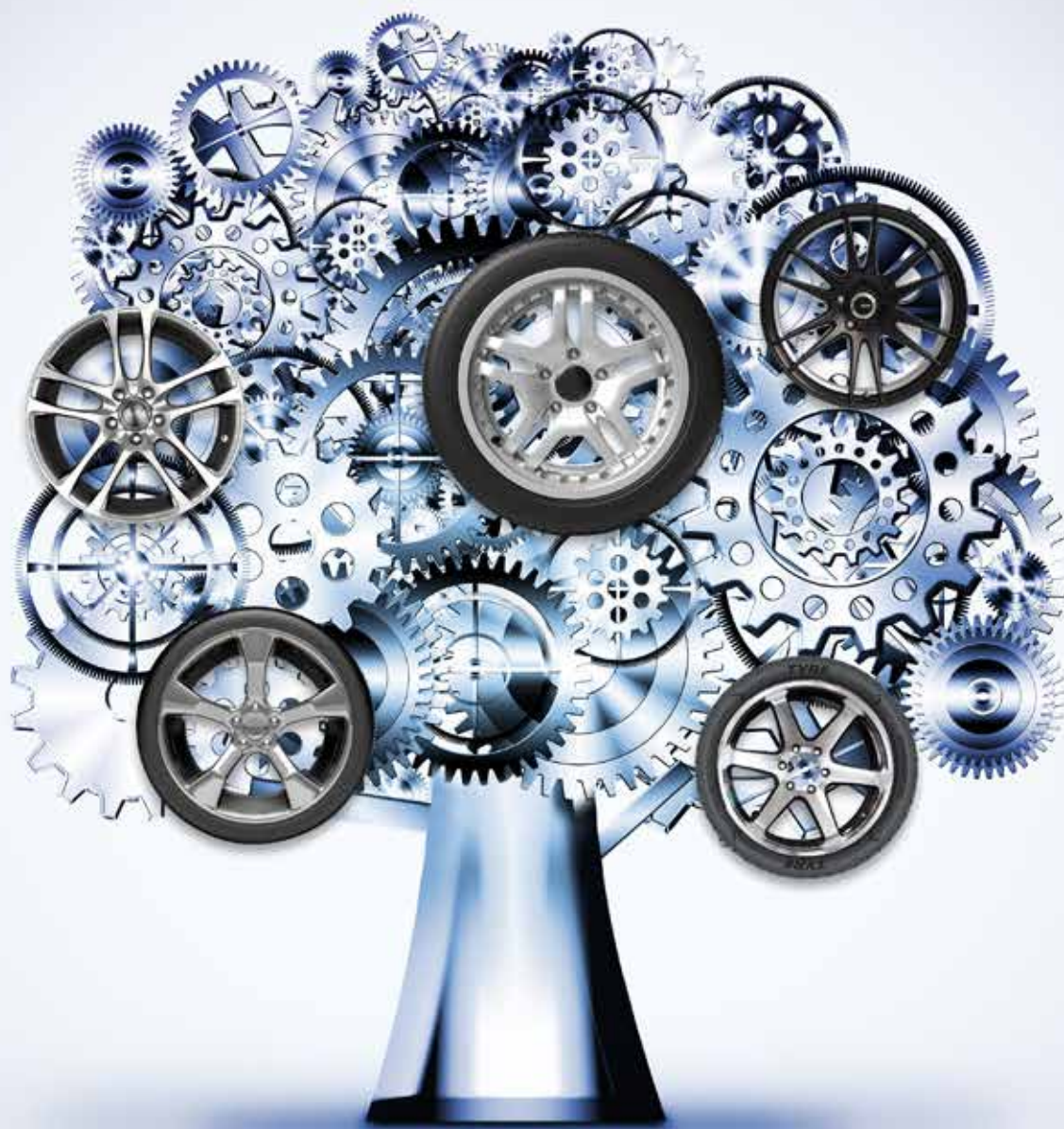


Harnessing **Strengths**, Embracing **Change**

ANNUAL REPORT 2015



YHI
Since 1948

友发国际有限公司
YHI INTERNATIONAL LIMITED

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

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EQUIPPED WITH DEEP INSIGHT AND EXPERTISE AND GUIDED BY OUR 3M3R STRATEGY, YHI IS WELL POSITIONED TO LEVERAGE ITS PROVEN CAPABILITY, STRONG PARTNERSHIPS AND INTERNATIONAL NETWORK TO ENGINEER A ROBUST TRAJECTORY TOWARDS STRONGER GROWTH AND STABLE RETURNS.



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.

DYNAMIC SPINNING TECHNOLOGY



Driving Innovation

TO INCREASE OUR PRODUCT DESIGN & OFFERING BY
HARNESSING A SUPERIOR WHEEL MANUFACTURING
PROCESS: **DYNAMIC SPINNING TECHNOLOGY**

Corporate Profile



YHI'S INTERNATIONAL PRESENCE SPANS ACROSS OVER 100 COUNTRIES THROUGH ITS 30 SUBSIDIARIES AND 1 ASSOCIATED COMPANY LOCATED ACROSS ASIA PACIFIC, NORTH AMERICA AND EUROPE. YHI DISTRIBUTES A DIVERSE RANGE OF PREMIUM AUTOMOTIVE PRODUCTS, WHICH INCLUDES TYRES, ALLOY WHEELS, AUTOMOTIVE AND INDUSTRIAL BATTERIES, AS WELL AS GOLF AND UTILITY BUGGIES TO MORE THAN 5,000 CUSTOMERS GLOBALLY.

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

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

Today, YHI's international presence spans across over 100 countries through its 30 subsidiaries and 1 associated company located across Asia Pacific, North America and Europe. YHI distributes a diverse range of premium automotive products, which includes tyres, alloy wheels, automotive and industrial batteries, as well as golf and utility buggies to more than 5,000 customers globally.

YHI currently has four alloy wheels manufacturing plants located in Shanghai and Suzhou in China, Taoyuan in Taiwan and Malacca in Malaysia,

with a current total production capacity of 3.6 million units per annum. As an integrated ODM solutions provider, it provides services from the design and development to the manufacturing, marketing and distribution of alloy wheels.

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

Our Products



Tyres

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



SINGAPORE



JAPAN



JAPAN



ITALY



THAILAND



THAILAND



TAIWAN



INDONESIA



INDONESIA



KOREA



KOREA



INDIA

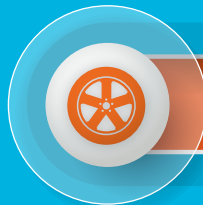


INDIA



USA

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



Alloy Wheels



SINGAPORE



JAPAN



GERMANY



ITALY



ITALY



USA



USA



JAPAN



JAPAN

Our Products

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, Cushman and Garia.

EZGO

USA

CUSHMAN

USA

GARIA

DENMARK

Industrial and Automotive Batteries

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

Industrial Power



NEUTON POWER
Science in Energy

SINGAPORE

Trojan
BATTERY COMPANY

USA

CD TECHNOLOGIES
Power Solutions

USA

SUPREME
BATTERIES

USA

Panasonic

JAPAN

HITACHI
Inspire the Next

JAPAN

BATTERY CSB

TAIWAN

shoto

CHINA

VISION

CHINA

YOKOHAMA

MALAYSIA

FIAMM

ITALY

CROWN
BATTERY

USA

Other Products



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

Jinko Solar
Summit Your Dream in Solar

CHINA

ReneSola

CHINA

CanadianSolar

CANADA

delta-q

CANADA

DELTA

TAIWAN

BENNING
World Class Power Solutions

GERMANY

SMA

GERMANY

EATON

USA

[e]enphase
ENERGY

USA

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 have since expanded to 18 manufacturing lines in operation at 4 production sites today. In September 2000, the Group took the bold initiative to invest in a new plant in Shanghai, followed by further expansion in two new alloy wheels manufacturing plants – YHI Advanti Manufacturing (Suzhou) Co., Ltd located in Suzhou, China and YHI Manufacturing (Malaysia) Sdn Bhd located in Sepang, Malaysia -- in 2006.

In 2012, the Malacca plant was added to become the fifth production site for the alloy wheel manufacturing, with 0.6 million new capacity added.

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

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

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

YHI MANUFACTURING (SHANGHAI) CO., LTD



SHANGHAI, CHINA

Products: Alloy Wheels

Land area: 47,000 m²

Year of Production: 2000

Annual production capacity: 1.0 million

YHI ADVANTI MANUFACTURING (SUZHOU) CO., LTD



SUZHOU, CHINA

Products: Alloy Wheels & Precision Moulding Sets

Land area: 75,600 m²

Year of Production: 2006

Annual production capacity: 1.2 million + 850 set mould

Manufacturing Capabilities

YHI INTERNATIONAL TAIWAN CO., LTD



TAOYUAN, TAIWAN

Products: Alloy Wheels

Land area: 13,500 m²

Year of Production: 1996

Annual production capacity: 0.4 million

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



MALACCA, MALAYSIA

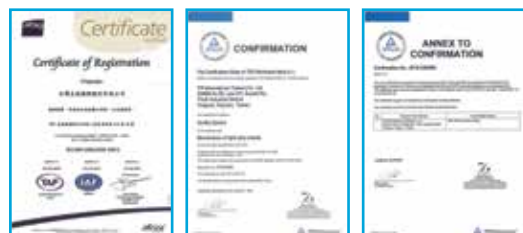
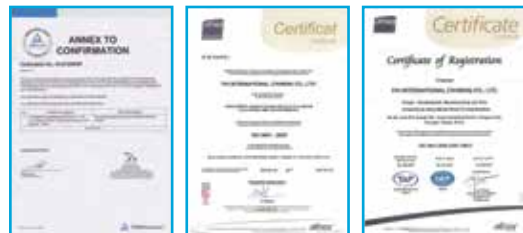
Products: Alloy Wheels

Land area: 88,000 m²

Year of Production: 2006

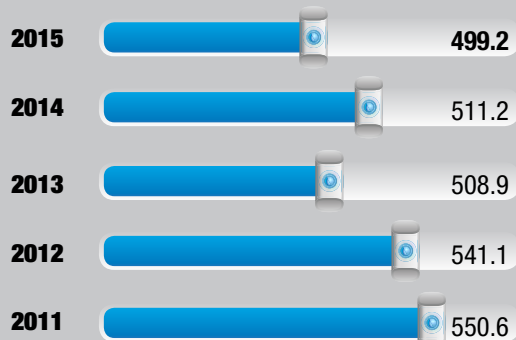
Annual production capacity: 1.0 million

OUR QUALITY CERTIFICATES

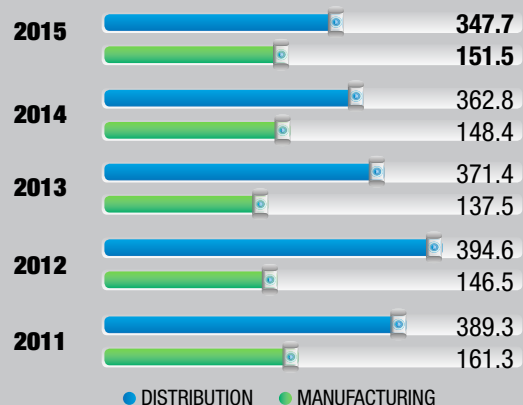


Five-year Financial Highlights

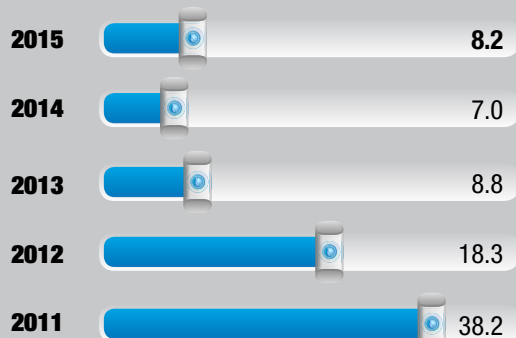
GROUP REVENUE (S\$ 'MILLION)



