characteristics, DST wheels allow more responsive acceleration and decreased stress on braking requirements. Both aspects contribute to significant fuel saving. Furthermore, efficient heat dissipation not only contribute to reduction of tyre and brake wear, but also reduces heat buildup and stress on the tyre and braking components.

DST-formed wheels have a higher tensile strength compared to conventional gravity cast wheels. This results in higher resistance to external impacts.

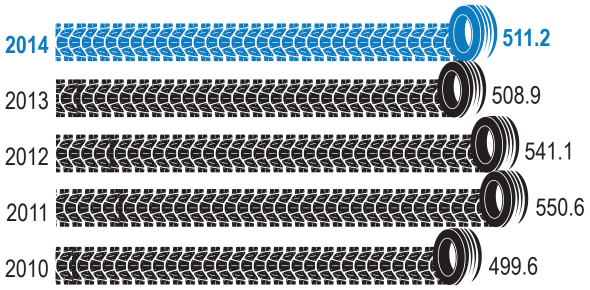
Advanti RACING

TRULY DESIRABLE

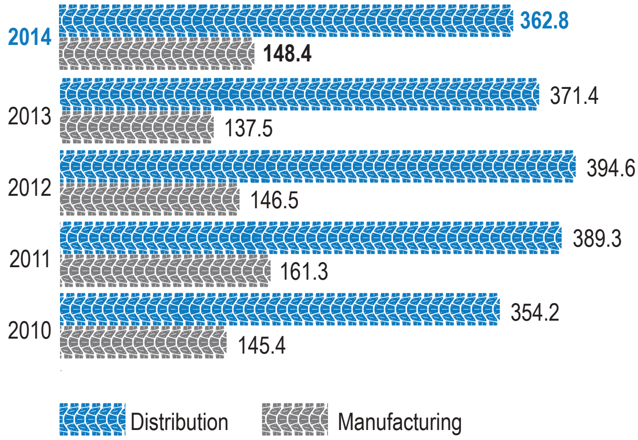

# REINFORCING OUR BRAND PROMISE

# FIVE-YEAR FINANCIAL HIGHLIGHTS

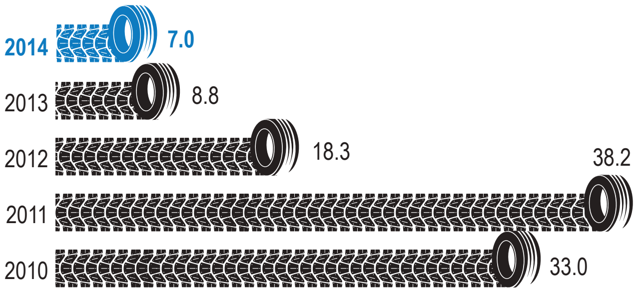
## GROUP REVENUE
(S$ 'million)



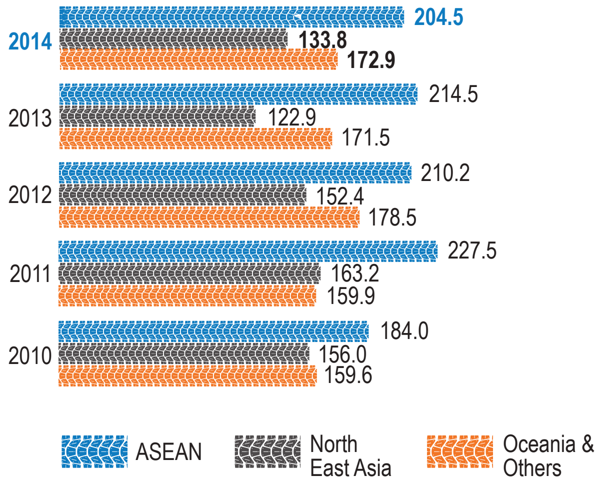

## REVENUE BY BUSINESS SEGMENTS
(S$ 'million)



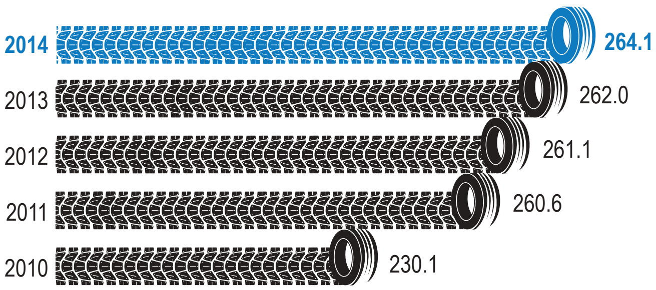

## NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(S$ 'million)



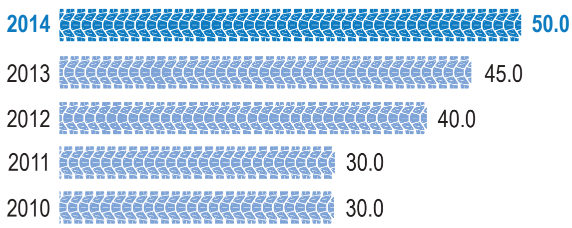

## REVENUE BY GEOGRAPHY
(S$ 'million)




## NET ASSETS
(S$ 'million)




## DIVIDEND PAYOUT
(%)



# FIVE-YEAR FINANCIAL SUMMARY



## RESULTS OF OPERATIONS

| FINANCIAL YEAR ENDED 31 DECEMBER | FY2014 S$ '000 | FY2013 S$ '000 | FY2012 S$ '000 | FY2011 S$ '000 | FY2010 S$ '000 |
|---|---|---|---|---|---|
| Sales | **511,229** | 508,923 | 541,122 | 550,610 | 499,582 |
| Gross Profit % | **22.2** | 22.0 | 23.3 | 23.7 | 24.8 |
| Profit before income tax | **14,873** | 16,417 | 31,885 | 52,295 | 45,490 |
| Net profit attributable to equity holders of the Company | **7,027** | 8,823 | 18,326 | 38,187 | 32,951 |
| Net Profit % | **1.6** | 2.0 | 3.9 | 7.5 | 7.1 |
| EBITDA | **36,365** | 39,188 | 52,620 | 68,902 | 60,989 |

## FINANCIAL POSITION

| AS AT 31 DECEMBER | FY2014 S$ '000 | FY2013 S$ '000 | FY2012 S$ '000 | FY2011 S$ '000 | FY2010 S$ '000 |
|---|---|---|---|---|---|
| Current assets | **301,620** | 285,563 | 277,791 | 301,541 | 242,852 |
| Non-current assets | **145,086** | 161,105 | 165,718 | 142,151 | 118,951 |
| Total assets | **446,706** | 446,668 | 443,509 | 443,692 | 361,803 |
| Current liabilities | **151,490** | 141,722 | 134,615 | 158,986 | 120,284 |
| Non-current liabilities | **31,085** | 42,911 | 47,805 | 24,135 | 11,456 |
| Total liabilities | **182,575** | 184,633 | 182,420 | 183,121 | 131,740 |
| Net assets | **264,131** | 262,035 | 261,089 | 260,571 | 230,063 |
| Capital and reserves attributable to equity holders of the Company | **251,305** | 249,350 | 247,241 | 248,347 | 219,899 |
| Non-controlling interests | **12,826** | 12,685 | 13,848 | 12,224 | 10,164 |
| Total equity | **264,131** | 262,035 | 261,089 | 260,571 | 230,063 |

## FINANCIAL INDICATORS

| | FY2014 | FY2013 | FY2012 | FY2011 | FY2010 |
|---|---|---|---|---|---|
| Return on shareholders equity (%) | **2.8** | 3.5 | 7.4 | 15.4 | 15.0 |
| Earnings per share (cents) | **1.20** | 1.51 | 3.13 | 6.53 | 5.64 |
| Net asset value per share (cents) | **42.99** | 42.65 | 42.29 | 42.48 | 37.62 |
| Dividend per share (cents) | **0.60** | 0.68 | 1.25 | 1.96 | 1.69 |
| Cash and bank balances (S$ '000) | **56,421** | 57,426 | 42,470 | 58,179 | 43,942 |
| Net debt to equity ratio (%) | **28.9** | 31.3 | 34.5 | 23.0 | 13.7 |

# CHAIRMAN'S MESSAGE

**RICHARD TAY**
Executive Chairman &
Group Managing Director

## "Notwithstanding the challenging operating environment, the Group has delivered a stable revenue performance and remains committed to dividend payout to reward our loyal shareholders."

2014 has been a challenging year for YHI International Ltd ("YHI" or "the Group"). Amidst the global economic doldrums, the Group has consistently achieved stable and respectable business performance in the recent years.

In the face of oversupply market situation and weakened currencies in key markets, we were decisive, agile and responsive in re-strategising our new business direction to stay competitive in the global market. We have consolidated our strengths and invested to gear up for the future.

During the year, we have delivered a credible financial performance for FY2014.

### PERFORMANCE REVIEW

For the year ended 31 December 2014, the Group achieved a revenue of S$511.2 million and a net profit attributable to equity holders ("net profit") of S$7.0 million for the full year ended 31 December 2014 ("FY2014").

Full-year revenue was lifted by higher sales from the Manufacturing business, though this was partially offset by lower sales in the Distribution business. Gross profit increased by 1.6% to S$113.6 million in FY2014 with gross profit margin up 0.2% to 22.2% on improved margins from both the Distribution and Manufacturing segments. However, net profit after tax attributable to equity holders decreased by 20.4% to S$7.0 million in FY2014 on higher distribution and administrative expenses and higher taxes.

The distribution business remains the main contributor to the Group's revenue, capping with the successful renewal of the Yokohama partnership for another five years. Anchoring 71% of the Group's total turnover, the distribution business has brought in a stable revenue stream of S$362.8 million in 2014.

Leveraging on our strong business alliances and global network, the distribution business stayed on track to our Multi-product, Multi-brand and Multi-category ("3M") marketing strategy with ASEAN remains our key market which contributes around 40% of our distribution revenue.

The continued extension of the Yokohama distribution partnership for 5 years in 2014 exemplified the strong collaboration YHI has built with its stable of 46 reputable brands which have deepened over the past 60 years.

The manufacturing business, which accounts for 29% of the revenue, registered a turnover of S$148.4 million. Faced with the challenge of overcapacity of aftermarket wheels globally, we have kept up with our restructuring programme for our manufacturing business to achieve long term sustainable growth.

In Malaysia, the impending completion of the Sepang sale will boost our liquidity position while the consolidation of production capacity at the Malacca plant have infused YHI with renewed vigour for production optimization.

In China, we have streamlined the aftermarket and OEM operations in Suzhou and Shanghai respectively. The aftermarket and OEM segments accounted for 86% and 14% of the turnover of manufacturing business respectively in FY2014.

### STRONG FINANCIAL PERFORMANCE

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$264.1 million as at 31 December 2014. Net assets attributable to equity holders of the Company was $251.3 million. This translates to a net asset value per share of 42.99 Singapore cents based on the total number of shares in issue of 584.6 million. YHI's net working capital is stronger at S$150.1 million with cash and cash equivalents of S$55.5 million and a net gearing ratio of 29% as at 31 December 2014.

### REWARDING SHAREHOLDERS

Notwithstanding the challenging operating environment, the Group has delivered a stable revenue performance and remains committed to dividend payout to reward our loyal shareholders.

The Directors have proposed a first and final dividend of 0.60 Singapore cents per share for FY2014. This translates into a dividend payout of 50%. The Board of Directors remains committed to drive sustainable growth and shareholder value for shareholders.

### BUSINESS OUTLOOK FOR 2015

Riding on the projected vehicle sales of over 25 million in China in 2015, we are cautiously optimistic that the demand for vehicles in the world's largest automotive market will sustain the growth momentum. Likewise, the anticipated economic recovery in the U.S. is expected to provide new impetus for the automotive market in 2015.

# CHAIRMAN'S MESSAGE

**"We believe that our Multi-product, Multi-brand and Multi-category (3M) strategy and 3R policy to reduce inventory, reduce accounts receivables and reduce operating costs will maintain our competitive edge and deliver the expected results in due course."**

As such, we remain focused on improving our business and financial fundamentals, keeping in line with our strategy of strengthening our core competencies.

Cost management and greater operational efficiency rank high on our business agenda. Our Group will vigilantly pursue our 3R policy – Reduce inventory, Reduce accounts receivables risk and Reduce operating cost – to counteract inflationary pressures and economic challenges. To this end, we have also invested to upgrade our Enterprise Resource Planning system to empower the cost management programme with technology support.

Harnessing greater productivity is yet another key strategy the Group will embrace zealously. We target to ensure higher efficiency in labour to output ratio and will invest in greater optimisation of the overall manufacturing capabilities across all the production sites.

At the same time, we will escalate our marketing programmes to deepen our market reach and strengthen our product portfolio and brand 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 will remain our key strategy to grow YHI into a global brand leader where "The World is Our Market". We stand firm by our mandate 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 will sustain 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 proven to have catapulted the standing to the league of global brand names.

To sustain the momentum, we will intensify the market expansion for the range of product mix of tyres, alloy wheels and industrial power under our Neuton and Advanti Racing brand names.

We believe that our 3M strategy and 3R policy to reduce inventory, reduce accounts receivables and reduce operating costs will maintain our competitive edge and deliver the expected results in due course.

