友发国际有限公司

YHI INTERNATIONAL LIMITED

Since 1948

Listed on the mainboard of the Singapore Exchange

Company Registration Number 200007455H

RESILIENCE OVER ADVERSITY

FORTITUDE BEYOND EXPECTATIONS

Annual Report 2019

CONTENT

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.

CORPORATE PROFILE

YHI's International presence spans across over 100 countries through its 32 subsidiaries and 2 associated companies located across Asia Pacific, North America and Europe. YHI distributes a diverse range of premium automotive products, which includes tyres, alloy wheels, energy solutions, buggy & utilities vehicles and other industrial products 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 32 subsidiaries and 2 associated companies located across Asia Pacific, North America and Europe. YHI distributes a diverse range of premium automotive products, which includes tyres, alloy wheels, energy solutions, buggy & utilities vehicles and other industrial products to more than 5,000 customers globally.

YHI currently has three alloy wheels manufacturing plants located in Suzhou in China, Taoyuan in Taiwan and Malacca in Malaysia, with a current total production capacity of 2.6 million units per annum. As an integrated ODM solutions provider, it provides services from design and development to manufacturing, marketing and distribution of alloy wheels.

In order to strengthen 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	PIRELLI ITALY	NITTO JAPAN	TOYO TIRES JAPAN
DEESTONE THAILAND	OTANI THAILAND	NANKANG TAIWAN	accelera INDONESIA	NEXEN TIRE KOREA
Achilles RADIAL INDONESIA	ROADSTONE TYRE KOREA	GRECKSTER INDIA	BKT GROWING TOGETHER INDIA	MICKEY THOMPSON USA
DELINTE We Invent. You Drive CHINA	HILO CHINA	AMBERSTONE CHINA	GT RADIAL Experience the Performance INDONESIA	CARLISLE USA
RADAR TYRES SINGAPORE	CEAT SPECIALTY INDIA	HONOUR CHINA	FARROAD CHINA	TRAZANO CHINA

ALLOY WHEELS

Our alloy wheels brand portfolio includes renowned brands like Enkei, OZ, Konig and our own proprietary brand, Advanti Racing.

Advanti RACING SINGAPORE	ENKEI JAPAN	Breyton GERMANY	OZ RACING ITALY	sparco WHEELS ITALY
KÖNIG USA	MAMBA USA	MICKEY THOMPSON USA		

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 and our own proprietary brand, Neuton Power.

SINGAPORE | USA | USA

ENERGY SOLUTIONS

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

SINGAPORE | USA | USA | JAPAN | JAPAN

TAIWAN | CHINA | CHINA | PHILIPPINES | ITALY

INDIA | CHINA

OTHER INDUSTRIAL PRODUCTS

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

SINGAPORE

CHINA | CANADA | CANADA | TAIWAN | GERMANY

USA | GERMANY | USA | CHINA | CHINA

MANUFACTURING CAPABILITIES

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 Taoyuan Taiwan, we had expended to 18 manufacturing lines in operation at 4 production sites by 2006.

In September 2000, the Group took the bold initiative to invest in new plant in Shanghai, followed by further expansion in two new alloy wheels manufacturing plants – YHI Advanti Manufacturig (Suzhou) Co., Ltd located in Suzhou, China and YHI Manufacturing (Malaysia) Sdn Bhd located in Sepang, Malaysia – in 2006.

In 2011, 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 at the forefront 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 completed the sale of our Sepang plant in 2015. With the disposal, the Group's manufacturing operations were consolidated to our plant in Malacca. The right-sizing of our operations not only enhanced our efficiency but also enabled us to strengthen our balance sheet and conserve resource for tapping future growth opportunities.

In China, we have also moved our precision moulding operations from Shanghai to our manufacturing plant at Suzhou in February 2016. The consolidation will streamline and enable better integration of our production processes, generating greater efficiency and synergies.

With the blueprint success in restructuring in our Malaysia plant, we embarked on similar restructuring plan to consolidate Shanghai manufacturing operation to Suzhou as announced on 17 February 2017 to further reduce operating costs. Shanghai factory ceased operations in December 2016 and the production capacity was moved to Suzhou and Malaysia factories by the end of 2017.

In term of manufacturing R&D, our Suzhou team has achieved a breakthrough with a new proprietary Dynamic Spinning Technology (DST) launched for the Aftermarket segment in 2014. Based on flow forming technology, the new DST alloy wheels offer increased strength and performance compared to regular cast technology wheels. 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.

In 2018, we applied our flow forming technology and infrastructure to all our Manufacturing facilities which allows us to cater globally to our international clientele. This also enhances our differentiation and competitive edge.

YHI ADVANTI MANUFACTURING (SUZHOU) CO., LTD
SUZHOU, CHINA
Products: Alloy Wheels & Precision Moulding Sets
Land area: 75,600 m^2
Year of Production: 2006
Annual production capacity: 1.2 million + 850 set mould

OUR QUALITY CERTIFICATES

YHI INTERNATIONAL TAIWAN CO., LTD

TAOYUAN, TAIWAN

Products: Alloy Wheels

Land area: 13,500 m^2

Year of Production: 1996

Annual production capacity: 0.2 million

YHI MANUFACTURING (MALAYSIA) SDN BHD
YHI ADVANTI MANUFACTURING (MALAYSIA) SDN BHD

MALACCA, MALAYSIA

Products: Alloy Wheels

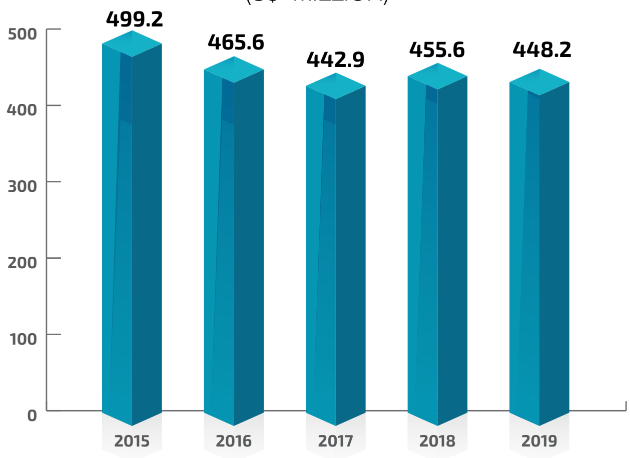
Land area: 88,000 m^2

Year of Production: 2006

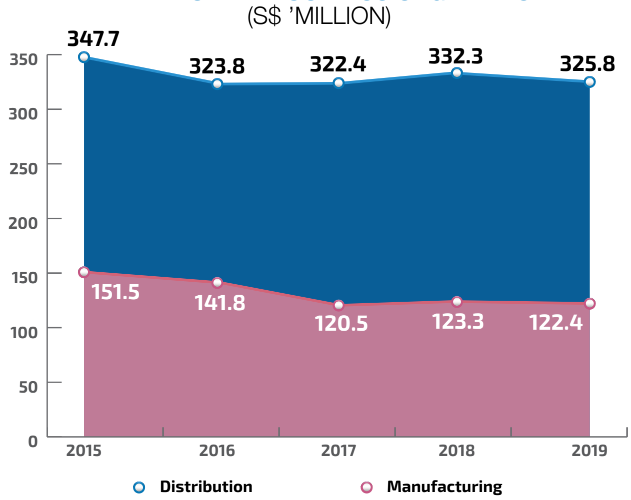
Annual production capacity: 1.2 million

FIVE-YEAR FINANCIAL HIGHLIGHTS

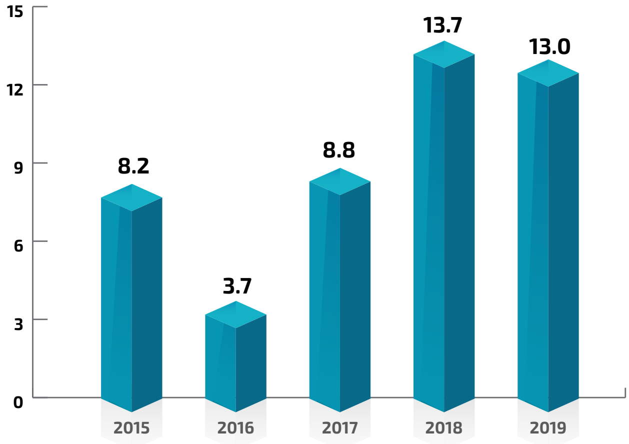
GROUP REVENUE
(S$ 'MILLION)



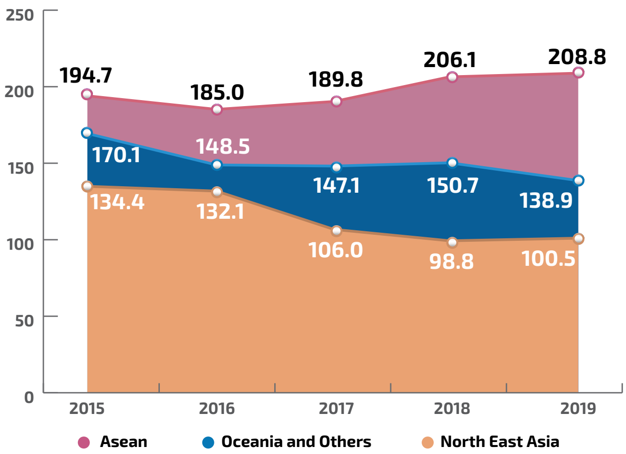
REVENUE BY BUSINESS SEGMENTS
(S$ 'MILLION)



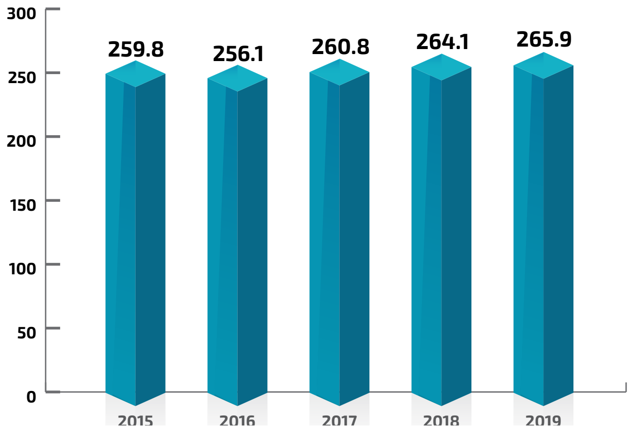
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(S$ 'MILLION)



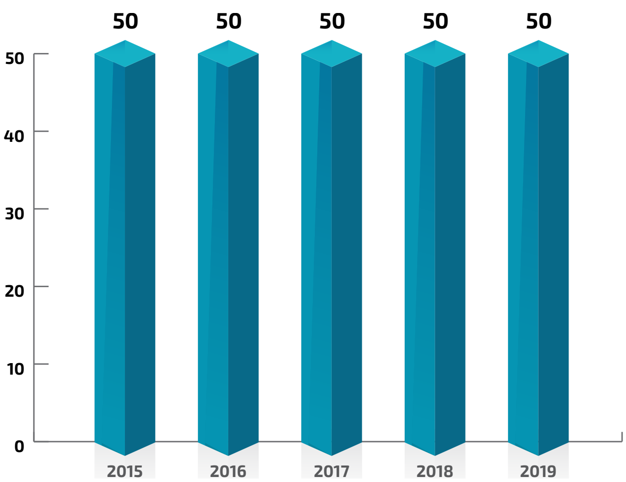
REVENUE BY GEOGRAPHY
(S$ 'MILLION)



NET ASSETS
(S$ 'MILLION)



DIVIDEND PAYOUT
(%)



FIVE-YEAR FINANCIAL SUMMARY

RESULTS OF OPERATIONS

FINANCIAL YEAR ENDED 31 DECEMBER	FY2019 S$ '000	FY2018 S$ '000	FY2017 S$ '000	FY2016 S$ '000	FY2015 S$ '000
Sales	**448,207**	455,593	442,878	465,569	499,174
Gross Profit %	**21.4**	21.4	23.2	21.6	21.4
Profit before income tax	**16,221**	18,019	15,192	8,355	14,469
Net profit attributable to equity holders of the Company	**12,956**	13,725	8,751	3,694	8,250
Net Profit %	**2.8**	3.1	2.1	1.0	1.8
EBITDA	**38,074**	32,209	30,808	26,046	34,519

FINANCIAL POSITION

AS AT 31 DECEMBER	FY2019 S$ '000	FY2018 S$ '000	FY2017 S$ '000	FY2016 S$ '000	FY2015 S$ '000
Current assets	**259,694**	272,009	267,057	272,545	287,677
Non-current assets	**138,878**	121,959	120,417	129,864	137,627
Total assets	**398,572**	393,968	387,474	402,409	425,304
Current liabilities	**108,276**	119,498	109,046	122,112	134,906
Non-current liabilities	**24,433**	10,351	17,621	24,228	30,569
Total liabilities	**132,709**	129,849	126,667	146,340	165,475
Net assets	**265,863**	264,119	260,807	256,069	259,829
Capital and reserves attributable to equity holders of the Company	**255,825**	252,940	248,175	242,512	246,408
Non-controlling interests	**10,038**	11,179	12,632	13,557	13,421
Total equity	**265,863**	264,119	260,807	256,069	259,829

FINANCIAL INDICATORS

	FY2019	FY2018	FY2017	FY2016	FY2015
Return on shareholders equity (%)	**5.1**	5.4	3.5	1.5	3.3
Earnings per share (cents)*	**4.43**	4.70	2.99	1.26	2.82
Net asset value per share (cents)*	**87.52**	86.54	84.91	82.97	84.30
Dividend per share (cents)*	**2.22**	2.35	1.50	0.64	1.42
Cash and bank balances (S$ '000)	**56,392**	51,102	54,360	51,470	52,271
Net debt to equity ratio (%)	**15.0**	12.8	12.5	19.3	30.0

* Post-consolidation of shares

The Group maintained a healthy balance sheet which will allow the Group to withstand the immediate headwinds and enable it to continue to make investments for future expansion and sustained growth. As at 31 December 2019, net cash flow of S$37.8 million was generated from operating activities after changes in working capital. **We closed the year with cash and cash equivalents of S$54.8 million which was an increase against S$50.8 million reported as at the end of last year.**

RICHARD TAY
Executive Chairman &
Group Managing Director

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

The past year has not been the easiest to navigate, given the challenges in the external environment. Export and manufacturing-led regional economies were impacted by the China-USA trade war and the downturn in the electronics sector. The global economy only began to experience an upturn late in the year, as manufacturing made a tepid recovery with the waning impact of higher tariffs caused by the China-USA trade war and the rebound in the electronics sector. The late recovery meant that Singapore's full-year growth was only 0.7%,[1] far off from 2018's 3.4% expansion. Industry-wise, high operating costs and downward pressure on margins were further unfavourable factors we had to grapple with.

To mitigate the difficult operating environment, the Group adhered strictly to our tried and proven strategy of keeping a strong balance sheet while at the same time relentlessly seeking opportunities to expand our revenue stream. Thus, our revenue and net profit declined only marginally while our gross margin held steady for the financial year ended 31 December 2019 ("FY2019"). Through cost, inventory and receivables management also known as our "3R policy" ("Reduce inventory, Reduce accounts receivable, Reduce operating costs") working in tandem with our "3M" ("Multi-product, Multi-brand, Multi-category") marketing strategy of extending the depth, breath and reach of our products, we have been able to ensure our businesses remained robust, efficient and on course for long-term growth. It is a credit to our management and staff that their attention to financial stewardship across all our subsidiaries resulted in our cash, receivables and inventories positions being strengthened at a time when we could have instead been faced with increasing bad debts and a declining cash position.

[1] Ministry of Trade and Industry. "MTI Downgrades 2020 GDP Growth Forecast to "-0.5 to 1.5 Per Cent". https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2019/Economic-Survey-of-Singapore-2019/PR_AES2019.pdf

FINANCIAL PERFORMANCE REVIEW

Group revenue of S$448.2 million for the year FY2019 represented a slight decrease of 1.6% from that registered in the financial year ended 31 December 2018 ("FY2018") on the back of lower sales in both distribution and manufacturing businesses. While our gross profit decreased by 1.5% to S$96.0 million mainly due to lower gross profit from both the distribution and manufacturing businesses, our gross margin held steady at 21.4%, the same as last year.

The Group registered a 5.6% decrease in net profit attributable to equity holders of the company ("net profit") of S$13.0 million in FY2019, resulting from the absence of a S$1.7 million one-off disposal net gain recorded in FY2018. Net profit was derived at after taking into account lower distribution and administrative expenses and higher share of profit of our associated company, offset by higher financing costs due to recognition of about S$1 million lease expense on the adoption of the new accounting standard SFRS(I) 16.

The distribution business constituted 72.7% of Group revenue. The business posted sales of S$325.8 million, which was a decline of 2.0% from last year's sales. The weaker revenue was due to lower sales from the tyre and wheels divisions mitigated by higher sales in the energy solution and industrial products divisions. The tyre and wheels divisions were impacted by a difficult operating environment of excess capacity and lower demand amidst slowing economies, especially those of China, Australia and Malaysia. The energy solution and industrial products divisions, in contrast, enjoyed stronger demand due to high demand from data centre. Demand also improved due to the success of a targeted strategy on automotive battery sales within the energy solution division.

The wheel manufacturing business accounted for 27.3% of the Group turnover. It recorded a decrease of 0.7% in turnover to $122.4 million as compared to FY2018. While we have recognised cost savings, synergies in operations and expertise and economies of scale since moving the wheel manufacturing facility to Suzhou from Shanghai in 2017, the business had to contend with higher operating costs coupled with sluggish demand. There was weaker demand from Europe due to several factors. Firstly, Europe has experienced two consecutive years of either late or even no heavy snowfall which resulted in lower demand for winter wheels. Furthermore, weaker business and consumer sentiment there resulted in a drastic drop in vehicle sales and consequently a slowdown in the demand for wheel products. Nevertheless, through targeted business and channel development, the Group has gained new clientele to offset the softer demand from existing customers. The Group's Malaysian operations have won new markets, having benefited from the allocation of new orders from existing customers in Suzhou due to the tariff regulations on products made in China. The Malaysian factory, however, is facing a steep learning curve to meet the market requirements.

CHAIRMAN'S MESSAGE

A STRONG BALANCE SHEET TO BUFFER AGAINST NEAR-TERM UNCERTAINTIES

The Group maintained a healthy balance sheet which will allow the Group to withstand the immediate headwinds and enable it to continue to make investments for future expansion and sustained growth. As at 31 December 2019, net cash flow of S$37.8 million was generated from operating activities after changes in working capital. We closed the year with cash and cash equivalents of S$54.8 million which was an increase over S$50.8 million as at the end of last year. Net assets attributable to shareholders stood at S$265.9, which, based on 292.3 million shares in issue, translates to a net asset value per share of 87.52 cents. The Group's net gearing ratio was 15% as at 31 December 2019.

COMMITTED TO SHAREHOLDER VALUE

Despite the challenging environment and due to the Group's strong cash position, the Board is recommending a first and final tax-exempt cash dividend of 2.22 cents per ordinary share for FY2019, subject to approval at the Group's forthcoming Annual General Meeting. This represents a dividend yield of 8.4% based on the closing share price of S$0.265 cents as at the last practicable date before printing of the Annual Report. The total dividend to be paid out will amount to 50% of our net profit. Our distribution of dividends is a demonstration of our commitment to returning value to shareholders and an appreciation of their continued support of the Group even during trying times.

SEEKING OPPORTUNITIES AMIDST OBSTACLES

The COVID-19 pandemic is having a devastating impact on our economy. Singapore is forecasted to enter its most severe contraction since Independence and first full-year recession in about two decades.[2] Singapore's GDP has contracted by 2.2% in the first quarter of 2020 and its forecasted growth is between -4.0% to -1.0%, a reduction from the initial -0.5% to 1.5% forecasted earlier in the year.[3] Global supply chains and business operations have been disrupted with economic activity curtailed, as countries around the world, which are struggling to contain the spread of the virus, are taking measures ranging in severity from total country lockdowns to border closures. Singapore too has been introducing increasingly strict containment measures including safe-distancing regulations and closure of entertainment outlets among others. This will negatively affect domestic consumption and the state of the economy.

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2 Straits Times. "Singapore economy could headed for worst-ever contraction this year." https://www.straitstimes.com/business/economy/singapore-economy-shrinks-22-in-q1-full-year-growth-forecast-slashed-to-4-to-1

3 Ministry of Trade and Industry. "Singapore's GDP Contracted by 2.2 Per Cent in the First Quarter of 2020. MTI Downgrades 2020 GDP Growth Forecast to '-4.0 to -1.0 Per Cent'". https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2020/03/AdvEst_1Q20.pdf

We have been directly impacted by COVID-19. The Group's wheels manufacturing facility in Suzhou, China, had delayed the resumption of operations after the Chinese New Year holidays in compliance with the directives issued by the local authority. Although the factory was given approval and clearance to resume production on 17 February 2020, it was unable to resume full production at that time due to the labour shortage as many workers were unable to return to the factory with cities in China under lock-down then. Suzhou has gradually resumed production since March 2020 and we are confident that Suzhou factory will rebound from this setback.

Exacerbating the current situation is the prevailing USA imposed tariff of 25% on China-made wheels which remains intact and is affecting our wheels manufacturing business in Suzhou. We are currently mitigating its effects by fulfilling our new USA orders from the Group's Taiwan and Malaysia factories.

Our distribution business is also likely to be negatively impacted due to the state of the economies in which we operate. The health of those resource dependent economies is determined by oil and commodity prices; any price contractions will adversely affect them and consequently the demand for our products.

Given the prevailing circumstances, we will have to dig our heels in and work even harder to counter the threats to our profitability. We will further improve our cost structure by re-examining our systems, enhancing our processes, improving our productivity and retraining and upskilling our manpower. We will also seek ways to increase our revenues by strengthening our 3M policy through expansion of our capabilities particularly in business segments in which we are relatively weak and fortifying our positions in those in which we are strong. We will encourage and nurture an innovative and creative organisational mindset which will position us for future opportunities. Amidst the downturn, we will continue to look for attractively-priced assets which will afford synergies with our existing business and provide a good return on investment

IN APPRECIATION

On behalf of the Board of Directors, I would like to extend our heartfelt appreciation to our partners, customers and shareholders for their ongoing support. I would also like to express my thanks to the management and staff for another year of hard work and dedication. I would personally like to thank the Board of Directors for their insights and advice. While the year ahead may seem daunting, there are many opportunities to be seized. We will be bold in our vision, determined in our actions, yet prudent and wise in our spending. These are principles we have always adhered to which have stood us well. I have much hope and confidence in the coming year and will work with our team to deliver a respectable performance.