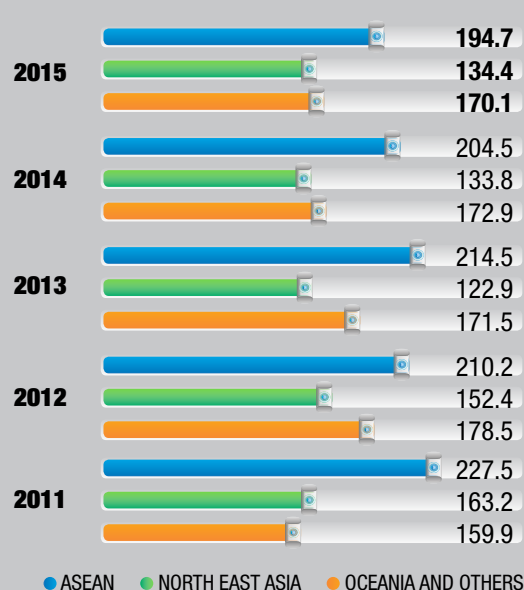
REVENUE BY BUSINESS SEGMENTS (S\$ 'MILLION)



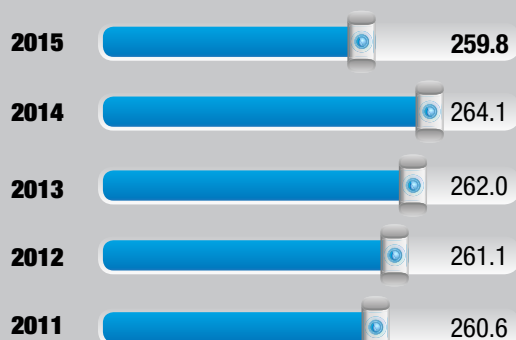
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (S\$ 'MILLION)



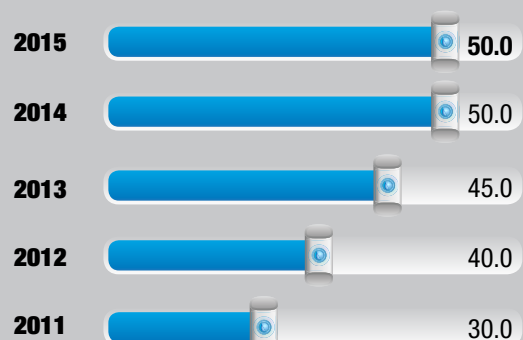
REVENUE BY GEOGRAPHY (S\$ 'MILLION)



NET ASSETS (S\$ 'MILLION)



DIVIDEND PAYOUT (%)



Five-year Financial Summary

RESULTS OF OPERATIONS

FINANCIAL YEAR ENDED 31 DECEMBER	FY2015 S\$ '000	FY2014 S\$ '000	FY2013 S\$ '000	FY2012 S\$ '000	FY2011 S\$ '000
Sales	499,174	511,229	508,923	541,122	550,610
Gross Profit %	21.4	22.2	22.0	23.3	23.7
Profit before income tax	14,469	14,873	16,417	31,885	52,295
Net profit attributable to equity holders of the Company	8,250	7,027	8,823	18,326	38,187
Net Profit %	1.8	1.6	2.0	3.9	7.5
EBITDA	34,519	36,365	39,188	52,620	68,902

FINANCIAL POSITION

AS AT 31 DECEMBER	FY2015 S\$ '000	FY2014 S\$ '000	FY2013 S\$ '000	FY2012 S\$ '000	FY2011 S\$ '000
Current assets	287,677	301,620	285,563	277,791	301,541
Non-current assets	137,627	145,086	161,105	165,718	142,151
Total assets	425,304	446,706	446,668	443,509	443,692
Current liabilities	134,906	151,210	141,722	134,615	158,986
Non-current liabilities	30,569	31,365	42,911	47,805	24,135
Total liabilities	165,475	182,575	184,633	182,420	183,121
Net assets	259,829	264,131	262,035	261,089	260,571
Capital and reserves attributable to equity holders of the Company	246,408	251,305	249,350	247,241	248,347
Non-controlling interests	13,421	12,826	12,685	13,848	12,224
Total equity	259,829	264,131	262,035	261,089	260,571

FINANCIAL INDICATORS

	FY2015	FY2014	FY2013	FY2012	FY2011
Return on shareholders equity (%)	3.3	2.8	3.5	7.4	15.4
Earnings per share (cents)*	2.82	2.40	3.02	6.26	13.06
Net asset value per share (cents)*	84.30	85.98	85.31	84.59	84.96
Dividend per share (cents)*	1.42	1.20	1.36	2.51	3.92
Cash and bank balances (S\$ '000)	52,271	56,421	57,426	42,470	58,179
Net debt to equity ratio (%)	28.5	28.9	31.3	34.5	23.0

* Post-consolidation of shares

Chairman's Message



RICHARD TAY
Executive Chairman &
Group Managing Director

Chairman's Message

THE GROUP'S MANUFACTURING BUSINESS PERFORMED WELL IN FY2015. AS A RESULT OF OUR CONTINUING EFFORTS OVER THE YEARS TO STREAMLINE PRODUCTION SYSTEMS AND IMPROVE OPERATIONAL EFFICIENCY, OUR MANUFACTURING PLANTS WERE ABLE TO ENHANCE THEIR MANUFACTURING CAPABILITIES.

The financial year ended 31 December 2015 (FY2015) was another challenging year for businesses, including YHI International Ltd ("YHI" or "the Group"). The continuing fall in energy and commodity prices, subdued global trade and volatile financial markets weighed on the global economy. Ripples from the slowdown in China, the world's second largest economy, were felt in and beyond the Asia-Pacific.

For YHI, FY2015 was a year of continued consolidation and transformation which we began implementing in 2014. Against the backdrop of a deteriorating operating environment, YHI was able to embrace changes and harness our strengths to remain resilient. While taking measures to negotiate cyclical headwinds, we continued to focus on executing our long-term growth strategies to restructure our businesses, build on our strengths and leverage technology more effectively so as to achieve sustainable growth and deliver stable returns to shareholders.

We are pleased to inform that our efforts have been borne out with a set of stable results for FY2015. Despite the challenging environment, the Group was able to achieve balanced growth with strong growth in certain new markets cushioning the slowdown in our key markets. This is a reflection of our resilience, strong fundamentals and capability.

PERFORMANCE REVIEW

Group revenue for FY2015 reached S\$499.2 million and net profit after tax came in at S\$9.1 million for FY2015. Despite a year-on-year decline of 2.4% in revenue, net profit maintained a steady growth of 10.0% in the same period. This could be attributed partly

to gain from disposal of a production asset in Malaysia and lower income tax expenses.

The Group's wheel manufacturing business, which accounted for approximately 30% of the Group's total revenue, was able to attain steady turnover growth, increasing 2.1% to S\$151.5 million in FY2015, from S\$148.4 million the previous year. This was partially offset by lower revenue achieved by the distribution business, recording S\$347.7 million in FY2015, a moderate decline of 4.2% compared to S\$362.8 in FY2014, due to lower sales in the tyre distribution business segment. In line with lower total revenue, gross profit also declined 5.8% to S\$107.0 million in FY2015. Consequently, gross profit margin declined to 21.4% compared to 22.2% the year before, partly due to higher operating costs.

The Group's distribution business continued to be the biggest revenue contributor, accounting for approximately 70% of total revenue. However, during the year under review, this business segment was adversely impacted by a drop in sales revenue from tyre distribution which could be attributed to an acute oversupply of tyres in the global market, which resulted in intense price pressures. As raw material purchases were usually denominated in US dollars, our trading margins were also affected by the strong US dollars resulting in higher costs when converted to local currency.

The Group's manufacturing business performed well in FY2015. As a result of our continuing efforts over the years to streamline production systems and improve operational efficiency, our manufacturing plants were able

to enhance their manufacturing capabilities. Our OEM business was able to achieve stronger growth, within China in particular. Consequently, we were able to achieve greater productivity and efficiency leading to higher production volume and revenue compared to FY2014.

In Malaysia, we have consolidated our production operations with the completion of the sale of our facility in Sepang during the financial year under review. The right-sizing of our operations not only enhanced our efficiency but also enabled us to strengthen our balance sheet and conserve resources for tapping future growth opportunities.

In China, our restructuring efforts continued apace. We have shifted our precision moulding operations from our factory in Shanghai to Suzhou where we have our alloy wheels production facility. The consolidation will further streamline our operations and extract optimal value from greater synergies derived from this move. In addition, we were also able to benefit from significant rental and operations costs savings.

STRONG CAPITAL STRUCTURE

As a result of our prudent management and stringent cost control measures that we have put in place, the Group's balance sheet remains healthy. The Group generated total net cash flow of S\$11.6 million from operating activities during the year, resulting in cash and cash equivalents amounting to S\$51.7 million as at 31 December 2015. Total assets amounted to S\$425.3 million, with net assets attributable to equity holders reaching S\$259.8 million. The net gearing ratio as at 31 December 2015 was 30%, which was within the manageable range.

Chairman's Message



SIGNIFICANT CORPORATE DEVELOPMENTS

In December 2015, the Board proposed to undertake a share consolidation of every two existing issued ordinary shares in the capital of the Company held by shareholders into one ordinary share. The rationale for the share consolidation was to comply with the SGX-ST ruling on minimum trading price for Mainboard-listed stocks of S\$0.20 as a requirement for continuing listing with effect from 2 March 2016.

I am pleased to inform that the share consolidation exercise was completed on 19 January 2016. Following the completion, the number of issued shares in the capital of the company was 292,295,811, with a share capital of S\$77.0 million as at 19 January 2016.

DIVIDENDS

We are grateful for the support and patience of our shareholders, who stood by us, especially in the past year, as we implemented measures to restructure the Group's operations. We believe in sharing the fruits of the Group's success with shareholders and remain committed to delivering 50% dividend payout to them.

The Board has proposed a first and final tax-exempt cash dividend of 1.42 Singapore cents per ordinary share

for FY2015, subject to approval of shareholders at the annual general meeting to be held on 28 April 2016.

GOING FORWARD

Notwithstanding the challenging business conditions, as an internationally recognised supplier of high-quality automotive and industrial products, we have the resources and experience to ride the current cyclical business slowdown. We will focus on our strategies for long-term sustainable growth including staying the course on implementing our proven Multi-product, Multi-brand and Multi-category ("3M") marketing strategy.

For example, despite the challenging environment, the Group enjoyed strong growth in New Zealand in FY2015 with the continued successful implementation of our 3M marketing strategy. YHI New Zealand has built an extensive product range around its pillars of wheels, tyres and power products and this is best exemplified by New Zealand's power product range.

In addition to a wide variety of batteries, the company has added a solar power product range which includes panels, inverters and mounting equipment, a UPS (Uninterruptible Power Supply) equipment range and a range of other products for the industrial power

market. As the range has grown, YHI New Zealand has become a more credible supplier to the industry and other opportunities have presented themselves.

In tandem with this, the company has built its distribution base and now operates six branches across the country ensuring that it can deliver all its products quickly to meet the demands of its increasing customer base. With regionally based sales professionals who are specialists in either the automotive or power markets, the Company is committed to good customer service.