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 Technology (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

**尽管市场环境充满挑战，友发集团的营收绩效依旧稳定，并仍然派股息，以回报我们的忠实股东。**

对友发国际有限公司（“友发”或“集团”）来说，2014年是充满挑战的一年。尽管全球经济低迷，近几年来集团仍旧持续取得了稳定、可观的经营业绩。

面对供过于求的市场形势和一些主要市场货币贬值的困境，我们果断、灵活、迅速地做出策略调整，重新制定新方向，以确保全球市场的竞争力仍存。我们不断整合竞争优势，并为将来进行投资，整装待发。

在2014年这一年度，我们创造了一个可信的财务业绩。

## 业绩回顾

截至2014年12月31日，本集团取得总营业额5.112亿新元,净利润为7百万新元 。

制造业销售的提升拉高了全年的营业额，但分销公司业务销售额的下降又把全年的营业额拉低。2014年度毛利同比增长1.6%至1.136亿新元，毛利率上升0.2%至22.2%，分销公司和制造业的利润都有提高。然而，由于分销费用及行政开支的增加，以及纳税额的增加，使得税后净利润同比下降了20.4%，仅为7百万新元。

2014年分销业务仍然是集团收入的主要来源，最近也和横滨成功续约多5年。分销业务为集团创收了3.628亿新元的营业额，占集团总营业额的71%。

凭借我们强大的业务联盟和全球销售网络，分销业务持续稳定推动“多产品，多品牌，多种类”的3M营销策略，促使东盟仍为我们的主要市场，这市场的营业额约占分销业务的40%。

2014年友发与横滨再续约5年，印证友发强有力的信赖关系。这也说明友发如何在过去60年推广并建设了46个知名品牌。

制造事业部的营业额为1.484亿新元，占整个集团收入的29%。面对售后市场轮圈产能过剩的挑战，我们制定了重组计划，以确保能够长期持续的发展。

在马来西亚，即将完成的雪邦厂销售将大大有助于我们的资金，而在马六甲工厂的产能整合促使友发进行生产优化、注入了新的活力。

在中国，我们已经精简了苏州和上海的售后市场和原装配套（OEM）生产领域。在2014年，售后市场和原装配套（OEM）占中国制造事业部总额的86%和14%。

## 稳健的财务状况

我们注重的核心战略和坚实的业务基础，将使我们能够保持良好的财务状况。本集团的资产负债表仍然稳键，截至2014年12月31日，净资产为2.641亿新元，股东净资产为251.3亿新元。也就是说按目前已发行的股票总数为5.846亿，其每股的资产净值为42.99分。友发的净营运资金多于以往，为1.501亿新元以及0.555亿新元的现金。截至2014年12月31日净负债比率为29%。

## 回馈股东

尽管市场环境充满挑战，友发集团的营收表现依旧稳定，并仍然派股息，以回报我们的忠实股东。

董事们已提出了2014年度派发首期及末期股息0.60分/每股，这相当于50%的派息比率。董事会将继续致力于持续稳定的增长，为股东们创造更多利益。

# 董事长献词

**我们相信，我们的3M战略和3R政策（降低库存、降低应收账款、降低营运成本）将让我们保持惯有的竞争优势，并达到预期的成果。**

## 2015年业务展望

根据市场估计2015年中国市场乘用车销量多达25,000,000辆，我们抱着谨慎及乐观的心态相信，这个全球最大汽车市场的需求将维持增长趋势。同样的，预期复苏的美国经济将为2015年的汽车市场带来新的动力。

因此，我们将继续专注于提高业务和财务基础设施、加强战略优势，以维持我们的核心竞争力。

在营运过程中，我们强调成本管理和更高的营运效率。本集团将严格遵循3R政策，降低现货库存、降低应收账款与降低成本 - 以缓解通货膨胀的压力和应对经济低迷的挑战。为此，我们还投资了企业资源规划系统（ERP），为成本管理方案提供了技术支援。

追求更高的生产力一直是本集团的关键战略。我们的目标是确保更好的劳动效率、产出率，并会对所有的生产基地进行投资，以提高、优化整体制造能力。

与此同时，配合友发战略，不断提升营销手段，以扩大市场占有率，加强产品组合、品牌建设并扩充全球业务网络，以便奠定坚实的业务基础。当全球经济好转时，我们才能保有竞争的优势。

为让友发成长为一个全球品牌的领导者，贯彻“世界为我市场”政策起见，持续的品牌建设投资将是我们的主要策略之一。作为一家拥有可信赖品牌和原始设计的铝合金轮毂制造商（ODM），被认可为高品质的汽车和工业产品的全球分销商之信念仍旧不变。

对于分销业务，我们将持续推广品牌建设工作，重点放在优质和自主品牌的范畴上。与梅赛德斯AMG方程式（“F1”）团队的三年合作（自2013年），已经把我们的品牌提升到了全球品牌的领域上。

为了保持这一势头，我们将加大力度拓展市场，积极努力推出带有“Neuton”与“Advanti Racing”品牌的轮胎、铝合金轮圈和工业电池的产品组合。

我们相信，3M战略和3R政策（降低库存、降低应收账款、降低运营成本）将让我们保持竞争优势，并达到预期的成果。

为应对激烈的全球竞争，本集团将继续不断创新，加强产品设计，改进生产系统，努力降低营运成本，提高工作效率。我们的生产研发，已经取得了突破，友发全新的旋压技术，使我们能够生产出更轻、更强的铝合金轮圈。动态旋压技术（DST）是Advanti Racing在售后市场推出的最新专利技术。这两种新技术将减低生产成本，提升整个集团的竞争优势。

为了严格控制我们的营运成本，本集团将评估新的战略合作伙伴和新的技术平台，以加强核心竞争力，从而持续为股东创造更多利益。

## 感谢词

凭借优秀的管理团队、敬业的员工群、庞大的分销网络和强大的制造业务，我有信心来年的营业额将持续增长。

本人代表董事会，感谢所有的管理人员、员工、客户和业务合作伙伴，感谢您坚定不移的支持以及对集团的贡献和承诺。感谢忠实的股东，衷心感谢您对友发持续的信心和投资。

最后我要对董事会成员表达最深切的感激之情，你们的指导和功不可没的付出，造就了友发的成功与持续成长。

郑添和
执行主席兼集团董事长

# REINVENTING OUR PRODUCT OFFERINGS

# BUSINESS REVIEW


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

Despite the challenging operating environment, YHI maintained its strong momentum to drive continuous business growth. Throughout the year, the Group systematically grew its manufacturing and distribution businesses, and powered on with 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 shines as our largest market contributing 40% of the Group revenue, followed by North East Asia and Oceania at 26% and 31% respectively. In terms of Group revenue by product segments, the revenue of the tyres segment represents about 50% of the Group revenue, followed by 36% for the wheels segment and 14% for the industrial power segment respectively.

The distribution business, accounting for 71% of the Group's total turnover, recorded a decrease of 2.3%, from S$371.4 million in FY2013 to S$362.8 million in FY2014. Manufacturing business, accounting for 29% of the Group's total turnover, registered an increase of 7.9%, from S$137.5 million in FY2013 to S$148.4 million in FY2014.

### DISTRIBUTION BUSINESS

The distribution business anchors 71% of the YHI Group revenue and has continued to be the key contributor for the 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.

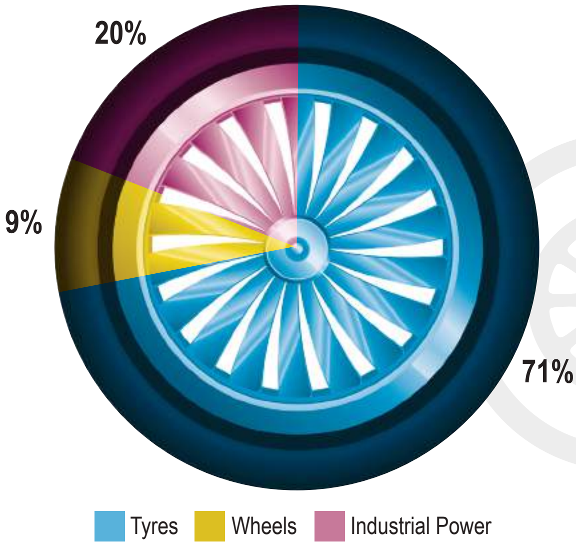
YHI's industrial power products portfolio covers both automotive and rechargeable batteries for commercial and industrial use, golf and utility buggies from E-Z-GO and Cushman; as well as other industrial power products like solar panels, chargers and UPS. Some of the key brands it distributes are Hitachi, 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.

In terms of revenue by product segments, the revenue of the tyres segment represents about 71% of the distribution business, followed by 20% for industrial power segment and 9% for wheels segment respectively. Tyres segment has decreased by 4.1% while the industrial power segment has yielded a positive growth of 4.5%.

During 2014, the prevailing overcapacity of tyres and the weak global demand has increased the intensity of competition in the tyres business. This has impacted our tyres business in

## The revenue of the tyre segment represents about 71% of the distribution business, followed by 20% for industrial power segment and 9% for wheels segment respectively.


### DISTRIBUTION BUSINESS REVENUE




Malaysia, Thailand, Indonesia and Brunei. Collectively, the turnover of our tyre business in these markets had decreased by 16%.

However, new markets as well as existing markets had contributed positively to the Group revenue. For example, the Philippines and the Middle East have shown promising growth. Likewise in New Zealand, the Group has enjoyed 11.9% growth in all its product segments through its extensive distribution network. The local market fully embraced the expanded range of proprietary Neuton Tyres. During the year, the Group boosted its presence in solar power products by obtaining the distribution rights for technologically advanced Enphase micro inverters, as well as making its first steps in the EV (Electric Vehicle) sphere through securing orders for Delta EV chargers.

Nevertheless, the Group has continued to build on our distribution network and leverage on our stable of products by offering a different product mix in order to cushion the impact of the intense competition.

The major highlight for 2014 was that the three-decade long partnership with Yokohama was renewed for another 5 years, signifying the strong trust and stability between YHI and its anchor brand. The partnership covers seven countries in ASEAN, including Singapore, Malaysia, Indonesia, Brunei, Vietnam, Cambodia and Myanmar.

The year 2014 also saw the further extension of the market coverage for the distribution rights for Mickey Thompson, a U.S. high performance tyre and wheel for the track and off-road racing. From just China and Thailand in 2013, the distribution rights for the 4X4 range and truck tyres now covered the Philippines in 2014. Plans are underway to extend the reach to Malaysia, Brunei and Cambodia in the next stage.

To boost its stable of proprietary brands, the Group intensified the drive for both the distribution network and product development for Neuton Tyres. Since 2013, the Group has started its expansion of the Neuton Tyres in Asia and the Middle East. In terms of product range of Neuton Tyre sizes, three sizes of 4X4 range and four sizes for passenger cars range sizes have been added since third quarter of 2014. This has brought the total sizes available to more than 80 sizes, thus giving consumers a wider range of selection.

More than 32 new product sizes targeting the European markets have also been launched in 2014. In the U.S.A., we have also successfully launched the sales of Neuton Tyres for both passenger car and SUV 4X4 tyres with promising growth expected in 2015.

# BUSINESS REVIEW

In 2015, we plan to increase the size lineup for existing tyre range, especially the product lines manufactured in Thailand. Furthermore, we are developing the bias light truck segment as well as expanding the Truck and Bus radial range to cater to Asian market. A total of 84 product sizes targeting at non-European market are underway by second quarter of 2015. We will continue our participation in international tradeshow to showcase our proprietary brand – Neuton Tyres, Neuton Power Battery and Advanti Wheels.

To meet the expanded product ranges, plans are underway to increase the production capacity of the contract manufacturing for Neuton Tyres in Indonesia and Thailand to a third location, China.

The Industrial Power segment has also witnessed positive growth, with Australia as our largest market thus far. In addition, this segment also managed to gain inroads into Singapore, Malaysia, New Zealand and China markets.

## MANUFACTURING BUSINESS

The Manufacturing business grew from strength to strength, generating a growth of 7.9% in turnover in 2014. The revenue grew from S$137.5 million in FY2013 to S$148.4 million in FY2014. Our aftermarket and Original Equipment Manufacturing ("OEM") segments accounted for 86% and 14% of turnover respectively.

Nevertheless, the economic slowdown in our key markets in Europe, China and Japan continued to dampen demand for our Alloy Wheels. The weakening of currencies such as EURO, Japanese Yen and Malaysian Ringgit has also impacted our manufacturing business. The operating margins of our manufacturing business will continue to be under pressure in 2015.

Furthermore, the vehicle sales for the Chinese brand passenger cars in China had slowed down in 2014 and this had impacted our domestic OEM manufacturing business in our Shanghai factory. Moving forward, our Shanghai factory will be allocating part of its domestic OEM capacity to the aftermarket segment while the Suzhou factory will continue to reserve its capacity for the aftermarket export business in 2015.

In Malaysia, we have successfully consolidated our manufacturing facilities from Sepang to Malacca and have put the Sepang plant up for sale. To date, the sale of the Group's factory in Sepang has met all the conditions precedent of the


Sale and Purchase Agreement and is now pending for approval on the transfer of the land title to the Purchaser from the relevant state authority.

In addition, we have also obtained the ISO-TS16949 certification for the OEM business in Malaysia in November 2014, which attests to our continuous pursuit for manufacturing excellence.

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 aftermarket and 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 projected vehicle sales of over 25 million in China in 2015, 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 2015.

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 team 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 2015 will continue to be moderate. Riding on the projected vehicle sales of over 25 million in China in 2015, we are cautiously optimistic that the demand for vehicles in the world's largest automotive market will sustain its growth momentum. Likewise, the anticipated economic recovery in the U.S. is expected to provide new impetus for the automotive market in 2015.

# BUSINESS REVIEW

The Group expects the outlook of manufacturing business to remain challenging due to the prevailing weak global demand for the aftermarket 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 weakened Malaysian Ringgit, EURO and Japanese YEN 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 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.

## YHI (Malaysia) wins Golden Eagle Award 2014


*Dato' Sri Abdul Wahid Omar presented the award to Mr Lee Teck Hock, General Manager, YHI (Malaysia) Sdn Bhd*

Once again, YHI (Malaysia) was awarded the most prestigious annual business award in Malaysia – the Golden Eagle Award 2014 under the Eminent Eagle Category.

Organized by Nanyang Siang Pau, this award aims to provide an effective platform to benchmark successful SMEs and to inspire more SMEs to strive for business excellence. First relaunched in 2013, this award is into its second consecutive year and is well supported by the Malaysian Chambers of Commerce, trade associations and industries. It is audited by Ernst & Young and judged by a panel of independent judges to ensure all nominated enterprises are evaluated professionally.

This year, the Gala Awards Ceremony was held at Sunway Convention Centre on 14 November 2014. Minister of Prime Minister's Department, YB Senator Dato' Sri Abdul Wahid Omar, was the guest-of-honor.

### AWARDS PREVIOUSLY RECEIVED BY YHI (MALAYSIA) SDN BHD

# RAISING THE BENCHMARK OF QUALITY

# FINANCIAL REVIEW

## INCOME STATEMENT REVIEW

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

The Group reported a 0.5% (or S$2.3 million) increase in turnover to S$511.2 million (FY2014) from S$508.9 million in FY2013, mainly due to higher sales from our Manufacturing business offset by lower sales in our Distribution business as compared to last year.

Distribution business, accounting for 71.0% of the Group's total turnover, recorded a decrease of 2.3% (or S$8.6 million) in turnover, from S$371.4 million in FY2013 to S$362.8 million in FY2014. Manufacturing business, accounting for 29.0% of the Group's total turnover, recorded an increase of 7.9% (or S$10.9 million) in turnover, from S$137.5 million in FY2013 to S$148.4 million in FY2014.

Gross Profit increased by 1.6% (or S$1.8 million) to S$113.6 million in FY2014 from S$111.8 million in FY2013. The Group's gross profit margin increased by 0.2% to 22.2% in FY2014 compared to 22.0% in FY2013 mainly due to improved margins from both the distribution and manufacturing business.

Net profit after tax attributable to shareholders of the Company decreased by 20.4% (or S$1.8 million) to S$7.0 million in FY2014 from S$8.8 million in FY2013.

A review of the Group's performance by geographical markets, ASEAN, Oceania, North East Asia and Others contributed 40%, 26%, 31% and 3% respectively. The turnover in ASEAN, our largest revenue contributor, decreased by 4.7% to S$204.5 million mainly due to lower turnover in Malaysia and Thailand. The turnover in North East Asia increased by 8.9% to S$133.8 million mainly due to higher contribution from China and Taiwan. Likewise, the turnover in Oceania rose by 2.6% to S$156.5 million as a result of higher turnover from New Zealand. Lastly, the turnover in Others decreased by 13.2% to S$16.4 million due to lower turnover in USA.

Other gains increased by 3.9% (or S$0.1 million) to S$2.8 million in FY2014 from S$2.7 million in FY2013, mainly due to higher income from our buggies rental business.

In terms of operating expenses, the Group's total operating expenses increased by 3.5% (or S$3.5 million) to S$102.2 million in FY2014 from S$98.7 million in FY2013.