RICHARD TAY
Executive Chairman & Group Managing Director

董事长
献词

各位股东：

鉴于外部环境的挑战，过去一年对企业来说并不是得心应手的一年。以出口和制造业为导向的区域，其经济深受中美贸易战和电子行业低迷的冲击。全球经济在去年年底才开始出现好转，电子行业出现反弹，但由于中美贸易战导致的高关税，制造业复苏缓慢。这迟来的经济复苏也使得新加坡全年增长仅为0.7%，远低于2018年3.4%的增幅。从行业领域来看，高昂的运营成本和利润下降压力皆是我们不得不应对的不利因素。

为了缓解艰难的经营环境，本集团严格遵守我们久经验证的战略，以维持稳健的资产负债表，同时不懈地寻求机会来扩大我们的收入来源。截至2019年12月31日，虽然我们的销售额和净利润略有下降，但是毛利率保持稳定。通过成本、库存和应收账款的管理，也称为 “3R政策” (“减少库存、减少应收账款、降低运营成本”)，配合“3M”营销策略 (即 “多产品、多品牌、多样化”) 的不断扩大，提升我们产品的深度和广度，我们一直都深信，这些措施能够确保我们的业务稳健地、高效地、并朝着长期增长的方向发展。我们的现金、应收账款和库存状况得到改善和加强，皆得要归功于所有子公司的管理层和员工们对财务管理的重视，这才使得我们避免了发生坏账增加和现金流下降等状况的现象。

财务业绩回顾

截至2019年12月31日 (“2019财年”)，集团总销售额为4.482亿新币，同期下降1.6%，原因是批发业务和制造业务销售额的整体下滑。我们的毛利下降了1.5%，为9,600万新币，批发业务和制造业务的毛利都有所下降，但所幸我们的毛利率保持在21.4%与去年持平。

集团2019净利润减少5.6%至1,300万新币，这是由于缺了2018年一次性财产处置净收益总计170万新币。2019净利润包括较低的经销成本和管理费用，更高的联营公司利润份额，加上集团采用了新会计准则 SFRS(I) 16 租赁，增加100万新元的租赁利息支出。

批发业务占整个集团收入的72.7%，其销售额为3.258亿新币，同比去年下降了2.0%，主要原因是轮胎和轮毂业务销售额的下滑，但也因能源与工业产品业务部销售额的上升而有所缓解。产能过剩和供过于求的市场环境是轮胎和轮毂部门面临的最大困扰，尤其是中国、澳大利亚和马来西亚的经济不景气，这些市场更是呈疲软之势。相比之下，来自数据中心展览会的商机，促使能源与工业产品业务的需求更为强劲。另外，取得成功的汽车电池销售方面的针对性目标战略，也提高了业务需求，打开市场。

轮毂制造业务销售额为1.224亿新币，占集团总销售额的27.3%，与2018财年相比，下降了0.7%。自2017年上海轮毂制造厂迁至苏州以来，我们已达到成本节约、运营，专业知识及规模经济之间的的协同效应，但是轮毂制造业务不得不面对高运营成本以及疲软的市场需求。欧洲的市场需求减弱有几个因素。首先，连续两年，欧洲雪季推迟，甚至没有下大雪，导致雪季轮毂需求量下降。此外，当地企业和消费者对经济前景信心减弱，也使得汽车销售量大幅下降，从而对轮毂的需求放缓。然而，本集团积极开拓渠道，发展业务，通过获得新的客户来抵消现有客户的流失及损失。由于中国产品关税条例的限制，苏州工厂将部分订单转移至马来西亚工厂，马来西亚业务因此增加了新市场，但为了满足市场需求，马来西亚工厂需要更加高效率的生产和管理。

强大的资产负债表以缓冲近期的不确定性

本集团保持着健康的资产负债表，这将使我们能够抵御目前的不利因素，并使我们能够继续为未来的扩张和持续增长进行投资。截至2019年12月31日，在流动资金有所变化后，经营活动产生的现金流量净额为4,160万新币。2019财年的现金和现金等价物为5,480万新币，同比去年的5,080万新币有所增加。归属于股东的净资产为265.9新币，按2.923亿股已发行股份计算，每股净资产为87.52分。截至2019年12月31日，集团的净负债比率为15%。

为股东创造价值的承诺

尽管面临严峻的挑战，由于本集团现金状况良好，董事会提议在来临的集团年度股东大会上，建议最终股息每股为2.22分。根据年度报告印刷前最后一个可行日期的收市价，以$0.265每股计算，股息率达到8.4%。股息支付将占集团净利润的50%。股息派付是我们回馈股东价值的承诺，也是我们对股东们在困难时期，对本集团做出的一如既往的支持表示感谢。

董事长献词

在逆境中寻找机会

新冠状病毒COVID-19影响了全球的经济。预计新加坡经济将进入自独立以来的最严重衰退，也是二十年来的首次全年衰退。新加坡2020年第一季度的GDP收缩了2.2%，预计增长在-4.0%至-1.0%之间，低于今年初预测的-0.5%至1.5%之间。全球供应链和商业运作因经济活动的减少而受到影响。因为世界各地正在努力防疫病毒传播而采取严厉的措施，从全面封锁国家到关闭边境。 新加坡也一直在采取越来越严格的防疫措施，包括安全间隔规定和关闭娱乐场所等。 这将对国内消费和经济状况产生负面影响。

我们已经受到新冠状病毒COVID-19的影响。中国苏州轮毂制造厂在春节假期结束后，按照当地政府的规定，推迟了复工的时间。虽然工厂于2020年2月17日获得了恢复生产的批准和许可，但由于封城，许多工人无法返回工厂，造成劳动力短缺，工厂还是无法恢复全面生产。自三月以来，苏州工厂已逐步恢复生产，我们有信心苏州工厂能从这次困境中走出来。

雪上加霜的是，美国对中国制造的轮毂征收25%的进口关税，这一数字却是没有因为疫情而改变，这大大影响了我们在苏州工厂的轮毂制造业务，为了缓解不利的影响，目前由我们台湾工厂和马来西亚工厂代替生产美国的新订单。

除此之外，我们的分销业务也因所处的经营环境经济可能会受到负面影响。这些经济成长的取决因素将有赖于石油和商品的价格，任何的价格缩减都将对它们造成不良影响，从而减少对我们产品的需求。

鉴于目前的形势，我们不得不全力以赴，积极面对各种有碍于利润增长的障碍和威胁。我们将重新审视制度、优化流程、提高生产力以及培训员工使他们技能得到提升，以此来进一步改善成本结构。我们也将致力提高竞争优势，特别针对相对薄弱的业务环节、巩固那些已占优势的业务环节、加强3M政策，来寻求增加销售额的途径。我们将鼓励和培养有主动意识和创造性思维的管理模式，为未来的机遇做好充分准备。在经济低迷时期，我们将继续寻找有吸引力价格的资产，这些资产将与我们现有的业务产生协同效应，并提供良好的投资回报。

感谢

我谨代表董事会，对我们的合作伙伴、客户和股东的一如既往的支持表示衷心的感谢，感谢我们的管理层和员工们又一年的辛勤耕耘和奉献。我个人要感谢董事会的帮助和建议。尽管未来的一年令人望而生畏，但还是有许多机会可以抓住的。我们的眼光要独到胆大，行动要敏捷坚决，花钱要谨慎明智。这是我们一贯坚持的原则，使我们能够长期立于不败之地。我对新的一年充满希望和信心，并将与我们的团队肩并肩一起作战，以取得可观的成绩。

郑添和
执行主席兼集团董事长

STRATEGIC TENACITY

BUSINESS REVIEW

The financial year ended 31 December 2019 ("FY2019") ended profitably for YHI International Ltd ("YHI" or "the Group"). This was a notable achievement, given the weak external economy due to the existing China-USA trade war, uncertainties linked with Brexit which impacted the European economies, China's slowing economy and its impact on ASEAN and political uncertainties around the globe. Through intensification of our 3R and 3M policies, with a focus on managing our operating and manufacturing costs, enhancing our efficiencies and productivity, fortifying our sales channels and distribution networks and looking for business opportunities to augment our revenue streams, we have achieved profitability.

The Group posted revenue of S$448.2 million with net profit attributable to equity holders of the Company ("net profit") of S$13.0 million in FY2019. These were slightly weaker as compared to revenue and net profit in the financial year ended 31 December 2018 ("FY2018"). Despite our gross profit declining on the back of lower revenues, we nevertheless maintained our gross profit margin at 21.4%.

GEOGRAPHICAL AND SEGMENTAL FINANCIAL CONTRIBUTION

We have an international presence in over 100 countries operating through more than 32 entities across the Asia Pacific, North America and Europe with a diversified range of products and brands in our portfolio. As an Original Design Manufacturer ("ODM") of alloy wheels with manufacturing facilities located in the People's Republic of China ("China"), Taiwan and Malaysia, we provide a totally integrated service for our principals, from design conception and development, to manufacturing, marketing and distribution of the final products.

In terms of geographical contribution, ASEAN remained the largest contributor to Group revenue at 47%. This was followed by Oceania 27% and North East Asia 22.4%. The remaining 4% revenue contribution came from USA.

The tyres segment accounted for 40.6% of total revenue with the wheels and industrial power segments making up the remaining revenue contribution. Revenue from the wheels segment and the industrial power segment constituted 36.2% and 23.2% of total revenue respectively.

The distribution business was still the largest contributor to Group revenue by far, at 72.7%. With lower sales in the tyre and wheels divisions, mitigated by higher turnover in energy solution and industrial products, it recorded a dip in sales of 2.0% from S$332.3 million in FY2018 to S$325.8 million in FY2019. The wheels manufacturing segment, registering a slight decrease of 0.7% in turnover from S$123.3 million in FY2018 to S$122.4 million in FY2019, made up the remaining 27.3% of Group revenue.

DISTRIBUTION BUSINESS

As the key contributor to revenue, the distribution business has gone from strength to strength. We now distribute a diverse range of products from some 45 global leading brands in their respective product categories. Our products include tyres from Yokohama, Nitto, Nankang, Nexen, Pirelli, Achilles, ATG Tires, Mickey Thompson and our proprietary brand, Neuton Tyres. In the energy solution segment, which encompasses automotive and rechargeable batteries for commercial and industrial use, our brand portfolio includes Hitachi, Trojan, CSB, Crown, Vision, FIAMM and our proprietary brand, Neuton Power. We distribute industrial products such as solar panels, inverter, chargers and UPS (Uninterrupted Power Supply), carrying brands such as Benning, Delta Q, Jinko Solar and our proprietary brand, Neuton Power. Our alloy wheel products from Enkei, OZ, Konig and Breyton and our proprietary brand, Advanti Racing, and golf and utility vehicles from E-Z-GO, Cushman and Neuton Electric, complete our distribution business.

Breaking down revenue in terms of products, the tyres segment represented about 55.9% of the distribution business, followed by the energy solution and industrial products segment at 31.9% and the wheels segment at 12.2% respectively.

The ASEAN market registered growth in sales of 4.0% to S$151.7 million, as compared to S$145.9 million. It was the only market which saw better sales. The performance was driven by Singapore (which achieved higher sales across the product groups); Vietnam (which registered higher sales in tyres and energy solution); and Philippines (which recorded higher sales in tyres). Oceania experienced a 7.2% decline in sales to S$120.9 million mainly due to lower tyre and wheels sales in Australia given the intense competition there; North East Asia, likewise, recorded lower sales of S$35.1 million, a fall of 1.5% mainly on account of the slowdown in demand in China and the ongoing China-USA trade war.

Our tyre distribution business continued to face the supply overhang in the market. Weakness in the car market for the first nine months of 2019, impacted by the general state of the external environment with weaker consumer and business sentiment also softened tyre demand.[1] Furthermore, the ongoing consequences of the China-USA trade war continued the influx of Chinese tyres in the regional markets, intensifying price competition. The weakening of the Australian dollar vis-à-vis the Singapore dollar was also detrimental to our tyre distribution business in the Asia Pacific. In contrast, the demand for energy solution and industrial products strengthened due to high demand from data centres and the success of our targeted sales strategy for the automotive battery within the energy solution division.

Our alloy wheel segment also experienced weaker sales on account of the weak external economic environment as well as a shift in buyer behaviour and intense price competition in Australia and New Zealand.

We took steps to strengthen our distribution business by keeping a close watch on costs, increasing our sales channels and distribution network and intensifying our marketing and operational support for the brands in our portfolio. We incorporated a new subsidiary in Taiwan, YHI Distribution (Taiwan) Co., Ltd for the local tyre market there. In the year ahead, we will be focusing on the energy solution and industrial equipment business as we anticipate a growing demand in this segment.

[1] 2019 Car Tyre Market Outlook. https://corporate.pirelli.com/corporate/en-ww/investors/outlook/2019-market-outlook

MANUFACTURING BUSINESS

Our seamless, integrated services within our manufacturing business covers all facets, from design conception and manufacturing to after-sales market support. Our Original Equipment Manufacturing ("OEM") segment contributed 5.0% to total manufacturing business revenue with our aftermarket segment accounting for 95.0%. Europe remained our largest export market, contributing 50.4% of the aftermarket revenue followed by USA 19.9%, Japan 13.2%, Asia ex Japan 16.4% and Others 0.1%.

The increase in tariff to 25% on China-made wheels imposed by USA heightened uncertainty and posed challenges for our wheels manufacturing business in Suzhou, China. We ramped up our operating activities in Taiwan and Malaysia in order to fulfil new orders from our USA customers so as to minimise mould transfer cost from Suzhou. Production costs in these countries increased as the initial learning curve was steep. Added to this, car manufacturers scaled back orders in light of weaker automobile demand which affected the OEM market.

BUSINESS REVIEW

Our manufacturing operations in Malaysia benefitted from the effects of the tariff regulations imposed by USA on goods made in China, as it resulted in manufacturing being shifted there. Nevertheless, there were challenges in meeting market requirements in the initial stages which increased production costs.

The manufacturing business was also impacted by weather conditions in Europe. Europe experienced two consecutive years of late or even no heavy snowfall which led to lower demand for winter wheels. Furthermore, due to the weak economic conditions, vehicles sales dropped tremendously leading to a resultant decline in demand for wheel products. On a positive note, as a result of our relentless focus on business and channel development, we succeeded in winning new clients which offset the softer demand from existing customers.

BUSINESS OUTLOOK

The near-term global outlook is weak. Firstly, COVID-19 has caused China's economic output to come almost to a standstill in February 2020. This has in turn affected almost all industries, with manufacturers scrambling to shift operations out of China. While in the longer terms, this may benefit regional economies as demand shifts from China to other developing countries such as Vietnam, in the near term, global manufacturing exports will be impacted, which in turn will affect consumption and overall business confidence in countries depending on China as a supply partner. Secondly, there are still political tensions in the Middle East and other areas which could escalate into a serious international crisis. Thirdly, although USA and China have signed an initial trade agreement, expecting to boost agricultural and manufacturing exports, the trade dispute is far from being resolved, with tariffs still remaining on the bulk of products.

Therefore, it will be imperative that we continue with cost management and financial prudence in the coming year to mitigate any fall in revenues. At the same time, we need to continue to make necessary investments in research, technology, hardware and staff to remain strong and at the forefront of our industry.

In the longer-term, however, there is cause for optimism. The automotive industry is set to grow strongly driven by the growing middle class in developing economies. Specifically, the worldwide market for automotive tyres is expected to grow at a CAGR of roughly 2.4% reaching US$211,500 million in 2024.[2] The automotive alloy wheels market is projected to have a CAGR of 6% from 2020-2027.[3] These projections signal opportunities for our distribution and manufacturing businesses.

The automotive industry is entering a period of transformative change driven by technological innovations and government regulations. The electrification of vehicles, the progress towards autonomous driving and the introduction of more onerous environmental and emissions regulations will impact the entire industry. As such, we have factored the transformation changes in our strategic planning to counter the evolving trend in our industry. We will continue our drive to improve our products and services, increase our value-add to our customers and invest in future capabilities to remain relevant and strong.

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[2] Automotive Tire Market 2019 to 2024 Growth Analysis by Manufacturers, Regions, Type and Application, Revenue, Market Size, Gross Margin Forecast Analysis. https://www.marketwatch.com/press-release/automotive-tire-market-2019-to-2024-growth-analysis-by-manufacturers-regions-type-and-application-revenue-market-size-gross-margin-forecast-analysis-2019-11-05

[3] https://www.transparencymarketresearch.com/automotive-alloy-wheel-market.html

RESOURCE OPTIMISATION

FINANCIAL REVIEW

INCOME STATEMENT REVIEW

YHI Group achieved a respectable financial performance in FY2019 despite a challenging operating environment.

The Group reported a 1.6% (or $7.4 million) decrease in turnover to $448.2 million (FY2019) from $455.6 million (FY2018) mainly due to lower sales in both distribution and manufacturing business as compared to last year.

Distribution business, accounting for 72.7% of the Group's total turnover, recorded a decrease of 2.0% (or $6.5 million) in turnover, from $332.3 million (FY2018) to $325.8 million (FY2019) mainly due to lower sales in tyre and wheel divisions, cushioned by higher sales in energy solution & industrial products divisions. Our wheel manufacturing business, accounting for 27.3% of the Group's total turnover, recorded a decrease of 0.7% (or $0.9 million) in turnover, from $123.3 million (FY2018) to $122.4 million (FY2019) mainly due to lower demand for winter wheels from Europe.

Gross Profit decreased by 1.5% (or $1.5 million) to $96.0 million (FY2019) from $97.5 million (FY2018), mainly due to lower gross profit from both distribution and manufacturing businesses. The Group's gross profit margin remained at 21.4%, same as last year.

A review of the Group's turnover by geographical markets of ASEAN, North East Asia, Oceania and Others contributed 47%, 22%, 27% and 4% respectively. The turnover in ASEAN, our largest revenue contributor, increased by 1.3% to $208.8 million mainly due to higher revenue in Singapore, Vietnam and the Philippines. The turnover in North East Asia increased by 1.7% to $100.5 million mainly due to higher revenue from Suzhou factory. The turnover in Oceania decreased by 7.3% to $120.8 million due to lower revenue in both Australia and New Zealand. Lastly, the turnover in Others decreased by 11.3% to $18.1 million as Advanti Racing LLC, USA ceased operation with effect from 1 January 2019.

Other gains decreased from $9.2 million in FY2018 to $5.7 million in FY2019 mainly due to absence of the one-off disposal gain of $3.1 million recorded by our Australian subsidiary in 1Q2018. Lease rental income from Shanghai factory contributed $2.8 million in FY2019 compared to $2.9 million due to weakening of RMB against SGD.

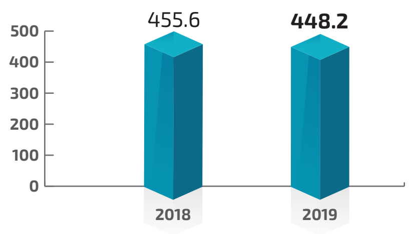
Credit loss allowance on trade receivables decreased from $1.7 million in FY2018 to $0.9 million in FY2019 mainly due to successful collections of some long overdue debts during the year.

In tandem with its continual cost management efforts, the Group's total operating expenses decreased by 2.7% (or $2.5 million) to $88.4 million in FY2019 from $90.9 million in FY2018. Operating expenses to sales ratio decreased to 19.7% compared to 20.0% in FY2018 due to lower operating expenses in FY2019.

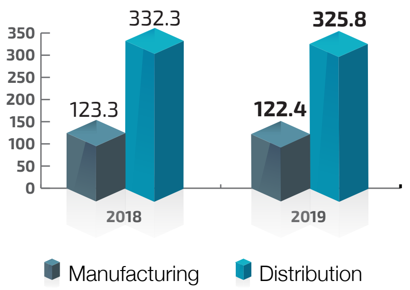
Distribution expenses decreased by 2.1% (or $0.9 million) to $39.0 million in FY2019 from $39.9 million in FY2018, mainly due to lower staff costs, research and development and other sales related expenses in line with lower sales.

Administrative expenses decreased by 3.1% (or $1.4 million) in FY2019 to $44.4 million compared to $45.8 million in FY2018 mainly to lower staff costs, repair and maintenance and other general expenses.

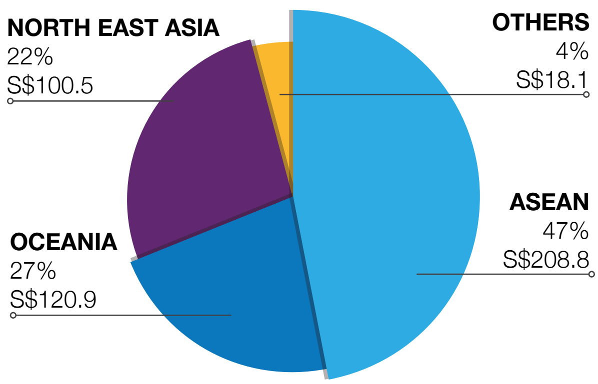
GROUP REVENUE
(S$ 'MILLION)



REVENUE BY BUSINESS SEGMENTS
(S$ 'MILLION)



REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS
(S$ 'MILLION)



Financing costs increased by 16.6% (or $0.5 million) to $4.0 million in FY2019 compared to $3.5 million in FY2018 mainly due to recognition of lease interest expense of about $1.0 million in FY2019 as a result of the adoption of new accounting standard SFRS(I) 16 Leases with effect from 1 January 2019.

Our associated company reported better performance and our share of profit was $3.0 million in FY2019 as compared to $2.2 million in FY2018.

Profit before income tax was $16.2 million in FY2019, decreased by 10.0%, compared to $18.0 million in FY2018.

Income tax expense decreased by 7.6 % (or $0.3 million) mainly due to lower profit before tax for the year.