In a small country like New Zealand, YHI's determination to grow both its product range and distribution platform has ensured that the company keeps growing, even in the competitive markets in which it operates.

Our strong fundamentals will enable us to chart a steady course towards growth in the face of headwinds. We will build on the strengths of our 46 reputable brands, leverage our strong business partnerships and global network, broaden our marketing reach and deepen our customer relationships to achieve sustained growth and deliver stable returns to shareholders.

Chairman's Message



HARNESSING STRENGTHS, EMBRACING CHANGES

We have been in the automotive and industrial products distribution business for close to seven decades. We have seen many business cycles and experienced diverse adversities. Rapid changes in the global economic, socio-political and financial landscapes are becoming the norm and will continue to pose risks to international companies like YHI which has presence in more than 100 countries. Nevertheless, we have the strength and experience to embrace challenges and overcome the current trough in the cycle. We will continue to build on our strengths and core competencies and focus on the longer-term.

We will remain focused on strengthening our financial position. We will continue to maintain a robust and flexible capital structure, through a balanced use of debts and equity financing to support our capital expenditures to grow our business and maximise value for shareholders. We will be prudent in evaluating capital expenditures to ensure that risks associated with growth are appropriately managed.

We have in place an efficient process and cost management system. Our 3R policy, encompassing Reduce inventory, Reduce accounts receivables and Reduce operating costs, which

has been in place for the past three years, has served the Group well. Nevertheless, I believe that there is still room for improvement. We will increase our efforts to bring about three changes in our management and staff; change in mindset, change in attitude and change in action, indicating that action must be taken to implement the 3R policy in order to compete and sustain growth in the current difficult macro-economic and intensely competitive environment.

Productivity, especially labour productivity, is a key driver for sustainable growth. YHI operates 30 business entities located in Asia Pacific, North America and Europe. Our workforce is diverse. Nevertheless, diversity is also our strength as we can harness the diverse talents and skills of workers from different culture and background. We have and will continue to implement appropriate training programmes to upgrade the skills of our workers in all our plants and offices to raise their productivity and improve efficiency.

Increasingly, we are leveraging on technology to enhance our competitiveness and strengthen our industry leadership. Over the years, our ability to innovate and to maintain technology leadership is the key to maintaining our competitive edge. For example, the Group's proprietary Dynamic Spinning Technology (DST)

which uses flow forming technology to produce stronger and better performing alloy wheels under the Advanti Racing brand sets the industry benchmark for excellence in wheel design and production. The Group is also harnessing technology to improve our marketing efforts and service standards. In Australia, our subsidiary has launched an e-commerce platform to allow clients to purchase our products online. We believe that our digital marketing initiative will not only drive greater sales volume but also more importantly enable us to build strategic relationship with customers.

OUTLOOK

Most forecasts including those by international institutions like the International Monetary Fund (IMF) and World Bank indicate continued uncertainty in the global economy in 2016.

The operating environment will increasingly be more challenging and will continue to exert pressure on our revenue and margins.

We will draw on our considerable reserves of experience and resources to implement measures to overcome these challenges.

We will continue to intensify our efforts in research and development and product

Chairman's Message



design to drive greater innovations so as to produce higher quality and higher value-added products that can meet the stringent requirements of global customers.

We will further harness the power of technology to improve production processes and systems and drive greater operations efficiency. We will also embrace technology to improve the quality and level of our customer service and enhance customer retention rates so as to transform YHI into a more customer-centric enterprise.

We will continue to sustain our efforts to build on our trusted premium brands including our own proprietary Neuton tyres, Avanti Racing alloy wheels and Neuton power automotive and industrial batteries. We believe our globally recognised brands will enable us to gain greater market share and enhance our market leadership in a very competitive international market place.

We continue to adopt the outlook of "The World is our Market". In FY2015, we continued to made inroads into new markets. In the US, we have expanded our tyre distribution business and have achieved significant growth. In East Malaysia, where we started operating in

the last quarter of the financial year, the potential for growth was encouraging. Our fledging business in the Philippines continued to grow steadily. We will strengthen our presence and deepen our access in these markets. In particular, we see great potential for market expansion in the US and we will expand further the scope our business in this huge market by expanding our tyre distribution in addition to our fledging alloy wheel business.

We will also strengthen our relationships with key partners including our collaboration with Mercedes AMG Petronas Formula One (F1) team. Over the years, our collaboration with many global brands has enabled YHI to become a globally recognised name in the automotive and industrial product markets.

Even as we continue to invest in projects and facilities and to explore partnership collaboration to drive growth, we will exercise prudence in reviewing and evaluating risks in any investment opportunity. We have always adopted a long-term value creation and sustainability perspective. More importantly, we always hold the interests of our shareholders with the highest priority in every decision that we make and in everything that we do.

We are confident that we have put in place a robust suite of measures and initiatives to enable the Group to rise to the challenge and barring any unforeseen circumstances, we will be able continue to sustain growth in the coming year.

APPRECIATION

On behalf of the Board of Directors, I would like express my appreciation to our customers and partners for their support during the year. I am also grateful to our loyal shareholders for their confidence and their patience as we strive to negotiate through the trying operating conditions. I would like to thank management and staff for their unwavering commitment and sacrifices to enable the Group to achieve another successful year.

Last but not least, my deepest appreciation goes to my colleagues on the Board for their guidance and contribution in steering the Group to continued growth.

Richard Tay
Executive Chairman &
Group Managing Director

董事长献词



2015年度本集团的制造业表现良好。经过我们多年来的不断努力，简化生产系统，提高运营效率，同时提升生产力，特别是在中国，我们的OEM业务实现稳定的增长。

董事长献词

2015财政年度结束了，这一年对企业（包括友发集团）来说又是一个充满挑战性的一年。持续下跌的能源和商品价格，低迷的全球贸易和动荡的金融市场拖累了全球经济。中国作为世界第二大经济体，其经济发展减缓效应波及了整个亚太地区，甚至亚太地区之外。

对友发来说，从2014年我们便开始进行内部整合和转型。面对日益恶化的经营环境，友发能够接受改变，并利用自己的长处，适应环境保持战斗力。我们一边采取措施，商讨周期性不利因素，一边继续贯彻我们的长期增长战略，重组我们的企业，更有效地加强我们的实力，并利用技术，实现可持续增长，提供稳定回报给股东。

我们的努力换来了2015年财政年度的稳定业绩。尽管大环境充满挑战，本集团依然能够凭借某些新兴市场的强劲增长，来抵消主要市场的经济放缓，最终实现平衡增长。这充分体现了我们的应变能力，坚实的基础设施和能力。

业绩回顾

截至2015年12月31日，2015年集团总销售额达到了4.992亿新元，净利润为910万新币。尽管比去年同期销售额下降了2.4%，但净利润保持了10.0%的平稳增长。这部分归因于马来西亚厂生产设备资产处置和较低的所得税费用收益。

本集团的轮毂制造业，约占集团总销售额的30%，稳定的2.1%营业额增长。从2014年度1.484亿新元的销售额，增加至2015年度的1.515亿新元。轮胎经销业务板块销售额下跌4.2%，拉低了集团总销售额。分销业务的销售额从2014年度的3.628亿新元，下降至2015年度的3.477亿新元。和较低的总销售额一样，2015年的毛利润也同比下降了5.8%，为1.07亿新元。因此，毛利率也下降至21.4%（去年为22.2%），部分原因是由于运营成本较高。

本集团之分销业务继续成为最大的销售额来源，占总销售额的70%。但是，回顾本年度，轮胎经销的销售额下降是由于轮胎在全球市场严重的供过于求，导致激烈的价格竞争，以致这部分业务

受到冲击。由于材料采购通常以美元计价，强势的美元货币转换成当地货币时，导致材料采购成本较高，最终影响了交易的利润空间。

2015年度本集团的制造业表现良好。经过我们多年来的不断努力，简化生产系统，提高运营效率，同时提升生产力，特别是在中国，我们的OEM业务实现稳定的增长。因此，与2014年度相比我们能够实现更高的生产力和效率，为本年度带来了更高的产量和销售额。

在马来西亚，我们整合巩固了生产设施，并出售了在雪邦的生产设备。整顿后的生产规模不仅提高了我们的效率，而且也使我们能够加强我们的资产负债表和节约资源，为未来的业务拓展伺机而待。

在中国，我们继续加强重组工作。我们把在上海的浦斯圣模具厂搬至我们苏州的轮毂生产基地。通过合并将进一步简化运营，取得最佳效率。此外，我们还能够节约租赁费和运营成本。

董事长献词

强大的资本结构

在我们即定的审慎管理措施和严格的成本控制措施下，本集团的资产负债表依然保持健康。截至2015年12月31日，集团经营活动产生的总净现金流为1160万新元，现金及现金等价物金额为5170万新元。总资产达4.253亿新元，股东净资产为2.598亿新元，净负债比率为30%。

重大企业发展

2015年12月，董事会建议执行股票合并制，将每两股现有发行的友发普通股合并成一股。股份合并的原因是要遵守新加坡交易所设定于2016年3月2日起，规定股票最低交易价以每股新元0.20。

在此宣布，股票合并已在2016年1月19日执行完成，截至2016年1月19日，本公司现已发行股份数量为292,295,811股，股票资产为7700万新元。

股利

我们非常感谢股东们对友发长期的支持和耐心，尤其是在过去的一年，在我们采取措施重组本集团经营的时候，都表示支持。我们会与股东们共享本集团的成就，并继续致力于为股东们提供50%的派息。

董事会已提出了2015年度派发首末期股息1.42分每股，下届股东周年大会将于2016年4月28日举行，届时由股东们商讨批准。

继续向前

尽管面临充满挑战的商业环境，但作为一家高品质的，世界公认的汽车和工业产品的供应商，我们有足够的资源和经验，克服当前周期性行业经济放缓。我们将专注于我们的可持续发展的长期战略，包括继续实施我们的多产品，多品牌和多类别（“3M”）的营销策略。

例如，尽管充满挑战，2015年度友发（新西兰）继续实施我们的3M营销策略，并取得了巨大成功。友发（新西兰）已经建立了一个广泛的产品范围：轮毂，轮胎和电池产品，而他们丰富的电源产品则最好的诠释了我们的多产品营销策略。

除了各种类型的电池，该公司还增加了太阳能系列产品，包括面板，逆变器和安装设备，UPS（不间断电源）设备和一系列其他工业用电产品。由于经营范围的不断扩大，友发（新西兰）已经成为一个更可信的客户供应商，也为他们自己争取了更多的生意机会。

为与之配套，该公司已建立了自己的配送基地，目前拥有六家分公司遍布全国各地，确保能迅速提供所有的产品，以满足持续增长的客户群的需求。作为一家区域性销售公司，无论是在汽车或电力市场，友发（新西兰）都是业内专家，致力于服务好客户。

新西兰虽然是一个小国，友发仍然下决心增加其产品种类和分销平台，保障了公司在其充满竞争力的市场环境下持续增长。

我们强劲的基础设施使我们能够在逆境中保持稳定的增长。我们将提升我们的46个知名品牌的力度，利用我们强大的业务合作伙伴关系和全球网络，扩大营销范围，优化客户关系，实现持续增长和提供稳定回报给股东。

利用优势，迎接变化

我们在汽车和工业产品分销行业接近七十年。我们已经看到许多商业周期性变化，也经历了各种各样的逆境。全球经济，社会政治和经济景观的快速变化已经成为常态，并会继续对像友发（其经营网络跨越100多个国家）这样的全球性企业施以风险。不过，我们有足够的实力和经验，迎接挑战，克服当前周期性的低谷。我们将继续加强我们的实力和核心竞争力，并将持之以恒。