Distribution expenses increased by 5.4% (or S$2.6 million) in FY2014 to S$51.7 million as compared to S$49.1 million in FY2013 mainly due to higher staff related costs, higher advertisement & promotion expenses and allowance for impairment of doubtful trade receivables.

Administrative expenses increased by 2.4% (or S$1.1 million) in FY2014 to S$45.5 million as compared to S$44.4 million in FY2013 mainly due to higher staff related costs and unrealised currency translation losses arising from the weakening of Malaysia Ringgit.

Financing costs decreased by 4.1% (or S$0.2 million) in FY2014 to S$5.0 million as compared to S$5.2 million in FY2013. The decrease was due to lower borrowings in certain subsidiaries in FY2014.

Our associated company reported better performance and our share of profit was S$0.7 million in FY2014 compared to S$0.6 million in FY2013.

FY2014 income tax expense increased by 7.6% mainly due to higher provision in current year taxation for Singapore and lower income tax expense in FY2013 arising from writing back of overprovision in prior years. The high effective income tax rate is mainly due to losses in certain subsidiaries lowering the Group's profit before tax.

## FINANCIAL POSITION REVIEW

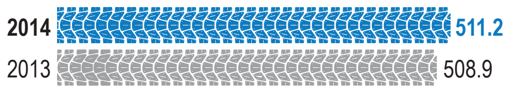
The Group continues to benefit from a healthy balance sheet with net asset of S$264.1 million. This translates into a net asset value per share of 42.99 Singapore cents as of 31 December 2014. The Group's net working capital was increased S$150.1 million with cash and cash equivalents of S$55.5 million and net gearing ratio of 30% as at 31 December 2014.

As at 31 December 2014, total assets amounted to about S$446.7 million comprising S$301.6 million of current assets and S$145.1 million of non-current assets. Total liabilities amounted to about S$182.6 million comprising current liabilities of S$151.5 million and non-current liabilities of S$31.1 million. Shareholders' equity including non-controlling interests amounted to S$264.1 million, as compared with S$262.0 million.

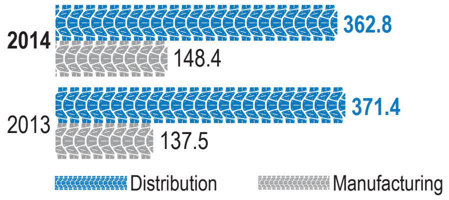
Trade and other receivables increased from S$83.7 million to S$89.8 million mainly due to higher manufacturing sales generated in Q4FY2014 compared to Q4FY2013 and slower collections from certain distribution customers. Except for those trade receivables where a specific provision has been made, most of the trade receivables that remained outstanding at the end of FY2014 were still within the acceptable credit terms.

Inventories increased from S$131.1 million to S$132.3 million mainly due to higher purchases by Singapore subsidiary in line with sales growth in FY2014. Inventory turnover was 121 days in FY2014 compared to 120 days in FY2013.

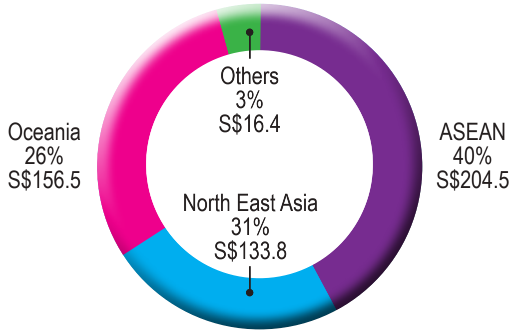
**GROUP REVENUE**
(S$ 'million)




**REVENUE BY BUSINESS SEGMENTS**
(S$ 'million)




**REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS**
(S$ 'million)




Other current assets increased from S$13.3 million to S$14.7 million mainly due to advance deposits paid for purchasing of aluminium ingot.

Non-current assets held-for-sale of S$8.4 million are mainly freehold land and buildings at Sepang plant which were reclassified as non-current assets held-for-sale after the relocation of manufacturing facilities from Sepang to Malacca.

Investment in an associated company decreased from S$16.7 million to S$15.6 million mainly due to currency translation loss resulting from the weakening of the EURO against the SGD. EURO has weakened from 1.7444 at the beginning of year to 1.6120 at the end of 2014.

Property, plant and equipment ("PPE") decreased by S$15.6 million to S$121.3 million from S$136.9 million mainly due to reclassification of assets of Sepang plant as non-current assets held-for-sale and the additions of PPE offset by depreciation charged for the year ended 31 December 2014.

Deferred income tax assets increased from S$4.2 million to S$4.6 million mainly due to the addition of deferred income tax assets from China and Australia subsidiaries.

Trade and other payables increased from S$41.7 million to S$45.7 million mainly due to new purchases at year end and advance payment received from customers.

Borrowings (current & non-current) decreased from S$139.4 million to S$132.9 million due to repayment of bank borrowings during the year. The short term loans of S$92.9 million which comprises mainly trust receipts and revolving credits, are used for trade financing while the long term loans of S$40.0 million are used for capital expenditure in property, plant and equipment.

Group net borrowings (net of cash) decreased from S$82.0 million to S$76.5 million at the end of 31 December 2014. Consequently, net gearing of the Group (borrowings net cash) to equity fell to 29%. The reduced net borrowings was attributed mainly to repayment of borrowings for the financial year ended 31 December 2014.

Current income tax liabilities increased from S$1.2 million to S$1.3 million mainly due to higher income tax expenses for the year.

Deferred income tax liabilities increased from S$2.0 million to S$2.3 million mainly due to additional provision of deferred income tax liabilities.

## CASH FLOWS REVIEW

Cash and cash equivalents increased to S$55.5 million at the end of December 2014, compared to S$53.8 million reported at end of December 2013.

S$24.0 million was generated by operating activities in FY2014, as compared to S$32.2 million in FY 2013.

The Group's net cashflow from operating activities decreased by 26% to S$24.0 million, as compared to S$32.2 million in the preceding year. The decrease was mainly due to higher trade receivables compared to the previous year.

The Group utilised S$8.9 million in investing activities mainly for the purchase of plant and equipment. A total of S$13.6 million was used in financing activities mainly for the repayment of bank borrowings and 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 0.6 Singapore cents per share to be approved by shareholders at the forthcoming annual general meeting on 28 April 2015.

This translates to a dividend yield of 2.67% based on the closing share price of S$0.225 as at 31 December 2014 and a dividend payout ratio of 50% based on earning per share of 1.2 Singapore cents for FY2014.

# CORPORATE MILESTONES

## 1948

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


## 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).

## 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.

## 1997

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

## 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.


## 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).

# 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.

## 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.

## 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.

## 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.


## 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.

## 2014

- For the sixth consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2014 Award for outstanding SME in Malaysia
- Consolidation of manufacturing capabilities from Sepang to Malacca plant
- ISO-TS16949 certification for the design and manufacturing of alloy wheels for OEM operations in Malaysia in November 2014

# BOARD OF DIRECTORS

MR TAY TIAN HOE, RICHARD
MR TAY TIANG GUAN
MR HENRY TAN SONG KOK
MR YUEN SOU WAI
MR HEE THENG FONG
MR PHUA TIN HOW

## MR TAY TIAN HOE, RICHARD, 63

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, 62

Executive Director

Mr Tay Tiang Guan is the Executive Director of our Group. He has more than 38 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, 50

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 and 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 and China New Town Development Co Ltd. He is on the Alumni Advisory Board of Nanyang Business School.

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, Insolvency Practitioners Association of Singapore Ltd and Singapore Institute of Directors and a member of Institute of Internal Auditors, Inc (Singapore Chapter) and Singapore Institute of Accredited Tax Professional Limited.

## MR YUEN SOU WAI, 61

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 at Chew's Group Limited, Libra Group Limited and Huationg Global Limited. He is also Chairman of the Audit Committee at these 3 companies, which are listed on Catalist of the SGX-ST.

He has more than 36 years of broadbased financial management experiences in various large local and global multinational 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, 60

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 Consultant of Harry Elias Partnership 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, Tye Soon Limited, First Resources Limited, F&H SingHome Fund II Ltd, NTUC Fairprice Co-operative Limited, Business China and Chinese Development Assistance Council (CDAC).

He is on the panel of arbitrators of the Singapore International Arbitration Centre (SIAC), Beijing Arbitration Commission (BAC), China International Economic and Trade Arbitration Commission (CIETAC), Shanghai International Arbitration Centre (SHIAC), Kuala Lumpur Regional Centre for Arbitration (KLRCA) and Hong Kong International Arbitration Centre (HKIAC).

## MR PHUA TIN HOW, 64

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


MR ALEX ONG CHIN KIONG


MR LU CHUN YA


MR STEVE LIEW NGOK FOOK


MR ROBERT TAN YONG QUAN


MS AMY SOO WEE HSIEN

## 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 multinational 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 is responsible for generating synergy within the YHI Distribution Group and leveraging technology to better manage and develop the distribution channels.

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 & 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

## PHILIPPINES

**MR JASON G. DELLOSO**
General Manager
YHI (Philippines) Inc

## HONG KONG

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

## CHINA

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

**MR LIU DE SEN**
General Manager
YHI Manufacturing (Shanghai) Co., Ltd & 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 &
YHI Corporation
(Beijing) Co., Ltd

## TAIWAN

**MR LIOU A-JENN**
General Manager
YHI International
(Taiwan) 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

## 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**
President
YHI (Canada) Inc &
Advanti Racing USA, LLC

## ITALY

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

# CORPORATE STRUCTURE

## YHI INTERNATIONAL LIMITED

### DISTRIBUTION

- YHI CORPORATION (SINGAPORE) PTE LTD, Singapore — 100%
  - 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 (MALAYSIA ) SDN BHD, Malaysia — 100%
- YHI (HONG KONG) CO LTD, Hong Kong — 100%
- YHI (CHINA) STRATEGY CO LTD, Hong Kong — 100%
  - YHI CORPORATION (GUANGZHOU) CO LTD, Guangzhou, PRC — 100%
- YHI (AUSTRALIA) PTY LTD, Australia — 80%
- YHI POWER PTY LTD, Australia — 80%
- YHI (NEW ZEALAND) LTD, New Zealand — 70%

- YHI CORPORATION JAPAN CO., LTD, Osaka, Japan — 90%
- YHI ADVANTI (SHANGHAI) CO LTD, Shanghai, PRC — 100%
- YHI (AMERICA) PTE LTD, Singapore — 100%
  - YHI (CANADA) INC, Canada — 100%
  - PAN-MAR CORPORATION D/B/A KONIG (AMERICAN), USA — 95%
    - ADVANTI RACING USA, LLC, USA — 90%

## 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 (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.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: kkchong2286@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@yhim.com.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**
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@yhiam.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 2, Jl. Ir. Sukarno Blok R.68
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**
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
W: www.advanti-wheel.com

**YHI Advanti (Shanghai) Co., Ltd**
No. 611 Shen Fu Road,
Xinzhuang Industrial Zone,
Shanghai Zip Code 201108, PRC
T: (86) 21 3407 4121 F: (86) 21 6489 6326
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 5227 2067 F: (86) 21 5227 2065
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 Edince,
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**

**Sydney Branch**
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

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

**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

**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

**Townsville Branch (North Queensland)**
797 Ingham Road, Bohle, QLD 4818,
Australia
T: (61) 7 4774 5336 F: (61) 7 4774 8182
E: qld_sales@yhi.com.au

**YHI Power Pty Ltd**

**Melbourne Branch**
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

**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

**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

**Sydney Branch**
1044-1046 Canley Vale Road,
Wetherill Park, NSW 2164, Australia
T: (61) 2 9729 228 F: (61) 2 9756 4066
E: sales@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

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

**Dunedin Branch**
100 Glasgow Street, Dunedin, New Zealand
T: (64) 3 455 0280 F: (64) 3 456 3732
E: dunedin@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**
12 Mark Road, Mt Maunganu,
New Zealand
T: (64) 7 572 3391 F: (64) 7 574 9123
E: tauranga@yhi.co.nz
W: www.yhi.co.nz

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

## USA

**Advanti Racing USA, LLC**
**Los Angeles, California**
555 S. Promenade Avenue, Suite-102,
Corona CA 92879
T: (1) 909 591 1001 F: (1) 909 902 9853
E: raymond@advantiwheel.com
W: www.advantiwheel.com

**Pan-Mar Corporation D/B/A Konig (American)**
Plainview, New York 88 Sunnyside Blvd,
Suite 204 Plainview NY 11803, USA
T: (1) 516 822 5700 F: (1) 516 822 5703
E: jschaefer@konigwheels.com
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
#17-00 PWC Building
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

| | |
|---|---|
| 12 May 2014 | **Announcement of first quarter unaudited results** |
| 13 August 2014 | **Announcement of half year unaudited results** |
| 13 November 2014 | **Announcement of third quarter unaudited results** |
| 31 December 2014 | **Financial year-end** |
| 25 February 2015 | **Announcement of full year unaudited results** |
| 28 April 2015 | **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 allow 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, and the Directors regularly receive updates on relevant new laws, regulations and changing commercial risks. There has been no appointment of new Directors since our listing in 2003. The Company will ensure that any incoming Directors are familiar with the Company's business and governance practices, as well as areas such as accounting, legal and industry-specific knowledge (as may be appropriate).

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 2014 is disclosed in Table 1 below.

**Table 1: Attendance of Directors at Board and Board committee Meetings in FY2014**

| | 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 judgment with a view to the best interests of the Company.

The Board considers Mr Henry Tan Song Kok, Mr Phua Tin How, Mr Hee Theng Fong and Mr Yuen Sou Wai as Independent Directors of the Company. 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 two-thirds 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 Tay Tian Hoe Richard and Henry Tan Song Kok be nominated for re-appointment at the forthcoming Annual General Meeting ("AGM"). Notwithstanding that Mr Tay Tian Hoe Richard, is the Group Managing Director and, pursuant to Article 112 of the Company's Articles of Association, is not subject to retirement by rotation, the Nominating Committee, with the concurrence of the Board, believes that, as a practice of good corporate governance, Mr Tay Tian Hoe Richard may submit himself for re-nomination and re-appointment at regular intervals.

If such appointments are approved by shareholders, Mr Henry Tan Song Kok, together with Messrs Hee Theng Fong, Phua Tin How and Yuen Sou Wai, will enter into their thirteenth year of service on the Board beyond nine years from the date of their first appointments. 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. The Nominating Committee has also rigorously considered this and reviewed the independence of Messrs Henry Tan Song Kok, Phua Tin How, Hee Theng Fong and Yuen Sou Wai. In the Nominating Committee's view, each of our Independent 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, acquired during their tenure with the Company, they are well-positioned to monitor and robustly and independently evaluate the performance of the Board and management with a view to the best interests of the Company and its stakeholders. After also considering the view of the Nominating Committee, the Board is satisfied that the Independent Directors are independent in character and judgment, 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.

The Board considers that its composition of Independent Non-Executive Directors provides an effective Board with a mix of knowledge, business contacts and successful legal, business and commercial experience as well as core competencies including legal, accounting, finance, business and management. This balance and diversity 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. The Independent Non-Executive Directors are actively involved in strategy decisions. We also encourage our Independent Non-Executive Directors to meet without management present to review management's performance and monitor reports thereof. The Lead Independent Director will provide feedback to the Executive Chairman after the meeting (if any).

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.