Net profit after tax and non-controlling interests attributable to shareholders of the Company decreased by 5.6% to $13.0 million in FY2019 as compared to $13.7 million in FY2018.

FINANCIAL POSITION REVIEW

The Group continues to maintain its strong financial position benefiting from its commitment and focus on building its core strategies and business fundamentals.

As at 31 December 2019, total assets amounted to about $398.6 million comprising $259.7 million of current assets and $138.9 million of non-current assets. Total liabilities amounted to about $132.7 million comprising current liabilities of $108.3 million and non-current liabilities of $24.4 million. Shareholders' equity including non-controlling interests amounted to $265.9 million, giving a net assets value per share of 87.52 Singapore cents.

The Group's net working capital decreased to $151.4 million in FY2019 from $152.5 million with current ratio at 2.4 times and cash and cash equivalent of $56.4 million as at 31 December 2019.

Trade and other receivables decreased from $100.8 million to $83.6 million due to better credit control and collection management in 2019.

Property, plant and equipment ("PPE") decreased by $11.5 million to $73.5 million from $85.0 million mainly due to depreciation charged during the year and reclassification of leasehold properties to right-of-use assets.

The Group has adopted SFRS(I) 16 Leases with effect from 1 January 2019. On adoption of SFRS(I) 16, almost all leases are being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

Right-of-use assets and lease liabilities of $23.6 million and $24.2 million respectively were recorded arising from the adoption of new accounting standard SFRS (I) 16 Leases. These right-of-use assets are mainly warehouse rental leases for our distribution business.

The Group has elected not to restate comparative amounts for the 2018 reporting period as permitted under the specific transition provisions in the standard.

Deferred income tax assets increased from $3.4 million to $4.6 million mainly due to provision of deferred income tax assets of a China subsidiary.

Trade and other payables decreased from $43.4 million to $34.3 million mainly due to payments to trade suppliers.

Borrowings decreased from $83.5 million to $70.7 million due to repayment of bank borrowings during the year.

Group's net debt (inclusive of lease liabilies and net of cash) increased from $32.4 million to $38.5 million and net gearing ratio increased from 12.8% to 15.0% at the end of 31 December 2019. The reduced net borrowings (excluding lease liabilities) is mainly due to repayment of borrowings for the financial year ended 31 December 2019.

Other reserves, consist of foreign currency translation losses on overseas investments, increased from negative $0.2 million to negative $3.3 million mainly due to the weakening of RMB against SGD.

CASH FLOWS REVIEW

$37.8 million was provided by operating activities in FY2019. The Group utilised $2.7 million in investing activities mainly for the purchase of property, plant and equipment. A total of $30.6 million was used in financing activities mainly for dividend payout and repayment of borrowings. Cash and cash equivalents amounted to $54.8 million as at 31 December 2019 compared to $ 50.8 million reported as at 31 December 2018.

DIVIDEND

The Board of Directors has proposed a first and final (one-tier tax-exempted) dividend payout of 2.22 Singapore cents per share, subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

This translates to a dividend yield of 8.4% based on $0.265 as at the closing share price of last practicable date before printing of the Annual Report and a dividend payout ratio of 50% based on earning per share of 4.43 Singapore cent for FY2019.

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.

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

2000

- 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).

2005

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

2007

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.

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.

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.

CORPORATE MILESTONES

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

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

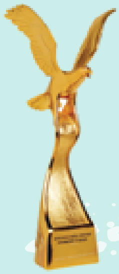
2012

- 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
- Launched proprietary Dynamic Spinning Technology ("DST") for the Aftermarket wheels.

2015

- For the seventh consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2015 Award for outstanding SME in Malaysia.
- YHI Hong Kong celebrating 25th year anniversary.
- Ventured into East Malaysia.

2016

- For the eighth consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2016 Award for outstanding SME in Malaysia.
- YHI New Zealand celebrating 20th year anniversary.
- The Advanti 20th Anniversary wheel created to celebrate the significant milestone
- Consolidation of Shanghai's precision moulding and wheels manufacturing operations into Suzhou factory

2017

- YHI Manufacturing (Malaysia) Sdn Bhd received the Super Golden Bull 2017 Award for outstanding SME in Malaysia.
- For the ninth consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2017 Award for outstanding SME in Malaysia.
- Consolidation of manufacturing operation from Shanghai to Suzhou factory.
- Ventured into Myanmar.

2018

- Mr Masataka Yamaishi, President of The Yokohama Rubber Co., Ltd attended YHI Corporation (S) Pte Ltd Dealer's night held on 15 April 2018.
- For the second year, YHI Manufacturing (Malaysia) Sdn Bhd received the Super Golden Bull 2018 Award for outstanding SME in Malaysia.
- For the tenth consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2018 Award for outstanding SME in Malaysia.
- Ventured into Cambodia.

2019

- For the eleventh consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2019 Award for outstanding SME in Malaysia.
- Incorporated YHI Distribution (Taiwan) Co., Ltd for tyre distribution business.

BOARD OF DIRECTORS

1. Mr Tay Tian Hoe, Richard
2. Mr Tay Tiang Guan
3. Mr Henry Tan Song Kok
4. Mr Yuen Sou Wai
5. Mr Phua Tin How

1 MR TAY TIAN HOE, RICHARD, 68

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 44 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 and last re-appointed on 26 April 2018.

2 MR TAY TIANG GUAN, 67

Executive Director

Mr Tay Tiang Guan is the Executive Director of our Group. He has more than 39 years of business experience and has extensive knowledge in the automotive and industrial products industry.

He is responsible for the 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 and was last re-appointed on 26 April 2019.

3 MR HENRY TAN SONG KOK, 55

Lead Independent Director

Mr Henry Tan was appointed to the Board on 22 May 2003 and last re-appointed on 26 April 2018. He currently chairs the Audit Committee and is a member of our Remuneration Committee and Nominating Committee. He is the Group CEO & Chief Innovation Officer of Nexia TS Public Accounting Corporation and the Nexia TS Pte Ltd. 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 China New Town Development Co Ltd, BH Global Corporation Limited, Yinda Infocomm Limited and Asia Vets Holdings Ltd. He is Chairman of the Nanyang Business School Alumni Advisory Board of NTU, Council Member of Institute of Singapore Chartered Accountants (ISCA) and Treasurer and executive committee member of Singapore Fintech Association.

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 and New Zealand, ASEAN CPA, CPA Australia and 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.

4 MR YUEN SOU WAI, 66

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 and was last re-appointed as Independent Director on 26 April 2019. He currently chairs the Remuneration Committee and is a member of our Audit Committee and Nominating 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 as well as the Chairman of the Audit Committee at Huationg Global Limited which is listed on Catalist of the SGX-ST.

He has more than 36 years of broad based financial management experiences in various large local and global multinational companies. He has 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.

5 MR PHUA TIN HOW, 69

Independent Director

Mr Phua Tin How was appointed to the Board on 22 May 2003 and was last re-appointed on 26 April 2017. He currently chairs the Nominating Committee and is a member of our Audit Committee and Remuneration Committee.

Mr Phua 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 latest appointment as Independent Director of New Toyo International Holdings Ltd in Febuary 2020.

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

SENIOR MANAGEMENT TEAM

1. Mr Gary Su Thiam Huat
2. Mr Alex Ong Chin Kiong
3. Mr Lu Chun Ya
4. Mr Robert Tan Yong Quan
5. Ms Amy Soo Wee Hsien

1 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.

2 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 Distribution Group, including principal relationship maintenance and product sourcing and business development.

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 and energy solution.

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

3 MR LU CHUN YA

Chief Operating Officer (COO), Manufacturing Group

Mr Lu Chun Ya has over 25 years of experience in alloy wheels manufacturing, he is responsible for overseeing our business operations as well as the alloy wheels manufacturing plants in Suzhou,Taiwan and Malaysia.

Mr Lu first joined YHI International (Taiwan) Co., Ltd as a Quality Assurance Manager in 1998. He was promoted to the position of General Manager and was responsible for the business operations of the alloy wheels manufacturing plant in Shanghai before he left YHI in September 2010. Prior to joining back YHI International, he was a consultant with NingBo Superim Shenglong Technologies Co. Ltd from 2011 to 2012.

He was promoted to the position of Group General Manager, YHI Manufacturing Group (North-east Asia) in December 2013 shortly after he re-joined YHI and recently promoted to the position of Chief Operating Officer, YHI Manufacturing Group in January 2020.

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

4 MR ROBERT TAN YONG QUAN

General Manager, ASEAN Management

Mr Robert Tan is General Manager, ASEAN Management. He has over 17 years of experience managing the YHI distribution group in ASEAN and is responsible for overseeing the business operations in Thailand, 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.

5 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 a 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 30 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.

HEAD OF SUBSIDIARIES

MALAYSIA

MR LEE TECK HOCK

General Manager
YHI (Malaysia) Sdn Bhd

MR ALAN HSU

General Manager
YHI Manufacturing (Malaysia) Sdn Bhd

MR THAM KONG MOO

General Manager
Evo-Trend Corporation (Malaysia) Sdn Bhd

MALAYSIA

MR THOMAS CHANG HONG WOEI

General Manager
YHI (East Malaysia) Sdn Bhd

MR JACKY KOK CHEE CHEN

Deputy General Manager
YHI Power (Malaysia) Sdn Bhd

THAILAND

MR RAYMOND TAY

Head of Company
YHI Corporation (Thailand) Co., Ltd

INDONESIA

MR EKA SATRIA

Deputy General Manager
PT YHI Indonesia

VIETNAM

MR TAN FOONG SIONG

Head of Company
YHI (Vietnam) Co., Ltd

BRUNEI

MR RICKEY TAY

Head of Company
YHI Corporation (B) Sdn Bhd

PHILIPPINES

MR JASON G. DELLOSO

General Manager
YHI (Philippines) Inc

MYANMAR

MR U MAUNG MAUNG LATT

Managing Director
YHI Aung (Myanmar) Company Limited

HEAD OF SUBSIDIARIES

HONG KONG

MR BENNY KAN

General Manager
YHI (Hong Kong) Co., Ltd

CHINA

MR LIN CHEN WEI

General Manager
YHI Advanti Manufacturing (Suzhou) Co., Ltd

MR WU MENG

General Manager
YHI Advanti (Shanghai) Co., Ltd

MR WANG ZHAN WEI

Deputy General Manager
YHI Corporation (Guangzhou) Co., Ltd

TAIWAN

MR LIU DE SEN

General Manager
YHI International (Taiwan) Co., Ltd

MR KELVIN LEE CHIEW LIANG

General Manager
YHI Distribution (Taiwan) 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) & Advanti Racing USA, LLC

ITALY

MR CLAUDIO BERNONI

Managing Director
O.Z. S.p.A

CORPORATE STRUCTURE

YHI
Since 1948

- **DISTRIBUTION**
  - 100% **YHI CORPORATION (SINGAPORE) PTE LTD** Singapore
    - 70% **EVO-TREND CORPORATION (MALAYSIA) SDN BHD** Malaysia
    - 100% **YHI POWER (MALAYSIA) SDN BHD** Malaysia
    - 90% **PT YHI INDONESIA** Indonesia
    - 100% **YHI CORPORATION (B) SDN BHD** Negara Brunei Darussalam
    - 49% **YHI CORPORATION (THAILAND) CO LTD** Thailand
    - 90% **YHI (VIETNAM) CO., LTD** Vietnam
    - 90% **YHI CORPORATION (SHANGHAI) CO LTD** Shanghai, PRC
    - 100% **YHI (PHILIPPINES) INC** Philippines
    - 80% **YHI (EAST MALAYSIA) SDN BHD** Malaysia
    - 51% **YHI AUNG (MYANMAR) COMPANY LIMITED** Myanmar
    - 80% **YHI DISTRIBUTION (TAIWAN) CO., LTD** Taiwan
    - 30% **YHI (CAMBODIA) COMPANY LIMITED** Cambodia
  - 100% **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
  - 80% **YHI (AUSTRALIA) PTY LTD** Australia
  - 85% **YHI POWER PTY LTD** Australia
  - 70% **YHI (NEW ZEALAND) LTD** New Zealand

MANUFACTURING

- 100% **YHI MANUFACTURING (SINGAPORE) PTE LTD**, Singapore
  - 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% **YHI ADVANTI (SHANGHAI) CO LTD**, Shanghai, PRC
  - 35.51 % **OZ S.p.A**, Italy
  - 100% **YHI (AMERICA) PTE LTD**, Singapore
    - 95% **PAN-MAR CORPORATION D/B/A KONIG (AMERICAN)**, USA
      - 90% **ADVANTI RACING USA,LLC**, USA
- 100% **YHI INTERNATIONAL (TAIWAN) CO LTD**, Taiwan

LOGISTICS

- 100% **YHI LOGISTICS (SINGAPORE) PTE LTD**, Singapore
  - 94% **YHI LOGISTICS (MALAYSIA) SDN BHD**, Malaysia

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
YHI Logistics (Singapore) Pte Ltd

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Tauranga Branch

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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

Phua Tin How
Independent Director

AUDIT COMMITTEE

Henry Tan Song Kok
Chairman

Phua Tin How
Member

Yuen Sou Wai
Member

REMUNERATION COMMITTEE

Yuen Sou Wai
Chairman

Phua Tin How
Member

Henry Tan Song Kok
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
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Level 12, Singapore 018936
Partner-in-charge :
Maurice Loh Seow Wee
Year of appointment: 2018

SHARE REGISTRAR

Tricor Barbinder Share
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Standard Chartered Bank

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FINANCIAL CALENDAR

CALENDAR
13 May 2019
Announcement of first quarter unaudited results

CALENDAR
13 August 2019
Announcement of half year unaudited results

CALENDAR
13 November 2019
Announcement of third quarter unaudited results

CALENDAR
31 December 2019
Financial year-end

CALENDAR
28 February 2020
Announcement of full year unaudited results

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT FOR FY2019

The Board of Directors (the "**Board**") of YHI International Limited (the "**Company**") and its subsidiaries (the "**Group**") is committed to ensuring that the highest standards of corporate governance are adopted as a fundamental part of its responsibilities in protecting and enhancing shareholder value and the financial performance of the Group. The Board has established relevant internal control measures and monitoring mechanisms to ensure corporate governance standards are practised.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2019 ("**FY2019**"), with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"), which forms part of the continuing obligations of the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Rules**"). The Company has complied with the principles and provisions as set out in the Code where applicable and where there are variations from the provisions of the Code, explanations and alternative corporate governance practices adopted by the Company which are consistent with the aim and philosophy of the principles of the Code have been provided.

THE CODE

The Code is divided into five main sections:

(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Shareholder Rights and Responsibilities
(E) Managing Stakeholders Relationships

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Company is headed by an effective Board which is collectively responsible and works with the Management for the long-term success of the Company.

The Board comprises two (2) Executive Directors and three (3) Independent Directors, all having the right competencies and diversity of experience enabling them to effectively contribute to the Group.

As at 25 March 2020, the Board comprises the following Directors:

Mr Tay Tian Hoe Richard	(Executive Chairman and Group Managing Director)
Mr Tay Tiang Guan	(Executive Director)
Mr Henry Tan Song Kok	(Lead 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.

CORPORATE GOVERNANCE

All Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the best interests of the Group. Provision 1.1

The principal functions of the Board include the following:

a. Providing entrepreneurial leadership for the Group and setting the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
b. Enhancing and protecting long-term returns and value for the Group's shareholders;
c. Reviewing and approving key business strategies and financial plans and monitoring the Group's performance and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
d. Reviewing the performance of and holding the management accountable for their performance;
e. Reviewing the Group's internal controls, risk management systems, financial reporting process and sustainability issues, and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
f. Ensuring the Group's compliance with relevant legislative, regulatory and continuing listing requirements;
g. Ensuring that good corporate governance practices are adopted;
h. Approving major investments, divestments and funding plans proposed by the Management;
i. Ensuring accurate, adequate and timely reporting to, and communication with shareholders; and
j. Identifying key stakeholder groups and recognizing that their perceptions affect the Group's reputation.

The Board has put in place a code of conduct and ethics, and has set an appropriate tone-from-the-top and desired organisational culture. The Board also ensures proper accountability within the Company.

Directors who face a conflict of interest would declare such conflict and recuse themselves from discussions and decisions involving issues of the conflict.

Directors understand the Company's business as well as their directorship duties (including their respective roles as Executives, Non-Executives and Independent Directors of the Company). Provision 1.2

Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. All Directors are updated regularly on any changes to legislative and regulatory requirements, Listing Rules, business risks and accounting standards. The Company also encourages the Directors to attend trainings. Directors have attended seminars, programmes and update sessions relevant to new rules, regulations and laws organised by various bodies such as Singapore Institute of Directors, Institute of Singapore Chartered Accountants and SGX-ST.

There has been no appointment of new Directors since the Company was listed on the Mainboard of the SGX-ST in 2003. Nevertheless, the Company will ensure that any incoming Directors are familiar with the Group's business, industry-specific practices and governance practices.

When the new Directors are appointed, the Company will conduct a comprehensive and tailored orientation programme to provide new Directors with extensive background information about the Group's structure and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. New Directors will have the opportunity to visit the Group's operational facilities and to meet with the management to gain a better understanding of the Group's business operations. The orientation programme will give the new Directors an understanding of the Group's businesses to enable them to assimilate into their new role. It also allows new Directors to be familiar with the management, thereby facilitating Board interaction and independent access to the management.

Upon appointment of each new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations. Where appropriate, training on the roles and responsibilities of a director of a listed company will be provided to directors who have no prior experience as a director of a company listed on the SGX-ST. Listing Rule 210(5)(a)

CORPORATE GOVERNANCE

The Group has adopted a set of internal guidelines on matters that require the Board's approval. The Board decides on matters that require the Board's approval and clearly communicates this to the management in writing. The matters requiring Board approvals are including but not limited to, interested person transactions, investments and divestments, capital expenditure and business contracts which exceed certain amount. For example, the Board approves transactions exceeding certain threshold limits while delegating authority for transactions below those limits to the Board Committees and the management via a structured matrix, which is reviewed on a regular basis and revised when necessary. Provision 1.3

The Board may delegate the authority to make decisions to any Board Committee but without abdicating its responsibility. The following three (3) committees have been appointed by the Board to assist the Board in discharging some of its key responsibilities: Provision 1.4

a. Nominating Committee ("NC")
b. Remuneration Committee ("RC")
c. Audit Committee ("AC")

Listing Rule 210(5)(e)

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board and Board Committee meetings are available to all Board members.

The roles of each Board Committee is outlined in the respective Board Committee's written Terms of Reference approved by the Board, which clearly set out the authority and duties of each respective committee. Further details of the scope and functions of the NC, RC and AC are provided in the relevant sections of this report.

The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

Following the changes to the composition of the Board on 26 April 2018, the composition of the each Board Committee has been re-constituted as set out in the table below:

Director	Nominating Committee	Remuneration Committee	Audit Committee
Mr Tay Tian Hoe Richard (Executive Chairman & Group Managing Director)	Member	–	–
Mr Tay Tiang Guan (Executive Director)	–	–	–
Mr Henry Tan Song Kok (Lead Independent Director)	Member	Member	Chairman
Mr Phua Tin How (Independent Director)	Chairman	Member	Member
Mr Yuen Sou Wai (Independent Director)	Member	Chairman	Member

CORPORATE GOVERNANCE

The Board holds regular meetings on a quarterly basis to review the Group's key activities, business strategies, funding plans, financial performance and to approve the announcement of quarterly and annual results. Where required, ad-hoc meetings are arranged. The Directors are also constantly kept updated on the Group's development which allows them to participate and to share their views. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the Company by actively participating in the Board and Board Committee meetings. Provision 1.5

The Constitution of the Company ("Constitution") allows Directors to participate in a Board meeting by telephone conference to communicate without requiring the Directors' physical presence.

The attendance of the Directors at meetings of the Board and Board Committees during FY2019 are set out in the table below:

	Board Meeting		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meeting	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tay Tian Hoe Richard	4	4	1	1	1	1^	4	4^
Tay Tiang Guan	4	4	1	1^	1	1^	4	4^
Henry Tan Song Kok	4	4	1	1	1	1	4	3
Phua Tin How	4	4	1	1	1	1	4	4
Yuen Sou Wai	4	3	1	1	1	1	4	3

Notes:

^ By invitation

The Board and the management fully appreciate that an effective and robust Board whose members engage in open and constructive debate and challenge the management on its assumptions and proposals is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversees the effective implementation by Management to achieve set objectives. For this to happen, the Board, particularly the Independent Directors must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. Provision 1.6

To ensure that the Independent Directors are well supported by accurate, complete and timely information, Directors have unrestricted access to the Management, and have sufficient time and resources to discharge their oversight functions effectively. The Independent Directors also receive board briefings on prospective deals and potential development at an early stage before formal Board approval is sought, and in circulation on the relevant information on latest market development and trends, and key business initiatives in relation to the Group or the industries in which it operates.

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 reporting relating to the operational and financial performance of the Company and the Group.

All Directors are provided with board papers prior to Board and Board Committee meetings. Generally, detailed Board and Board Committees papers prepared for each meeting are circulated five (5) working days in advance of each meeting. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussions can be more meaningful and productive. All deliberations and decisions of the Board or Board Committees are properly recorded in minutes.

The Board papers include financial results, draft announcements and various reports covering the Group's business performance, competitive position as well as significant trends and prospects of the industry. The Board papers provide contextual information that enables the Directors to make informed decisions and decide upon any further information to be obtained, where necessary. Such explanatory information may also be in the form of briefings to provide additional insights to the Directors or formal presentations made by the Management in attendance at the meetings, or by external consultants engaged on specific projects. The Board also receives reports from the internal and external auditors. Provision 1.6

The Board receives quarterly financial statements including region performance and capital expenditure of the Group, cash flow projections, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. Where required, detailed monthly management accounts will be provided. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations and risk management.

The Board have 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. Provision 1.7

The Directors have separate and independent access to the Company Secretary at all times. The Company Secretary also attends all Board, Audit Committee, Nominating Committee and Remuneration Committee meetings. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Under the direction of the Lead Independent Director, the Company Secretary ensures good information flows within the Board and its Board Committees and between the Management and Independent Directors.