我们将继续专注于强化我们的财务状况。我们将继续保持强大和灵活的资本结构，通过平衡使用债务和股权融资，来支持我们的资本支出，增长我们的业务，最大限度地为股东创造价值。我们将审慎评估在资本方面的支出，以确保与发展有关的风险得以适当管理和控制。

我们已经制定一个有效的流程和成本管理体系。我们的3R政策，包括降低库存，减少应收账款，降低运营成本，这些在过去的三年中都已经到位，实施情况一直良好。不过，我相信，这个政策仍然有改进的空间。我们将加倍努力，在我们的管理层和员工中做到三大改变；改变思维，改变心态，改变行动，这也表明了我们必须采取行动落实贯彻3R政策的决心，以使我们能够在当前不景气的宏观经济和激烈竞争的大环境下保持增长，立于不败之地。

生产力，特别是劳动生产率，是实现可持续增长的关键因素。友发在亚太，北美和欧洲有30个营业机构。我们的员工是来自不同国家。然而，这也是我们的实力，我们可以利用这些来自不同文化和背景的员工的各类特长和技能。我们已经并将继续实施适当的培训方案，提升我们所有的工厂和办事处员工的技能，提高生产力和生产效率。

我们正在逐渐利用技术来增强我们的竞争力和巩固我们的行业领先地位。多年来，我们的创新，保持技术领先的能力，是我们保持竞争优势的关键。例如，友发集团专有的动态旋压技术（DST），使用流动成型技术生产雅泛迪品牌高强度高性能铝合金轮毂，使友发成为行业标杆，专业设计和生产卓越轮毂。本集团也利用技术来提高我们的市场营销和服务标准。在澳大利亚，我们的子公司已推出一个电子商务平台，让客户在网上购买我们的产品。我们相信，我们的数字营销举措不仅可以推动更大的销售量，而且更重要的是通过网络营销模式使我们能够与客户建立战略合作伙伴关系。

展望未来

2016年许多国际机构，包括如国际货币基金组织和世界银行都表示全球经济将继续保持不确定性。

经营环境将越来越具挑战性，并会继续影响我们的产能收入和利润。

董事长献词



我们将凭借我们丰富的经验和资源，克服这些困难。

我们将继续加强我们的研发和产品设计这一块，推动更大的创新，从而生产出更高质量和更高附加值的产品，满足全球客户的严格要求。

我们将进一步利用科技的力量，改善生产流程和系统，推动更高的运营效率。我们也采用高科技，提高客户服务质量和客户满意度，增加顾客的保持率，把友发改造成一家更加以客户为中心的企业。

我们将继续努力，建立维护我们值得信赖的优质品牌，包括我们自有的Neuton轮胎，雅泛迪铝合金轮毂和Neuton动力汽车和工业用电池。我们相信，通过这些全球知名品牌，我们将获得更大的市场份额，并提升我们在这个竞争激烈的国际市场中的领先地位。

“世界是我们的市场”仍是友发的座右铭。2015年，我们继续进军新市场，在美国我们拓展轮胎分销市场，取得显著的成功。在东马，虽然我们是在去年最后一个季度才开始营业，但其增长的

潜力却是鼓舞人心。我们在菲律宾刚刚起步的业务也颇有成效。我们将在这些市场加强营运网络，扩大市场占有率。特别是，我们看到在美国市场拓展的巨大潜力，我们要在这个大市场中进一步开拓业务范围，除了羽翼未丰的铝合金轮毂业务外，开拓轮胎经销业务。

我们也将加强我们与关键合作伙伴的合作关系，包括我们与奔驰AMG Petronas公司一级方程式（F1）车队的合作关系。多年来，我们与众多全球知名品牌合作，使友发在汽车和工业产品市场中成为一个全球知名的品牌。

即使我们继续投资项目和设施，并探索与合作伙伴的合作，以推动经济增长，我们仍会谨慎审查和评估任何投资机会，降低风险。我们一直采取长期价值创造和可持续发展。更重要的是，我们在做每一个决定，每一件事情时，始终将我们的股东最高利益放在第一位。

我们相信，我们已经建立了一套强大的机制和策略，使集团克服困难，在任何不可预见的情况下立于不败之地，来迎接经济持续稳定增长的来年。

感谢致词

我代表董事会，向我们的客户和合作伙伴，对这一年的支持表达我的感谢。我还要感谢友发忠实的股东们，在我们协商经营调整时给予我们的信心和耐心。我还要感谢管理层和员工们，感谢他们的坚定承诺和奉献，使集团度过了又一个成功年。

最后，我要对我的董事会的同事们表示最深切的感谢，谢谢你们给予的指导，以及为本集团的持续增长所做的贡献。

郑添和

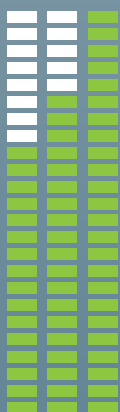
执行主席兼集团董事长



PRODUCT LINE



VALUE CHAIN



Energising Performance

TO DRIVE PERFORMANCE BY PROACTIVELY IMPLEMENTING OUR MULTI-PRODUCT, MULTI-BRAND AND MULTI-CATEGORY (3M) MARKETING STRATEGY WHILE STREAMLINING OUR PRODUCTION SYSTEMS FOR GREATER EFFICIENCY

Business Review



THE DISTRIBUTION BUSINESS CONTINUED TO BE THE KEY GROWTH ENGINE FOR THE GROUP. THE GROUP'S DISTRIBUTION BUSINESS IS ANCHORED ON OUR DIVERSIFIED PORTFOLIO OF THE GLOBAL AUTOMOTIVE AND INDUSTRIAL POWER PRODUCT BRANDS WHICH WE REPRESENT.

Against a backdrop of a volatile financial markets and slowing economies across our key markets, we have continued our rationalization and restructuring efforts to streamline our operations to enhance efficiency and more effective cost management. On the other hand, while taking measures to address challenges of the cyclical slowdown, we are also focused on the longer term and have continued to implement initiatives that will strengthen our core competencies and enhance our competitiveness in global markets.

Our two-prong approach encompassing rationalization and capability building have proven effective in enabling YHI to remain profitable despite the adverse operating conditions. For FY2015, net profit grew 10% to S\$9.1 million on the back of lower total revenue of S\$499.2 million.

Our stable performance also validated our foresight in developing a dual growth engine strategy. While our distribution business experienced a 4.2% decline in turnover in FY2015, our wheel manufacturing business grew 2.1% in the same period, balancing the overall impact of the difficult business environment.

SEGMENTAL REVIEW

Markets

The World is our Market. Our key markets span more than 100 countries around the world. We are constantly exploring new markets. We are tapping opportunities in the Middle East. Our fledgling distribution business in the Philippines and the US are growing well. We have, in Q3 FY2015, launched a new business in East Malaysia. The Group will continue to build on our strong positions and grow market share in these and other countries around the world.

Our Multi-product, Multi-brand and Multi-category (3M) marketing strategy has been and will continue to be the cornerstone of our market expansion strategy. It has underpinned our development as a globally recognised distributor of a wide range of high-quality automotive and industrial products.

Market growth is as much about resilience as it is about expansion. In FY2015, markets in certain regions were roiled by economic slowdown, financial volatility, oversupply and intense price pressures. Our 3R policy encompassing Reduce inventory, Reduce accounts receivables and Reduce operating costs proved to be effective in enhancing our resilience. We have also embraced

technology to improve efficiency, raise our service level and strengthen our customers' relationships.

ASEAN remained our largest market contributing 36% of the Group's revenue. This was followed by North East Asia and Oceania accounting for 30% and 27% respectively. Contribution from our North America rose steadily, reaching 7% in FY2015.

In terms of business segments, tyre distribution is the biggest, contributing 47% to total revenue, followed by the wheels segment which accounted for 39% and industrial power segment 14%.

In FY2015, the distribution business, accounting for 70% of the Group's revenue, recorded a decline of 4.2% to S\$347.7 million compared to S\$362.8 million the year before. Manufacturing business boosted by a stronger performance in our Original Equipment Manufacturing (OEM) business improved 2.1% to reach S\$151.5 million in the same period, contributing 30% to total revenue.

Distribution Business

The distribution business continued to be the key growth engine for the Group. The Group's distribution business is anchored on our diversified portfolio of the global automotive and

Business Review



industrial power product brands which we represent. Within this business segment, tyre distribution contributed the bulk of the revenue, accounting for 67% of our distribution business. Distribution of industrial power products and wheels accounted for 21% and 12% respectively.

The wide range of our products and the breadth and depth of our markets enabled the Group to deliver a steady performance in the distribution business despite the challenging business environment. Though the tyre and industrial power segments declined 9.1% and 0.3% respectively in FY2015, the wheel segment was able to chalk up strong growth of 25.4%. Overall, revenue for the distribution business segment declined a moderate 4.2%.

In the year under review, our tyre distribution business was affected by a combination of over-supply of tyres and weak global demand resulting in intense competition and price pressure. This impacted our tyre business in Singapore, Malaysia, Australia and Indonesia. Consequently, the turnover of our tyre business in these key markets experienced a year-on-year decline of 18.5%. On the other hand, stronger performances in new markets including the Philippines and the USA, were able to balance the decline in key markets.

The Group's tyre business is anchored by a strong portfolio of global brands. We hold the distribution rights for a wide range of prestigious brands of tyres including Yokohama, Nitto, Nankang, Nexen, Pirelli, Archilles. Over the years, we have built up an extensive

network of regional sales channels and logistical support facilities to strengthen our market leadership for these brands. In addition, we will continue to increase our efforts to achieve greater market share for our proprietary Neuton Tyre brand which is gaining traction in many markets.

In FY2016, we will focus on strengthening our marketing efforts for and developing a wider range and broadening the product mix of Neuton Tyres. We will embrace technology, strengthen our distribution network and deepen our partners and customer relationships in the Asia, Oceania and Middle East regions.

From the product development perspective, we will launch new tyre models under the Neuton brand and expand the range of sizes of Neuton Tyres for the 4x4 and SUV vehicles. For the 4x4 vehicle, the new tyre sizes will cater to Highway-Terrain (HT), All-Terrain and selected sizes for Mud-Terrain (MT) usage. Currently there are 45 different sizes of Neuton Tyres under the 4x4 and SUV categories. The Group plans to increase the range to more than 60 tyre sizes, giving consumers greater options for selection.

The Group is planning to launch the Neuton Run-Flat tyre in FY2016, with an initial offering of 10 sizes in the first phase. We will also introduce the Neuton TBR tyres in Indonesia with two sizes for the introductory phase. In order to meet the demand for an expanded product range, the Group plans to increase production volume by our tyre contract manufacturers.

In the Light Truck segment, we anticipate to add another 7 product sizes to the lineup of our offering, bringing the total number of sizes available for Light Truck to 25 to meet the demand for wider range of different sizes of tyres in the Asia market.

Our portfolio of alloy wheels includes Enkei, OZ, Konig, Breyton as well as our proprietary Advanti Racing. Our effective marketing efforts contributed to positive growth in this product segment which in turn helped to cushion the decline in the tyre business.

The industrial power segment produced a steady performance during the year under review. YHI's industrial power products portfolio includes automotive and rechargeable batteries for commercial and industrial use, golf and utility buggies from E-Z-GO and Cushman as well as other industrial power products like solar panels, chargers and UPS. Some of the key brands we distribute are Hitachi, Trojan, CBS, Benning, Crown, Vision, FIAMM and Jinko Solar. YHI also markets an extensive range of industrial power products under its proprietary Neuton Power brand.