# CORPORATE GOVERNANCE REPORT

**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.

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 maximum number of listed company board representations that each Director may hold. However, all Directors are required to declare their board representations. The Nominating Committee is of the view that any maximum number established is unlikely to be representative of the participation, commitment and skills and expertise that a Director may contribute to the Board, and its overall effectiveness, and instead 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 Director's 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. Notwithstanding this, as a good corporate governance practice, our Group Managing Director has submitted himself for re-nomination and re-appointment at the forthcoming AGM, with the concurrence of the Nominating Committee and the Board. In other words, no Director stays in office for more than three years without being re-elected by shareholders.

Where a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nominating Committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The Nominating Committee then nominates the most suitable candidate.

The information on each Director's academic and professional qualifications, shareholdings, relationships (if any), directorship and other principal commitments is presented in "Board of Directors" and "Directors' Report" section of this annual report.

The Nominating Committee recommended to the Board that Messrs Tay Tian Hoe Richard and Henry Tan Song Kok be nominated for re-appointment at the forthcoming AGM. In making the recommendation, the Nominating Committee had considered the Directors' contributions to the Group.

**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 performance of the Board and the Board committees will be undertaken collectively by the Board annually and by the Nominating Committee, and also at other times where appropriate, 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 and of each Board committee and Director. 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 direction 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. The Board also evaluates and assesses the composition and effectiveness of the Board committees in supporting the Board in their respective functions.

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.

# CORPORATE GOVERNANCE REPORT

The responsibilities of the Remuneration Committee are:

a. to recommend to the Board general 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 review and recommend to the Board the specific remuneration packages and terms of employment for each Executive Director and key management personnel.

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. No remuneration consultant was appointed in FY2014. 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 each Executive Director. Each Executive Director has a service contract with a fixed appointment period and the Remuneration Committee reviews in particular termination provisions.

The compensation structure for Executive Directors and key management personnel is directly linked to corporate and individual performances and include financial and non-financial indicators. Under the compensation structure, there is a fixed component of remuneration and a variable component which is directly determined by the performance of the Executive Director or management personnel with reference to the performance conditions for that financial year. In addition to the financial performance of the Company, non-financial performance conditions such as quality of work and diligence were chosen because of the emphasis the Company places on achieving its vision and goals. The Remuneration Committee is of the opinion that the performance conditions set by the Company were met by its Executive Directors and key management personnel in the past financial year.

The Company does not currently have any contractual provisions to allow the reclaiming of incentive components of remuneration from executive directors and key management personnel. Nonetheless, the Remuneration Committee, together with the Board, will monitor and re-assess at the appropriate juncture whether such provisions should be implemented.

The remuneration of each Independent and 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 Independent and Non-Executive Directors for approval at the AGM.

The YHI Share Option Scheme (the "Scheme"), which was adopted on 22 May 2003, has since expired. The Company had not granted any share options pursuant to the Scheme in past financial years and had decided not to renew the Scheme.

**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 2014 in all forms by the Group are disclosed in Table 2.

**Table 2: Details of remuneration and fees paid to Directors' in FY2014**

| | **Number of Directors** | |
|---|---|---|
| | **2014** | 2013 |
| S$1,000,001 and above | **1** | 1 |
| S$750,001 to S$1,000,000 | **–** | 1 |
| S$500,001 to S$750,000 | **1** | – |
| Below S$250,000 | **4** | 4 |
| **Total** | **6** | 6 |

(b) The breakdown of the annual remuneration (in percentage terms) of Directors' of the Company for FY2014 is disclosed in Table 3.

**Table 3: The breakdown of the Directors' annual remuneration (in percentage terms) for FY2014**

| | Salary | Bonus | Directors Fees | Other Benefits | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| Tay Tian Hoe Richard | 36.6 | 62.4 | – | 1.0 | 100 |
| Tay Tiang Guan | 48.2 | 49.8 | – | 2.0 | 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 taking note of the competitive pressures in the talent market, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors in the annual report.

There are no termination, retirement and post-employment benefits that may be granted to the Directors and key management personnel.

**Remuneration of Key Executives**

In view of the competitive pressures in the talent market, the names, aggregate remuneration, remuneration bands and breakdown of the remuneration of each 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$100,000 to S$150,000 |

Notes:

(1) Mdm Tay Soek Eng Margaret is the sister of our Executive Chairman and Group Managing Director, Mr Tay Tian Hoe Richard, and our Executive Director, Mr Tay Tiang Guan.

(2) Mr Tay Guoren Ryan is the son of our Executive Chairman and Group Managing 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.

# CORPORATE GOVERNANCE REPORT

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.

**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 Board has approved a Group Risk Management Framework for the identification of the key risks within the business which is aligned with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework. This Framework entails a rigorous and systematic process of anticipating, identifying, prioritizing, managing and reporting material risks. The Group is committed to ensuring that we have an effective and practical Enterprise Risk Management (ERM) framework in place to safeguard our people and assets, protect shareholders' interest, make informed decision and ultimately uphold and enhance our reputation among our stakeholders.

The internal control and risk management functions are performed by the Group's key executives. 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.

It should be noted, in the opinion of the Board, that 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 that no system of internal controls and risk management 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, compliance and information technology 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 28 of the financial statements set out on pages 106 to 116. 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.

The Board has also received assurance from the Group Managing Director and CFO:

(a) 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; and
(b) regarding the effectiveness of the Group's risk management and internal control systems.

Based on the internal controls and risk management systems and 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 Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2014.

**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. 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.

At least three members of the Audit Committee have the appropriate accounting or related financial management expertise or experience, as the Board interprets such qualifications in its business judgment. The members of the Audit Committee sit on multiple boards and have the necessary accounting and financial expertise to deal with matters that come before them. The Audit Committee kept itself apprised of changes in accounting standards and issues which have a direct impact on the financial statements of the Group through regular updates by the external auditor.

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.

# CORPORATE GOVERNANCE REPORT

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.

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 Audit Committee 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 all non-audit services provided by the auditor 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, and is of the opinion that the non-audit services provided by PwC would not affect its independence.

The Group has complied with Rules 712 and 715 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:

| | **2014** | 2013 |
|---|---|---|
| | **S$** | S$ |
| Fees on audit services paid/payable to: | | |
| Auditor of the Company – PwC Singapore | **175,000** | 182,000 |
| Other PwC network firms | **143,000** | 147,000 |
| Other auditors | **263,000** | 221,000 |
| Fees on non-audit services paid/payable to: | | |
| Auditor of the Company – PwC Singapore | **54,000** | 48,000 |
| Other auditors | **53,000** | 34,000 |
| **Total** | **688,000** | 632,000 |

None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

**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.

## 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.yhigroup.com).

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 about the Group that is not generally available to all shareholders 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.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Minutes of the discussion of the AGM will be made available upon request.

## 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.

# CORPORATE GOVERNANCE REPORT

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.

## 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 2014.

## 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 2014, 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 period from 01 January 2014 to 31 December 2014.

| 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 2014*

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

## 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 56 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 | | | Holdings in which director is deemed to have an interest | | |
|---|---|---|---|---|---|---|
| | At 21.1.2015 | At 31.12.2014 | At 1.1.2014 | At 21.1.2015 | At 31.12.2014 | At 1.1.2014 |
| **Company** (No. of ordinary shares) | | | | | | |
| Mr Tay Tian Hoe Richard (1) (3) | – | – | – | 365,265,628 | 365,265,628 | 365,265,628 |
| Mr Tay Tiang Guan (1) (2) | 705,000 | 705,000 | 705,000 | 344,491,628 | 344,491,628 | 344,491,628 |
| Mr Yuen Sou Wai | 240,000 | 240,000 | 240,000 | – | – | – |
| Mr Hee Theng Fong | 120,000 | 120,000 | 120,000 | – | – | – |
| Mr Henry Tan Song Kok | 40,000 | 40,000 | 40,000 | – | – | – |
| Mr Phua Tin How | 110,000 | 110,000 | 110,000 | – | – | – |
| **Immediate and ultimate holding company** | | | | | | |
| **– YHI Holdings Pte Ltd (1)** (No. of ordinary shares) | | | | | | |
| Mr Tay Tian Hoe Richard (1) (3) | 641,392 | 641,392 | 641,392 | – | – | – |
| Mr Tay Tiang Guan (1) (2) | 375,000 | 375,000 | 375,000 | – | – | – |

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

**Notes:**

(1) As at the date of this report, YHI Holdings Pte Ltd directly holds 256,043,721 shares of the Company.

(2) As at the date of this report, Mr Tay Tiang Guan is directly interested in 86,052,907 shares of the Company. Mr Tay Tiang Guan has also ceased to be interested in the shares of YHI Holdings Pte Ltd and is deemed interested in 3,100,000 shares of the Company held in the name of nominees.

(3) As at the date of this report, Mr Tay Tian Hoe Richard is interested in 641,392 shares of YHI Holdings Pte Ltd and accordingly is deemed interested in 256,043,721 shares of the Company held by YHI Holdings Pte Ltd and 23,874,000 shares of the Company held in the name of nominees. Mr Tay Tian Hoe Richard is not directly interested in shares of the Company.

(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 as at 31 December 2014, 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 31.12.2014 | At 1.1.2014 |
|---|---|---|
| **YHI (Australia) Pty Limited** | | |
| – No. of ordinary shares | 80,000 | 80,000 |
| **YHI (New Zealand) Limited** | | |
| – No. of ordinary shares | 70,000 | 70,000 |
| **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 |
| **PT YHI Indonesia** | | |
| – No. of ordinary shares | 288,000 | 288,000 |
| **YHI (Philippines) Inc** | | |
| – No. of ordinary shares | 8,995 | 8,995 |
| **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 |
| **Pan-Mar Corporation D/B/A Konig (American)** | | |
| – Common stock | US$142,500 | US$142,500 |
| **Advanti Racing USA., LLC** | | |
| – Common stock | US$85,500 | US$85,500 |

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2015 are shown in Note (a).

# DIRECTORS' REPORT

*For the financial year ended 31 December 2014*

**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 Mr 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 which was adopted on 22 May 2003, has since expired. The Company had not granted any share options pursuant to the scheme in past financial years and had decided not to renew the Scheme.

**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 are independent non-executive directors, except for Mr Yuen Sou Wai, who had been a non-independent and non-executive director and 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 2014 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.

## AUDIT COMMITTEE (CONTINUED)

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** | **TAY TIANG GUAN** |
| Director | Director |

18 March 2015

# STATEMENT BY DIRECTORS

*For the financial year ended 31 December 2014*

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 60 to 122 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 2014 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

18 March 2015

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

## 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 60 to 122, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the 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 2014, and of the results, changes in equity and cash flows of the Group for the 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, 18 March 2015

# CONSOLIDATED INCOME STATEMENT

*For the financial year ended 31 December 2014*

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Sales | 4 | **511,229** | 508,923 |
| Cost of sales | 5 | **(397,629)** | (397,075) |
| Gross profit | | **113,600** | 111,848 |
| Other gains – net | 4 | **2,805** | 2,700 |
| Expenses | | | |
| – Distribution | 5 | **(51,731)** | (49,066) |
| – Administrative | 5 | **(45,489)** | (44,436) |
| – Finance | 6 | **(5,020)** | (5,233) |
| Share of profit of an associated company | | **708** | 604 |
| Profit before income tax | | **14,873** | 16,417 |
| Income tax expense | 8 | **(6,646)** | (6,178) |
| **Net profit** | | **8,227** | 10,239 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **7,027** | 8,823 |
| Non-controlling interests | | **1,200** | 1,416 |
| | | **8,227** | 10,239 |
| **Earnings per share attributable to the equity holders of the Company** | 9 | | |
| – Basic | | **1.20 cents** | 1.51 cents |
| – Diluted | | **1.20 cents** | 1.51 cents |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the financial year ended 31 December 2014*

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Profit for the year | | **8,227** | 10,239 |
| **Other comprehensive income, net of tax:** | | | |
| **Items that may be classified subsequently to profit or loss** | | | |
| – Currency translation differences | | **(1,485)** | (1,034) |
| **Total comprehensive income for the year** | | **6,742** | 9,205 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | **5,930** | 8,658 |
| Non-controlling interests | | **812** | 547 |
| | | **6,742** | 9,205 |

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

# BALANCE SHEET

*As at 31 December 2014*

| | Note | The Group 2014 $'000 | The Group 2013 $'000 | The Company 2014 $'000 | The Company 2013 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 10 | **56,421** | 57,426 | **3,694** | 2,480 |
| Trade and other receivables | 11 | **89,838** | 83,696 | **40,815** | 43,789 |
| Inventories | 12 | **132,323** | 131,096 | **–** | – |
| Other current assets | 13 | **14,654** | 13,345 | **15** | 14 |
| | | **293,236** | 285,563 | **44,524** | 46,283 |
| Non-current assets held-for-sale | 19 | **8,384** | – | **–** | – |
| | | **301,620** | 285,563 | **44,524** | 46,283 |
| **Non-current assets** | | | | | |
| Transferable club memberships, at cost | | **146** | 146 | **–** | – |
| Investment in an associated company | 15 | **15,588** | 16,741 | **–** | – |
| Investments in subsidiaries | 16 | **–** | – | **100,122** | 100,122 |
| Property, plant and equipment | 17 | **121,316** | 136,857 | **298** | – |
| Intangible assets | 18 | **3,447** | 3,174 | **–** | – |
| Deferred income tax assets | 8(c) | **4,589** | 4,187 | **–** | – |
| | | **145,086** | 161,105 | **100,420** | 100,122 |
| **Total assets** | | **446,706** | 446,668 | **144,944** | 146,405 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 20 | **45,669** | 41,734 | **3,009** | 2,229 |
| Current income tax liabilities | 8(b) | **1,327** | 1,189 | **–** | 148 |
| Derivative financial instruments | 14 | **365** | 153 | **365** | 153 |
| Borrowings | 21 | **104,129** | 98,646 | **6,400** | 6,400 |
| | | **151,490** | 141,722 | **9,774** | 8,930 |
| **Non-current liabilities** | | | | | |
| Derivative financial instruments | 14 | **58** | 134 | **58** | 134 |
| Borrowings | 21 | **28,751** | 40,790 | **5,000** | 11,400 |
| Deferred income tax liabilities | 8(c) | **2,276** | 1,987 | **–** | – |
| | | **31,085** | 42,911 | **5,058** | 11,534 |
| **Total liabilities** | | **182,575** | 184,633 | **14,832** | 20,464 |
| **NET ASSETS** | | **264,131** | 262,035 | **130,112** | 125,941 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 23 | **77,001** | 77,001 | **77,001** | 77,001 |
| Other reserves | 24 | **(7,117)** | (6,592) | **–** | – |
| Retained profits | 25 | **181,421** | 178,941 | **53,111** | 48,940 |
| | | **251,305** | 249,350 | **130,112** | 125,941 |
| Non-controlling interests | | **12,826** | 12,685 | **–** | – |
| **Total equity** | | **264,131** | 262,035 | **130,112** | 125,941 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the financial year ended 31 December 2014*

| | Note | Share capital | Other reserves | Retained profits | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | ← Attributable to equity holders of the Company | | | → | | |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2014** | | | | | | | |
| **Beginning of financial year** | | **77,001** | **(6,592)** | **178,941** | **249,350** | **12,685** | **262,035** |
| Total comprehensive income for the year | | – | (1,097) | 7,027 | 5,930 | 812 | 6,742 |
| Dividends relating to 2013 paid | 26 | – | – | (3,975) | (3,975) | (671) | (4,646) |
| Transfer from retained profits to other reserves | 24(b)(i) | – | 572 | (572) | – | – | – |
| **End of financial year** | | **77,001** | **(7,117)** | **181,421** | **251,305** | **12,826** | **264,131** |
| **2013** | | | | | | | |
| **Beginning of financial year** | | **77,001** | **(6,161)** | **176,401** | **247,241** | **13,848** | **261,089** |
| Total comprehensive income for the year | | – | (165) | 8,823 | 8,658 | 547 | 9,205 |
| Dividends relating to 2012 paid | 26 | – | – | (7,307) | (7,307) | (952) | (8,259) |
| Transaction with non-controlling interests | | – | – | 758 | 758 | (758) | – |
| Transfer from other reserve to retained earnings | 24(b)(i) | – | (266) | 266 | – | – | – |
| **End of financial year** | | **77,001** | **(6,592)** | **178,941** | **249,350** | **12,685** | **262,035** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the financial year ended 31 December 2014*