The Company Secretary assists the Executive Chairman and the Chairperson of each Board Committees in the development of the agendas for the various Board and Board Committees meetings, and administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. The Company Secretary is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Listing Rules of the SGX-ST, are complied with.

Should Directors, whether as a group or individually, need independent professional advice, the Company Secretary will, upon the Board's direction, appoint a professional advisor selected by the individual Directors or the group of Directors to render the advice. The cost of such professional advice will be borne by the Company.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The criterion of "independence" is based on the Listing Rules of the SGX-ST and Provision 2.1 of the Code. The Board has determined that the Independent Directors are independent in conduct, character and judgement. Furthermore, the Independent Directors have confirmed that none of them and/or their immediate family members have a relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. Provision 2.1

Additionally, the Independent Directors have confirmed that none of them and/or their immediate family members were employed by the Company or any of its related corporations for FY2019 and for the past three (3) financial years. Listing Rule 210(5)(d)

Each Independent Director completes a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code and the Listing Manual of the SGX-ST. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code or the Listing Rules of the SGX-ST. The Audit Committee members submits a declaration of independence as members of the Audit Committee in addition to their respective declaration of independence as Directors.

CORPORATE GOVERNANCE

Independence of Directors Who Have Served on the Board Beyond Nine (9) Years

Guideline 2.4 of the Code of Corporate Governance 2012

Mr Henry Tan Song Kok and Mr Phua Tin How will be retiring by rotation at the forthcoming Annual General Meeting. If Mr Henry Tan Song Kok and Mr Phua Tin How are re-appointed at the forthcoming Annual General Meeting, Mr Henry Tan Song Kok and Mr Phua Tin How, together with Mr Yuen Sou Wai, will enter into their eighteenth (18th) year of tenure on the Board from the date of their first appointments. Mr Yuen Sou Wai, Mr Henry Tan Song Kok and Mr Phua Tin How were first appointed to the Board on 22 May 2003.

Pursuant to guideline 2.4 of the Code of Corporate Governance 2012, the Board, with the assistance of the Nominating Committee, has conducted rigorous review of the independence of these Directors annually. The aspects of review include the following:

a. The Directors' relationship with the Group, shareholders and the Management;

b. The professionalism and objectivity of the Directors' character and judgement;

c. The Directors' commitment in upholding the interest of the Group and the shareholders as a whole; and

d. The ability of the Directors to confront key issues and hold the Executive Directors and Management accountable for their decisions.

In doing so, the Board has also balanced the need for progressive refreshing of the Board with the need for continuity. The Nominating Committee has stringently reviewed the independence of Mr Henry Tan Song Kok, Mr Phua Tin How and Mr Yuen Sou Wai and they are of the view that each of Mr Henry Tan Song Kok, Mr Phua Tin How and Mr Yuen Sou Wai, have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. The Nominating Committee has noted that Mr Henry Tan Song Kok, Mr Phua Tin How and Mr Yuen Sou Wai, have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification as they deemed necessary, including through direct access to the Management. Further, the Nominating Committee has noted that there are no relationships or circumstances which are likely to affect or could appear to affect the judgement of the Independent Directors.

After careful consideration of the factors above and upon recommendation of the Nominating Committee, the Board is satisfied that each of Mr Henry Tan Song Kok, Mr Phua Tin How and Mr Yuen Sou Wai, is independent notwithstanding they have served on the Board for more than nine (9) years from the date of their first appointment. The Board will also continue to consider the need for progressive refreshing of the Board on a gradual basis with a balanced approach.

As at the date of this Corporate Governance Report, the Board comprises five (5) Directors, the majority of whom are Independent Directors. The Independent Directors are: Provision 2.2

- Mr Henry Tan Song Kok (Lead Independent Director)
- Mr Phua Tin How
- Mr Yuen Sou Wai

All the Independent Directors are Non-Executive Directors and Non-Executive Directors make up a majority of the Board. Provision 2.3

The Nominating Committee is responsible for examining the size, composition and diversity of the Board and Board Committees. The criteria of diversity includes, among others, whether the Board is equipped with relevant skills and experience, gender composition, age and knowledge of the Company. The criteria are being objectively assessed from time to time to ensure relevancy in view of changing business environment, business needs and relevant regulatory requirements, where applicable. Provision 2.4

Having considered the scope and nature of the Group businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the Nominating Committee, considers that a Board size of between five to eight members as appropriate and facilitates effective decision making. The Board believes that its current Board size and the existing composition of the Board Committees effectively serves the Group. The Board provides sufficient diversity for effective discharging of Board duties without interfering with efficient decision-making.

The Nominating Committee is also of the view that the current Board, with Independent Directors making up more than half of the Board, has a strong and independent element that is able to exercise objective judgement on corporate affairs independently. The Independent Directors are actively involved in strategy decisions. They constructively challenge and provide invaluable insights to the Management in developing business strategy. They also review and monitor the performance of the Management in meeting agreed business goals.

The Nominating Committee is of the view that no individual or small group of individuals dominates the Board's decision making process. The Board also considers that its current composition of Independent Directors provides an effective mix of commercial, accounting, finance and legal experience. This balance and diversity is important in ensuring that the strategies proposed by the Management are well deliberated taking into account the long-term interests of the Group.

The Independent Directors have met without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. The Lead Independent Director will provide feedback to the Executive Chairman after such meetings as appropriate. Provision 2.5

Principle 3: Chairman and Group Managing Director

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Tay Tian Hoe Richard is the Executive Chairman and Group Managing Director. As Chairman of the Board, Mr Tay Tian Hoe Richard: Provisions 3.1 & 3.2

a. Leads the Board to ensure its effectiveness of all aspects of its role;
b. Sets the meeting agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
c. Ensures that matters raised by the Independent Directors are appropriately attended to;
d. Ensures that the Directors receive complete, adequate and timely information;
e. Promotes a culture of openness and debate;
f. Encourages constructive relations within the Board and between the Board and Management;
g. Ensures effective communication with the shareholders;
h. Facilitates the effective contribution of Independent Directors; and
i. Promotes high standards of corporate governance and compliance with the Listing Rules.

CORPORATE GOVERNANCE

Having regard to Mr Tay Tian Hoe Richard's ("**Mr Richard Tay**") concurrent appointment as the Chairman and the Group Managing Director, there is no division of responsibilities set out between the role of Mr Richard Tay as the Chairman and the Group Managing Director. However, the following checks and balances are adopted by the Board to ensure appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making: Provisions 3.1 & 3.2

a. Major business and operational decisions made by Mr Richard Tay are reviewed by the Audit Committee and the Board;

b. The Board has appointed a Lead Independent Director, Mr Henry Tan Song Kok; and

c. Independent Directors make up more than half of the Board.

As Mr Richard Tay is the Executive Chairman and Group Managing Director, pursuant to Provision 3.3 of the Code, Mr Henry Tan Song Kok has been appointed to be the Company's Lead Independent Director. The Lead Independent Director is available to the shareholders where they have concerns and for which contact through the channels of the Executive Chairman or Group Chief Financial Officer have failed to resolve or is inappropriate Provision 3.3

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Nominating Committee's role and authority delegated by the Board are outlined in its Terms of Reference. The key duties and activities of the Nominating Committee are to deliberate and make recommendations to the Board on matters regarding the following: Provision 4.1

a. The Board's structure, size and composition;

b. The Board succession plans for Directors, in particular, for the Chairman, Group Managing Director and key management personnel;

c. Identify and make recommendations to the Board on the Directors who are due for retirement by rotation as well as candidates for nomination or re-nomination at the forthcoming Annual General Meeting;

d. The evaluation criteria and process of evaluation for the Board, Board Committees and individual Directors;

e. The independence of individual Directors;

f. The contribution and commitment of each Director; and

g. Training and professional development programs for the Board.

Mr Phua Tin How, an Independent Director, is the Chairman of the Nominating Committee. The Nominating Committee comprise of the following Directors: Provision 4.2

- Mr Phua Tin How, as Chairman of the Nominating Committee;
- Mr Henry Tan Song Kok, the Lead Independent Director;
- Mr Tay Tian Hoe Richard; and
- Mr Yuen Sou Wai.

The Process for the Selection, Appointment and Re-appointment of Directors

Provision 4.3

The Board believes 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.

The Constitution requires at least one-third of the 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 Annual General Meeting. For good corporate governance practice, the Group Managing Director had also submitted himself for re-nomination and re-appointment at the past Annual General Meetings. In this respect, no Director stays in office for more than three (3) years without being re-elected by shareholders.

The role of the Nominating Committee also includes the responsibility of reviewing the re-nomination of Directors who retire by rotation, taking into consideration the director's integrity, independent character, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as determined by the Nominating Committee.

The Board recognises the contribution of its Independent Directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. Accordingly, the Board has not set a fixed term of office for each of its Independent Directors so as to be able to retain the services of the Directors as necessary. Where a vacancy arises or where it is considered by the Board that it would benefit from the contribution of a new Director with particular expertise and experience or diversity, the Nominating Committee, in consultation with the Board, determines the selection criteria and identifies potential candidates with the appropriate expertise and experience or diversity for the position.

The Nominating Committee has in place a selection and nomination process for the appointment of new Directors. For appointment of new Directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, before it proceeds to assess the likely future needs of the Board, and assesses whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons. The Nominating Committee will then source through their network or engage external professional assistance for potential candidates and resumes for review, undertake background checks on the resumes received, narrow this list of resumes and finally to invite the shortlisted candidates to an interview. This interview may include a briefing of the duties required to ensure that there is no expectations gap, and to ensure that any new director appointed has the ability and capacity to adequately carry out his duties as a director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have. The Nominating Committee will take an open view in sourcing for candidates and does not solely rely on current Directors' recommendations or contacts, and is empowered to engage professional search firms. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

Retirement and Re-Nomination of Directors at the Forthcoming Annual General Meeting

The Nominating Committee has recommended to the Board that Mr Henry Tan Song Kok and Mr Phua Tin How be nominated for re-appointment at the forthcoming Annual General Meeting.

Please refer to pages 144 to 149 for additional information on Directors to be re-elected.

Provision 4.4

The independence of each Director is reviewed by the Nominating Committee annually and as and when required and reported to the Board, having regard to the circumstances set forth in Provision 2.1 of the Code. The Board, after taking into consideration the views of the Nominating Committee, is of the view that Mr Henry Tan Song Kok, Mr Yuen Sou Wai and Mr Phua Tin How are independent and that no individual or small group of individuals dominates the Board's decision-making process.

CORPORATE GOVERNANCE

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 and commitment that a Director may contribute to the Board and its overall effectiveness. Provision 4.5

The Nominating Committee, after taking into account of the individual Director's assessment results and the Director's participation of meetings, has reviewed and is satisfied that all the Directors who sit on multiple boards have been able to and have devoted sufficient time and attention to the affairs of the Company and have adequately carried out their roles and discharged their duties as Director of the Company, notwithstanding their multiple board representations and directorships in other listed companies.

There is no alternate director on the Board.

Key information on each Director's academic and professional qualifications, directorships and other principal commitments is presented in the "Board of Directors" section of this Annual Report.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Nominating Committee recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Executive Chairman and each individual Director to the Board. Provision 5.1

Performance Criteria for Board (including Board Committees)

The Board believes that apart from discharging its 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 is to set strategic directions and ensure that the long term objective of enhancing shareholder value is achieved.

The performance criteria (which is consistent with previous years' performance criteria) for the Board and Board Committees are comparable with industry peers and have been approved by the Board. The evaluation includes size and composition, independence of Independent Directors, deliberation processes, information and accountability and performance in relation to discharging its principal functions including enhancing long-term shareholder value and achievement of financial targets including annual targets and return on equity and Company's share price performance over a five-year period.

Over the years, the Board and Board Committees', composition, performance and effectiveness is measured by its ability to provide guidance to the Management especially in times of crisis and to steer the Company and the Group towards profitable direction and the attainment of strategic and long-term objectives, and has allowed the Group to deliver value to its shareholders.

Evaluation of Individual Directors

Evaluation criteria (which is consistent with previous years' performance criteria) in assessing the contribution of individual Directors to the Board as well as his commitment to the role include the following:

a. Attendance at Board/Board Committee meetings;
b. Preparedness and participation in meetings;
c. Availability for consultation and advice;
d. Candour and the ability to confront key issues; and
e. Contribution to the Board and Board Committee in terms of appropriate experience, expertise and skills.

A formal review of the effectiveness of the Board and Board Committees and the assessment of Director's contribution is undertaken collectively by the Nominating Committee and reported to the Board annually. The review undertaken by the Nominating Committee also takes in input from other Directors and the Company Secretary. Provision 5.2

During the financial year, Directors were requested to complete assessment checklists designed to seek their comments on the following:

a. The effectiveness and performance of the Board (including Board Committees); and
b. The contribution of each Director.

With the assistance of the Company Secretary, the completed checklists were submitted to the Nominating Committee for review before submitting to the Board for discussion and determining areas for improvement.

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

Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board for FY2019. The Board and Board Committees have met the prescribed performance objectives. There was no external facilitator engaged to assess the performance of the Board for FY2019.

(B) REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Remuneration Committee's role and authority delegated by the Board are outlined in its written Terms of Reference. The key duties and activities of the Remuneration Committee include the following: Provision 6.1

a. Reviewing and recommending to the Board a formal and transparent framework of remuneration for the Directors and key management personnel on all aspects of remuneration including Director's fees, salaries, allowances, bonuses, options (if any) and benefits-in-kind;
b. Reviewing and recommending to the Board the specific remuneration packages and terms of employment for each Director and key management personnel;
c. Reviewing the level of remuneration such that it is appropriate to attract, retain and motivate the Directors and key management personnel whilst linking rewards to group or corporate and individual performances;
d. Ensuring adequate disclosure on Director's remuneration; and
e. Recommending to the Board any long-term incentive scheme which may be set up from time to time and doing all acts necessary in connection therewith.

Mr Yuen Sou Wai, an Independent Director, is the Chairman of the Remuneration Committee for FY2019. The Remuneration Committee comprises the following Independent Directors: Provision 6.2

- Mr Yuen Sou Wai, Chairman of the Remuneration Committee;
- Mr Henry Tan Song Kok, the Lead Independent Director; and
- Mr Phua Tin How.

CORPORATE GOVERNANCE

In its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation, the Group's performance vis-a-vis the industry as well as the individual Director and the key management personnel's contribution and performance. No Director or key management personnel is involved in deciding his own remuneration. Following the Remuneration Committee's review, the Board is of the view that the remuneration packages are appropriate and the performance conditions set have been met for FY2019. Provision 6.3

Each Executive Director has a service contract with a fixed appointment period and the Remuneration Committee reviews in particular the termination provisions, such as obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

When the need arises, the Remuneration Committee has access to external remuneration consultants' service and advice on Director's remuneration. No remuneration consultant was appointed for FY2019. Provision 6.4

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Executive Directors do not receive directors' fees but are remunerated as members of Management. The compensation structure for Executive Directors and key management personnel is directly linked to corporate and individual performances and measured by financial and non-financial indicators. The compensation structure comprises a fixed component (i.e. in the form of base salary) and a variable component (i.e. annual performance bonus) directly determined by the financial performance of the Group and the performance of the individual Executive Director or key management personnel during the financial year. Non-financial performance indicators such as quality of work and diligence are also considered. This is in line with the emphasis placed by the Group on achieving its long term vision and goals and the performance target set for the individuals, and aligns the remuneration with the performance of the Group and the individual. For example, annual performance bonus is computed based on certain percentage of profit before tax of the Group. Such performance indicators selected by the Group are consistent with industry practice. Provision 7.1

The performance of the Group Managing Director (together with other key management personnel) is reviewed periodically by the Remuneration Committee and the Board. In structuring the compensation framework, the Remuneration Committee also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

There are no contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Nonetheless, the Remuneration Committee, together with the Board, will consider, monitor and re-assess at appropriate junctures where such provisions should be adopted.

The Independent Directors receive directors' fees, appropriate to their level of contribution, taking into account various factors such as effort and time spent as well as responsibilities on the Board. The Company recognises the need to pay competitive fees to attract, motivate and retain non-executive Directors without being excessive to the extent that their independence might be compromised. Provision 7.2

The Board will recommend the remuneration of the Independent Directors for approval at the Annual General Meeting.

The level of remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key executives to successfully manage the Company for the long-term. Provision 7.3

Principle 8: Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1

The Executive Directors' remuneration consists of their salaries, allowances, bonuses, and profit sharing awards conditional upon their meeting of certain profit before tax targets. There are no termination, retirement and post-employment benefits that may be granted to the Directors and key executives. The Independent Directors receive directors' fees which are subject to the approval of shareholders at the Annual General Meeting. The Company does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

The remuneration for the Directors in bands of $250,000 in FY2019 is as follows:

	Number of Directors	
	2019	2018
S$1,000,001 and above	**1**	1
S$750,001 to S$1,000,000	**–**	–
S$500,001 to S$750,000	**–**	–
$250,000 to S$500,000	**–**	–
Below $250,000	**4**	4
Total	**5**	5

The breakdown of the Directors' remuneration and fees, in percentage terms, for FY2019 is as follows:

	Salary	**Bonus**	**Directors Fees**	**Other Benefits**	**Total**
	%	%	%	%	%
Tay Tian Hoe Richard	35	64	–	1	100
Tay Tiang Guan	48	38	–	14	100
Yuen Sou Wai	–	–	100	–	100
Henry Tan Song Kok	–	–	100	–	100
Phua Tin How	–	–	100	–	100

While the Company is cognizant of the need for corporate transparency in the remuneration of its Directors and key executives, the Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the highly competitive industry conditions where poaching has become commonplace. In particular, the Company had previously announced its "3R" strategy and restructuring of its Group operations and the disclosure of remuneration matters are sensitive and confidential in light of its restructuring and resizing strategy. The Group also sees human capital as one of its key advantages over its competitors and, noting that the highly competitive industry which the Group operates in, believes that the disclosure above best preserves the business interests of the Group. As far as the Company is aware, the remuneration paid to Directors and key executives is in line with industry practices.

CORPORATE GOVERNANCE

Details of employees whose remuneration exceed S$100,000 and are immediate family members of Executive Directors are set out below: Provision 8.2

Name of Employee	Remuneration Band
Tan 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 Ryan Tay is the son of our Executive Chairman and Group Managing Director, Mr Tay Tian Hoe Richard.

There are no other employees of the Company who are substantial shareholders of the Company, or are immediate family members of any Director, the Group Managing Director or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year.

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options or other forms of deferred remuneration. The YHI Share Option Scheme (the "**Scheme**") which was adopted on 22 May 2003, has since expired. The Company did not grant any share options pursuant to the Scheme and decided that it is not necessary to renew the Scheme. Provision 8.3

(C) ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board affirms its overall responsibilities for the Group's internal control and risk management systems to safeguard shareholders' interests and the Group's assets. Provision 9.1

In order to streamline the functions of the Board and the Board Committees, the Board delegates the role of overseeing the risk management systems to the Audit Committee.

Risk Management Framework

The Group's Risk Management Framework is aligned with the Internal Controls Integrated Framework set out by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). This framework entails a rigorous and systematic process of anticipating, identifying, prioritising, managing and reporting of key risks. The Management reviews the Group's business and operational activities regularly to identify areas of significant business, operational, compliance and information technology risks, and employs a wide range of corresponding measures to control these risks. The Management has embedded the risk management process and internal controls into all business operating procedures, where all business and operational managers are mindful and compliant of their responsibilities.

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 the performance of business and effectiveness of risk management. The targets include sales growth, profit margins, operating expenses, management of inventory and receivables.

The identified risks and the corresponding countervailing controls are also regularly reviewed by the Management to ensure that they are up to date and effective. For example, financial risk management is discussed in Note 30 of the financial statements set out on pages 123 to 135.

The Enterprise Risk Management Executive Committee ("**RMEC**") which comprises members from Management and headed by the Executive Chairman and Group Chief Financial Officer is responsible for the overall effective implementation of risk management strategy, policies and procedures to facilitate the achievement of business plans and goals within the risk profile and risk tolerance levels set by the Board. Provision 9.1

The RMEC performs the following principal functions:

a. considers, reviews and approves the risk management strategy, policies and guidelines of the Group;

b. decides on risk profile, risk levels, tolerance and capacity and related resources allocation;

c. monitors and evaluates the Group's risk exposure; and

d. reviews the risk reporting records of the Group and reports of any material breaches of risk limits.

The Board has received assurance from the Group Managing Director and Chief Financial Officer 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. Provision 9.2

The Board has also received assurance from the Group Managing Director and other key management personnel who are responsible that the Group's internal control and risk management systems are effective and adequate.

The Board, with the assistance of the Audit Committee, reviews the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems through deliberating the internal audit reports and results of the control self-assessment exercise at each quarter. The Board also deliberates the updates made by the Group Chief Financial Officer on behalf of RMEC. Listing Rule 1207(10)

The Board determines the risk tolerance of the Group and reviews the financial, operational, compliance and information technology aspects of the systems.

Based on Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the Audit Committee, is of the view that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Group are adequate and effective as at 31 December 2019.

The Board acknowledges that internal controls and risk management systems are designed to adequately and effectively manage and contain rather than to eliminate risk. An effective and efficient system can only provide reasonable and not absolute assurance against the occurrence of human & system errors, losses, fraud or other irregularities.

CORPORATE GOVERNANCE

Principle 10: Audit Committee

*The Board has an Audit Committee ("**AC**") which discharges its duties objectively.*

The Audit Committee's role and authority delegated by the Board are outlined in its Terms of Reference. The key duties and activities of the Audit Committee include the following: Provision 10.1

a. Reviewing financial statements as well as any announcements of the Company and the Group before submission to the Board for approval and release;

b. Reviewing at least annually the adequacy and effectiveness of the Group's internal control and risk management systems;

c. Reviewing the annual internal audit plan and internal audit reports tabled by the internal auditors;

d. Making recommendations to the Board on the proposals to the shareholders on the appointment and removal of external auditors, and the remuneration and terms of engagement of the external auditors;

e. Reviewing the audit plan of the external auditors and the external auditors' reports;

f. Reviewing the co-operation given by executives to the external auditors;

g. Reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

h. Reviewing the Group's compliance with relevant key legislative and regulatory requirements and the continuing listing requirements;

i. Reviewing the Group Whistle-Blowing Policy and ensure that concerns or complaints received are properly attended to;

j. Reviewing interested person transactions reported (if any);

k. Reviewing the Group's capital expenditure transactions and investments; and

l. Reviewing the Group's foreign currency hedging activities.