The Group continued to strengthen our capability and expand the range of industrial products under the Neuton Power brand. We are working with a reputable battery manufacturer to develop a Portable Jump Starter Kit and Power Bank under the Neuton Power brand. The defining feature of this product that differentiates it from the competition is the safety feature built

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into the product using a patented Safety Protection Technology.

We are also working with a reputable system manufacturer to develop a Tyre Pressure Monitoring System (TPMS) under the Neuton Power brand. This product allows for easy and constant monitoring of the condition of the tyres in terms of air pressure and temperature. An unique feature of the TPMS is that readings can be obtained through a mobile app on IOS or Android using Bluetooth technology. The whole system can be set up in less than 45 minutes including the change of tyre.

Manufacturing Business

The Group's manufacturing business performed well in FY2015 despite the challenging operating environment. Boosted by a strong performance in our Original Equipment Manufacturing ("OEM") business, revenue from our manufacturing business reached S\$151.5 million, an increase of 2.1% compared to S\$148.4 million in FY2014. Our aftermarket and OEM segments accounted for 75% and 25% of manufacturing turnover respectively compared to 86% and 14% respectively in FY2014. Europe remained our largest export market contributing 42% of the aftermarket revenue. This was followed by USA contributing 25%, Japan 18%, Asia ex Japan and Others contributing 13% and 2% respectively.

The market for alloy wheels in the global market remained weak in FY2015. Financial volatility, economic slowdown and weak demand for vehicles weighed on the global alloy wheel industry in our key markets. For example, although China's passenger car market was reported by China Association of Automobile Manufacturers to grow 7.3% in 2015, the growth rate continued to decline, compared to 10% in 2014 and 16% in 2013. Against this backdrop of slowing demand for alloy wheels compounded by rising labour and operations costs, YHI will continue to invest in strengthening product design, enhancing technical competencies, improving production processes and systems to raise efficiency and improve productivity so as to reduce production costs.



Because the Group's production facilities are spread across three countries, the challenges to our manufacturing business are varied and we have been successful in calibrating and developing appropriate and specific measures to respond to the challenges. In China, rising labour and operations costs are significant concerns for us. In Malaysia, stringent regulations on foreign workers coupled with the lack of interest among local workers to work in manufacturing have led to high turnover and affected labour productivity.

Therefore, in FY2015 the Group continued the process of rationalisation and streamlining of our manufacturing operations. In Malaysia we completed the sale of our plant in Sepang. With the disposal, the Group's manufacturing operations were consolidated to our plant in Malacca, saving operations costs and optimising manpower utilisation. The streamlining of operations has raised productivity and efficiency and reduced operation costs.

In China, we have also moved our precision moulding operations from

Shanghai to our manufacturing plant at Suzhou. The consolidation will streamline and enable better integration of our production processes, generating greater efficiency and synergies. The results of our consolidation efforts were encouraging. Our manufacturing business in China grew 11% to S\$101.7 million in FY2015 on the back of better performance from our OEM business.

Technology is key driver for our competitiveness. The Group's proprietary Dynamic Spinning Technology ("DST") has enabled the Group to stay ahead of the competition. Using flow forming technology, DST empowers the Group with the capability to produce stronger and higher performing alloy wheels at lower production costs. We will continue to invest in R & D and foster a deep innovative mind set among our workers so as to build on our technological leadership.

Notwithstanding that YHI is recognised as a leading Original Design Manufacturer ("ODM"), the Group will continue to build on its OEM business in China and other markets where the

Business Review

demand is growing well. Our plants in China and Malaysia have adequate production capacity to handle any increase in volume of OEM activities.

In addition, we will continue to participate in international motor and relevant tradeshow to enhance marketing and drive greater exposure in global markets of our proprietary Advanti Racing brand alloy wheels. We will continue to build on the brand equity of Advanti Racing through our partnership with MERCEDES AMG PETRONAS as the Official Supplier of wheels for its Formula One Racing Team.

In 2016, the Group celebrates the 20th anniversary of the Advanti Racing brand wheel. To mark this significant milestone, we have created the Advanti 20th Anniversary Wheel which will be launched in April 2016. Sleek and futuristic in design, portraying an image of dynamism and vibrancy, the wheel represents YHI's confidence, technology leadership and decisiveness in charting a steady and smooth journey of progress in the next 20 years. Energised by a vision for sustainable growth, the Group will continue to propel Advanti to strengthen its position as the global leader in alloy wheels.

Business Outlook

The outlook for the global economy in 2016 remains uncertain. An International Monetary Fund's World Economic Outlook report in January

2016 indicates that manufacturing activity and trade remain weak globally, reflecting partly the slowdown in China as well as subdued global demand and investment. According to analysts at IHS Automotive, an authoritative source of information and insight to the global automotive industry, the outlook for global automotive sales in 2016 remains subdued, after a marginal 1.5% growth in 2015.

Against the backdrop of slow economic growth and subdued demand in our key markets, the Group expects its distribution and manufacturing businesses to continue to be challenged by prevailing headwinds. Nevertheless, the Group will remain vigilant to the volatile business environment and implement measures to enhance our resilience and operations efficiency.

For our distribution business, we anticipate continued weak demand and overcapacity to weigh on the market. Competition will intensify, exerting greater pressure on price and operating margins. We have in place an effective global distribution network. We will strengthen our sales channels by working with key local partners. We will continue to explore and tap opportunities in promising new markets including East Malaysia, the Philippines and the US where our fledging business has shown steady growth. We will leverage our 3M marketing strategies to make deeper inroads into existing markets. Amidst the challenges, there

are some bright spots. In China, as reported by various media including Wall Street Journal, Reuters, Financial Times and Bloomberg, the government in September 2015 reduced the tax on purchase of small passenger cars in a bid to boost demand in the world's largest car market. With our strong presence and wide distribution network, we believe that the Chinese government's latest incentive will boost the Group's manufacturing and distribution business.

With the successful consolidation of our production operations in China and Malaysia, we believe that the Group's manufacturing business will continue on the path of stable growth. Nonetheless, we have to remain vigilant to the increasingly more challenging operating environment, especially rising labour and operations costs. To this end, we will leverage technology to raise operation efficiency. The Group's Dynamic Spinning Technology (DST) is a cutting edge technology that has set the industry benchmark for excellence in wheel design and production. We will continue to build on our technological advantage to further improve operational excellence and increase product innovations. At the same time, we will review our production processes regularly to ensure optimal capacity utilisation and labour productivity. The Group is committed to developing our manufacturing business as a robust growth engine to complement the distribution business.

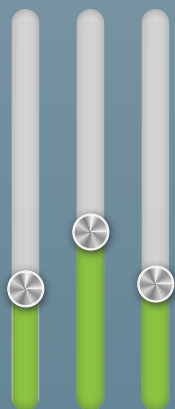
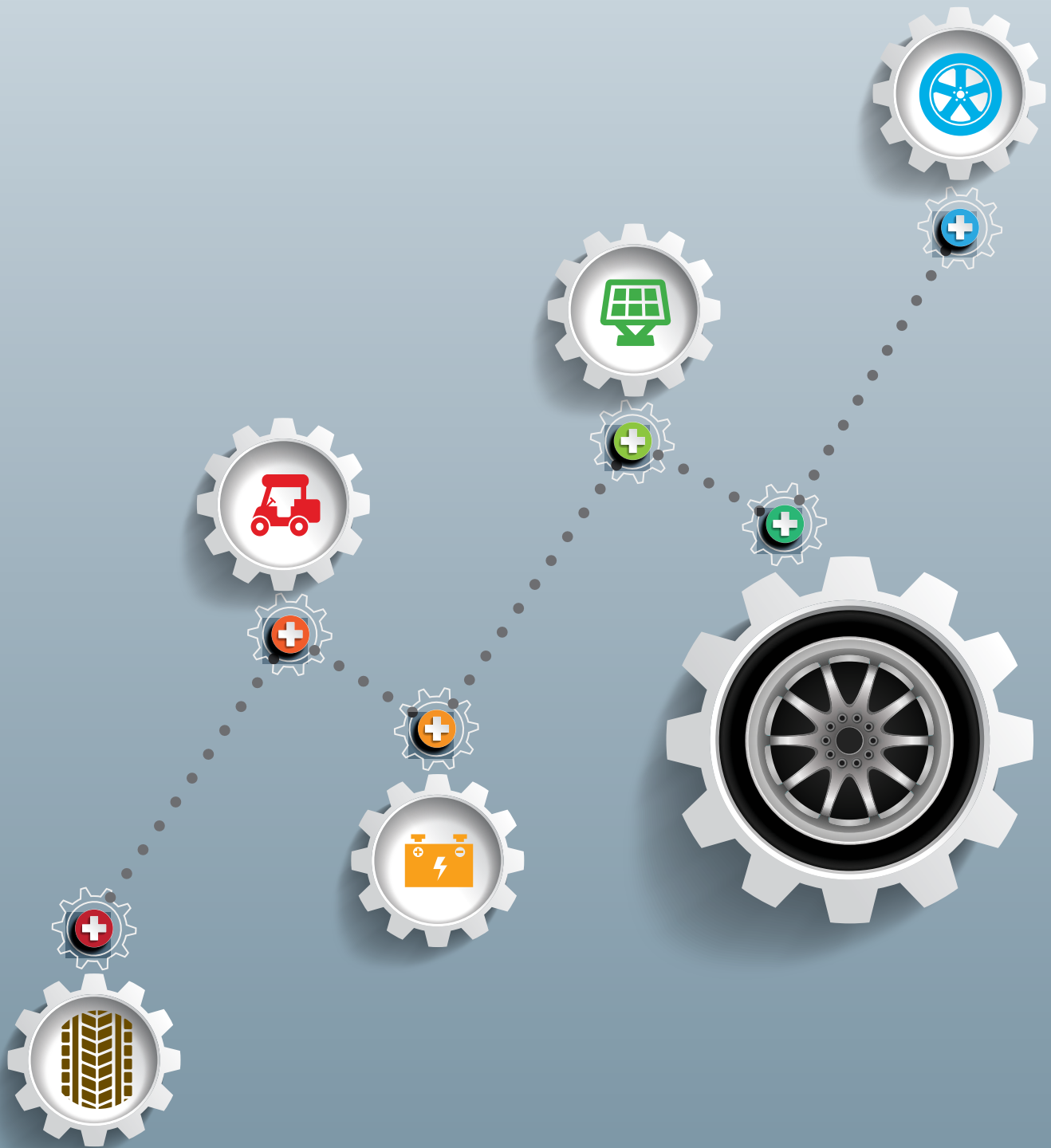


The Advanti 20th Anniversary Wheel is specially created to celebrate this significant milestone.

Sleek and forward in design, it clearly defines the journey of Advanti into the next 20 years, steered by distinct objectives, deep knowledge and swift decisiveness.

Armed with trajectory vision, Advanti continues to be the leader in the world of wheels.





Enhancing Quality

TO FURTHER INTENSIFY OUR R&D EFFORTS TO PRODUCE HIGHER QUALITY AND HIGHER VALUE-ADDED PRODUCTS, LEVERAGING OUR PROPRIETARY DST CAPABILITIES TO PRODUCE STRONGER AND BETTER PERFORMING ALLOY WHEELS THAT MEET OUR CUSTOMERS' STRINGENT DEMANDS

Financial Review

INCOME STATEMENT REVIEW

YHI Group delivered a respectable financial performance in FY2015 despite the challenging operating environment.