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | | **8,227** | 10,239 |
| Adjustments for: | | | |
| – Income tax | | **6,646** | 6,178 |
| – Depreciation of property, plant and equipment | | **16,410** | 17,476 |
| – Amortisation of intangible assets | | **62** | 62 |
| – Loss/(gain) on disposal of property, plant and equipment | | **286** | (9) |
| – Interest expense | | **5,020** | 5,233 |
| – Interest income | | **(515)** | (289) |
| – Dividend income | | **(319)** | – |
| – Share of profit of an associated company | | **(708)** | (604) |
| – Fair value losses on derivative financial instruments | | **136** | 369 |
| – Loss on disposal of transferable club membership | | **–** | 32 |
| – Unrealised currency translation differences | | **273** | (3,194) |
| Operating cash flow before working capital changes | | **35,518** | 35,493 |
| Changes in working capital, net of effects from disposal of subsidiary: | | | |
| – Inventories | | **(1,227)** | 3,114 |
| – Trade and other receivables | | **(6,142)** | 2,629 |
| – Other current assets | | **(1,309)** | 1,441 |
| – Trade and other payables | | **3,268** | (3,658) |
| Cash generated from operations | | **30,108** | 39,019 |
| Interest received | | **515** | 289 |
| Income tax paid | | **(6,634)** | (7,085) |
| **Net cash provided by operating activities** | | **23,989** | 32,223 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **2,352** | 579 |
| Purchases of property, plant and equipment [Note (a)] | | **(11,231)** | (11,066) |
| Proceeds from transfer of club membership | | **–** | 10 |
| **Net cash used in investing activities** | | **(8,879)** | (10,477) |
| **Cash flows from financing activities** | | | |
| Dividends received | | **319** | – |
| Dividends paid to equity holders of the Company | | **(3,975)** | (7,307) |
| Dividends paid to non-controlling interests | | **(671)** | (952) |
| Interest paid | | **(4,603)** | (5,209) |
| Proceeds from borrowings | | **9,722** | 22,783 |
| Repayments of borrowings | | **(11,858)** | (13,838) |
| Repayments of finance lease liabilities | | **(2,494)** | (1,804) |
| **Net cash used in financing activities** | | **(13,560)** | (6,327) |
| **Net increase in cash and cash equivalents** | | **1,550** | 15,419 |
| Cash and cash equivalents at beginning of the financial year | | **53,791** | 38,400 |
| Effects of currency translation on cash and cash equivalents | | **202** | (28) |
| **Cash and cash equivalents at end of the financial year** | 10 | **55,543** | 53,791 |

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $11,286,000 (2013: $11,489,000) of which $140,000 (2013: $560,000) were acquired on finance leases. During the financial year, cash payments of $85,000 (2013: $137,000) 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 2014*

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 2014**

On 1 January 2014, 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, except for the following:

FRS 112 Disclosures of Interests in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 Consolidated Financial Statements and FRS 111 Joint Arrangements, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) Separate Financial Statements and FRS 28 (revised 2011) Investments in Associates and Joint Ventures.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

**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 and rendering of services 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 the Group 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.

*(d) Rental income*

Rental income from operating leases (net of incentives given to the lessees) is recognised on a straight-line basis over the lease term.

**2.3 Group accounting**

*(a) Subsidiaries*

*(i) Consolidation*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on that 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 comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Group accounting (continued)**

*(a) Subsidiaries (continued)*

*(ii) Acquisitions*

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

The consideration transferred for the acquisition of a subsidiary or business 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 and any pre-existing equity interest in the subsidiary measured at their fair value of the acquisition date.

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 - Goodwill" 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" 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 Company. 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.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Group accounting (continued)**

*(c) Associated company*

Associated company is an entity 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%.

Investment in an associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

*(i) Acquisitions*

Investment in associated company is 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 and joint ventures, plus costs directly attributable to the acquisition. Goodwill on associated company 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 associated company 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 company 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 company are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made payments on behalf of the associated company. The Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

*(iii) Disposals*

Investments in an associated company is derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

**2.4 Property, plant and equipment**

*(a) Measurement*

*(i) Property, plant and equipment*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Property, plant and equipment (continued)

(a) *Measurement (continued)*

(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).

(b) *Depreciation*

Freehold land and construction-in-progress are 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 |

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 and business 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 and business prior to 1 January 2010 and on acquisition of associated company 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.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 Intangible assets (continued)**

*(a) Goodwill on acquisitions (continued)*

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

Goodwill on associated company and business is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated company 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.

*(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.

*(c) Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences 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 their estimated useful lives of three to five years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes.

**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**

Investments in subsidiaries 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss and 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.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) *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. Any amount previously recognised in other comprehensive income relating to that assert is reclassified to 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 2.13). Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expense.

(d) *Subsequent measurement*

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

Changes in the fair value of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends are recognised in profit or loss when changes arise.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial assets (continued)

(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.

*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 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

### 2.11 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.

### 2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Derivative financial instruments

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 that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

### 2.14 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 value of currency swaps are determined using actively quoted forward exchange rates.

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

### 2.15 Leases

(a) When the Group is the lessee:

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

*(i) 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.

*(ii) Lessee - Operating leases*

Leases 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Leases (continued)

(b) When the Group is the lessor:

The Group leases assets under operating leases to non-related parties.

*Lessor - Operating leases*

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

### 2.16 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.

### 2.17 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.

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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.17 Income taxes (continued)**

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.

The Group account for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that is probable that future taxable profit will be available against which the unused tax credit can be utilised.

**2.18 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.

**2.19 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.

**2.20 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.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “finance cost”. All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other gains and losses”.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 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 and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such 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.

### 2.21 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.

### 2.22 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.

### 2.23 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.

### 2.24 Dividends to Company's shareholders

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

### 2.25 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 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*

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.

(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 $6,836,000 [Note 28(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 2014, property, plant and equipment of a certain subsidiary, amounting to $26,674,000 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, 2015 and a further projections of four years to 2019. 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 budgeted 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 2014, 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 2015 to 2019 in the value-in-use calculations is increased by one percentage point, the recoverable amount of property, plant and equipment for the subsidiary will be higher than its carrying amount by approximately $2,172,000. If the estimated average gross margin used for 2015 to 2019 in the value-in-use calculations is decreased by one percentage point, the recoverable amount of property, plant and equipment for the subsidiary will be lower than its carrying amount by approximately $1,708,000.

If the pre-tax discount rate applies to the value-in-use calculation is increased by one percentage point, the recoverable amount of the property, plant and equipment for the subsidiary will be lower than its carrying amount by approximately $725,000.

If the pre-tax discount rate applies to the value-in-use calculation is decreased by one percentage point, the recoverable amount of the property, plant and equipment for the subsidiary will be higher than its carrying amount by approximately $1,238,000.

## 4. REVENUE AND OTHER GAINS – NET

| | Group | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Sale of goods | | |
| – Automotive and industrial products | **362,775** | 371,383 |
| – Alloy wheels | **148,454** | 137,540 |
| **Total sales** | **511,229** | 508,923 |
| Other gains – net: | | |
| – Rental income | **635** | 266 |
| – (Loss)/gain on disposal of property, plant and equipment | **(286)** | 9 |
| – Interest income from banks | **515** | 289 |
| – Fair value losses on derivative financial instruments (Note 14) | **(136)** | (369) |
| – Other | **2,077** | 2,505 |
| **Total other gains – net** | **2,805** | 2,700 |
| | **514,034** | 511,623 |

## 5. EXPENSES BY NATURE

| | Group | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Advertising and promotion | **6,503** | 5,549 |
| Amortisation of intangible assets [Note 18(b)] | **62** | 62 |
| Carriage outwards | **9,176** | 8,556 |
| Changes in inventories of raw materials, work-in-progress and finished goods | **1,227** | (3,114) |
| Commission charges | **4,882** | 5,227 |
| Currency translation loss/(gain) – net | **953** | (383) |
| Depreciation of property, plant and equipment (Note 17) | **16,410** | 17,476 |
| Employee compensation (Note 7) | **58,765** | 55,863 |
| Purchases of raw materials, finished goods and consumables | **362,415** | 370,003 |
| Write-down of inventories | **1,304** | 1,224 |
| Repair and maintenance | **1,145** | 1,045 |
| Rental on operating leases | **7,513** | 7,124 |
| Research expense | **2,587** | 2,318 |
| Transportation and travelling expense | **5,916** | 6,124 |
| Other expenses | **15,991** | 13,503 |
| Total cost of sales, distribution and administrative expenses | **494,849** | 490,577 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 6. FINANCE EXPENSES

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Interest expense: | | |
| – Bank loans | **3,107** | 3,016 |
| – Bank overdrafts | **282** | 320 |
| – Trust receipt loans | **1,290** | 1,432 |
| – Finance leases | **341** | 465 |
| | **5,020** | 5,233 |

## 7. EMPLOYEE COMPENSATION

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Wages and salaries | **53,405** | 50,227 |
| Employer's contribution to defined contribution plans including Central Provident Fund | **5,360** | 5,636 |
| | **58,765** | 55,863 |

## 8. INCOME TAX

(a) Income tax expense

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Tax expense attributable to profit is made up of: | | |
| Current income tax | | |
| – Singapore | **920** | 605 |
| – Foreign | **5,652** | 6,201 |
| | **6,572** | 6,806 |
| Deferred income tax [Note 8(c)] | **317** | 648 |
| | **6,889** | 7,454 |
| Over provision in previous financial years | | |
| – Current income tax [Note 8(b)] | **(73)** | (487) |
| – Deferred income tax [Note 8(c)] | **(170)** | (789) |
| | **6,646** | 6,178 |

8. **INCOME TAX (CONTINUED)**

(a) Income tax expense (continued)

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 | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Profit before income tax | **14,873** | 16,417 |
| Share of profit of an associated company, net of tax | **(708)** | (604) |
| Profit before tax and share of profit of an associated company | **14,165** | 15,813 |
| Tax calculated at a tax rate of 17% (2013: 17%) | **2,408** | 2,688 |
| Effects of: | | |
| – Singapore statutory stepped income exemption | **(52)** | (82) |
| – Effects of different tax rates in other countries | **829** | 889 |
| – Withholding tax | **112** | – |
| – Expenses not deductible for tax purposes | **2,016** | 1,571 |
| – Utilisation of previously unrecognised tax losses | **(53)** | – |
| – Income not subject to tax | **(229)** | (215) |
| – Tax losses for which no deferred income tax asset was recognised | **2,223** | 2,542 |
| – Other | **(365)** | 61 |
| Tax charge | **6,889** | 7,454 |

(b) Movements in current income tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| Beginning of financial year | **1,189** | 2,209 | **148** | 314 |
| Currency translation differences | **273** | (254) | **–** | – |
| Income tax paid | **(6,634)** | (7,085) | **(127)** | (298) |
| Tax expense on profit from the current financial year | **6,572** | 6,806 | **26** | 234 |
| Over provision in previous financial years [Note 8(a)] | **(73)** | (487) | **(47)** | (102) |
| End of financial year | **1,327** | 1,189 | **–** | 148 |

**8. INCOME TAX (CONTINUED)**

(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 | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| **Deferred income tax assets:** | | |
| – To be recovered within one year | **(762)** | (635) |
| – To be recovered after one year | **(3,827)** | (3,552) |
| | **(4,589)** | (4,187) |
| **Deferred income tax liabilities:** | | |
| – To be settled within one year | **792** | 200 |
| – To be settled after one year | **1,484** | 1,787 |
| | **2,276** | 1,987 |

Movement in deferred income tax account is as follows:

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Beginning of financial year | **(2,200)** | (1,941) |
| Currency translation differences | **(260)** | (118) |
| Charged/(credited) to income statement [Note 8(a)] | **147** | (141) |
| End of financial year | **(2,313)** | (2,200) |

**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 |
| **2014** | |
| Beginning of financial year | 1,987 |
| Currency translation differences | (55) |
| Charged to income statement | 344 |
| End of financial year | 2,276 |
| **2013** | |
| Beginning of financial year | 2,216 |
| Currency translation differences | 95 |
| Credited to income statement | (324) |
| End of financial year | 1,987 |

*Deferred income tax assets*

| | Provisions | Excess of net book value over tax written-down value | Other | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **2014** | | | | |
| Beginning of financial year | (2,429) | (1,389) | (369) | (4,187) |
| Currency translation differences | 20 | (96) | (129) | (205) |
| Charged/(credited) to income statement | 58 | (177) | (78) | (197) |
| End of financial year | (2,351) | (1,662) | (576) | (4,589) |
| **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) |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 8. INCOME TAX (CONTINUED)

(c) Deferred income taxes (continued)

The Group has unrecognised tax losses of $23,762,000 (2013: $14,906,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirement by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date except for an amount of $22,173,000 which will expire between 2015 and 2019.

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

## 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 | |
|---|---|---|
| | **2014** | **2013** |
| Net profit attributable to equity holders of the Company ($'000) | **7,027** | 8,823 |
| Weighted average number of ordinary shares in issue for basic earnings per share ('000) | **584,592** | 584,592 |
| Basic earnings per share | **1.20 cents** | 1.51 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 | |
|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| Cash at bank and on hand | **41,575** | 48,075 | **3,694** | 2,480 |
| Short-term bank deposits | **14,846** | 9,351 | **–** | – |
| | **56,421** | 57,426 | **3,694** | 2,480 |

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

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Cash and bank balances (as above) | 56,421 | 57,426 |
| Less: Bank overdrafts (Note 21) | (878) | (3,635) |
| Cash and cash equivalents per consolidated statement of cash flows | 55,543 | 53,791 |

## 11. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| Trade receivables | | | | |
| – Non-related parties | **89,574** | 81,695 | **–** | – |
| – An associated company | **1,261** | 1,436 | **–** | – |
| | **90,835** | 83,131 | **–** | – |
| Less: Allowance for impairment of receivables - non-related parties | **(3,157)** | (1,791) | **–** | – |
| Trade receivables – net | **87,678** | 81,340 | **–** | – |
| Due from subsidiaries (non-trade) | **–** | – | **40,815** | 43,789 |
| Other receivables | **2,160** | 2,356 | **–** | – |
| | **89,838** | 83,696 | **40,815** | 43,789 |

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

## 12. INVENTORIES

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Materials and supplies | **8,196** | 8,995 |
| Work-in-progress | **4,202** | 5,128 |
| Finished goods | **119,925** | 116,973 |
| | **132,323** | 131,096 |

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $363,642,000 (2013: $368,117,000).