The Audit Committee has explicit authority to investigate any matter within its written Terms of Reference. The AC has full access to, and the co-operation of the Management and full discretion to invite any Executive Director or key management personnel to attend its meetings. The Audit Committee has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

<u>Review of full-year financial statements and the key audit matters highlighted by the external auditors</u>

In the review of the full-year financial statements, the Audit Committee reviews the accounting policies, estimates, assumptions and judgements applied by Management. Audit Committee also discusses with the external auditors on any significant audit and accounting observations highlighted.

Key audit matters are the matters that, in the external auditors' professional judgement, are of most significance in the audit of the full-year financial statements. The Audit Committee's reviews and assessments of the key audit matters highlighted by the external auditors for the full-year financial statements ended 31 December 2019 are provided as follows:

– **Credit loss allowance on trade receivables** Provision 10.1

Audit Committee regularly reviews management policy in granting of credit limits, credit controls and debt collection on an ongoing basis. Audit Committee considered the aging and the reasonableness of the recoverability of the trade receivables and the credit loss allowance on trade receivables as identified by Management. Audit Committee considered how Management has assessed the collectability and their consideration based on the adequacy of lifetime expected credit losses under SFRS(I) 9 Financial Instruments, the past payment track records, financial positions of the debtors and guarantors (where applicable), on-going business relationship with the debtors and where relevant, the repayment plans agreed with the debtors in conjunction with the observations, analysis and the findings presented by the external auditors.

After the review and assessment of the key audit matters highlighted by the external auditors, the Audit Committee recommended to the Board to approve the full year financial statements.

Whistle-Blowing Policy

A Group Whistle-Blowing Policy ("Policy") has been put in place and communicated to the employees. The Policy provides employees with clearly defined processes and channels through which they can raise their concerns or complaints in relation to possible violations of the Group's Code of Ethics and Business Conduct or suspected irregularities to the Audit Committee through the internal audit function.

The concerns can be made anonymously and will be kept in strict confidence. The Audit Committee monitors to ensure that concerns are independently and appropriately attended to, assessed and resolved in accordance with the Policy. The processes stated in the Policy are also applicable to the concerns or complaints received from the shareholders, suppliers, customers or members of the public, if any.

Nomination and Re-Appointment of External Auditors

The Audit Committee has nominated PricewaterhouseCoopers LLP ("PwC") for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

The Audit Committee has conducted an annual review of all non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors 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 of the 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:

	2019	2018
	S$	S$
Fees on audit services paid/payable to:		
Auditors of the Company – PwC Singapore	**228,887**	216,000
Other PwC network firms	**100,096**	104,000
Other auditors	**242,771**	287,000
Fees on non-audit services paid/payable to:		
Auditors of the Company- PwC Singapore	**82,351**	91,000
Other auditors	**100,366**	52,000
Total	**754,471**	750,000

CORPORATE GOVERNANCE

Mr Henry Tan Song Kok, the Lead Independent Director, is the Chairman of the Audit Committee. The Audit Committee comprises the following Independent Directors: Provision 10.2

- Mr Henry Tan Song Kok, as Chairman of the Audit Committee;
- Mr Phua Tin How; and
- Mr Yuen Sou Wai.

All members of the Audit Committee have the recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualifications in its business judgement.

The Audit Committee keeps abreast of changes to accounting standards and other business issues which may have a direct impact on the Company and Group's financial statements through regular updates made by the Management and external auditors.

None of the members of the Audit Committee are former partners or directors of the Group's existing auditing firm or auditing corporation within the last two years and none of the members of the Audit Committee hold any financial interest in the Group's existing auditing firm or auditing corporation. Provision 10.3

The Group has its own inhouse internal audit function. The Audit Committee approves the hiring, removal, evaluation and compensation of the internal auditors. The internal auditors report directly to the Chairman of the Audit Committee and have unrestricted access to the documents, records, properties and personnel of the Company and of the Group. The internal audit function has appropriate standing within the Company. Provision 10.4

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditors is to assist the Audit Committee in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the Audit Committee and to conduct regular in-depth audits of high risk areas. The Audit Committee reviews the adequacy and effectiveness of the internal audit function at least annually.

The Audit Committee is satisfied that the internal audit function is adequately resourced to perform its function effectively and is independent of the activities it audits. The Audit Committee is also satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience and professional qualification.

The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing ("**IA Standards**") laid down in the International Professional Practices Framework issued by The Institute of Internal Auditors.

The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the Audit Committee for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns.

The internal and the external auditors are invited to attend the Audit Committee meetings to table their plans and reports respectively. During FY2019, the Audit Committee met with the external auditors without any executives of the Group being present. The Chairman of the Audit Committee liaised with the internal auditor without the involvement of the Management to receive updates. Provision 10.5

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights And Conduct Of General Meetings

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Shareholders' Opportunity to Participate and Vote at General Meeting — Provision 11.1

The Board supports the Code's principles of encouraging shareholders' participation. All shareholders are entitled to attend and are provided the opportunity to participate in the general meetings of the Company. The general meetings are the principal forum for dialogue with shareholders, where they are given the opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. The Management also uses this opportunity to inform shareholders of the Group's strategy and goals. The Management believes that shareholder engagement is important to the success of the Group and dedicates time at each general meeting to address and/or receive questions from any shareholder. The Company had adopted a new Constitution containing, inter alia, updated provisions in respect of shareholders' voting in compliance with the amended Companies Act and the Listing Rules, including provisions for voting in absentia.

Notice of the general meeting is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 21 or 14 days before the meeting depending on the type of business to be transacted.

The rules, including the voting process, were explained by the scrutineers at such general meetings. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of shareholders, amongst other factors.

Provision 11.2

During FY2019, an annual general meeting and an extraordinary general meeting was held on 26 April 2019 ("**AGM and EGM**"). Each item of special business included in the notice of the meetings were accompanied by a full explanation of the effects of a proposed resolutions at all general meetings. Separate resolutions were proposed for substantially separate issues at the general meetings.

The Company conducted poll voting in accordance with the Listing Manual of the SGX-ST for all resolutions tabled at the AGM and EGM and the detailed results showing the number of votes cast for and against each resolution and the respective percentages were announced via SGXNET and made available on the Company's website after the conclusion of the AGM and EGM.

Provision 11.3

All the Directors and the external auditors attended the AGM and EGM and were available to address shareholders' queries.

Provision 11.4

Shareholders were given the choice to vote in person or by proxy. In addition, a shareholder who is a relevant intermediary were allowed to appoint more than two (2) proxies so as to allow shareholders who hold shares through such relevant intermediaries to attend and participate in the AGM and EGM as proxies.

The Constitution of the Company allows absentia voting at general meetings.

Provision 11.5

Minutes of the AGM and EGM were prepared and was made available to shareholders as soon as practicable upon request. The minutes recorded substantial and relevant comments or queries from shareholders relating to the agenda of the AGM and EGM, and responses from the Board and Management.

Provision 11.6

Listing Rule 704(24)

The Company does not have a formal dividend policy, nevertheless, it has a track record of paying annual dividends to shareholders and the payout is aligned with the Company's financial results. The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management. Subject to the approval of Shareholders at the upcoming Annual General Meeting, the Company has, on 28 February 2020, in its unaudited financial results for the financial year ended 31 December 2019, recommended a first and final tax exempt (one-tier) dividend of 2.22 cents per ordinary share for the financial year ended 31 December 2019.

CORPORATE GOVERNANCE

Principle 12: Engagement With Shareholders

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

In line with the provisions of the Listing Rules and the Companies Act (Cap. 50 of 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, other various media and our contact details are provided in the corporate website (http://www.yhigroup.com) so to allow shareholders to make well-informed investment decisions and maintain a regular dialogue channel with shareholders to gather views, input and address shareholders' concerns. Provision 12.1

The Board believes that a high level of disclosure on a timely basis is essential for good corporate governance practice. The Executive Directors and the Group Chief Financial Officer are responsible for implementing the investor relations policy devised by the Board. Provision 12.2

Where required, the Executive Directors and the Group Chief Financial Officer will meet up with analysts and investors after the quarterly results are announced through the SGXNET system, to explain the financial performance, Group's strategy and major developments and to understand their views and concerns. Provision 12.3

(E) MANAGING STAKEHOLDERS RELATIONSHIP

Principle 13: Engagement With Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company's customers, suppliers, employees and shareholders are its key stakeholders and they are symbolised by the Company's corporate logo. It has been the Company's core business and sustainability strategy of engaging and managing its relationship with the stakeholders in a fair, trust-based and responsible manner through hard work, dedication and commitment. The needs and interests of each group of stakeholders are properly balanced to ensure the best interests of the Company are served. Provision 13.1

The key areas of focus and engagement mechanisms adopted by the Company for each group of stakeholders in FY2019 are outlined as follows: Provision 13.2

Stakeholders	Areas of Focus	Engagement Mechanisms
Customers	Product quality, pricing and service rendered	Business meetings, customer visits, trade events and customer satisfaction surveys
Suppliers	Sales growth and market share	Business meetings and supplier visits
Employees	Remuneration, career growth and business performance	Management's meeting with employees, employee surveys and appraisals & discussions
Shareholders	Business growth, financial results and return on investment	Periodic financial announcements, annual report, annual general meeting and corporate website

The Company maintains a current corporate website (http://www.yhigroup.com), to communicate and engage with stakeholders. Provision 13.3

DEALINGS 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 (2) weeks before the announcement of the Company's quarterly results and one (1) month before the announcement of the Company's full-year results until one day after the release of the announcement.

The Directors and key officers are required to notify the Company of any dealings in the Company's securities (during the open window period) and within two (2) 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.

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.

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 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 transactions. The Audit Committee meets quarterly to review all interested person transactions of the Company.

The Company does not have a general mandate from shareholders pursuant to Rule 920 of the Listing Manual of the SGX-ST.

There was no interested person transaction exceeding S$100,000 in value during the financial period from 1 January 2019 to 31 December 2019.

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

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 FY2019.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

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 68 to 141 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

DIRECTORS

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

Mr Tay Tian Hoe Richard
Mr Tay Tiang Guan
Mr Henry Tan Song Kok
Mr Yuen Sou Wai
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.

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 21.1.2020	**At 31.12.2019**	**At 1.1.2019**	**At 21.1.2020**	**At 31.12.2019**	**At 1.1.2019**
Company (No. of ordinary shares)						
Mr Tay Tian Hoe Richard (1), (2)	–	–	–	141,958,860	141,958,860	141,958,860
Mr Tay Tiang Guan (3)	–	–	–	45,000,353	45,000,353	45,000,353
Mr Henry Tan Song Kok	20,000	20,000	20,000	–	–	–
Mr Yuen Sou Wai	120,000	120,000	120,000	–	–	–
Mr Phua Tin How	55,000	55,000	55,000	–	–	–

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Holdings registered in name of Director			Holdings in which Director is deemed to have an interest		
	At 21.1.2020	At 31.12.2019	At 1.1.2019	At 21.1.2020	At 31.12.2019	At 1.1.2019
Immediate and ultimate holding company – YHI Holdings Pte Ltd (1) (No. of ordinary shares)						
Mr Tay Tian Hoe Richard (1), (2)	691,917	691,917	691,917	–	–	–

Notes:

(1) As at the date of this statement, YHI Holdings Pte Ltd directly holds 128,021,860 shares of the Company.

(2) As at the date of this statement, Mr Tay Tian Hoe Richard is interested in 691,917 shares of YHI Holdings Pte Ltd and accordingly is deemed interested in 128,021,860 shares of the Company held by YHI Holdings Pte Ltd and 13,937,000 shares of the Company held in the name of his nominees. Mr Tay Tian Hoe Richard is not directly interested in shares of the Company.

(3) As at the date of this statement, Mr Tay Tiang Guan is deemed interested in 45,000,353 shares of the Company held in the name of his nominees. Mr Tay Tiang Guan is not directly interested in shares of the Company.

(b) Mr Tay Tian Hoe Richard, who by virtue of his interest of not less than 20% of the issued capital of the Company, is 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 31.12.2019	At 1.1.2019
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 Power Pty Limited – No. of ordinary shares	8,500	8,500
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 (Vietnam) Co., Ltd – Share capital	VND 5,624,100,000	VND 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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	At 31.12.2019	At 1.1.2019
YHI (East Malaysia) Sdn Bhd		
– No. of ordinary shares	400,000	400,000
YHI Logistics (Malaysia) Sdn Bhd		
– No. of ordinary shares	22,560,000	22,560,000
YHI Aung (Myanmar) Company Limited		
– No. of ordinary shares	51,000	51,000
YHI Distribution (Taiwan) Co., Ltd		
– Share Capital	NTD 2,000,000	–

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2020 are shown in Note (a).

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 Yuen Sou Wai
Mr Phua Tin How

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. 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 2019 before their submission to the Board of Directors.

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

INDEPENDENT AUDITOR

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

On behalf of the directors

TAY TIAN HOE RICHARD
Director

TAY TIANG GUAN
Director

25 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of YHI International Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the financial year ended 31 December 2019;
- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019;
- the balance sheet of the Group and the balance sheet of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Credit loss allowance on trade receivables As at 31 December 2019, the Group has trade receivables amounting to $71,364,000 net of credit loss of $4,533,000. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of credit loss allowance made. They include estimating and evaluating the required lifetime expected credit losses under SFRS(I) 9 Financial Instruments. We focused on this area due to the management's judgement required in estimating the credit loss allowance. The key judgement and estimation on expected credit losses for trade receivables and the Group's credit risk management are disclosed in Notes 3(a) and 30(b) to the financial statements.	We evaluated management's assessment on the recoverability of the trade receivables and the adequacy of lifetime expected credit losses based on SFRS(I) 9. This includes the appropriateness of historical loss rate determined and adjusted for applicable forward looking information. We found the judgement and estimation used by management in determining the credit losses on trade receivables to be supportable based on available evidence. We also found that the disclosures provided in the financial statements as disclosed in Notes 3(a) and 30(b) to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Maurice Loh Seow Wee.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants Singapore,

25 March 2020

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		$'000	$'000
Sales	4	**448,207**	455,593
Cost of sales	5	**(352,228)**	(358,139)
Gross profit		**95,979**	97,454
Other gains – net	4	**5,686**	9,232
Credit loss allowance on trade receivables		**(937)**	(1,706)
Expenses			
– Distribution	5	**(39,048)**	(39,881)
– Administrative	5	**(44,410)**	(45,830)
– Finance	6	**(4,047)**	(3,472)
Share of profit of an associated company		**2,998**	2,222
Profit before income tax		**16,221**	18,019
Income tax expense	8	**(3,457)**	(3,741)
Net profit		**12,764**	14,278
Profit attributable to:			
Equity holders of the Company		**12,956**	13,725
Non-controlling interests		**(192)**	553
		12,764	14,278
Earnings per share attributable to the equity holders of the Company			
– Basic	9	**4.43 cents**	4.70 cents
– Diluted	9	**4.43 cents**	4.70 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019	2018
	$'000	$'000
Profit for the year	**12,764**	14,278
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**(3,202)**	(4,086)
– Reclassification of currency translation differences arising on liquidation of subsidiaries	**–**	(99)
	(3,202)	(4,185)
Items that will not be reclassified subsequently to profit or loss:		
– Currency translation differences	**(398)**	(649)
Total comprehensive income for the year	**9,164**	9,444
Total comprehensive income to:		
Equity holders of the Company	**9,754**	9,540
Non-controlling interests	**(590)**	(96)
	9,164	9,444

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

BALANCE SHEETS
– GROUP AND COMPANY

AS AT 31 DECEMBER 2019

	Note	The Group 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	**56,392**	51,102	**5,700**	4,430
Trade and other receivables	11	**83,554**	100,800	**29,851**	34,855
Inventories	12	**119,742**	119,992	**–**	–
Derivative financial instruments	13	**6**	115	**–**	–
		259,694	272,009	**35,551**	39,285
Non-current assets					
Transferable club memberships		**65**	172	**–**	–
Investment in an associated company	14	**19,619**	18,629	**–**	–
Investments in subsidiaries	15	**–**	–	**100,325**	100,325
Property, plant and equipment	16	**73,499**	84,999	**2**	20
Right-of-use assets	17(a)	**27,569**	–	**–**	–
Investment property	19	**9,607**	10,334	**–**	–
Intangible assets	20	**3,961**	4,445	**–**	–
Deferred income tax assets	8(c)	**4,558**	3,380	**–**	–
		138,878	121,959	**100,327**	100,345
Total assets		**398,572**	393,968	**135,878**	139,630
LIABILITIES					
Current liabilities					
Trade and other payables	22	**34,305**	43,427	**1,368**	1,407
Current income tax liabilities	8(b)	**1,596**	709	**–**	159
Borrowings	23	**66,919**	75,362	**–**	–
Lease liabilities	17(b)	**5,456**	–	**–**	–
		108,276	119,498	**1,368**	1,566
Non-current liabilities					
Borrowings	23	**3,797**	8,145	**–**	–
Lease liabilities	17(b)	**18,715**	–	**–**	–
Deferred income tax liabilities	8(c)	**1,761**	2,149	**–**	–
Other non-current liabilities		**160**	57	**–**	–
		24,433	10,351	**–**	–
Total liabilities		**132,709**	129,849	**1,368**	1,566
NET ASSETS		**265,863**	264,119	**134,510**	138,064
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	**77,001**	77,001	**77,001**	77,001
Other reserves	26	**(3,328)**	(210)	**–**	–
Retained profits	27	**182,152**	176,149	**57,509**	61,063
		255,825	252,940	**134,510**	138,064
Non-controlling interests		**10,038**	11,179	**–**	–
Total equity		**265,863**	264,119	**134,510**	138,064

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital	Other reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
		← Attributable to equity holders of the Company			→		
		$'000	$'000	$'000	$'000	$'000	$'000
2019							
Beginning of financial year		**77,001**	**(210)**	**176,149**	**252,940**	**11,179**	**264,119**
Profit for the year		–	–	12,956	12,956	(192)	12,764
Other comprehensive loss for the year		–	(3,202)	–	(3,202)	(398)	(3,600)
Total comprehensive (loss)/income for the year		**–**	**(3,202)**	**12,956**	**9,754**	**(590)**	**9,164**
Dividends relating to 2018 paid	28	–	–	(6,869)	(6,869)	(551)	(7,420)
Transfer from retained profits to other reserves	26(b)(i)	–	84	(84)	–	–	–
End of financial year		**77,001**	**(3,328)**	**182,152**	**255,825**	**10,038**	**265,863**
2018							
Beginning of financial year		**77,001**	**3,836**	**167,338**	**248,175**	**12,632**	**260,807**
Effects on adoption of SFRS(I) 9		–	–	(391)	(391)	–	(391)
		77,001	**3,836**	**166,947**	**247,784**	**12,632**	**260,416**
Profit for the year		–	–	13,725	13,725	553	14,278
Other comprehensive loss for the year		–	(4,185)	–	(4,185)	(649)	(4,834)
Total comprehensive (loss)/income for the year		**–**	**(4,185)**	**13,725**	**9,540**	**(96)**	**9,444**
Liquidation of subsidiaries		–	–	–	–	(193)	(193)
Dividends relating to 2017 paid	28	–	–	(4,384)	(4,384)	(1,164)	(5,548)
Transfer from retained profits to other reserves	26(b)(i)	–	139	(139)	–	–	–
End of financial year		**77,001**	**(210)**	**176,149**	**252,940**	**11,179**	**264,119**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		$'000	$'000
Cash flows from operating activities			
Net profit		**12,764**	14,278
Adjustments for:			
– Income tax expense		**3,457**	3,741
– Depreciation of property, plant and equipment and investment property		**11,108**	10,240
– Depreciation of right-of-use assets		**6,223**	–
– Amortisation of intangible assets		**475**	478
– Gain on disposal of property, plant and equipment		**(23)**	(62)
– Gain on disposal of non-current assets held for sale		**–**	(3,075)
– Interest expense		**4,047**	3,472
– Interest income		**(340)**	(455)
– Share of profit of an associated company		**(2,998)**	(2,222)
– Fair value loss on derivative financial instruments		**109**	–
– Provision for diminution of club membership		**107**	–
– Unrealised currency translation differences		**(495)**	(327)
Operating cash flow before working capital changes		**34,434**	26,068
Changes in working capital			
– Inventories		**(853)**	(11,253)
– Trade and other receivables		**16,731**	(2,561)
– Trade and other payables		**(8,687)**	7,573
Cash generated from operations		**41,625**	19,827
Interest received		**340**	455
Income tax paid		**(4,119)**	(5,114)
Net cash provided by operating activities		**37,846**	15,168
Cash flows from investing activities			
Dividends received from an associated company		**1,130**	1,005
Proceeds from sale of property, plant and equipment		**1,115**	454
Proceeds from sale of non-current assets held for sale		**–**	3,986
Purchase of property, plant and equipment		**(4,928)**	(13,936)
Purchase of transferable club membership		**–**	(134)
Purchase of intangible assets		**(2)**	(53)
Net cash used in investing activities		**(2,685)**	(8,678)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		$'000	$'000
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(6,869)**	(4,384)
Dividends paid to non-controlling interest		**(551)**	(1,164)
Interest paid		**(4,047)**	(3,472)
Proceeds from borrowings		**7,042**	21,226
Repayments of borrowings		**(20,549)**	(21,395)
Principal payment of lease liabilities		**(5,657)**	(29)
Net cash used in financing activities		**(30,631)**	(9,218)
Net increase/(decrease) in cash and cash equivalents		**4,530**	(2,728)
Cash and cash equivalents at beginning of the financial year		**50,820**	53,995
Effects of currency translation on cash and cash equivalents		**(535)**	(447)
Cash and cash equivalents at end of the financial year	10	**54,815**	50,820

Reconciliation of liabilities arising from financing activities

	Opening balance $'000	Proceeds, principal and interest payments $'000	Non-cash changes $'000 Adoption of SFRS(I) 16	Addition during the year	Interest expense	Foreign exchange movement	Closing balance $'000
2019							
Bank borrowings	83,412	(15,204)	–	–	2,993	(485)	70,716
Lease liabilities	95	(6,711)	29,088	940	1,054	(295)	24,171
2018							
Bank borrowings	85,288	(3,762)	–	–	3,467	(1,581)	83,412
Finance lease liabilities	88	1	–	–	5	1	95

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 15 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) 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 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") 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 SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases.