The Group reported a 2.4% (or S\$12.0 million) decrease in turnover to S\$499.2 million (FY2015) from S\$511.2 million in FY2014, mainly due to lower sales from our Distribution business offset by higher sales in our Manufacturing business as compared to last year.

Distribution business, accounting for 69.6% of the Group's total turnover, recorded a decrease of 4.2% (or S\$15.1 million) in turnover, from S\$362.8 million in FY2014 to S\$347.7 million in FY2015. Manufacturing business, accounting for 30.4% of the Group's total turnover, recorded an increase of 2.1% (or S\$3.1 million) in turnover, from S\$148.4 million in FY2014 to S\$151.5 million in FY2015.

Gross Profit decreased by 5.8% (or S\$6.6 million) to S\$107.0 million in FY2015 from S\$113.6 million in FY2014. The Group's gross profit margin decreased by 0.8% to 21.4% in FY2015 compared to 22.2% in FY2014 mainly due to lower margins from the Distribution business offset by higher margins from the Manufacturing business.

Net profit after tax attributable to shareholders of the Company increased by 17.4% (or S\$1.2 million) to S\$8.2 million in FY2015 from S\$7.0 million in FY2014.

A review of the Group's performance by geographical markets, ASEAN, North East Asia, Oceania and Others contributed 36%, 30%, 27% and 7 % respectively. The turnover in ASEAN, our largest revenue contributor, decreased by 8.8 % to S\$176.6 million mainly due to lower turnover in Malaysia, Indonesia and Brunei offset by higher revenue in Philippines, Thailand and Vietnam. The turnover in North East Asia increased by 4.3% to S\$156.2 million mainly due to higher contribution from China and Hong Kong. The turnover in Oceania decreased by 12.3% to S\$132.8 million as a result of lower turnover from Australia offset by higher turnover from New Zealand. Lastly, the turnover in Others increased to \$33.6 million from S\$16.4 million a year ago, due to higher turnover in USA.

Other gains increased by S\$3.3 million to S\$6.1 million in FY2015 from S\$2.8 million in FY2014, mainly due to disposal gain from our Sepang factory.

In terms of operating expenses, the Group's total operating expenses decreased by 2.5% (or S\$2.6 million) to S\$99.6 million in FY2015 from S\$102.2 million in FY2014.

Distribution expenses decreased by 6.4% (or S\$3.3 million) in FY2015 to S\$48.4 million as compared to S\$51.7 million in FY2014 mainly due to lower sales commission, advertisement & promotion expenses and allowance for impairment of doubtful trade receivables.

Administrative expenses increased by 1.0% (or S\$0.4 million) in FY2015 to S\$45.9 million as compared to S\$45.5 million in FY2014 mainly due to higher staff related costs offset by lower unrealised currency translation losses.

Financing costs increased by 4.6% (or S\$0.2 million) in FY2015 to S\$5.2 million as compared to S\$5.0 million in FY2014, mainly due to higher interest costs incurred.

Our associated company reported better performance and our share of profit was S\$1.0 million in FY2015 compared to S\$0.7 million in FY2014.

FY2015 income tax expense decreased by 18.5% mainly due to lower operating profit in FY2015 compared to FY2014. The high effective income tax rate is mainly due to losses in certain subsidiaries lowering the Group's profit before tax.

FINANCIAL POSITION REVIEW

The Group continues to benefit from a healthy balance sheet with net asset of S\$259.8 million. Net asset value per share was 42.15 Singapore cents as of 31 December 2015 based on 584,591,628 ordinary shares. Subsequent to year-end, the Company has completed its Share Consolidation exercise effective on 19 January 2016 and every two (2) Existing Shares has been consolidated to constitute one (1) Consolidated Share. Following the completion of the Share Consolidation, the issued share

capital of the Company now comprises 292,295,811 Consolidated Shares. This translates into a net asset value per share of 84.30 Singapore cents post-consolidation of shares.

The Group's net working capital increased to S\$152.8 million with cash and cash equivalents of S\$51.7 million and net gearing ratio of 30% as at 31 December 2015.

As at 31 December 2015, total assets amounted to about S\$425.3 million comprising S\$287.7 million of current assets and S\$137.6 million of non-current assets. Total liabilities amounted to about S\$165.5 million comprising current liabilities of S\$134.9 million and non-current liabilities of S\$30.6 million. Shareholders' equity including non-controlling interests amounted to S\$259.8 million, as compared with S\$264.1 million.

Trade and other receivables increased from S\$89.8 million to S\$97.8 million mainly due to higher manufacturing sales generated in FY2015 compared to FY2014 and slower collections from certain distribution customers. Except for those trade receivables where a specific provision has been made, most of the trade receivables that remained outstanding at the end of FY2015 were still within the acceptable credit terms.

Inventories decreased from S\$132.3 million to S\$126.3 million mainly due to the Group's conscious efforts to reduce inventory level as part of the Group's 3"R" policy to reduce inventory, reduce accounts receivables and reduce operating costs in FY2015. Inventory turnover improved from 121 days in FY2014 to 118 days in FY2015.

Other current assets decreased from S\$14.7 million to S\$11.3 million mainly due to lower advance deposits paid for the purchase of aluminium ingot and prepayment for mould cost.

Non-current assets held-for-sale of S\$8.4 million was disposed in September 2015 following the completion of the sales of Freehold Land and Buildings at our Sepang plant which were reclassified as Non-current assets held-for-sale after the relocation

Financial Review

of manufacturing facilities from Sepang to Malacca in FY2014.

Investment in an associated company decreased from S\$15.6 million to S\$15.4 million mainly due to currency translation loss resulting from the weakening of the EURO against the SGD. EURO has weakened from 1.6120 at the beginning of year to 1.5451 at the end of 2015.

Property, plant and equipment ("PPE") decreased by S\$6.1 million to S\$115.2 million from S\$121.3 million mainly due to additions of PPE offset by depreciation charged for the year ended 31 December 2015.

Deferred income tax assets decreased from S\$4.6 million to S\$3.4 million mainly due to a reversal of provision of deferred income tax assets in prior year from a China subsidiary.

Trade and other payables decreased from S\$45.4 million to S\$35.8 million mainly due to prompt settlement of trade payables to suppliers.

Borrowings (current & non-current) decreased from S\$132.9 million to S\$126.3 million due to repayment of bank borrowings during the year. The short term loans of S\$88.4 million which comprises mainly trust receipts and revolving credits, are used for trade

financing while the long term loans of S\$37.9 million are used for capital expenditure in Property, plant and equipment.

Group Net Borrowings (net of cash) decreased from S\$76.5 million to S\$74.0 million and net gearing of the Group (borrowings net cash to equity) maintained at the same level of 30% at the end of 31 December 2015. The reduced net borrowings was attributed mainly to repayment of borrowings for the financial year ended 31 December 2015.

Current income tax liabilities decreased from S\$1.3 million to S\$0.6 million mainly due to income tax paid during the year.

Other non-current liabilities are mainly due to provision for long services leave in Australia subsidiaries.

Other reserves consist of mainly foreign currency translation losses which changed from \$7.1 million to \$16.6 million resulting from the weakening of Malaysia Ringgits, Australian Dollars and New Zealand Dollars against Singapore Dollars.

CASH FLOWS REVIEW

Cash and cash equivalents decreased to S\$51.7 million at the end of December 2015, compared to S\$55.5 million reported at end of December 2014.

S\$11.6 million was generated by operating activities in FY2015, as compared to S\$24.0 million in FY2014.

The Group's net cashflow from operating activities decreased by 52% to S\$11.6 million, as compared to S\$24.0 million in the preceding year. The decrease was mainly due to higher trade receivables and lower trade payables compared to the previous year.

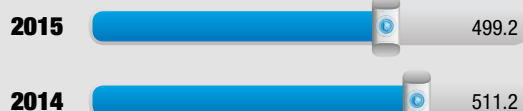
The Group utilized S\$1.1 million in investing activities mainly for the purchase of plant and equipment. A total of S\$12.2 million was used in financing activities mainly for the repayment of bank borrowings and the payment of dividends to equity holders of the Company.

DIVIDEND

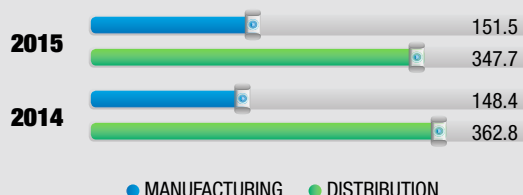
In appreciation of the shareholders for their support, the Board of Directors recommends a one-tier tax exempt first and final dividend of 1.42 Singapore cents per share to be approved by shareholders at the forthcoming annual general meeting on 28 April 2016.

This translates to a dividend yield of 5.1% based on the closing share price of S\$0.28 as at last practicable date before printing of the Annual Report and a dividend payout ratio of 50% based on earning per share of 2.82 Singapore cents for FY2015 post Share Consolidation.

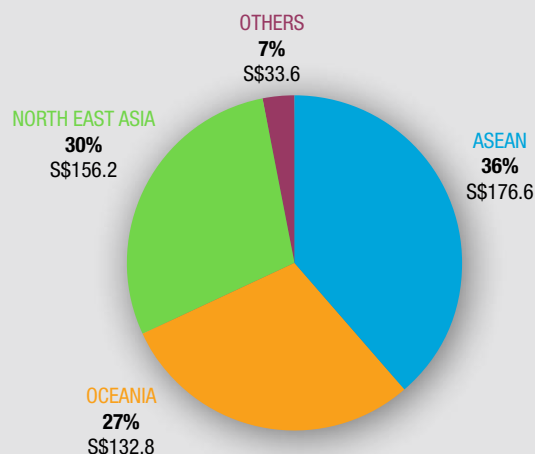
GROUP REVENUE (S\$ 'MILLION)



REVENUE BY BUSINESS SEGMENTS (S\$ 'MILLION)



REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS (S\$ 'MILLION)



Corporate Milestones



- 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.



- 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.

1997

1996



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

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).

1973-1975

1948



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

Corporate Milestones

1999



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

2000



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

2003-2004



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

2005



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

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



- 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.

2011



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

2009

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.

2008



2007



- 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.

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

Corporate Milestones

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

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.

Board of Directors



MR TAY TIAN HOE, RICHARD, 64
Executive Chairman &
Group Managing Director

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

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

Under his stewardship, Mr Tay has led the development and growth of our alloy wheels manufacturing business. He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000 and last re-appointed on 28 April 2015.



MR TAY TIANG GUAN, 63
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 spearheading our Group's operations in ASEAN and overseeing the business development and operational management of our tyre and industrial product distribution business.

He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000 and last re-appointed on 26 April 2013.



MR HENRY TAN SONG KOK, 51
Lead Independent Director

Mr Henry Tan was appointed to the Board on 22 May 2003 and last re-appointed on 28 April 2015. He currently chairs the Audit Committee and is a member of our Remuneration Committee and Nominating Committee. He is the Managing Director of Nexia TS Public Accounting Corporation and the Chairman of Nexia China. He was the past Asia Pacific Regional Chairman and board member of Nexia International.

He holds directorship for several companies. He is a director of Raffles Education Corporation Limited and China New Town Development Co Ltd. He is on the Alumni Advisory Board of Nanyang Business School.

Mr Tan graduated with a First Class Honours Degree in Accountancy from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants in Australia, CPA Australia 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.