The Group has written down inventories amounting to $1,304,000 (2013: $1,224,000) and the amount has been included in "cost of sales".

## 13. OTHER CURRENT ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| Prepayments | **11,669** | 11,598 | **15** | 14 |
| Deposits | **2,985** | 1,747 | **–** | – |
| | **14,654** | 13,345 | **15** | 14 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

| | Group and Company | | |
|---|---|---|---|
| | Contract notional amount | Fair value Asset | Fair value Liability |
| | $'000 | $'000 | $'000 |
| **2014** | | | |
| *Non-hedging instruments* | | | |
| – Cross-currency swap | **6,000** | **–** | **423** |
| Less: Current portion | | **–** | **(365)** |
| Non-current portion | | **–** | **58** |
| **2013** | | | |
| *Non-hedging instruments* | | | |
| – Cross-currency swap | 10,000 | – | 287 |
| Less: Current portion | | – | (153) |
| Non-current portion | | – | 134 |

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 5 years cross-currency swap to US$16,000,000 which will receive SGD at floating rate of SGD Swap Offer Rate ("SOR") and pay floating rate of USD London Interbank Offered Rates ("LIBOR") plus 0.8% spread. The floating rates are repriced on quarterly basis. As at 31 December 2014, the outstanding amount of the loan is S$6,000,000 [2013: S$10,000,000] (Note 21) and the corresponding contract notional amount of the swap is US$4,823,000 (S$6,000,000) [2013: US$8,039,000 (S$10,000,000)].

The swap is a derivative financial instrument which is marked-to-market at each balance sheet date. As at 31 December 2014, a fair value loss of $136,000 [2013: $369,000] (Note 4), has been recognised in profit and loss.

## 15. INVESTMENT IN AN ASSOCIATED COMPANY

| | Group | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Carrying value of Group's interest in an associated company | **15,588** | 16,741 |

Set out below is the associated company of the Group as at 31 December 2014, which, in the opinion of the directors, is material to the Group. The associated company as listed below have share capital consisting solely of ordinary shares, which is held directly by the Group; the country of incorporation is also their principal place of business.

## 15. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

| Name of companies | Principal activities | Country of business/ incorporation | Effective equity holding 2014 % | 2013 % |
|---|---|---|---|---|
| *Held by a subsidiary:* | | | | |
| O.Z S.p.A * | Investment holding, manufacturer, importer, exporter and distributor of alloy wheels | Italy | **35.51** | 35.51 |

* Audited by Deloitte and Touche, Italy.

There are no contingent liabilities relating to the Group's interest in the associated company.

Set out below are the summarised financial information for OZ S.p.A

*Summarised balance sheet*

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Current assets | **38,009** | 40,376 |
| Current liabilities | **(18,327)** | (20,413) |
| Non-current assets | **30,435** | 34,641 |
| Non-current liabilities | **(6,219)** | (7,459) |
| **Net assets** | **43,898** | 47,145 |

*Summarised statement of comprehensive income*

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Revenue | **74,502** | 69,874 |
| Expenses | | |
| Includes: | | |
| – Depreciation and amortisation | **(3,062)** | (3,098) |
| – Interest expense | **(238)** | (314) |
| **Profit before income tax** | **3,735** | 3,143 |
| Income tax expense | **(1,742)** | (1,441) |
| **Profit for the year and total comprehensive income** | **1,993** | 1,702 |
| **Dividends received from an associated company** | **319** | – |

## 15. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated company.

*Reconciliation of summarised financial information*

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associated company.

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| **Net Assets** | | |
| Beginning of financial year | **47,145** | 40,593 |
| Profit for the year | **1,993** | 1,702 |
| Foreign exchange differences | **(5,240)** | 4,850 |
| End of financial year | **43,898** | 47,145 |
| Interest in associated companies (35.51%) | **15,588** | 16,741 |
| **Carrying value of Group's interest in an associated company** | **15,888** | 16,741 |

## 16. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2014<br>$'000 | 2013<br>$'000 |
| *Equity investment at cost* | | |
| Beginning and end of financial year | **100,122** | 100,122 |

YHI Advanti Manufacturing (Shanghai) Co., Ltd, wholly-owned subsidiary of the Group has been liquidated via member's voluntary liquidation on 11 July 2014. This is in connection with the merger between YHI Advanti Manufacturing (Shanghai) Co., Ltd ("YHIADV") and YHI Manufacturing (Shanghai) Co., Ltd ("YHIAS"). All the assets and liabilities of YHIADV have been assigned from YHIADV to YHIAS.

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has the following subsidiaries as at 31 December 2014 and 2013:

| | Name of companies | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interest | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | **2014 %** | **2013 %** | **2014 %** | **2013 %** | **2014 %** | **2013 %** |
| | *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 | **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 | **100** | 100 | **–** | – |
| (b) | YHI (Malaysia) Sdn Bhd | Importer and distributor of tyres, alloy wheels and related goods and industrial batteries | Malaysia | **100** | 100 | **100** | 100 | **–** | – |
| (c) | YHI (China) Strategy Company Limited | Investment holding, trading of golf car accessories and related goods | Hong Kong | **100** | 100 | **100** | 100 | **–** | – |
| (c) | YHI (Hong Kong) Co Limited | Importer, exporter and distributor of tyres, alloy wheels and related goods | Hong Kong | **100** | 100 | **100** | 100 | **–** | – |
| (d) | YHI International (Taiwan) Co., Ltd. | Manufacturing, distribution and export of alloy wheels | Taiwan | **100** | 100 | **100** | 100 | **–** | – |
| (e) | YHI (Australia) Pty Limited | Importer and distributor of tyres, alloy wheels and related goods | Australia | **80** | 80 | **80** | 80 | **20** | 20 |
| (f) | YHI (New Zealand) Limited | Importer and distributor of tyres, alloy wheels and related goods | New Zealand | **70** | 70 | **70** | 70 | **30** | 30 |
| (e) | YHI Power Pty Limited | Importer and distributor of industrial batteries | Australia | **80** | 80 | **80** | 80 | **20** | 20 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| | Name of companies | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interest | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2014 % | 2013 % | 2014 % | 2013 % | 2014 % | 2013 % |
| | *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 (liquidated via member's voluntary liquidation during financial year ended 31 December 2014) | Manufacturing, distribution and export of alloy wheels | People's Republic of China | **–** | – | **–** | 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 | **–** | – |
| (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 | **5** | 5 |
| (j) | YHI Corporation Japan Co., Ltd | Importer, exporter and distributor of alloy wheels and related goods | Japan | **–** | – | **90** | 90 | **10** | 10 |
| (k) | YHI Corporation (Thailand) Co., Ltd | Distribution of tyres, alloy wheels and related goods | Thailand | **–** | – | **49** | 49 | **51** | 51 |

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| | Name of companies | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interest | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2014 % | 2013 % | 2014 % | 2013 % | 2014 % | 2013 % |
| | *Held by subsidiaries (continued)* | | | | | | | | |
| (b) | Evo-Trend Corporation (Malaysia) Sdn Bhd | Distribution of tyres, alloy wheels and related goods | Malaysia | **–** | – | **70** | 70 | **30** | 30 |
| (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 | **–** | – | **100** | 100 | **–** | – |
| (n) | Advanti Racing USA, LLC | Importer, exporter and distributor of tyres, alloy wheels and related goods | United States of America | **–** | – | **86** | 86 | **14** | 14 |
| (o) | PT YHI Indonesia | Distribution of tyres, alloy wheels and related goods | Indonesia | **–** | – | **90** | 90 | **10** | 10 |
| (p) | YHI Corporation (B) Sdn Bhd | Distribution of tyres, alloy wheels and related goods | Negara Brunei Darussalam | **–** | – | **100** | 100 | **–** | – |
| (j) | YHI Corporation (Shanghai) Co Ltd | Distribution of tyres, alloy wheels and related goods | People's Republic of China | **–** | – | **90** | 90 | **10** | 10 |
| (j) | 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 | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| | Name of companies | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interest | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2014 % | 2013 % | 2014 % | 2013 % | 2014 % | 2013 % |
| *Held by subsidiaries: (continued)* | | | | | | | | | |
| (j) | YHI Corporation (Beijing) Co Ltd | Distribution of alloy wheels and related goods | People's Republic of China | **–** | – | **100** | 100 | **–** | – |
| (q) | YHI (Vietnam) Co Ltd | Distribution of tyres, alloy wheels and related goods | Vietnam | **–** | – | **85** | 85 | **15** | 15 |
| (r) | YHI Philippines Inc. | Distribution of tyres, alloy wheels and related goods | Philippines | **–** | – | **90** | 90 | **10** | 10 |

(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 Moss-Levy Hartzheim, LLP CAP's, United States of America
(o) Audited by Euneke Winarjo, Indonesia
(p) Audited by Lee & Raman (CPA), Brunei Darussalam
(q) Audited by Tin Viet Auditing and Consulting Company Limited
(r) Audited by Morfe, Ceneta & Co., Certified Public Accountants, 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.

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

*Summarised financial information of subsidiaries with material non-controlling interests*

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2014 and 2013.

*Summarised balance sheet*

| | YHI (New Zealand) Limited | | YHI (Australia) Pty Ltd | | Evo-Trend Corporation (Malaysia) Sdn Bhd | |
|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Current** | | | | | | |
| Assets | **23,390** | 20,746 | **48,471** | 48,070 | **8,328** | 7,503 |
| Liabilities | **(12,852)** | (11,447) | **(21,967)** | (20,840) | **(481)** | (615) |
| Total current net assets | **10,538** | 9,299 | **26,504** | 27,230 | **7,847** | 6,888 |
| **Non-current** | | | | | | |
| Assets | **1,543** | 1,555 | **5,474** | 4,968 | **188** | 98 |
| Liabilities | **(613)** | (715) | **(757)** | (1,181) | **(17)** | (5) |
| Total non-current net assets | **930** | 840 | **4,717** | 3,787 | **171** | 93 |
| **Net assets** | **11,468** | 10,139 | **31,221** | 31,017 | **8,018** | 6,981 |

*Summarised income statement*

| | YHI (New Zealand) Limited | | YHI (Australia) Pty Ltd | | Evo-Trend Corporation (Malaysia) Sdn Bhd | |
|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue | **40,701** | 36,246 | **85,807** | 86,619 | **13,894** | 14,931 |
| **Profit before income tax** | **2,699** | 1,643 | **3,918** | 5,860 | **3,021** | 2,895 |
| Income tax expense | **(786)** | (497) | **(1,141)** | (1,864) | **(764)** | (726) |
| **Profit for the year and total comprehensive income** | **1,913** | 1,146 | **2,777** | 3,996 | **2,257** | 2,169 |
| Total comprehensive income allocated to non-controlling interests | **574** | 344 | **555** | 799 | **677** | 651 |
| Dividends paid to non-controlling interests | **151** | 197 | **226** | 523 | **317** | 164 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

*Summarised cash flows*

| | YHI (New Zealand) Limited 2014 $'000 | YHI (Australia) Pty Ltd 2014 $'000 | Evo-Trend Corporation (Malaysia) Sdn Bhd 2014 $'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash generated from operations | 2,340 | 6,776 | 2,924 |
| Interest received | – | 4 | 95 |
| Income tax paid | (691) | (718) | (774) |
| **Net cash generated from operating activities** | **1,649** | **6,062** | **2,245** |
| **Net cash used in investing activities** | **(299)** | **(603)** | **(132)** |
| **Net cash from/(used in) financing activities** | **47** | **(2,341)** | **(1,040)** |
| **Net increase in cash and cash equivalents** | **1,397** | **3,118** | **1,073** |
| Cash and cash equivalents at beginning of year | 915 | 2,146 | 3,885 |
| Exchange losses on cash and cash equivalents | (4) | (93) | (68) |
| **Cash and cash equivalents at end of year** | **2,308** | **5,171** | **4,890** |

## 17. PROPERTY, PLANT AND EQUIPMENT

| | 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 | | | | | | | | | | |
| **2014** | | | | | | | | | | |
| *Cost* | | | | | | | | | | |
| Beginning of financial year | 3,431 | 12,139 | 73,431 | 123,975 | 6,880 | 1,153 | 3,667 | 1,813 | 231 | 226,720 |
| Currency translation differences | (14) | (319) | 929 | 2,020 | (91) | (5) | 37 | (3) | 9 | 2,563 |
| Additions | – | – | 640 | 7,485 | 2,099 | 79 | 573 | 328 | 82 | 11,286 |
| Reclassification | (1,041) | (7,816) | – | (3,603) | – | – | 5 | – | – | (12,455) |
| Disposals | – | (20) | (230) | (5,574) | (840) | (33) | (132) | (366) | (207) | (7,402) |
| End of financial year | 2,376 | 3,984 | 74,770 | 124,303 | 8,048 | 1,194 | 4,150 | 1,772 | 115 | 220,712 |
| *Accumulated depreciation and impairment loss* | | | | | | | | | | |
| Beginning of financial year | – | 1,370 | 9,583 | 70,537 | 3,817 | 680 | 2,895 | 981 | – | 89,863 |
| Currency translation differences | – | (36) | 230 | 1,769 | (43) | (1) | 34 | 5 | – | 1,958 |
| Depreciation | – | 136 | 2,101 | 12,426 | 1,007 | 60 | 512 | 168 | – | 16,410 |
| Reclassification | – | (979) | – | (3,093) | – | – | 1 | – | – | (4,071) |
| Disposals | – | (12) | (22) | (3,831) | (706) | (10) | (121) | (62) | – | (4,764) |
| End of financial year | – | 479 | 11,892 | 77,808 | 4,075 | 729 | 3,321 | 1,092 | – | 99,396 |
| **Net book value** | | | | | | | | | | |
| **End of financial year** | **2,376** | **3,505** | **62,878** | **46,495** | **3,973** | **465** | **829** | **680** | **115** | **121,316** |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | 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** |

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Motor vehicles $'000 |
|---|---|
| Company | |
| **2014** | |
| *Cost* | |
| Beginning of financial year | 550 |
| Additions | 350 |
| Disposals | (300) |
| End of financial year | 600 |
| *Accumulated depreciation* | |
| Beginning of financial year | 550 |
| Depreciation charge | 52 |
| Disposals | (300) |
| End of financial year | 302 |
| **Net book value** | |
| **End of financial year** | **298** |
| **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** | **–** |

(a) Included in additions in the consolidated financial statements are motor vehicles and office equipment, plant and machinery acquired under finance leases amounting to $142,000 (2013: $124,000) and nil (2013: $436,000) respectively.