Adoption of SFRS(I) 16 *Leases*

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.16.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 *Leases* (continued)

(a) When the Group is the lessee (continued)

ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and

e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	$'000
Operating lease commitment disclosed as at 31 December 2018	35,159
Less: Short-term leases	(6)
Less: Discounting effect using weighted average incremental borrowing rate of 4.22%	(6,065)
Add: Finance lease liabilities recognised as at 31 December 2018	95
Lease liabilities recognised as at 1 January 2019	29,183

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

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

Sales are recognised at the point when control of the products has transferred to its customer, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the acceptance provisions have lapsed. For bill-and-hold arrangements, the customer does not exercise its right to take physical possession of the products. However, control of these products is transferred to the customer as long as this arrangement is requested by the customer; the customer has the ability to direct the use of the products upon request; and these products are uniquely identified and separated from the Group's other inventory items in the warehouse.

Goods may be sold with retrospective volume discounts. Revenue from these sales are considered variable considerations and are recognised based on the price specified in the contract, net of the estimated highly probable volume discounts. No element of financing is deemed present as the sales are made with credit term principally ranging from 30-90 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products are under the standard warranty terms.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

Contract liabilities are recognised for advance collections from customers. Revenue is recognised in relation to these contract liabilities when the performance obligation as mentioned above has been satisfied.

(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, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(a) ***Subsidiaries*** (continued)

(i) *Consolidation* (continued)

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.

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

(ii) *Acquisitions*

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 any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at 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 identifiable net 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 is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(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 earnings if required by a specific Standard.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(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.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on associated companies represents the excess of the cost of acquisition of the associated company 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

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. 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. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 or over the lease term, whichever is shorter
Office equipment, plant and machinery	2 to 10 years
Motor vehicles	3 to 7 years
Renovation	5 to 10 years or over the lease term, whichever is shorter
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 date. 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”.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

(a) Goodwill on acquisitions

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

Goodwill on associated company is included in the carrying amount of the investment.

Gains and losses on the disposal of subsidiaries and associated company include the carrying amount of goodwill relating to the entity sold.

(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

Acquired computer software is 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 is 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 computer software are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Borrowing costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment property

Investment property comprise building and right-of-use asset relating to leasehold land that are held for long-term rental yields and/or capital appreciation.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives of 40 to 50 years. The residual values, useful lives and depreciation method of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.8 Investments in subsidiaries and associated company

Investments in subsidiaries and associated company 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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets (continued)

(b) Intangible assets
Property, plant and equipment
Right-of-use assets
Investment property
Investments in subsidiaries and associated company

Intangible assets, property, plant and equipment, right-of-use assets, investment property and investments in subsidiaries and associated company 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.

2.10 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement category:

- Amortised cost

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(a) ***Classification and measurement*** (continued)

At subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) ***Impairment***

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and lease receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11 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. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected credit loss computed using the impairment methodology under SFRS(I) 9.

2.12 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, in which case they are presented as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 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 based on market conditions that are 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.

2.16 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

(i) When the Group is the lessee:

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

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (continued)

(a) The accounting policy for leases before 1 January 2019 are as follows: (continued)

(i) When the Group is the lessee: (continued)

- 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.

(ii) When the Group is the lessor:

The Group leases buggies under property, plant and equipment and land and building under investment property as operating leases to non-related parties.

Operating leases are where the Group retains substantially all risks and rewards incidental to ownership. 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.

(b) The accounting policy for leases from 1 January 2019 are as follows:

(i) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(i) When the Group is the lessee: (continued)

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments include the following:

  – Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
  – Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
  – Amount expected to be payable under residual value guarantees
  – The exercise price of a purchase option if is reasonably certain to exercise the option; and
  – Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  – There is a change in future lease payments arising from changes in an index or rate;
  – There is a change in the Group's assessment of whether it will exercise an extension option; or
  – There is modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term leases

  The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. Details of the variable lease payments are disclosed in Note 17.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(ii) *When the Group is the lessor:*

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

2.17 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.

2.18 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 substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 company, 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 substantively enacted by the balance sheet date; and

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

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

The Group accounts 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 it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

Provisions for restructuring costs and legal claims 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Changes in the estimated timing or amount of the expenditure are recognised in profit or loss when the changes arise.

2.20 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 the 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.

(c) Other long term benefits

The measurement of these benefits follow that of post-employment defined benefits except that remeasurement are not recognised in other comprehensive income.

(d) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 (Note 2.19) and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 Dollar, 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.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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

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.

(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 currency 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 with loss of control of the foreign operation.

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.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 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.

2.25 Dividends to Company's shareholders

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

2.26 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 or 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.

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) Impairment of trade receivables

As at 31 December 2019, the Group's trade receivables amounted to $75,897,000 (Note 11), arising from the Group's different revenue segments – Distribution and Manufacturing. The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, customers are grouped based on shared credit risk characteristics.

In calculating the expected credit losses, estimation uncertainty is involved as the credit loss rates are determined based on combination of historical loss experience, adjusted, where necessary, for current and forward looking macroeconomic factors, which involves judgements.

A credit loss allowance of $4,533,000 for trade receivables was recognised as at 31 December 2019.

The Group's and the Company's credit risk exposure for trade receivables by different revenue segment are set out in Note 30(b).

If the estimated loss rate for each age category were to increase by 0.5%, an additional credit loss allowance of $364,000 would have been recognised.

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

(b) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The carrying amounts of the Group's goodwill balances are disclosed in Note 20.

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 and assumptions (Note 20). Reasonably possible changes in those estimates at the balance sheet date do not result in any impairment of the goodwill.

(c) Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management has estimated the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

The Group has open tax assessments with tax authorities at the balance sheet date. As management believe that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions.

4. REVENUE AND OTHER GAINS

	Group	
	2019	2018
	$'000	$'000
At a point in time		
Sale of goods		
– Automotive and industrial products (Distribution)		
North-east Asia	**35,100**	35,632
ASEAN	**151,729**	145,911
Oceania	**120,874**	130,304
Other	**18,110**	20,411
	325,813	332,258
– Alloy wheels (Manufacturing)		
North-east Asia	**65,360**	63,136
ASEAN	**57,034**	60,199
	122,394	123,335
Total sales	**448,207**	455,593

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE AND OTHER GAINS (CONTINUED)

	Group	
	2019	2018
	$'000	$'000
Other gains:		
– Rental income	**3,666**	3,760
– Interest income from banks	**340**	455
– Gain on disposal of property, plant and equipment	**23**	62
– Gain on disposal of non-current assets held for sale	**–**	3,075
– Fair value loss on derivative financial instruments (Note 13)	**(109)**	–
– Other	**1,766**	1,880
Total other gains	**5,686**	9,232

5. EXPENSES BY NATURE

	Group	
	2019	2018
	$'000	$'000
Amortisation of intangible assets [Note 20(b),(c)]	**475**	478
Depreciation of property, plant and equipment (Note 16)	**10,710**	9,828
Depreciation of investment property (Note 19)	**398**	412
Depreciation of right-of-use assets [Note 17(a)]	**6,223**	–
Changes in inventories of raw materials, work-in-progress and finished goods	**(250)**	8,271
Purchases of raw materials, finished goods and consumables	**328,344**	325,405
Write-down of inventories	**1,254**	1,780
Transportation and travelling	**3,974**	4,408
Advertising and promotion	**3,954**	3,620
Commission charges	**3,590**	3,713
Employee compensation (Note 7)	**53,653**	56,606
Directors' fees	**253**	271
Repair and maintenance	**1,359**	1,516
Rental on leases for premises [Note 17(d)]	**358**	6,831
Research expense	**2,009**	2,333
Currency translation gain – net	**(235)**	(214)
Others	**19,617**	18,592
Total cost of sales, distribution and administrative expenses	**435,686**	443,850

6. FINANCE EXPENSES

	Group	
	2019	2018
	$'000	$'000
Interest expense:		
– Bank loans	**2,260**	2,703
– Bank overdrafts	**47**	28
– Trust receipts	**686**	736
– Lease liabilities/Finance lease liabilities	**1,054**	5
	4,047	3,472

7. EMPLOYEE COMPENSATION

	Group	
	2019	2018
	$'000	$'000
Wages and salaries	**50,002**	51,314
Other long-term benefits	**42**	58
Employer's contribution to defined contribution plans including Central Provident Fund	**3,609**	5,234
	53,653	56,606

8. INCOME TAX

(a) Income tax expense

	Group	
	2019	2018
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**520**	–
– Foreign	**4,451**	3,562
	4,971	3,562
Deferred income tax [Note 8(c)]	**(1,380)**	367
	3,591	3,929
Under/(over) provision in previous financial years		
– Current income tax	**87**	(183)
– Deferred income tax [Note 8(c)]	**(221)**	(5)
	3,457	3,741

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	
	2019	2018
	$'000	$'000
Profit before income tax	**16,221**	18,019
Less:		
Share of profit of an associated company, net of tax	**(2,998)**	(2,222)
Profit before tax and share of profit of an associated company	**13,223**	15,797
Tax calculated at a tax rate of 17% (2018: 17%)	**2,248**	2,685
Effects of:		
– Singapore statutory stepped income exemption	**(45)**	(24)
– Effects of different tax rates in other countries	**932**	1,361
– Withholding tax	**128**	125
– Expenses not deductible for tax purposes	**727**	677
– Income not subject to tax	**(192)**	(571)
– Tax incentive	**(156)**	(399)
– Tax losses for which no deferred income tax asset was recognised	**1,123**	622
– Utilisation of previously unrecognised tax losses	**(1,161)**	(658)
– Deferred tax liability on an associated company's unremitted profits	**89**	68
– Overprovision of income tax in prior years	**(134)**	(188)
– Others	**(102)**	43
Tax charge	**3,457**	3,741

(b) *Current income taxes*

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Tax recoverable assets (Note 11)	**(492)**	(527)	**–**	–
Current income tax liabilities	**1,596**	709	**–**	159

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	
	2019	2018
	$'000	$'000
Deferred income tax assets	**(4,558)**	(3,380)
Deferred income tax liabilities	**1,761**	2,149

Movement in deferred income tax account is as follows:

	Group	
	2019	2018
	$'000	$'000
Beginning of financial year	**(1,231)**	(1,743)
Currency translation differences	**35**	150
(Credited)/charged to income statement [Note 8(a)]	**(1,601)**	362
End of financial year	**(2,797)**	(1,231)

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	
	2019	2018
	$'000	$'000
Beginning of financial year	**2,149**	2,500
Currency translation differences	**(11)**	(13)
Credited to income statement	**(377)**	(338)
End of financial year	**1,761**	2,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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: (continued)

Group

Deferred income tax assets

	Provisions	**Excess of tax written-down value over net book value**	**Taxes deferred for non-current assets held for sale**	**Other**	**Total**
	$'000	$'000	$'000	$'000	$'000
2019					
Beginning of financial year	**(2,683)**	**(398)**	**–**	**(299)**	**(3,380)**
Currency translation differences	**23**	**42**	**–**	**(19)**	**46**
Charged/(credited) to income statement	**41**	**(4)**	**–**	**(1,261)**	**(1,224)**
End of financial year	**(2,619)**	**(360)**	**–**	**(1,579)**	**(4,558)**
2018					
Beginning of financial year	(2,627)	(501)	(960)	(155)	(4,243)
Currency translation differences	73	37	–	53	163
(Credited)/charged to income statement	(129)	66	960	(197)	700
End of financial year	(2,683)	(398)	–	(299)	(3,380)

The Group has unrecognised tax losses of $28,232,000 (2018: $37,547,000) 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 amounts of $19,550,000 (2018: $31,388,000) which will expire between 2020 to 2024 (2018: 2019 to 2023).

The cumulative retained earnings of $32,067,000 (2018: $30,533,000) for which deferred tax liabilities arising on temporary differences associated with overseas investments in subsidiaries have not been recognised as there are no current intention of remitting the retained earnings of these subsidiaries to the holding company in the foreseeable future.

(d) There is no tax charge 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	
	2019	2018
Net profit attributable to equity holders of the Company ($'000)	**12,956**	13,725
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**292,296**	292,296
Basic earnings per share	**4.43 cents**	4.70 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	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**49,541**	42,782	**5,700**	4,430
Short-term bank deposits	**6,851**	8,320	**–**	–
	56,392	51,102	**5,700**	4,430

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

	Group	
	2019	2018
	$'000	$'000
Cash and bank balances (as above)	**56,392**	51,102
Less: Bank overdrafts (Note 23)	**(1,577)**	(282)
Cash and cash equivalents per consolidated statement of cash flows	**54,815**	50,820

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade receivables				
– Non-related parties	**74,305**	88,561	**–**	–
– An associated company	**1,592**	1,135	**–**	–
	75,897	89,696	**–**	–
Less: Credit loss allowance	**(4,533)**	(4,105)	**–**	–
Trade receivables – net	**71,364**	85,591	**–**	–
Due from subsidiaries (non-trade) [Note (a)]	**–**	–	**29,829**	34,831
Deposits	**1,352**	2,434	**–**	–
Prepayments	**7,092**	6,331	**10**	8
Lease receivables	**840**	868	**–**	–
Other receivables	**2,414**	5,049	**12**	16
Tax recoverable assets [Note 8(b)]	**492**	527	**–**	–
Total	**83,554**	100,800	**29,851**	34,855

Trade receivables as at 1 January 2018 amounted to $84,982,000, net of credit loss of $2,562,000.

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

12. INVENTORIES

	Group	
	2019	2018
	$'000	$'000
Materials and supplies	**11,490**	11,643
Work-in-progress	**4,677**	6,505
Finished goods	**103,575**	101,844
	119,742	119,992

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $328,094,000 (2018: $333,676,000).

The Group has written down inventories amounting to $1,254,000 (2018: $1,780,000) and the amount has been included in "cost of sales".

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	Contract notional amount	Fair value	
		Asset	Liability
	$'000	$'000	$'000
2019			
Non-hedging instruments			
– Currency forwards	**3,429**	**6**	**–**
Less: Current portion		**(6)**	**–**
Non-current portion		**–**	**–**
2018			
Non-hedging instruments			
– Currency forwards	8,694	115	–
Less: Current portion		(115)	–
Non-current portion		–	–

The currency forwards are derivative financial instruments which are marked-to-market at each balance sheet date.

14. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2019	2018
	$'000	$'000
Carrying value of Group's investment in an associated company	**19,619**	18,629

Set out below is the associated company of the Group as at 31 December 2019, 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 and the country of incorporation is also their principal place of business.

Name	Principal activities	Country of business/ incorporation	Effective equity holding	
			2019	2018
			%	%
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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

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

Summarised balance sheet

	2019	2018
	$'000	$'000
Current assets	**60,053**	56,031
Current liabilities	**(26,575)**	(24,097)
Non-current assets	**29,155**	28,586
Non-current liabilities	**(7,384)**	(8,059)
Net assets	**55,249**	52,461

Summarised statement of comprehensive income

	2019	2018
	$'000	$'000
Revenue	**87,415**	86,967
Expenses		
Includes:		
– Depreciation and amortisation	**(3,874)**	(3,843)
– Interest expense	**(146)**	(147)
Profit before income tax	**8,939**	8,622
Income tax expense	**(496)**	(2,365)
Profit for the year and total comprehensive income	**8,443**	6,257
Dividends received from an associated company	**1,130**	1,005

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

14. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associated company, is as follows:

	2019	2018
	$'000	$'000
Net assets		
Beginning of financial year	**52,461**	50,397
Profit for the year	**8,443**	6,257
Dividends paid during the year	**(3,182)**	(2,831)
Foreign exchange differences	**(2,473)**	(1,362)
End of financial year	**55,249**	52,461
Interest in an associated company	**19,619**	18,629
Carrying value of Group's investment in an associated company	**19,619**	18,629

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Equity investment at cost		
Beginning and end of financial year	**100,325**	100,325

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has the following subsidiaries as at 31 December 2019 and 2018:

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	
			2019	2018	**2019**	2018	**2019**	2018
			%	%	**%**	%	**%**	%
Held by the Company:								
(a) YHI Manufacturing (Singapore) Pte Ltd	Investment holding, import and export 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 and trading of batteries	Hong Kong	**100**	100	**100**	100	**–**	–
(c) YHI (Hong Kong) Co., Limited	Trading of tyres, alloy wheels and batteries	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
(g) YHI Power Pty Limited	Importer and distributor of industrial batteries	Australia	**85**	85	**85**	85	**15**	15
(a) YHI Logistics (Singapore) Pte Ltd*	Investment holding and value-added logistics provider	Singapore	**100**	100	**100**	100	**–**	–

15. 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	
			2019	2018	**2019**	2018	**2019**	2018
			%	%	**%**	%	**%**	%
Held by the subsidiaries:								
(h) YHI Manufacturing (Shanghai) Co., Ltd	Rental of investment property	People's Republic of China	**–**	–	**100**	100	**–**	–
(h) YHI Precision Moulding (Shanghai) Co., Ltd*	Manufacturing and supply of alloy wheels moulds	People's Republic of China	**–**	–	**100**	100	**–**	–
(h), (i) 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	**–**	–
(l) 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 (Thailand) Co., Ltd	Distribution of tyres, alloy wheels and related goods	Thailand	**–**	–	**49**	49	**51**	51
(b) Evo-Trend Corporation (Malaysia) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Malaysia	**–**	–	**70**	70	**30**	30

15. 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	
			2019	2018	**2019**	2018	**2019**	2018
			%	%	**%**	%	**%**	%
Held by the subsidiaries (continued):								
(k) YHI Corporation (Guangzhou) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**–**	–	**100**	100	**–**	–
(m) Advanti Racing USA, LLC	Wholesale distribution of automotive parts, tyres and accessories	United States of America	**–**	–	**86**	86	**14**	14
(n) PT YHI Indonesia	Distribution of tyres, alloy wheels and related goods	Indonesia	**–**	–	**90**	90	**10**	10
(o) YHI Corporation (B) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Negara Brunei Darussalam	**–**	–	**100**	100	**–**	–
(h) YHI Corporation (Shanghai) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**–**	–	**90**	90	**10**	10
(b) YHI (East Malaysia) Sdn Bhd	Trading of tyres, rims and all kinds of auto spare parts	Malaysia	**–**	–	**80**	80	**20**	20
(b) YHI Power (Malaysia) Sdn Bhd	Trading of batteries, golf carts and all kinds of auto spare parts	Malaysia	**–**	–	**100**	100	**–**	–

15. 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	
			2019	2018	**2019**	2018	**2019**	2018
			%	%	**%**	%	**%**	%
Held by the subsidiaries (continued):								
(h) 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	**–**	–
(m) YHI Corporation (Beijing) Co., Ltd**	Distribution of alloy wheels and related goods	People's Republic of China	**–**	–	**–**	100	**–**	–
(p) YHI (Vietnam) Co., Ltd	Distribution of tyres, alloy wheels and related goods	Vietnam	**–**	–	**90**	85	**10**	15
(q) YHI (Philippines) Inc.	Distribution of tyres, alloy wheels and related goods	Philippines	**–**	–	**100**	100	**–**	–
(b) YHI Logistics (Malaysia) Sdn Bhd*	Value-added logistics provider	Malaysia	**–**	–	**94**	94	**6**	6
(r) YHI Aung (Myanmar) Company Limited	Consultancy services, technology related services and marketing services	Myanmar	**–**	–	**51**	51	**49**	49
(m) YHI Distribution (Taiwan) Co., Ltd	Importer and distributor of tyres	Taiwan	**–**	–	**80**	–	**20**	–

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(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 Littlewoods Chartered Accountant, Australia

(f) Audited by PricewaterhouseCoopers, New Zealand

(g) Audited by Lamb Lowe & Partners, Australia

(h) Audited by Shanghai Weizhong Yongguang Certified Public Accountants Co., Ltd

(i) Audited by PricewaterhouseCoopers network firms outside Singapore for the purposes of preparation of consolidated financial statements

(j) YHI Corporation (Thailand) Co Ltd (“YHIT”) is regarded as a subsidiary on the basis of majority representation on the board of directors of YHIT (i.e. de-facto control). Hence, the Group has power over the subsidiary, exposure to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect its returns. This subsidiary is audited by Adisorn & Associates Ltd, Thailand

(k) 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

(l) Audited by Moss-Levy Hartzheim, LLP CAP’s, United States of America

(m) Not required to be audited under laws of the country of incorporation

(n) Audited by Krisnawan Nugroho & Fahmy

(o) Audited by Lee & Raman (CPA), Brunei Darussalam

(p) Audited by Tin Viet Auditing and Consulting Company Limited

(q) Audited by Morfe, Ceneta & Co., Certified Public Accountants, Philippines

(r) Audited by Authentic International Advisory (AIA) Co., Ltd, Yangon

* Dormant

** During the financial year, the Group liquidated its interest in the entity.

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.

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Carrying value of non-controlling interests

	2019	2018
	$'000	$'000
YHI (Australia) Pty Limited	**4,109**	4,888
YHI (New Zealand) Limited	**4,297**	4,208
Evo-Trend Corporation (Malaysia) Sdn Bhd	**1,872**	1,983
Other subsidiaries with immaterial non-controlling interests	**(240)**	100
	10,038	11,179

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 2019 and 2018.