Board of Directors



MR YUEN SOU WAI, 62
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. Mr Yuen was last re-appointed on 25 April 2014. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

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

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

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

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



MR HEE THENG FONG, 61
Independent Director

Mr Hee Theng Fong was appointed to the Board on 22 May 2003 and was last re-appointed on 26 April 2013. He currently chairs the Remuneration Committee and is a member of our Audit Committee.

He is a Consultant of Harry Elias Partnership LLP and has been practising as an Advocate and Solicitor of the Supreme Court of Singapore since 1982.

Mr Hee is also a director of several companies including Delong Holdings Ltd, Datapulse Technology Limited, Tye Soon Limited, First Resources Limited, F&H SingHome Fund II Ltd, Business China and Chinese Development Assistance Council (CDAC).

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



MR PHUA TIN HOW, 65
Independent Director

Mr Phua Tin How was appointed to the Board on 22 May 2003 and was last re-appointed on 25 April 2014. 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 & Non-Executive Chairman of Valuemax Group Limited in Oct 2013.

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

Senior Management Team



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

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

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

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



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

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

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

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

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



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

Mr Lu Chun Ya was appointed Group General Manager of the YHI Manufacturing Group, China operations on 3 December 2013. With over 24 years of experience in alloy wheels manufacturing, he is now responsible for overseeing our business operations in China, as well as the alloy wheels manufacturing plants and mould manufacturing plant in Shanghai and Suzhou respectively.

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

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

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

Senior Management Team



MR STEVE LIEW NGOK FOOK

General Manager,
Tyre Division

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

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



MR ROBERT TAN YONG QUAN

General Manager,
ASEAN Management

Mr Robert Tan is General Manager, ASEAN Management. He has over 13 years of experience managing the YHI Distribution Group in ASEAN and is responsible for overseeing the business operations in Thailand, Malaysia, Brunei 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 Commerce (Marketing and Finance) from Curtin University of Technology, Perth Australia; and an Executive Master of Business Administration from the Helsinki School of Economics, Finland.



MS AMY SOO WEE HSIEN

General Manager, Group Human
Resource/Administration, 5S & Kaizen

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

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

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

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



**MR THOMAS CHANG
HONG WOEI**
General Manager
YHI (East Malaysia) Sdn Bhd



THAILAND



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



INDONESIA



MR EKA SATRIA
Deputy General Manager
PT YHI Indonesia



VIETNAM



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



BRUNEI



MR RICKEY TAY
Manager
YHI Corporation (B) Sdn Bhd



PHILIPPINES



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



HONG KONG



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



CHINA



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



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

Head of Subsidiaries



CHINA



**MR SCOTT ZHANG
ZHONG DE**

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



MR WU MENG

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



MR WANG ZHAN WEI

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



TAIWAN



MR LIOU A-JENN

General Manager
YHI International (Taiwan)
Co., Ltd



JAPAN



MR NAOTO SAKAGUCHI

Managing Director
YHI Corporation Japan
Co., Ltd



AUSTRALIA



MR TONY SUHAN

Managing Director
YHI (Australia) Pty Ltd



MR DAVID CHEN

Managing Director
YHI Power Pty Ltd



NEW ZEALAND



MR CHRISTOPHER TALBOT

Managing Director
YHI (New Zealand) Ltd.



USA



MR JOSEPH SCHAEFER

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



CANADA



MR RAYMOND CHAN

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



ITALY



MR CLAUDIO BERNONI

Managing Director
O.Z. S.p.A

Corporate Structure



DISTRIBUTION



YHI
Since 1948

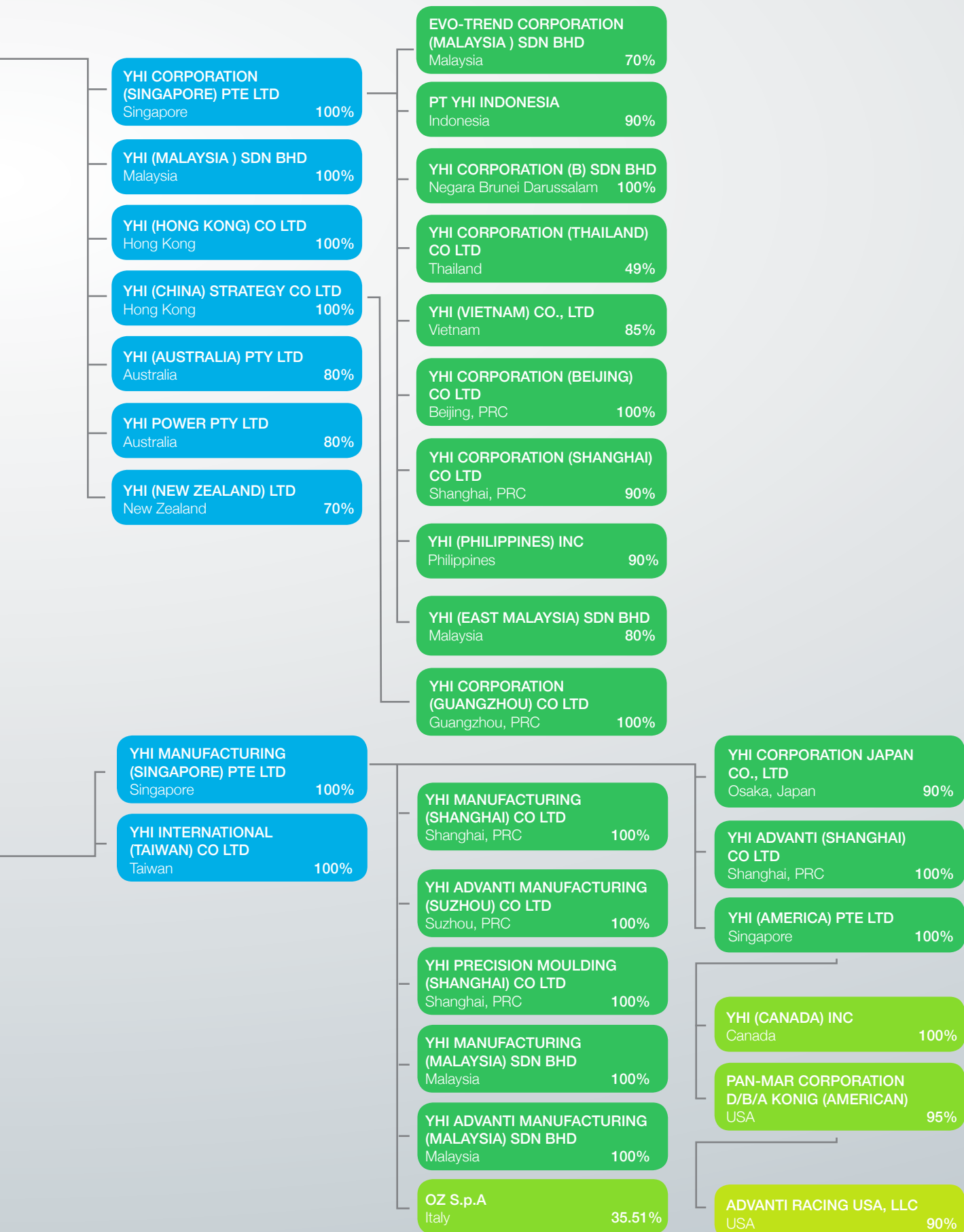
友发国际有限公司
YHI INTERNATIONAL LIMITED

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



MANUFACTURING

Corporate Structure



Global Presence

SINGAPORE (HEAD OFFICE)

YHI Holdings Pte Ltd
YHI International Limited
YHI Corporation (Singapore) Pte Ltd
YHI Manufacturing (Singapore) Pte Ltd
YHI (America) Pte Ltd
 No. 2, Pandan Road, Singapore 609254
T: (65) 6264 2155
F: (65) 6265 9927 / 6266 5368
E: yhigroup@yhi.com.sg
W: www.yhi.com.sg

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 HICOM-Glenmarie Industrial Park,
 40150 Shah Alam, Selangor, Malaysia
T: (60) 3 7804 9880
F: (60) 3 7804 9878
E: yhim@yhim.com.my

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No. 7 & 9, Jalan Mutiara Emas 5/2,
 Taman Mount Austin,
 81100 Johor Bahru, Johor, Malaysia
T: (60) 19 238 5366 / 658 5367
F: (60) 18 620 5368
E: kkchong2286@gmail.com

Penang Branch

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

YHI (East Malaysia) Sdn Bhd

Lot 30D, Jalan Nountun Kolombong,
 88450, Kota Kinabalu, Sabah, Malaysia
T: (60) 8838 8383
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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

Hee Theng Fong
Independent Director

Phua Tin How
Independent Director

AUDIT COMMITTEE

Henry Tan Song Kok
Chairman

Hee Theng Fong
Member

Phua Tin How
Member

Yuen Sou Wai
Member

REMUNERATION COMMITTEE

Hee Theng Fong
Chairman

Phua Tin How
Member

Henry Tan Song Kok
Member

Yuen Sou Wai
Member

NOMINATING COMMITTEE

Phua Tin How
Chairman

Tay Tian Hoe Richard
Member

Henry Tan Song Kok
Member

Yuen Sou Wai
Member

COMPANY SECRETARY

Gn Jong Yuh Gwendolyn
LLB Hons

AUDITOR

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Partner-in-charge :
Tan Boon Chok
Year of appointment: 2013

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Financial Calendar

12 May 2015 : Announcement of first quarter unaudited results

13 August 2015 : Announcement of half year unaudited results

12 November 2015 : Announcement of third quarter unaudited results

31 December 2015 : Financial year-end

25 February 2016 : Announcement of full year unaudited results

28 April 2016 : Annual General Meeting

Corporate Governance

REPORT ON CORPORATE GOVERNANCE

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 2015 (“FY2015”), with specific reference to the principles and guidelines of the Code of Corporate Governance issued in May 2012 (the “Code”), which forms part of the continuing obligations of the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Listing Rules”).

A. BOARD MATTERS

As at 24 March 2016, the Board comprises the following Directors:

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

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

Principle 1: The Board’s Conduct of Affairs

The Board comprises two (2) Executive Directors and four (4) Independent Directors, all having the right competencies and diversity of experience enabling them to effectively contribute to the Group.

The principal functions of the Board include the following:

- Reviewing and approving key business strategies and financial plans and monitoring the Group’s performance;
- Reviewing the adequacy and integrity of the Group’s internal controls, risk management systems and financial reporting process;
- Ensuring the Group’s compliance with relevant legislative, regulatory and continuing listing requirements;
- Ensuring that good corporate governance practices are adopted;
- Approving major investments, divestments and funding plans proposed by the Management; and
- Ensuring accurate, adequate and timely reporting to, and communication with shareholders.

All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

The Group has adopted a set of internal guidelines on matters that require the Board’s approval. The matters include interested person transactions, investments and divestments, capital expenditure and business contracts which exceed a 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 accordingly revised when necessary.

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.

The Constitution of the Company (“Constitution”) allows Directors to participate in a Board meeting by telephone conference to communicate as a group without requiring the Directors’ physical presence.

Corporate Governance

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 relevant trainings. 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 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 will also allow the new Directors to get acquainted 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.

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:

- Nominating Committee
- Remuneration Committee
- Audit Committee

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 Committee meetings are available to all Board members.

The roles of each Board Committee are outlined in respective committee's Terms of Reference approved by the Board. 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.

Table 1 below discloses the composition of each Board Committee in FY2015. Table 2 discloses the Directors' attendance at Board and Board Committee meetings in FY2015.