The carrying amounts of motor vehicles, and office equipment, plant and machinery held under finance leases are $1,565,000 (2013: $1,823,000) and $2,046,000 (2013: $4,590,000) respectively at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Bank borrowings [Note 21(a)] are secured on property, plant and equipment of the Group with carrying amounts as follows:

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Freehold land | **1,924** | 2,841 |
| Buildings on freehold land | **7,942** | 8,317 |
| Leasehold properties | **26,704** | 27,979 |
| Plant and machinery | **10,316** | 11,649 |
| Other equipment | **3,025** | 2,506 |
| | **49,911** | 53,292 |

## 18. INTANGIBLE ASSETS

Composition:

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Goodwill arising on consolidation [Note (a)] | **1,685** | 1,686 |
| Trademark [Note (b)] | **1,426** | 1,488 |
| Computer software licence [Note (c)] | **336** | – |
| | **3,447** | 3,174 |

(a) Goodwill arising on consolidation

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| *Cost* | | |
| Beginning of financial year | **2,456** | 2,451 |
| Currency translation differences | **(1)** | 5 |
| End of financial year | **2,455** | 2,456 |
| *Accumulated impairment* | | |
| Beginning and end of financial year | **770** | 770 |
| Net book value | **1,685** | 1,686 |

## 18. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation (continued)

*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 | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Singapore | **881** | 881 |
| Malaysia | **505** | 505 |
| China/Hong Kong | **59** | 59 |
| New Zealand | **240** | 241 |
| | **1,685** | 1,686 |

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.

*Key assumptions used for value-in-use calculations:*

| | Distribution of automotive products and industrial products | | | |
|---|---|---|---|---|
| | **2014** | | **2013** | |
| | **Singapore** | **Malaysia** | **Singapore** | **Malaysia** |
| Gross margin [1] | **24%** | **21%** | 22% | 23% |
| Growth rate [2] | **2%** | **0.2%** | 5% | 5% |
| Discount rate [3] | **6%** | **10%** | 6% | 11% |

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% (2013: 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.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 18. INTANGIBLE ASSETS (CONTINUED)

(b) Trademark

| | Group | |
|---|---|---|
| | **2014** **$'000** | **2013** **$'000** |
| *Cost* | | |
| Beginning and end of financial year | **1,861** | 1,861 |
| *Accumulated amortisation* | | |
| Beginning of financial year | **373** | 311 |
| Amortisation charge (Note 5) | **62** | 62 |
| End of financial year | **435** | 373 |
| *Net book value* | **1,426** | 1,488 |

(c) Computer software licence

| | Group |
|---|---|
| | **2014** **$'000** |
| *Cost* | |
| Beginning of financial year | **–** |
| Additions | **336** |
| End of financial year | **336** |
| *Accumulated amortisation* | |
| Beginning and end of financial year | **–** |
| *Net book value* | **336** |

There is amortisation expense for the year as the computer software licence has yet to be put in use.

## 19. NON-CURRENT ASSETS HELD FOR SALE

Details of the property, plant and equipment classified as non-current assets held for sale are as follows:

| | **2014** **$'000** |
|---|---|
| Freehold land | **1,041** |
| Factory building | **6,837** |
| Plant and machinery | **506** |
| | **8,384** |

## 19. NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

A subsidiary has entered into a conditional sale and purchase agreement for the sale of the Group's land and building in Negeri Sembilan, Malaysia on 1 September 2014, subject to several conditions. As at 31 December 2014, the Group has met all the conditions precedent of the Sale and Purchase Agreement and is now pending for approval on the transfer of the land title to the Purchaser from the relevant state authority. As the conditions under FRS 105 were met as of year end, the land and building remains as assets held for sale. The assets held for sale is pending for discharge from the financing facilities granted to the subsidiary, amounting to $3,026,000 (RM8,000,000). The borrowings were fully repaid during the year. The assets held for sale will be sold at a consideration of approximately $11,540,000 (RM 30,500,000).

The above property, plant and equipment are included in manufacturing segment (Note 31).

## 20. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** **$'000** | **2013** **$'000** | **2014** **$'000** | **2013** **$'000** |
| Trade payables to | | | | |
| – Non-related parties | **22,936** | 19,797 | **–** | – |
| – An associated company | **163** | 181 | **–** | – |
| | **23,099** | 19,978 | **–** | – |
| Due to directors (non-trade) [Note (a)] | **1,000** | 1,510 | **1,000** | 1,510 |
| Accrued operating expenses | **11,697** | 10,553 | **663** | 594 |
| Provision for employees leave entitlement | **1,924** | 1,857 | **–** | – |
| Due to a subsidiary (non-trade) [Note (b)] | **–** | – | **1,315** | – |
| Other payables | **5,702** | 6,557 | **31** | 125 |
| Advance payments received | **2,247** | 1,279 | **–** | – |
| | **45,669** | 41,734 | **3,009** | 2,229 |

(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) The non-trade amount due to a subsidiary is unsecured, interest-free and is repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 21. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| *Current* | | | | |
| Current portion of long-term bank loans | **9,872** | 10,373 | **6,400** | 6,400 |
| Short-term bank loans | **47,504** | 38,469 | **–** | – |
| Trust receipt loans | **44,472** | 44,292 | **–** | – |
| Bank overdrafts (Note 10) | **878** | 3,635 | **–** | – |
| Finance lease liabilities (Note 22) | **1,403** | 1,877 | **–** | – |
| | **104,129** | 98,646 | **6,400** | 6,400 |
| *Non-current* | | | | |
| Long-term bank loans | **27,242** | 37,125 | **5,000** | 11,400 |
| Finance lease liabilities (Note 22) | **1,509** | 3,665 | **–** | – |
| | **28,751** | 40,790 | **5,000** | 11,400 |
| Total borrowings | **132,880** | 139,436 | **11,400** | 17,800 |

(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 in 2013 are secured over a first legal mortgage on certain subsidiaries' freehold land and building [Note 17(b)] which were fully paid during financial year ended 31 December 2014. The freehold land and building has been reclassed as non-current assets held for sale (Note 19);

(ii) Borrowings of $5,453,000 (2013: $6,095,000) are secured over a first legal charge on plant and machinery of certain subsidiaries [Note 17(b)];

(iii) Borrowings of $69,198,000 (2013: $57,992,000) are secured over a fixed and floating charge on all the assets of certain subsidiaries; and

(iv) Borrowings of $3,042,000 (2013: $2,791,000) are secured over banker's guarantees, up to $5.5 million (2013: $5.4 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 | |
|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| Long-term bank loans | **26,792** | 35,858 | **4,855** | 10,771 |
| Finance lease liabilities | **1,467** | 3,645 | **–** | – |

The fair values are within Level 2 of the fair value hierarchy.

**21. BORROWINGS (CONTINUED)**

(b) Fair values of non-current borrowings (continued)

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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Long-term bank loans | **2.8%** | 1.5% | **3.0%** | 2.8% |
| Finance lease liabilities | **7.1%** | 6.8% | **–** | – |

**22. FINANCE LEASE LIABILITIES**

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

| | Group | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Minimum lease payments due: | | |
| – Not later than one year | **1,556** | 2,196 |
| – Between two and five years | **1,585** | 3,965 |
| | **3,141** | 6,161 |
| Less: Future finance charges | **(229)** | (619) |
| Present value of finance lease liabilities | **2,912** | 5,542 |

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

| | Group | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Not later than one year (Note 21) | **1,403** | 1,877 |
| Between one and five years (Note 21) | **1,509** | 3,665 |
| | **2,912** | 5,542 |

**23. SHARE CAPITAL**

The share capital of the Company and the Group comprises fully paid-up 584,592,000 (2013: 584,592,000) ordinary shares with no par value, amounting to a total of $77,001,000 (2013: $77,001,000).

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 24. OTHER RESERVES

| | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|
| (a) Composition: | | |
| General reserve | **7,504** | 6,679 |
| Currency translation reserve | **(12,411)** | (11,061) |
| Transactions with non-controlling interests | **(2,210)** | (2,210) |
| | **(7,117)** | (6,592) |

Other reserves are non-distributable.

| | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|
| (b) Movements: | | |
| ***(i) General reserve*** | | |
| Beginning of financial year | **6,679** | 6,471 |
| Currency translation differences | **253** | 474 |
| Transfer from/(to) retained profits | **572** | (266) |
| End of financial year | **7,504** | 6,679 |
| ***(ii) Currency translation reserve*** | | |
| Beginning of financial year | **(11,061)** | (10,422) |
| Currency translation differences | **(1,350)** | (639) |
| End of financial year | **(12,411)** | (11,061) |
| ***(iii) Transactions with non-controlling interests*** | | |
| Beginning and end of financial year | **(2,210)** | (2,210) |

*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.

## 25. RETAINED PROFITS

(a) Retained profits of the Group are distributable except for accumulated share of retained profits of associated company amounting to $6,594,000 (2013: $5,886,000). Retained profits of the Company are distributable.

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

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Beginning of financial year | **48,940** | 47,699 |
| Net profit | **8,146** | 8,548 |
| Dividends paid (Note 26) | **(3,975)** | (7,307) |
| End of financial year | **53,111** | 48,940 |

## 26. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| *Ordinary dividends paid or proposed* | | |
| Final exempt dividend paid in respect of the previous financial year of 0.68 cent (2013: 1.25 cent) per share | **3,975** | 7,307 |

At the Annual General Meeting to be held on 28 April 2015, a final exempt dividend of 0.60 cent per share amounting to a total of $3,514,000 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 2015.

## 27. COMMITMENTS

(a) Capital commitments

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Intangible asset – computer software | **2,537** | – |
| Property, plant and equipment | **204** | 364 |
| | **2,741** | 364 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 27. COMMITMENTS (CONTINUED)

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

The Group leases property, plant and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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 | |
|---|---|---|
| | **2014** **$'000** | **2013** **$'000** |
| Not later than one year | **6,226** | 5,755 |
| Between one and five years | **11,907** | 12,299 |
| Later than five years | **8,561** | 9,700 |
| | **26,694** | 27,754 |

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 2 lots of land lease rentals are subject to annual revision of up to 5.5% per annum and 10% per annum respectively.

## 28. 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 2014, 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.

## 28. 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 |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 9,571 | 7,711 | 8,721 | 5,415 | 16,062 | 2,289 | 6,652 | 56,421 |
| Trade and other receivables | 12,947 | 12,538 | 20,199 | 18,282 | 2,470 | 6,185 | 17,217 | 89,838 |
| Inter-company balances | 41,467 | 52,848 | 9,165 | 3,997 | 28,015 | 398 | 2,402 | 138,292 |
| Other current assets | 177 | 496 | 210 | 599 | 1,024 | 19 | 460 | 2,985 |
| | 64,162 | 73,593 | 38,295 | 28,293 | 47,571 | 8,891 | 26,731 | 287,536 |
| **Financial liabilities** | | | | | | | | |
| Borrowings | 48,453 | 30,385 | 8,362 | 19,208 | 3,367 | 9,072 | 14,033 | 132,880 |
| Inter-company balances | 41,467 | 52,848 | 9,165 | 3,997 | 28,015 | 398 | 2,402 | 138,292 |
| Trade and other payables | 5,887 | 3,815 | 14,058 | 6,742 | 4,070 | 2,878 | 4,048 | 41,498 |
| | 95,807 | 87,048 | 31,585 | 29,947 | 35,452 | 12,348 | 20,483 | 312,670 |
| **Net financial (liabilities)/ assets** | (31,645) | (13,455) | 6,710 | (1,654) | 12,119 | (3,457) | 6,248 | (25,134) |
| Currency swap | 6,000 | – | – | – | – | – | – | 6,000 |
| Net financial liabilities/(assets) denominated in the respective entities' functional currencies | 20,357 | 6,304 | 16,678 | 5,342 | (4,956) | 3,856 | 201 | 47,782 |
| **Currency exposure on financial (liabilities)/assets** | (5,288) | (7,151) | 23,388 | 3,688 | 7,163 | 399 | 6,449 | 28,648 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 28. 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 |
|---|---|---|---|---|---|---|---|---|
| **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 current 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 |
| Inter-company balances | 43,026 | 58,407 | 9,615 | 3,013 | 28,671 | 699 | 1,465 | 144,896 |
| Trade and other payables | 7,132 | 5,891 | 12,554 | 4,967 | 4,515 | 2,335 | 4,340 | 41,734 |
| | 101,884 | 94,721 | 25,503 | 29,109 | 39,804 | 11,199 | 23,846 | 326,066 |
| **Net financial (liabilities)/ assets** | (37,009) | (10,046) | 8,175 | (6,136) | 10,004 | (3,682) | 4,381 | (34,313) |
| Currency swap | 10,000 | – | – | – | – | – | – | 10,000 |
| 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 (liabilities)/assets** | (841) | (5,562) | 13,386 | 2,720 | 7,248 | 699 | 6,835 | 24,485 |

## 28. 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:

| | 2014 | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | **3,616** | **78** | **–** | **–** | **3,694** | 2,421 | 59 | – | – | 2,480 |
| Trade and other Receivables | **26,594** | **9,592** | **3,706** | **923** | **40,815** | 28,530 | 11,172 | 2,725 | 1,362 | 43,789 |
| Other current assets | **–** | **–** | **–** | **–** | **–** | 14 | – | – | – | 14 |
| | **30,210** | **9,670** | **3,706** | **923** | **44,509** | 30,965 | 11,231 | 2,725 | 1,362 | 46,283 |
| **Financial Liabilities** | | | | | | | | | | |
| Borrowings | **11,400** | **–** | **–** | **–** | **11,400** | 17,800 | – | – | – | 17,800 |
| Trade and other payables | **3,009** | **–** | **–** | **–** | **3,009** | 2,229 | – | – | – | 2,229 |
| | **14,409** | **–** | **–** | **–** | **14,409** | 20,029 | – | – | – | 20,029 |
| **Net financial assets** | **15,801** | **9,670** | **3,706** | **923** | **30,100** | 10,936 | 11,231 | 2,725 | 1,362 | 26,254 |
| Currency swap | **6,000** | **(6,381)** | **–** | **–** | **(381)** | 10,000 | (10,198) | – | – | (198) |
| Net financial assets denominated in functional currency | **(21,801)** | **–** | **–** | **–** | **(21,801)** | (20,936) | – | – | – | (20,936) |
| **Currency exposure on financial assets** | **–** | **3,289** | **3,706** | **923** | **7,918** | – | 1,033 | 2,725 | 1,362 | 5,120 |

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD, RMB, AUD and MYR and NZD change against the SGD by 1.0% (2013: 0.4%), 1.7% (2013: 2.4%), and 4.9% (2013: 7.1%), 2.4% (2013: 2%) and 2.6% (2013: 1.3%) 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:

| | (Decrease)/increase | |
|---|---|---|
| | **2014 Profit after tax $'000** | **2013 Profit after tax $'000** |
| Group | | |
| USD against SGD | | |
| – Strengthened | **(59)** | (18) |
| – Weakened | **59** | 18 |
| RMB against SGD | | |
| – Strengthened | **330** | 263 |
| – Weakened | **(330)** | (263) |
| AUD against SGD | | |
| – Strengthened | **150** | (159) |
| – Weakened | **(150)** | 159 |
| MYR against SGD | | |
| – Strengthened | **143** | (120) |
| – Weakened | **(143)** | 120 |
| NZD against SGD | | |
| – Strengthened | **9** | 8 |
| – Weakened | **(9)** | (8) |
| Company | | |
| USD against SGD | | |
| – Strengthened | **27** | 3 |
| – Weakened | **(27)** | (3) |
| AUD against SGD | | |
| – Strengthened | **(151)** | (160) |
| – Weakened | **151** | 160 |

(ii) Price risk

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

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Market risk (continued)

(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 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.