Summarised balance sheet

	YHI (New Zealand) Limited		**YHI (Australia) Pty Limited**		**Evo-Trend Corporation (Malaysia) Sdn Bhd**	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current						
Assets	**29,278**	25,915	**23,554**	26,557	**4,866**	5,238
Liabilities	**(17,802)**	(13,565)	**(5,582)**	(4,522)	**(550)**	(405)
Total current net assets	**11,476**	12,350	**17,972**	22,035	**4,316**	4,833
Non-current						
Assets	**5,382**	1,676	**9,306**	2,461	**2,202**	1,798
Liabilities	**(2,535)**	–	**(6,731)**	(54)	**(279)**	(20)
Total non-current net assets	**2,847**	1,676	**2,575**	2,407	**1,923**	1,778
Net assets	**14,323**	14,026	**20,547**	24,442	**6,239**	6,611

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised income statement

	YHI (New Zealand) Limited		YHI (Australia) Pty Limited		Evo-Trend Corporation (Malaysia) Sdn Bhd	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**47,036**	48,028	**34,601**	43,164	**8,437**	7,722
Profit/(loss) before income tax	**1,854**	2,290	**(2,627)**	1,677	**692**	833
Income tax expense	**(529)**	(649)	**(823)**	(503)	**(154)**	(227)
Profit/(loss) for the year and total comprehensive income	**1,325**	1,641	**(3,450)**	1,174	**538**	606
Total comprehensive income/(loss) allocated to non-controlling interests	**398**	492	**(690)**	235	**161**	182
Dividends paid to non-controlling interests	**265**	375	**–**	504	**269**	300

Summarised cash flows

	YHI (New Zealand) Limited		YHI (Australia) Pty Limited		Evo-Trend Corporation (Malaysia) Sdn Bhd	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities						
Cash generated from operations	**2,476**	1,297	**2,275**	3,148	**1,919**	437
Interest (paid)/received	**(562)**	(333)	**(448)**	(25)	**(10)**	46
Income tax (paid)/refund	**(398)**	(1,026)	**37**	(569)	**(171)**	(275)
Net cash generated from/(used in) operating activities	**1,516**	(62)	**1,864**	2,554	**1,738**	208
Net cash (used in)/generated from investing activities	**(169)**	(491)	**179**	4,301	**–**	(1,585)
Net cash (used in)/generated from financing activities	**(1,826)**	1,522	**(3,165)**	(5,947)	**(1,107)**	(984)
Net (decrease)/increase in cash and cash equivalents	**(479)**	969	**(1,122)**	908	**631**	(2,361)
Cash and cash equivalents at beginning of year	**1,448**	495	**3,435**	2,739	**1,381**	3,737
Exchange (losses)/gains on cash and cash equivalents	**(14)**	(16)	**(65)**	(212)	**(2)**	5
Cash and cash equivalents at end of year	**955**	1,448	**2,248**	3,435	**2,010**	1,381

16. 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										
2019										
Cost										
Beginning of financial year	9,201	1,825	60,773	107,907	7,474	1,502	3,374	1,588	47	193,691
Currency translation differences	(21)	(3)	(546)	(2,084)	(66)	(7)	(70)	(10)	2	(2,805)
Additions	–	–	38	1,885	535	85	168	285	1,932	4,928
Disposals	–	–	–	(1,027)	(191)	(5)	(130)	(253)	(559)	(2,165)
Reclassified to right-of-use assets (Note 17)	–	–	(5,280)	–	(90)	–	–	–	–	(5,370)
End of financial year	9,180	1,822	54,985	106,681	7,662	1,575	3,342	1,610	1,422	188,279
Accumulated depreciation and impairment loss										
Beginning of financial year	–	38	13,585	85,409	4,897	905	2,742	1,116	–	108,692
Currency translation differences	–	1	(305)	(1,836)	(41)	(3)	(53)	(7)	–	(2,244)
Depreciation	–	19	2,006	7,169	899	122	345	150	–	10,710
Disposals	–	–	–	(798)	(160)	–	(112)	(3)	–	(1,073)
Reclassified to right-of-use assets (Note 17)	–	–	(1,278)	–	(27)	–	–	–	–	(1,305)
End of financial year	–	58	14,008	89,944	5,568	1,024	2,922	1,256	–	114,780
Net book value										
End of financial year	**9,180**	**1,764**	**40,977**	**16,737**	**2,094**	**551**	**420**	**354**	**1,422**	**73,499**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings on freehold land	Leasehold properties	Office equipment, plant and machinery	Motor vehicles	Renovation	Computers	Furniture and fittings	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
2018										
Cost										
Beginning of financial year	2,099	2,091	60,914	105,507	7,964	1,487	3,373	1,456	85	184,976
Currency translation differences	–	3	(389)	(1,781)	(277)	(20)	(88)	(20)	(1)	(2,573)
Additions	7,102	–	248	4,963	811	98	324	245	145	13,936
Disposals	–	–	–	(840)	(1,024)	(5)	(247)	(151)	(112)	(2,379)
Reclassification	–	–	–	58	–	(58)	12	58	(70)	–
Reclassified to non-current assets held for sale (Note 21)	–	(269)	–	–	–	–	–	–	–	(269)
End of financial year	9,201	1,825	60,773	107,907	7,474	1,502	3,374	1,588	47	193,691
Accumulated depreciation and impairment loss										
Beginning of financial year	–	82	11,854	81,200	4,912	857	2,676	1,093	–	102,674
Currency translation differences	–	1	(47)	(1,438)	(167)	(7)	(80)	(15)	–	(1,753)
Depreciation	–	25	1,778	6,376	1,029	58	375	187	–	9,828
Disposals	–	–	–	(729)	(877)	(3)	(229)	(149)	–	(1,987)
Reclassified to non-current assets held for sale (Note 21)	–	(70)	–	–	–	–	–	–	–	(70)
End of financial year	–	38	13,585	85,409	4,897	905	2,742	1,116	–	108,692
Net book value										
End of financial year	**9,201**	**1,787**	**47,188**	**22,498**	**2,577**	**597**	**632**	**472**	**47**	**84,999**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicle	
	2019	2018
	$'000	$'000
Company		
Cost		
Beginning of financial year	**352**	350
Addition	**–**	2
End of financial year	**352**	352
Accumulated depreciation		
Beginning of financial year	**332**	262
Depreciation charge	**18**	70
End of financial year	**350**	332
Net book value		
End of financial year	**2**	20

(a) The carrying amounts of motor vehicles held under finance leases as at 31 December 2018 are $64,000.

(b) Bank borrowings (Note 23) are secured on property, plant and equipment of the Group with carrying amounts as follows:

	Group	
	2019	2018
	$'000	$'000
Freehold land	**506**	507
Buildings on freehold land	**437**	459
Leasehold properties	**21,562**	22,684
Plant and machinery	**360**	2,018
Office equipment	**1,415**	1,600
	24,280	27,268

17. LEASES – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Buildings

The Group leases office space and warehouses for the purpose of back office operations and storage of inventory respectively.

Leasehold land

The Group makes annual lease payments for a leasehold land, which houses the Group's head office building and warehouse at 2 Pandan Road.

The Group has also made upfront payments to secure the right-of-use of various foreign leasehold land which houses some of the Group's manufacturing operations.

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17. LEASES – THE GROUP AS A LESSEE (CONTINUED)

Nature of the Group's leasing activities (continued)

Vehicles and equipment

The Group leases vehicles for delivery of goods and leases equipment (e.g. photocopiers) for Group's back office operations.

(a) Right-of-use assets

	Leasehold land	Buildings	Motor vehicles	Plant and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Group					
2019					
Cost					
Adoption of SFRS(I) 16	7,970	20,472	471	175	29,088
Reclassification from property, plant and equipment (Note 16)	5,280	–	90	–	5,370
Currency translation differences	7	(303)	(5)	(2)	(303)
Additions	–	629	287	24	940
End of financial year	13,257	20,798	843	197	35,095
Accumulated depreciation					
As at 1 January 2019	–	–	–	–	–
Reclassification from property, plant and equipment (Note 16)	1,278	–	27	–	1,305
Currency translation differences	4	(8)	2	–	(2)
Depreciation charge during the year (Note 5)	513	5,340	304	66	6,223
End of financial year	1,795	5,332	333	66	7,526
Net book value					
End of financial year	11,462	15,466	510	131	27,569

(b) Lease liabilities

	2019
	$'000
Current	**5,456**
Non-current	**18,715**
	24,171

(c) Interest expense

	2019
	$'000
Interest expense on lease liabilities	**1,054**

17. LEASES – THE GROUP AS A LESSEE (CONTINUED)

(d) Lease expense not capitalised in lease liabilities

	2019
	$'000
Lease expense - short-term leases	85
Variable lease payments which do not depend on an index or rate	273
Total (Note 5)	358

(e) Total cash outflow for all the leases in 2019 was $7,069,000.

(f) Future cash outflow which are not capitalised in lease liabilities

i. Variable lease payments

The leases for certain warehouses contain variable lease payments that are based on area occupied. Such variable lease payments are recognised to profit or loss when incurred and amounted to $273,000 [(Note 17(d)] for the financial year ended 31 December 2019.

ii. Extension options

The leases for certain office spaces and warehouses contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The majority of the extension options are exercisable by the Group and not by the lessor.

As at 31 December 2019, potential future (undiscounted) cash outflows of approximately $15,102,000 have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

18. LEASES – THE GROUP AS A LESSOR

Nature of the Group's leasing activities – Group as a lessor

The Group has leased out their owned buggies and investment property to third parties for monthly lease payments. These leases are classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment property is disclosed in Note 19.

The lease on the investment property includes fixed rate rental adjustment of 6% at every three years. Undiscounted lease payments from the leases of buggies and investment property to be received after the reporting date are as follows:

	31 December 2019	1 January 2019
	$'000	$'000
Less than one year	3,189	3,109
One to two years	3,155	2,974
Two to three years	3,045	3,024
Three to four years	3,011	3,022
Four to five years	3,099	3,109
Later than five years	7,933	11,395
Total undiscounted lease payment	23,432	26,633

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19. INVESTMENT PROPERTY

	Group	
	2019	2018
	$'000	$'000
Cost		
Beginning of financial year	**16,554**	16,973
Currency translation differences	**(537)**	(419)
End of financial year	**16,017**	16,554
Accumulated depreciation		
Beginning of financial year	**6,220**	5,962
Currency translation differences	**(208)**	(154)
Depreciation	**398**	412
End of financial year	**6,410**	6,220
Net book value		
End of financial year	**9,607**	10,334
Fair value		
End of financial year	**27,855**	28,710

The following amounts are recognised in profit or loss:

	Group	
	2019	2018
	$'000	$'000
Rental income	**2,799**	2,890
Direct operating expenses arising from:		
– Investment property that generate rental income	**(62)**	(53)

At the balance sheet date, the details of the Group's investment property is as follows:

Location	**Description**	**Tenure**
No 611 Shen Fu Road, Shanghai Zip Code 201108, PRC	Leasehold land and building	50 years lease from 14 June 1999

Fair value hierarchy

The fair value disclosed above are based on Level 3 derived based on sales comparison and replacement cost methods for land and building respectively.

Under sales comparison method, sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square metre.

The replacement cost method is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. The most significant input in this valuation approach is the Consumer Price Index.

20. INTANGIBLE ASSETS

Composition:

	Group 2019	2018
	$'000	$'000
Goodwill arising on consolidation [Note (a)]	**1,666**	1,668
Trademark [Note (b)]	**1,117**	1,178
Computer software [Note (c)]	**1,178**	1,599
	3,961	4,445

Amortisation expense is included in the "Administrative expenses" on the Consolidated Income Statement.

(a) Goodwill arising on consolidation

	Group 2019	2018
	$'000	$'000
Cost		
Beginning of financial year	**2,438**	2,443
Currency translation differences	**(2)**	(5)
End of financial year	**2,436**	2,438
Accumulated impairment		
Beginning and end of financial year	**770**	770
Net book value	**1,666**	1,668

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 and industrial products 2019	2018
	$'000	$'000
Singapore	**881**	881
Malaysia	**505**	505
China/Hong Kong	**59**	59
New Zealand	**221**	223
	1,666	1,668

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INTANGIBLE ASSETS (CONTINUED)

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 automotive business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	Distribution of automotive and industrial products			
	2019		2018	
	Singapore	**Malaysia**	Singapore	Malaysia
Terminal growth rate	**2.0%**	**2.0%**	2.5%	2.5%
Pre-tax discount rate	**9.6%**	**11.2%**	9.8%	11.2%

These assumptions were used for the analysis of each CGU within the business segment. Management determined average growth rates used were consistent with forecasts for the relevant countries' inflationary or gross domestic product growth rate. The discount rate used was pre-tax and reflected specific risks relating to the segment.

(b) Trademark

	Group	
	2019	2018
	$'000	$'000
Cost		
Beginning and end of financial year	**1,861**	1,861
Accumulated amortisation		
Beginning of financial year	**683**	621
Amortisation charge (Note 5)	**61**	62
End of financial year	**744**	683
Net book value	**1,117**	1,178

20. INTANGIBLE ASSETS (CONTINUED)

(c) Computer software

	Group	
	2019	2018
	$'000	$'000
Cost		
Beginning of financial year	**2,301**	2,300
Currency translation differences	**(6)**	(52)
Additions	**2**	53
End of financial year	**2,297**	2,301
Accumulated amortisation		
Beginning of financial year	**702**	299
Currency translation differences	**3**	(13)
Amortisation charge (Note 5)	**414**	416
End of financial year	**1,119**	702
Net book value	**1,178**	1,599

21. NON-CURRENT ASSETS HELD FOR SALE

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

	Group	
	2019	2018
	$'000	$'000
Freehold land and building		
Beginning of the year	**–**	712
Transferred from property, plant and equipment at carrying amount (Note 16)	**–**	199
Disposals	**–**	(911)
	–	–

A subsidiary had entered into a sale and purchase agreement for the sale of the Group's land and building in Wetherill Park, NSW, Australia on 5 December 2017. The sale was completed on 26 February 2018 above its carrying amount. The land and building are included in distribution segment (Note 33).

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22. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade payables to				
– Non-related parties	**15,392**	23,274	**–**	–
– An associated company	**25**	1	**–**	–
	15,417	23,275	**–**	–
Due to directors (non-trade) [Note (a)]	**804**	918	**804**	918
Accrued operating expenses	**7,279**	6,930	**549**	461
Provision for employees leave benefits [Note (b)]	**2,344**	2,313	**–**	–
Other payables	**7,910**	9,066	**15**	28
Contract liabilities [Note (c)]	**551**	925	**–**	–
	34,305	43,427	**1,368**	1,407

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

(b) The non-current portion of employees leave benefits amount to $160,000 (2018: $57,000).

(c) Revenue recognised in relation to contract liabilities

	2019	2018
	$'000	$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period	**925**	1,033

The contract liabilities relate to advance payments received from customers before the goods are delivered to them. Revenue will be recognised when the goods are delivered to the customers. Contract liabilities balance as at 1 January 2018 was $1,033,000.

The decrease in contract liabilities balances is mainly due to lesser contracts in which the Group billed and received consideration ahead of the delivery of products closer to end of the financial period.

23. BORROWINGS

	Group	
	2019	2018
	$'000	$'000
Current		
Current portion of long-term bank loans	**4,673**	6,321
Short-term bank loans	**33,031**	37,631
Trust receipt loans	**27,638**	31,092
Bank overdrafts (Note 10)	**1,577**	282
Finance lease liabilities (Note 24)	**–**	36
	66,919	75,362
Non-current		
Long-term bank loans	**3,797**	8,086
Finance lease liabilities (Note 24)	**–**	59
	3,797	8,145
Total borrowings	**70,716**	83,507

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

	Group	
	2019	2018
	$'000	$'000
1 year or less	**66,919**	75,362
1 – 5 years	**3,797**	8,145
	70,716	83,507

Security granted

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

(i) Borrowings of $Nil (2018: $1,413,000) are secured over a first legal charge on plant and machinery of certain subsidiaries [Note 16(b)];

(ii) Borrowings of $36,805,000 (2018: $38,639,000) are secured over a fixed and floating charge on all the assets of certain subsidiaries; and

(iii) Borrowings of $1,503,000 (2018: $4,065,000) are secured over banker's guarantees, up to $4.4 million (2018: $6.6 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 (ii) above.

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24. FINANCE LEASE LIABILITIES

As at 31 December 2018, the Group leases certain property, plant and equipment from non-related parties under finance leases.

Finance lease liabilities were reclassified to lease liability on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.1.

	Group
	2018
	$'000
Minimum lease payments due:	
– Not later than one year	49
– Between two and five years	55
	104
Less: Future finance charges	(9)
Present value of finance lease liabilities	95

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

	Group
	2018
	$'000
Not later than one year (Note 23)	36
Between one and five years (Note 23)	59
	95

25. SHARE CAPITAL

The share capital of the Company and the Group comprises fully paid-up 292,295,811 (2018: 292,295,811) ordinary shares with no par value, amounting to a total of $77,001,000 (2018: $77,001,000).

26. OTHER RESERVES

		Group	
		2019	2018
		$'000	$'000
(a)	Composition:		
	General reserve	**7,553**	7,463
	Currency translation reserve	**(8,671)**	(5,463)
	Transactions with non-controlling interests	**(2,210)**	(2,210)
		(3,328)	(210)

26. OTHER RESERVES (CONTINUED)

Other reserves are non-distributable.

			Group	
			2019	2018
			$'000	$'000
(b)	Movements:			
	(i)	***General reserve***		
		Beginning of financial year	**7,463**	7,177
		Currency translation differences	**6**	147
		Transfer from retained profits	**84**	139
		End of financial year	**7,553**	7,463
	(ii)	***Currency translation reserve***		
		Beginning of financial year	**(5,463)**	(1,131)
		Currency translation differences	**(3,208)**	(4,332)
		End of financial year	**(8,671)**	(5,463)
	(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.

Transactions with non-controlling interests

Transactions with non-controllling interests pertain to the differences between the consideration paid on acquisition of additional shareholdings and the reduction in carrying amount of the non-controlling interests.

27. RETAINED PROFITS

(a) Retained profits of the Group are distributable except for accumulated share of retained profits of associated company amounting to $11,659,000 (2018: $10,084,000). Retained profits of the Company are distributable.

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

	Company	
	2019	2018
	$'000	$'000
Beginning of financial year	**61,063**	61,309
Net profit	**3,315**	4,138
Dividends paid (Note 28)	**(6,869)**	(4,384)
End of financial year	**57,509**	61,063

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28. DIVIDENDS

	Group and Company	
	2019	2018
	$'000	$'000
Ordinary dividends paid or proposed		
Final exempt dividend paid in respect of the previous financial year of 2.35 cent (2018: 1.50 cent) per share	**6,869**	4,384

A final exempt dividend of 2.22 cent per share amounting to a total of $6,489,000 will be recommended at the forthcoming Annual General Meeting. 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 2020.

29. COMMITMENTS

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

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

As at 31 December 2018, 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
	$'000
Not later than one year	6,342
Between one and five years	16,088
Later than five years	12,729
	35,159

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 payment of $36,291. Since 1 October 2014, the 2 lots of lands are subject to annual revision based on market rate, capped at 10% increase for a 4 year period. Thereafter, the annual revision will be to market rate but the increase, if any, shall not exceed 5.5% of the land rent for each immediate preceding year.

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019.

29. COMMITMENTS (CONTINUED)

(b) Operating lease commitment – where the Group is a lessor

The Group leases out buggies and leasehold land and building at Shanghai factory under non-cancellable operating lease. The lease on land and building includes fixed rate rental adjustment of 6% at every three years.

As at 31 December 2018, the future minimum lease receivables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group
	$'000
Not later than one year	3,109
Between one and five years	12,129
Later than five years	11,395
	26,633

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 18.

30. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate 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, New Zealand, 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"), New Zealand Dollar ("NZD") and European Dollar ("EUR"). To manage the currency risk, individual Group entities enter into currency forwards, where appropriate. As at 31 December 2019, the Group entered into currency forwards to manage currency risk from its foreign currency denominated sales in respect of which firm commitment existed at the balance sheet date as well as purchases in foreign currencies. 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. 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:

	USD	RMB	AUD	MYR	NZD	EUR
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2019						
Financial assets						
Cash and cash equivalents	12,339	12,686	2,752	8,235	935	3,792
Trade and other receivables	10,875	9,664	12,143	5,220	6,709	3,892
Inter-company balances	15,664	14,449	1,267	18,394	248	–
	38,878	36,799	16,162	31,849	7,892	7,684
Financial liabilities						
Borrowings	4,767	2,536	5,257	3,669	9,480	9,033
Inter-company balances	15,664	14,449	1,267	18,394	248	–
Trade and other payables	6,874	5,634	3,320	3,289	3,686	319
Lease liabilities	1,630	–	10,979	1,010	4,003	–
	28,935	22,619	20,823	26,362	17,417	9,352
Net financial assets/ (liabilities)	9,943	14,180	(4,661)	5,487	(9,525)	(1,668)
Currency forwards	2,076	–	812	–	–	(540)
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	5,267	(12,661)	5,024	(5,118)	9,772	–
Currency exposure on financial assets/(liabilities)	**17,286**	**1,519**	**1,175**	**369**	**247**	**(2,208)**

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	USD	RMB	AUD	MYR	NZD	EUR
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2018						
Financial assets						
Cash and cash equivalents	13,387	7,639	4,017	8,969	1,430	2,923
Trade and other receivables	12,895	17,201	7,134	6,561	5,753	7,125
Inter-company balances	13,510	20,690	2,532	19,035	474	–
	39,792	45,530	13,683	34,565	7,657	10,048
Financial liabilities						
Borrowings	10,672	9,038	6,796	342	9,078	12,695
Inter-company balances	13,510	20,690	2,532	19,035	474	–
Trade and other payables	9,313	9,133	3,523	4,800	2,891	115
	33,495	38,861	12,851	24,177	12,443	12,810
Net financial assets/ (liabilities)	6,297	6,669	832	10,388	(4,786)	(2,762)
Currency forwards	1,970	–	971	–	–	(5,595)
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	11,067	(6,038)	1,430	(8,053)	5,843	–
Currency exposure on financial assets/(liabilities)	**19,334**	**631**	**3,233**	**2,335**	**1,057**	**(8,357)**

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. 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:

	31 December 2019		31 December 2018	
	USD	**AUD**	USD	AUD
	$'000	**$'000**	$'000	$'000
Financial assets				
Cash and cash equivalents	**372**	**–**	369	–
Trade and other receivables	**2**	**1,053**	3	2,267
	374	**1,053**	372	2,267
Financial liabilities				
Borrowings	**–**	**–**	–	–
Trade and other payables	**–**	**–**	–	–
	–	**–**	–	–
Net financial assets	**374**	**1,053**	372	2,267
Net financial assets denominated in functional currency	**–**	**–**	–	–
Currency exposure on financial assets	**374**	**1,053**	372	2,267

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the USD, RMB, AUD, MYR, NZD and EUR change against the SGD by 1.1% (2018: 2.3%), 3.2% (2018: 0.1%), 5.9% (2018: 4.7%), 1.5% (2018: 4.1 %), 3.7% (2018: 4.9%) and 4.1% (2018: 2.2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease) 31 December	
	2019	2018
	Profit after tax	Profit after tax
	$'000	$'000
Group		
USD against SGD		
– Strengthened	**158**	369
– Weakened	**(158)**	(369)
RMB against SGD		
– Strengthened	**40**	1
– Weakened	**(40)**	(1)
AUD against SGD		
– Strengthened	**58**	126
– Weakened	**(58)**	(126)
MYR against SGD		
– Strengthened	**5**	79
– Weakened	**(5)**	(79)
NZD against SGD		
– Strengthened	**8**	43
– Weakened	**(8)**	(43)
EUR against SGD		
– Strengthened	**(75)**	(153)
– Weakened	**75**	153
Company		
USD against SGD		
– Strengthened	**3**	7
– Weakened	**(3)**	(7)
AUD against SGD		
– Strengthened	**52**	88
– Weakened	**(52)**	(88)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) 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 its borrowings to the extent possible in short-term and fixed rate. 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 SGD, AUD, RMB, NZD and MYR. If the SGD, AUD, RMB, NZD and MYR interest rates per annum increase/decrease by 0.4% (2018: 0.1%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by $71,000 (2018: $21,000), $17,000 (2018: $6,000), $14,000 (2018: $12,000), $30,000 (2018: $8,000) and $44,000 (2018: $15,000) 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, trade receivables and amount due from subsidiaries. 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	
	31 December	
	2019	2018
	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' loans	**68,430**	75,529

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

The trade receivables at the Group comprise 3 debtors (2018: 3 debtors) that individually represent 2-5% (2018: 2-8%) of trade receivables.