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 0.7% (2013: 1%) with all other variables including tax rate being held constant, the profit after tax will be higher/lower by $111,000 (2013: $230,000), $56,000 (2013: $85,000) and $126,000 (2013: $279,000) 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** | |
|---|---|---|
| | **2014<br>$'000** | **2013<br>$'000** |
| Corporate guarantees provided to banks on subsidiaries' loans | **115,237** | 105,573 |

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

The trade receivables at the Group comprise 2 debtors (2013: nil debtors) that individually represent 3-5% of trade receivables.

## 28. 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 | |
|---|---|---|
| | **2014** **$'000** | **2013** **$'000** |
| By geographical areas | | |
| Singapore | **14,483** | 14,359 |
| Malaysia | **2,665** | 2,906 |
| Taiwan | **3,119** | 3,739 |
| Australia | **18,198** | 17,186 |
| New Zealand | **6,184** | 5,912 |
| United States | **2,199** | 1,955 |
| United Kingdom | **988** | 320 |
| Italy | **289** | 806 |
| Indonesia | **3,330** | 3,915 |
| Sweden | **1,711** | 900 |
| People's Republic of China | **19,908** | 15,333 |
| Other countries | **14,604** | 14,009 |
| | **87,678** | 81,340 |
| By types of customers | | |
| Non-related parties | **86,417** | 79,904 |
| A related party | **1,261** | 1,436 |
| | **87,678** | 81,340 |

*(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.

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (continued)

*(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 | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Past due one month | **1,865** | 2,273 |
| Past due two months | **1,113** | 2,193 |
| Past due over two months | **3,858** | 2,486 |
| | **6,836** | 6,952 |

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 | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Not past due | **91** | – |
| Past due less than one month | **16** | – |
| Past due one month | **492** | 347 |
| Past due two months | **39** | 117 |
| Past due over two months | **2,519** | 1,327 |
| | **3,157** | 1,791 |
| Less: Allowance for impairment | **(3,157)** | (1,791) |
| | **–** | – |
| Beginning of financial year | **1,791** | 1,556 |
| Currency translation differences | **28** | (14) |
| Allowance made | **1,738** | 1,043 |
| Allowance utilised | **(256)** | (550) |
| Allowance written back | **(144)** | (244) |
| End of financial year | **3,157** | 1,791 |

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

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 | Over 5 years $'000 |
|---|---|---|---|
| Group | | | |
| **2014** | | | |
| Trade and other payables | **41,498** | **–** | **–** |
| Borrowings | **104,987** | **24,456** | **6,500** |
| | **146,485** | **24,456** | **6,500** |
| **2013** | | | |
| Trade and other payables | 41,734 | – | – |
| Borrowings | 99,088 | 41,828 | – |
| | 140,822 | 41,828 | – |
| Company | | | |
| **2014** | | | |
| Trade and other payables | **3,009** | **–** | **–** |
| Borrowings | **6,666** | **5,089** | **–** |
| | **9,675** | **5,089** | **–** |
| **2013** | | | |
| Trade and other payables | 2,229 | – | – |
| Borrowings | 6,730 | 11,562 | – |
| | 8,959 | 11,562 | – |

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(c) Liquidity risk (continued)

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 | | |
| **2014** | | |
| Gross settled currency swaps | | |
| – Receipts | **4,010** | **2,002** |
| – Payments | **4,304** | **2,135** |
| **2013** | | |
| Gross settled currency swaps | | |
| – Receipts | 4,108 | 6,011 |
| – Payments | 4,172 | 6,176 |

(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 2013, are to maintain gearing ratios within 50% to 70%.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Total borrowings | **132,880** | 139,436 | **11,400** | 17,800 |
| Total capital and reserves attributable to equity holders | **251,305** | 249,350 | **130,112** | 125,941 |
| Gearing ratio | **53%** | 56% | **9%** | 14% |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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<br>$'000 | Level 2<br>$'000 | Total<br>$'000 |
|---|---|---|---|
| Group | | | |
| **As at 31 December 2014** | | | |
| Derivative financial instruments | | | |
| – Asset | – | – | – |
| – Liability | – | 423 | 423 |
| **As at 31 December 2013** | | | |
| Derivative financial instruments | | | |
| – Asset | – | – | – |
| – Liability | – | 287 | 287 |

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.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 14 to the financial statements, except for the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014<br>$'000 | 2013<br>$'000 | 2014<br>$'000 | 2013<br>$'000 |
| Loan and receivables | **149,244** | 142,869 | **44,509** | 46,269 |
| Financial liabilities at amortised cost | **174,378** | 178,034 | **14,409** | 20,029 |

## 29. IMMEDIATE AND ULTIMATE HOLDING CORPORATION

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

## 30. 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 | |
|---|---|---|
| | **2014** **$'000** | **2013** **$'000** |
| Sales of goods to an associated company | **9,144** | 8,964 |
| Purchases of goods from an associated company | **(691)** | (439) |

Outstanding balances at 31 December 2014, arising from sale/purchase of goods to/from associated company, are unsecured and receivable/payable within 12 months from balance sheet date, are set out in Notes 11 and 20 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

| | Group | |
|---|---|---|
| | **2014** **$'000** | **2013** **$'000** |
| Salaries and other short-term employee benefits | **4,132** | 4,367 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | **103** | 107 |
| | **4,235** | 4,474 |

Included in the above was total compensation to directors of the Company amounted to $2,097,000 (2013: $2,430,000).

## 31. 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.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2014*

## 31. SEGMENT INFORMATION (CONTINUED)

The segment information provided to senior management for the reportable segments for the year ended 31 December 2014 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 | 185,500 | 37,445 | 157,403 | 151,462 | 16,465 | 362,775 | 548,275 |
| Inter-segment sales | (37,046) | – | – | – | – | – | (37,046) |
| Sales to external parties | 148,454 | 37,445 | 157,403 | 151,462 | 16,465 | 362,775 | 511,229 |
| **Segment result** | (6,684) | 1,661 | 14,953 | 7,046 | (544) | 23,116 | 16,432 |
| Other gains – net | | | | | | | 2,805 |
| Unallocated costs | | | | | | | (52) |
| | | | | | | | 19,185 |
| Finance expenses | | | | | | | (5,020) |
| Share of profit of an associated company | 708 | – | – | – | – | – | 708 |
| **Profit before income tax** | | | | | | | 14,873 |
| Income tax expense | | | | | | | (6,646) |
| **Net profit** | | | | | | | **8,227** |
| **Segment assets** | 183,608 | 22,717 | 120,300 | 91,615 | 8,885 | 243,517 | 427,125 |
| Segment assets includes: | | | | | | | |
| Investment in an associated company | 15,888 | – | – | – | – | – | 15,888 |
| Additions to: | | | | | | | |
| – property, plant and equipment | 7,304 | 130 | 1,524 | 2,211 | 119 | 3,984 | 11,288 |
| **Segment liabilities** | (19,920) | (2,996) | (10,666) | (11,410) | (677) | (25,749) | (45,669) |

## 31. SEGMENT INFORMATION (CONTINUED)

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 an associated company | 604 | – | – | – | – | – | 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 | 11 | 3,779 | 11,488 |
| **Segment liabilities** | (17,353) | (4,472) | (11,871) | (7,416) | (622) | (24,381) | (41,734) |

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 2014*

## 31. 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 | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Segment assets for reportable segments | **418,240** | 424,182 |
| Other segment assets | **8,885** | 8,803 |
| Unallocated: | | |
| Deferred income tax assets | **4,589** | 4,187 |
| Short-term bank deposits | **14,846** | 9,350 |
| Transferable club membership, at cost | **146** | 146 |
| | **446,706** | 446,668 |

(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 | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Segment liabilities for reportable segments | **44,992** | 41,112 |
| Other segment liabilities | **677** | 622 |
| Unallocated: | | |
| Income tax liabilities | **1,327** | 1,189 |
| Deferred tax liabilities | **2,276** | 1,987 |
| Borrowings | **132,880** | 139,436 |
| Derivative financial instruments | **423** | 287 |
| | **182,575** | 184,633 |

**31. SEGMENT INFORMATION (CONTINUED)**

(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 | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Distribution of automotive and related products | 362,775 | 371,383 |
| Manufacturing of alloy wheels | 148,454 | 137,540 |
| | 511,229 | 508,923 |

(c) Geographical information

The Group operates in the following geographic areas:

| | Sales * Group | | Non-current assets Group | |
|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| Singapore | **84,268** | 76,383 | **36,296** | 36,801 |
| Malaysia | **93,476** | 105,923 | **32,381** | 45,019 |
| China/Hong Kong | **111,044** | 102,059 | **57,253** | 61,306 |
| Taiwan | **20,311** | 18,102 | **3,674** | 3,242 |
| Australia | **115,764** | 116,361 | **5,674** | 5,269 |
| New Zealand | **40,701** | 36,244 | **1,543** | 1,572 |
| Other countries | **45,665** | 53,851 | **3,530** | 3,563 |
| | **511,229** | 508,923 | **140,351** | 156,772 |

* 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 (2013: 10%).

**32. 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 the Group's accounting periods beginning on or after 1 January 2015 and which the Group has not early adopted:

- FRS 103 *Business Combinations* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32, Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

## 32. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- FRS 103 *Business Combinations (continued)*

  The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

  The Group will apply this amendment for business combinations taking place on/after 1 January 2015.

- FRS 108 *Operating Segments* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

  The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

  This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 24 *Related Party Disclosures* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

  The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

  This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 113 *Fair Value Measurement* (effective for annual periods beginning on or after 1 July 2014)

  The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

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

## 33. 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 18 March 2015.

# STATISTICS OF SHAREHOLDINGS

*As at 10 March 2015*

**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 – 99 | 9 | 0.48 | 214 | 0.00 |
| 100 – 1,000 | 83 | 4.45 | 37,522 | 0.01 |
| 1,001 – 10,000 | 562 | 30.10 | 3,629,473 | 0.62 |
| 10,001 – 1,000,000 | 1,193 | 63.90 | 83,213,391 | 14.23 |
| 1,000,001 and above | 20 | 1.07 | 497,711,028 | 85.14 |
| **TOTAL** | **1,867** | **100.00** | **584,591,628** | **100.00** |

| Public Shareholders | % |
|---|---|
| Non-public shareholders | 63.66 |
| Public shareholders | 36.34 |

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 | 256,043,721 | – | 43.80 |
| Tay Tian Hoe Richard | – | 279,917,721 | 47.88[(1)] |
| Tay Tiang Guan | 86,052,907 | 3,100,000 | 15.25[(2)] |
| Tay Soek Eng Margaret | – | 256,043,721 | 43.80[(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 | 256,043,721 |
| Shares held in the name of nominees | 23,874,000 |
| | 279,917,721 |

(2) Mr Tay Tiang Guan is deemed to have an interest in the 3,100,000 shares held in the name of nominees by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Mdm Tay Soek Eng Margaret is deemed to have an interest in the 256,043,721 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 10 March 2015*

**TWENTY LARGEST SHAREHOLDERS AS AT 10 MARCH 2015**

| No. | Name of Shareholder | No. of Shares | % of Shareholdings |
|---|---|---|---|
| 1 | YHI HOLDINGS PTE LTD | 256,043,721 | 43.80 |
| 2 | TAY TIANG GUAN | 86,052,907 | 14.72 |
| 3 | HSBC (SINGAPORE) NOMINEES PTE LTD | 33,138,000 | 5.67 |
| 4 | CITIBANK NOMINEES SINGAPORE PTE LTD | 26,019,000 | 4.45 |
| 5 | BANK OF SINGAPORE NOMINEES PTE LTD | 22,022,000 | 3.77 |
| 6 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 19,922,000 | 3.41 |
| 7 | RAFFLES NOMINEES (PTE) LTD | 12,120,800 | 2.07 |
| 8 | DBS NOMINEES PTE LTD | 8,605,200 | 1.47 |
| 9 | NG CHWEE CHENG | 7,967,000 | 1.36 |
| 10 | MAYBANK KIM ENG SECURITIES PTE LTD | 5,456,400 | 0.93 |
| 11 | ORIX INVESTMENT AND MANAGEMENT | 4,800,000 | 0.82 |
| 12 | PHILLIP SECURITIES PTE LTD | 2,995,200 | 0.51 |
| 13 | TAN YONG CHIANG OR TAN HUI LIANG | 2,512,000 | 0.43 |
| 14 | TAN KIM KOON | 1,800,000 | 0.31 |
| 15 | LEE LING LING | 1,735,000 | 0.30 |
| 16 | LEE WOON KIAT | 1,538,000 | 0.26 |
| 17 | UNITED OVERSEAS BANK NOMINEES (PTE) LTD | 1,497,400 | 0.26 |
| 18 | KOO CHOON POI | 1,300,000 | 0.22 |
| 19 | LIM HUA TIONG | 1,159,000 | 0.20 |
| 20 | OCBC NOMINEES SINGAPORE PTE LTD | 1,027,400 | 0.18 |
| | **Total:** | **497,711,028** | **85.14** |

# NOTICE OF ANNUAL GENERAL MEETING

**YHI INTERNATIONAL LIMITED**
(Incorporated in the Republic of Singapore - Company Registration No. 200007455H)

**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 Tuesday, 28 April 2015 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 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of 0.60 Singapore cent per ordinary share for the financial year ended 31 December 2014 (2013: 0.68 Singapore cents). **(Resolution 2)**

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

   Mr Tay Tian Hoe, Richard **(Resolution 3)**

   Mr Henry Tan Song Kok **(Resolution 4)**

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

4. To approve the payment of Directors' fees of S$192,500.00 for the financial year ended 31 December 2014 (2013: S$192,500.00). **(Resolution 5)**

5. To re-appoint PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants as the Company's 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 resolution as an Ordinary Resolution, 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

   (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);

# NOTICE OF ANNUAL GENERAL MEETING

(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]* **(Resolution 7)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 7 April 2015

**Explanatory Note:**

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 the Company at the time the Ordinary Resolution 7 is passed.

**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.

**YHI INTERNATIONAL LIMITED**
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200007455H)

**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.

# PROXY **FORM**

*(Please see notes overleaf before completing this Proxy Form)*

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 Tuesday, 28 April 2015 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 2014 | | |
| 2. | Payment of proposed first and final dividend of 0.60 Singapore cent per ordinary share | | |
| 3. | Re-election of Mr Tay Tian Hoe, Richard as Director of the Company | | |
| 4. | Re-election of Mr Henry Tan Song Kok as Director of the Company | | |
| 5. | Approval of Directors' fees amounting to S$192,500.00 for the financial year ended 31 December 2014 (2013: S$192,500.00) | | |
| 6. | Re-appointment of PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants as the Company's Auditors and to authorise the Directors to fix their remuneration | | |
| 7. | Authority to allot and issue shares in the capital of the Company ("Shares") – Share Issue Mandate | | |

(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 __________________ 2015

| 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.


YHI

友 发 国 际 有 限 公 司

**YHI INTERNATIONAL LIMITED**

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

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