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

	Group	
	31 December	
	2019	2018
	$'000	$'000
By geographical areas		
Australia	**11,675**	13,738
Germany	**5,653**	9,460
Indonesia	**3,152**	3,268
Italy	**1,709**	1,427
Malaysia	**4,846**	5,606
New Zealand	**6,690**	5,716
People's Republic of China	**3,478**	5,878
Singapore	**11,395**	11,644
Sweden	**942**	762
Taiwan	**2,622**	2,125
Thailand	**1,674**	3,622
United Kingdom	**1,170**	221
United States	**5,218**	10,173
Other countries	**11,140**	11,951
	71,364	85,591
By types of customers		
Non-related parties	**69,772**	84,456
A related party	**1,592**	1,135
	71,364	85,591

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	Trade receivables
	$'000
Group	
Balance at 1 January 2019	4,105
Credit loss allowance recognised in profit or loss during the year on:	
– Assets acquired/originated	1,252
– Reversal of unutilised amounts	(315)
	937
Receivables written off as uncollectible	(523)
Currency translation difference	14
Balance at 31 December 2019	4,533
Balance at 1 January 2018	2,953
Credit loss allowance recognised in profit or loss during the year on:	
– Assets acquired/originated	2,064
– Reversal of unutilised amounts	(358)
	1,706
Receivables written off as uncollectible	(459)
Currency translation difference	(95)
Balance at 31 December 2018	4,105

Lease receivables and other receivables are subject to immaterial credit loss.

(i) Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and debtor aging profile.

In calculating the expected credit loss rates for each debtor aging band, the Group considers historical loss rates for each group of customers and where required, adjusts to reflect applicable current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

As at 31 December 2019 and 2018, management has identified certain specific debtors from distribution segment to be credit impaired as they experienced significant financial difficulties or are in the process of liquidation. Hence, management has assessed the recoverability of the outstanding balances separately from the provision matrix.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables (continued)

	31 December 2019	2018
	$'000	$'000
Group		
Gross carrying amount	**3,108**	2,108
Less: credit loss allowance	**(3,108)**	(2,108)
Carrying amount net of allowance	**–**	–

The Group's credit risk exposure in relation to trade receivables presented using debtor's aging based on invoice date as at 31 December 2019 and 2018 are set out as follows:

	Within 30 days	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
As at 31 December 2019						
Distribution						
Expected credit loss rate	0.1%	0.1%	0.3%	3.2%	29.0%	
Trade receivables	26,535	12,954	7,382	2,372	4,065	53,308
Credit loss allowance	22	15	22	77	1,180	1,316
Manufacturing						
Expected credit loss rate	0.1%	0.1%	0.1%	0.5%	10.7%	
Trade receivables	9,879	4,140	3,584	1,035	843	19,481
Credit loss allowance	7	4	3	5	90	109

	Within 30 days	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
As at 31 December 2018						
Distribution						
Expected credit loss rate	0.3%	0.6%	1.6%	3.5%	25.4%	
Trade receivables	29,314	15,744	7,868	3,964	5,808	62,698
Credit loss allowance	80	94	127	138	1,474	1,913
Manufacturing						
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	13.7%	
Trade receivables	9,511	6,874	5,352	2,578	575	24,890
Credit loss allowance	1	1	1	2	79	84

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Cash and cash equivalents

The Group and Company held cash and cash equivalents of $56,392,000 and $5,700,000 respectively (2018: $51,102,000 and $4,430,000) with banks which are rated AAA and AA+ based on Standard & Poor and considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

(iii) Non-trade receivables due from subsidiaries

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual obligations of $29,829,000 (2018: $34,831,000) and considered to have low credit risk. The non-trade receivables are measured on 12-month expected credit losses and subject to immaterial credit loss.

(iv) Financial guarantee contracts

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

(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	Between 1 and 5 years	Over 5 years
	$'000	$'000	$'000
Group			
At 31 December 2019			
Trade and other payables	**31,410**	**–**	**–**
Lease liabilities	**6,370**	**12,415**	**10,498**
Borrowings	**67,134**	**3,953**	**–**
	104,914	**16,368**	**10,498**
At 31 December 2018			
Trade and other payables	40,189	–	–
Borrowings	75,784	8,588	–
	115,973	8,588	–

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 5 years	Over 5 years
	$'000	$'000	$'000
Company			
At 31 December 2019			
Trade and other payables	**1,368**	**–**	**–**
Financial guarantee	**68,430**	**–**	**–**
	69,798	**–**	**–**
At 31 December 2018			
Trade and other payables	1,407	–	–
Financial guarantee	75,529	–	–
	76,936	–	–

The table below analyses the derivative financial instruments of the Group 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	Between 1 and 5 years
	$'000	$'000
Group		
At 31 December 2019		
Gross settled currency forwards		
– Receipts	3,435	–
– Payments	(3,429)	–
Group		
At 31 December 2018		
Gross settled currency forwards		
– Receipts	8,809	–
– Payments	(8,694)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 net gearing ratio. The Group's and Company's strategies, which were unchanged from 2018, are to maintain net gearing ratios within 30% to 50% and maximum 30% respectively.

The net gearing ratio is calculated as net debt divided by total capital and reserves attributable to equity holders of the Company. Net debt is calculated as borrowings plus lease liabilities less cash and cash equivalents.

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Net debt	**38,495**	32,405	**(5,700)**	(4,430)
Total capital and reserves attributable to equity holders	**255,825**	252,940	**134,510**	138,064
Net gearing ratio	**15%**	13%	**NM**	NM

NM – Not meaningful

Financial covenants relating to the Group's and Company's borrowings include consolidated tangible networth, debt service coverage ratio, net debt to earnings before interest, taxes, depreciation and amortisation ratio and gearing ratio.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

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

	Level 2
	$'000
Group	
As at 31 December 2019	
Derivative financial instruments	
– Asset	**6**
– Liability	**–**
As at 31 December 2018	
Derivative financial instruments	
– Asset	115
– Liability	–

The carrying value of trade receivables less credit loss allowance and payables are assumed to approximate their fair values. The fair value of current and non-current borrowings approximates their carrying amount.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed in Note 13 to the financial statements, and the following:

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets, at amortised cost	**132,362**	145,044	**35,541**	39,277
Financial liabilities, at amortised cost	**126,297**	123,696	**1,368**	1,407

31. IMMEDIATE AND ULTIMATE HOLDING CORPORATION

The immediate holding corporation is YHI Holdings Pte Ltd, incorporated in Singapore. The ultimate controlling party is Mr Tay Tian Hoe Richard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. 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	
	2019	2018
	$'000	$'000
Sales of goods to an associated company	**7,095**	5,899
Purchases of goods from an associated company	**(996)**	(886)

Outstanding balances as at 31 December 2019, arising from sale/purchase of goods to/from associated company, are unsecured, receivable/payable within 12 months from balance sheet date and are set out in Notes 11 and 22 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2019	2018
	$'000	$'000
Salaries and other short-term employee benefits	**4,199**	4,533
Employer's contribution to defined contribution plans, including Central Provident Fund	**64**	90
	4,263	4,623

Included in the above was total compensation to directors of the Company amounted to $1,642,000 (2018: $1,738,000).

33. SEGMENT INFORMATION

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

Management manages and monitors three operating segments as follows:

- Manufacturing
  - Regional areas include North East Asia and ASEAN which are engaged in the manufacturing of alloy wheels.
- Distribution
  - Regional areas include North East Asia, ASEAN and Oceania regions which are engaged in the distribution of automotive and industrial products.
- Rental
  - Regional area covers North East Asia which is engaged in rental activities.

33. SEGMENT INFORMATION (CONTINUED)

The segment information provided to senior management for the year ended 31 December 2019 is as follows:

	Manufacturing segment			Distribution segment					Rental segment	
Segment Group	**North East Asia**	**ASEAN**	**Sub-total**	**North East Asia**	**ASEAN**	**Oceania**	**Others**	**Sub-total**	**North East Asia**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales										
Total segment sales	81,856	67,983	149,839	35,100	151,729	120,874	18,110	325,813	–	475,652
Inter-segment sales	(16,496)	(10,949)	(27,445)	–	–	–	–	–	–	(27,445)
Sales to external parties	65,360	57,034	122,394	35,100	151,729	120,874	18,110	325,813	–	448,207
Segment result	2,624	572	3,196	137	4,399	3,603	1,163	9,302	1,884	14,382
Other gains										2,888
Unallocated costs										–
										17,270
Finance expenses										(4,047)
Share of profit of an associated company	–	2,998	2,998	–	–	–	–	–	–	2,998
Profit before income tax										16,221
Income tax expense										(3,457)
Net profit										**12,764**
Segment assets	62,631	75,472	138,103	19,444	127,216	81,827	9,983	238,470	10,519	387,092
Segment assets includes:										
Investment in an associated company	–	19,619	19,619	–	–	–	–	–	–	19,619
Additions to:										
– Property, plant and equipment	2,567	1,007	3,574	110	479	495	270	1,354	–	4,928
– Intangible assets	–	–	–	–	2	–	–	2	–	2
– Right-of-use assets	–	–	–	–	509	295	136	940	–	940
Investment property	–	–	–	–	–	–	–	–	9,607	9,607
Segment liabilities	(7,404)	(3,234)	(10,638)	(3,445)	(18,631)	(23,273)	(1,824)	(47,173)	(825)	(58,636)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. SEGMENT INFORMATION (CONTINUED)

The segment information provided to senior management for the year ended 31 December 2018 is as follows:

	← Manufacturing segment →			← Distribution segment →					Rental segment	
Segment Group	**North East Asia**	**ASEAN**	**Sub-total**	**North East Asia**	**ASEAN**	**Oceania**	**Others**	**Sub-total**	**North East Asia**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales										
Total segment sales	82,829	71,838	154,667	35,632	145,911	130,304	20,411	332,258	–	486,925
Inter-segment sales	(19,693)	(11,639)	(31,332)	–	–	–	–	–	–	(31,332)
Sales to external parties	63,136	60,199	123,335	35,632	145,911	130,304	20,411	332,258	–	455,593
Segment result	3,098	2,132	5,230	(560)	3,510	3,265	(415)	5,800	1,897	12,927
Other gains										6,342
Unallocated costs										–
										19,269
Finance expenses										(3,472)
Share of profit of an associated company	–	2,222	2,222	–	–	–	–	–	–	2,222
Profit before income tax										18,019
Income tax expense										(3,741)
Net profit										**14,278**
Segment assets	66,215	76,905	143,120	23,143	121,194	71,186	10,479	226,002	12,201	381,323
Segment assets includes:										
Investment in an associated company	–	18,629	18,629	–	–	–	–	–	–	18,629
Additions to:										
– Property, plant and equipment	2,206	1,754	3,960	5	8,702	1,053	216	9,976	–	13,936
– Intangible assets	–	–	–	–	–	53	–	53	–	53
Investment property	–	–	–	–	–	–	–	–	10,334	10,334
Segment liabilities	(8,829)	(5,087)	(13,916)	(4,308)	(14,935)	(8,693)	(754)	(28,690)	(878)	(43,484)

Inter-segment sales are carried out at market terms. 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.

33. 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, derivative financial instruments, short-term bank deposits and transferable club membership.

Segment assets are reconciled to total assets as follows:

	Group	
	2019	2018
	$'000	$'000
Segment assets	**377,109**	370,844
Other segment assets	**9,983**	10,479
Unallocated:		
Deferred income tax assets	**4,558**	3,380
Short-term bank deposits	**6,851**	8,978
Transferable club membership	**65**	172
Derivative financial instruments	**6**	115
	398,572	393,968

(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, deferred income tax liabilities and borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2019	2018
	$'000	$'000
Segment liabilities	**56,812**	42,730
Other segment liabilities	**1,824**	754
Unallocated:		
Income tax liabilities	**1,596**	709
Deferred income tax liabilities	**1,761**	2,149
Borrowings	**70,716**	83,507
	132,709	129,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. 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	
	2019	2018
	$'000	$'000
Distribution of automotive and industrial products	**325,813**	332,258
Manufacturing of alloy wheels	**122,394**	123,335
	448,207	455,593

(c) Geographical information

The Group operates in the following geographic areas:

	Sales *		Non-current assets	
	Group		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore	**71,641**	69,643	**50,478**	45,399
Malaysia	**101,940**	105,978	**27,480**	28,826
China/Hong Kong	**82,338**	79,144	**32,030**	34,823
Taiwan	**18,122**	19,624	**4,180**	3,170
Australia	**73,838**	82,280	**10,616**	2,609
New Zealand	**47,036**	48,025	**5,459**	1,752
Other countries	**53,292**	50,899	**4,012**	1,828
	448,207	455,593	**134,255**	118,407

* 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.

34. EVENT OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak have been and continues to be implemented in countries where the Group operates. The Group is closely monitoring the development of the COVID-19 outbreak and its related impact on the Group's businesses. Up to the date on which this set of financial statements were authorised for issue, the Group is still in the process of assessing the impact of these relief measures and is currently unable to estimate the financial impact to the Group's results for the year ending 31 December 2020.

35. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

36. 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 25 March 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2020

ANALYSIS OF SHAREHOLDINGS

Number of shares	292,295,811
Class of shares	Ordinary shares
Voting rights	One vote per share

The Company has no treasury shares and subsidiary holdings as at 18 March 2020.

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	15	0.97	524	0.00
100 - 1,000	124	8.04	54,811	0.02
1,001 - 10,000	715	46.34	3,895,937	1.33
10,001 - 1,000,000	674	43.68	38,125,626	13.04
1,000,001 and above	15	0.97	250,218,913	85.61
TOTAL	**1,543**	**100.00**	**292,295,811**	**100.00**

PUBLIC SHAREHOLDERS	No. of Shares	%
Non-public shareholders	186,959,213	63.96
Public shareholders	105,336,598	36.04
	292,295,811	100.00

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	128,021,860	–	43.80
Tay Tian Hoe Richard (1)	–	141,958,860	48.57
Tay Tiang Guan (2)	–	45,000,353	15.40
Tay Soek Eng Margaret (3)	–	128,021,860	43.80

Notes:

(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 (the 'Act'):

Shares held in the name of YHI Holdings Pte Ltd	128,021,860
Shares held in the name of his nominees	13,937,000
	141,958,860

(2) Mr Tay Tiang Guan is deemed to have an interest in 45,000,353 shares held in the name of his nominees by virtue of Section 7 of the Act.

(3) Mdm Tay Soek Eng Margaret is deemed to have an interest in 128,021,860 shares held in the name of YHI Holdings Pte Ltd by virtue of Section 7 of the Act.

STATISTICS OF SHAREHOLDINGS
AS AT 18 MARCH 2020

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2020

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	YHI HOLDINGS PTE LTD	128,021,860	43.80
2	CITIBANK NOMINEES SINGAPORE PTE LTD	73,195,853	25.04
3	DBS NOMINEES PTE LTD	10,841,800	3.71
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	9,862,000	3.37
5	TAN KIM KOON	7,540,000	2.58
6	DB NOMINEES (SINGAPORE) PTE LTD	7,129,500	2.44
7	RAFFLES NOMINEES (PTE) LIMITED	3,294,400	1.13
8	PHILLIP SECURITIES PTE LTD	1,663,200	0.57
9	LIM MEE HWA	1,500,000	0.51
10	LEE WOON KIAT	1,408,000	0.48
11	TAN HUI LIANG OR TAN HWEE KHENG	1,256,000	0.43
12	ABN AMRO CLEARING BANK N.V.	1,226,600	0.42
13	LEE LING LING	1,219,000	0.42
14	KOO CHOON POI @ KOH CHOON PUI	1,060,000	0.36
15	TAN KIA SIONG @ TAN AH KOW	1,000,700	0.34
16	LAM LAI CHENG	750,000	0.26
17	ANG JUI KHOON	696,050	0.24
18	KOH PUAY YAN (XU PEIYAN)	693,500	0.24
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	632,300	0.22
20	GOH KEE CHEONG	600,000	0.21
	Total:	**253,590,763**	**86.77**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	HENRY TAN SONG KOK LEAD INDEPENDENT DIRECTOR	MR PHUA TIN HOW INDEPENDENT DIRECTOR
Date of Appointment	22 May 2003	22 May 2003
Date of last re-appointment (if applicable)	26 April 2018	26 April 2017
Age	55	69
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and working experience of Mr Henry Tan Song Kok, is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Lead Independent Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Henry Tan Song Kok as the Lead Independent Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and working experience of Mr Phua Tin How, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Phua Tin How as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	No
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director; Chairman of Audit Committee and a member of the Remuneration and Nomination Committee.	Independent Director, Chairman of Nomination Committee and a member of the Audit and Remuneration Committee.
Professional qualifications	• First Class Honours Degree in Accountancy from the National University of Singapore Fellow of: • The Institute of Singapore Chartered Accountants • The Institute of Chartered Accountants in Australia and New Zealand • ASEAN CPA • CPA Australia • Insolvency Practitioners Association of Singapore Ltd • Singapore Institute of Directors Member of: • The Institute of Internal Auditors Inc (Singapore Chapter) • The Singapore Institute of Accredited Tax Professionals Limited • Chartered Valuer and Appraiser (CVA)	• Bachelor of Science (Honours) from the University of Singapore • MBA from INSEAD, France

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	HENRY TAN SONG KOK LEAD INDEPENDENT DIRECTOR	MR PHUA TIN HOW INDEPENDENT DIRECTOR
Working experience and occupation(s) during the past 10 years	2004 to 2013: • Asia Pacific Regional Chairman and board member of Nexia International Apr 2017 to present: • Independent Non-Executive Director of BH Global Corporation Limited Sept 2017 to present: • Independent Director of Yinda Infocomm Limited Jan 2020 to present: • Independent Director of Asia Vets Holding Ltd	Oct 2013 to present: • Independent Director and Non-Executive Chairman of Valuemax Group Limited Feb 2020 to present: • Independent Non-Executive Director of New Toyo International Holdings Ltd
Shareholding interest in the listed issuer and its subsidiaries	Mr. Henry Tan has direct interest in 20,000 ordinary shares of YHI International Limited.	Mr. Phua Tin How has direct interest in 55,000 ordinary shares of YHI International Limited.
Any relationship (including immediate family relation-ships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) or (in the format set out in Appendix 7H) under Catalist Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments * Including Directorships # * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9) or Catalist Rule 704(8)		
Past (for the last 5 years)	2004 to 2013: • Asia Pacific Regional Chairman and board member of Nexia International	Not Applicable

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	HENRY TAN SONG KOK LEAD INDEPENDENT DIRECTOR	MR PHUA TIN HOW INDEPENDENT DIRECTOR
Present	Nov 1993 to present: • Group CEO and Chief Innovation Officer of Nexia TS Group Feb 2000 to present: • Director of TSA Recruitments Consultant Pte Ltd June 2003 to present: • Director of 2T Investment Holdings Pte Ltd Nov 2004 to present: • Director of Medallion Asset Management Pte Ltd Sept 2007 to present: • Independent and Non-Executive Director of China New Town Development Co Ltd Oct 2011 to present: • Non-Executive Director of Alpha Singapore Dec 2012 to present: • Non-Executive Director of The Methodist Church of Singapore. Apr 2014 to present: • Director of NTS Myanmar Co Ltd Dec 2014 to present: • Non-Executive Director of Wesley Vineyard Childcare Ltd Jan 2017 to present: • Chairman of the Nanyang Business School Alumni Advisory Board of NTU Apr 2018 to present: • Council Member of the Institute of Singapore Chartered Accountants	July 2004 to present: • Non-Executive Director of Hao Hua Holdings Pte Ltd July 2004 to present: • Non-Executive Director of TranSil Corporation Pte Ltd
Information required Disclose the following matters concerning an appointment of Director		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	HENRY TAN SONG KOK LEAD INDEPENDENT DIRECTOR	MR PHUA TIN HOW INDEPENDENT DIRECTOR
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	HENRY TAN SONG KOK LEAD INDEPENDENT DIRECTOR	MR PHUA TIN HOW INDEPENDENT DIRECTOR
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	HENRY TAN SONG KOK LEAD INDEPENDENT DIRECTOR	MR PHUA TIN HOW INDEPENDENT DIRECTOR
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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YHI
Since 1948

友发国际有限公司
YHI INTERNATIONAL LIMITED

Listed on the mainboard of the Singapore Exchange
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