Table 1: Composition of Board Committees in FY2015

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 Hee Theng Fong (Independent Director)	—	Chairman	Member
Mr Phua Tin How (Independent Director)	Chairman	Member	Member
Mr Yuen Sou Wai (Independent Director)	Member	Member	Member

Table 2: Attendance of Directors at Board and Board Committee Meetings in FY2015

Board and Board Meeting	Number of Meetings Held	Number of Meetings Attended					
		Tay Tian Hoe Richard	Tay Tiang Guan	Henry Tan Song Kok	Hee Theng Fong	Phua Tin How	Yuen Sou Wai
Board	5	5	5	5	3	5	5
Nominating Committee	2	2	2^	2	1^	2	2
Remuneration Committee	1	1^	1^	1	1	1	1
Audit Committee	4	4^	4^	4	2	4	4

^ By Invitation

Principle 2: Board Composition and Guidance

The Board comprises six (6) Directors, two-thirds of whom are Independent Directors. The Independent Directors are:

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

The criterion of “independence” is based on the guidelines provided in the Code. The Board defines an Independent Director as one who has no relationship with the Company, its related corporations, persons with interest in 10% or more of the voting shares of the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement with a view to the best interests of the Company.

Each independent director is required to complete a Director’s Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

The independence of each Director is reviewed by the Nominating Committee annually and reported to the Board.

The Nominating Committee is responsible for examining the size and composition of the Board and Board Committees. 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 six to eight members as appropriate. The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.

The Nominating Committee is also of the view that the current Board, with Independent Directors making up two-thirds of the Board, has a strong independent element that is able to exercise objective judgement on corporate affairs independently. The Nominating Committee is also 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 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.

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

If Mr Hee Theng Fong is re-nominated at the Annual General Meeting, Mr Henry Tan Song Kok, together with Messrs Hee Theng Fong, Phua Tin How and Yuen Sou Wai, will have served on the Board beyond nine (9) years from the date of their first appointments. Pursuant to the guidelines of the Code, the Board, with the assistance of the Nominating Committee, has subjected the independence of these Directors to rigorous review 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.

The review process also placed emphasis on whether each of those Directors under review has demonstrated independent mindedness and conduct at Board meetings, and whether such Director has exercised independent judgement in discharging his duties.

The Board has also assessed the need for progressive refreshing of the Board against the possible loss of the Directors’ in-depth knowledge and familiarity with the Group’s business operations acquired during their tenure. Given the invaluable insight and familiarity, the Directors are well-positioned to oversee Management’s performance and safeguard the Group and the shareholders’ interest. The Directors have not hesitated to express their own view points and seek clarification from Management, where necessary.

The Board is satisfied that the Directors are independent notwithstanding they have served on the Board for more than nine (9) years from the date of their first appointment.

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.

To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to 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.

The Independent Directors meet on a need-basis 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.

Principle 3: Role of Chairman and Group Managing Director

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

- 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.

The following checks and balances are adopted by the Board in view of Mr Tay Tian Hoe Richard's concurrent appointment as the Group Managing Director:

- a. Major business and operational decisions made by Mr Tay Tian Hoe Richard are reviewed by the Audit Committee and the Board;
- b. The Board has appointed Mr Henry Tan Song Kok as the Lead Independent Director, pursuant to the recommendations of the Code. The Lead Independent Director will be available to the shareholders where they have concerns and for which contact through the channels of the Executive Chairman or Group Chief Financial Officer have failed to resolve or is inappropriate; and
- c. Independent Directors make up at least half of the Board.

The Board encourages the Independent Directors to meet without the presence of Management. The Lead Independent Director will provide feedback to the Executive Chairman after the meeting (if any).

Principle 4: Board Membership

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

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

Corporate Governance

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:

- a. The Board's structure, size and composition;
- b. The Board succession plans for Directors, in particular, for the Chairman and the Group Managing Director;
- 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 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.

Commitments of Directors Sitting on Multiple Boards

The Board does not prescribe a maximum number 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 a Director may contribute to the Board and its overall effectiveness.

The Nominating Committee, after taking into account 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.

Appointment of Alternate Directors

There is no alternate director on the Board.

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

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 for 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 in the previous Annual General Meeting. 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 mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be 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, experience or diversity for the position.

The selection criteria includes integrity, diversity of competencies, expertise, gender, industry experience and financial literacy. The Nominating Committee seeks potential candidates widely and beyond Directors' or Management's recommendations and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary. The Nominating Committee then nominates the most suitable candidate.

The Nominating Committee is charged with determining the independence of the directors. 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, Mr Hee Theng Fong and Mr Phua Tin How are independent and that no individual or small group of individuals dominates the Board's decision-making process.

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

The Nominating Committee has recommended to the Board that Messrs Tay Tiang Guan and Hee Theng Fong be nominated for re-appointment at the forthcoming Annual General Meeting.

Information on Directors

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

Principle 5: Board Performance

A formal review of the effectiveness of the Board and Board Committees and the assessment of each 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.

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.

The completed checklists were submitted to the Nominating Committee for review before submitting to the Board for discussion and determining areas for improvement.

Performance Criteria for the 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 for the Board and Board Committees' evaluation include Board size and composition, Board independence, Board processes, Board information and accountability and Board performance in relation to discharging its principal functions, objectives, and annual financial targets such as return on equity.

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.

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.

Evaluation of Individual Directors

Evaluation criteria in assessing the contribution of individual Director 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.

Corporate Governance

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.

Principle 6: Access to Information

In order to ensure that the Board is able to discharge its responsibilities, 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.

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

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.

However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. 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 receives quarterly Management financial statements, cash flow projections, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. 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.

Directors' Access to Company Secretary

The Directors have separate and independent access to the Company Secretary at all times. The Company Secretary also attends all 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 Chairman 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.

Directors' Access to Independent Professional Advice

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.

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Mr Hee Theng Fong, an Independent Director, is the Chairman of the Remuneration Committee. The Remuneration Committee comprises the following Independent Directors:

- Mr Hee Theng Fong, as Chairman of the Committee;
- Mr Henry Tan Song Kok, who is also the Lead Independent Director;
- Mr Phua Tin How; and
- Mr Yuen Sou Wai.

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

- a. Reviewing and recommending to the Board a general framework of remuneration for the Directors and key management personnel on all aspects of remuneration including Director's fees, salaries, allowances, bonuses, options and benefits-in-kind; and
- b. Reviewing and recommending to the Board the specific remuneration packages and terms of employment for each Executive Director and key management personnel.

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 is involved in deciding his own remuneration.

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.

Access to Remuneration Consultant's Advice

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 FY2015.

Principle 8: Level and Mix of Remuneration

Remuneration of Executive Directors and Key Management Personnel

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 and a variable component directly determined by the 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.

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.

Executive Directors do not receive directors' fees but are remunerated as members of Management. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

Corporate Governance

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 had not granted any share options pursuant to the Scheme in previous financial years and decided not to renew the Scheme.

Remuneration of Independent Directors

The remuneration of each Independent Director is determined by his contribution to the Company, taking into account various factors such as effort and time spent as well as his responsibilities on the Board. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised.

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

Contractual Provisions to Reclaim Incentive Components of Remuneration

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.

Principle 9: Disclosure of Remuneration

The Executive Directors’ remuneration consists of their salary, allowances, bonuses, and profit sharing awards conditional upon their meeting of certain profit before tax targets.

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.

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

Remuneration of Directors and Key Executives in FY2015

In view of confidentiality of remuneration matters and taking into account competitive pressures in the talent market, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors in the Annual Report.

In addition, in view of the competitive pressures in the talent market, the names, aggregate remuneration, remuneration bands and breakdown of the remuneration of each of the top five (5) key executives of the Group are not disclosed in this annual report so as to avoid possible poaching of the Group’s key executives.

The remuneration and fees paid to the Directors, in bands of S\$250,000, by the Group for FY2015 are disclosed in Table 3. The breakdown of the remuneration, in percentage terms, is disclosed in Table 4.

Table 3: Remuneration and fees, in bands of S\$250,000, paid to Directors in FY2015

	Number of Directors	
	2015	2014
S\$1,000,001 and above	1	1
S\$750,001 to S\$1,000,000	—	—
S\$500,001 to S\$750,000	—	1
S\$250,000 to S\$500,000	1	—
Below S\$250,000	4	4
Total	6	6

Corporate Governance

Table 4: Breakdown of the Directors' remuneration and fees, in percentage terms, for FY2015

	Salary %	Bonus %	Directors' Fees %	Other Benefits %	Total %
Tay Tian Hoe Richard	37	62	–	1	100
Tay Tiang Guan	79	16	–	5	100
Henry Tan Song Kok	–	–	100	–	100
Hee Theng Fong	–	–	100	–	100
Phua Tin How	–	–	100	–	100
Yuen Sou Wai	–	–	100	–	100

Remuneration of Employees Who are Immediate Family of Directors

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

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

Notes:

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

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

The Board reviews and approves the financial results and announcements before the release. Financial results and Annual Reports are announced or issued within the mandatory period. The announcements and reports will comment on the Group's business performance, competitive position as well as significant trends and prospects of the industry. When required, the Board will also provide reports to regulators.

Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

Compliance with Legislative and Regulatory Requirements

Under the Board's direction and monitoring, Management ensures that relevant legislative and regulatory compliance requirements are complied with and regularly reports the compliance status to the Board. Management, the Company Secretary and external auditors will also highlight to the Board on all new compliance requirements. Where appropriate, compliance requirements are included in the Group Management Policy and communicated to relevant personnel for adherence.

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

All the Directors and executive officers of the Group have also signed a letter of undertaking pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST.

Management Accounts

Management provides the Board with financial results on a quarterly basis for deliberation and approval. Monthly management accounts are provided as and when required by the Board. The information provided allows the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

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.

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 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 it becomes ultimately the responsibility of all business and operational managers.

All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. Targets are set to measure 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 28 of the financial statements set out on pages 105 to 114.

An Enterprise Risk Management Executive Committee ("RMEC") which comprises members from Management is formed and headed by the Executive Chairman and Group Chief Financial Officer. RMEC 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 tolerance levels set by the Board.

Board's Regular Review of the Adequacy and Effectiveness of Internal Control and Risk Management Systems

The Board, with the assistance of the Audit Committee, reviews the adequacy and effectiveness of the internal control 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 on a half-yearly basis.

The Board's reviews cover the financial, operational, compliance and information technology aspects of the systems.

Board's Comment on Adequacy and Effectiveness of Internal Control and Risk Management Systems as at 31 December 2015

The Board has received assurance from the Group Managing Director and Chief Financial Officer:

- (a) that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) regarding the effectiveness of the Group's internal control and risk management 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 risk management and internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2015.

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 human & system errors, losses, fraud or other irregularities.

Principle 12: Audit Committee

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

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

None of the members of Audit Committee are former partners or directors of the Group's external auditors.

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 reviewing the following:

- a. Financial statements as well as any announcements of the Company and the Group before submission to the Board for approval and release.
- b. The adequacy and effectiveness of the Group's internal control and risk management systems.
- c. Annual internal audit plan and internal audit reports tabled by the internal auditors.
- d. Nomination of the Company's external auditors for appointment.
- e. Audit plan of the external auditors.
- f. The external auditors' reports.
- g. Co-operation given by executives to the external auditors.
- h. Independence of the external auditors.
- i. Group's compliance with relevant key legislative and regulatory requirements and the continuing listing requirements.
- j. Group Whistle-Blowing Policy and ensure that concerns or complaints received are properly attended to.
- k. Interested person transactions reported (if any).
- l. Group's capital expenditure transactions and investments.
- m. Group's foreign currency hedging activities.

The Audit Committee has explicit authority to investigate any matter within its terms of reference. It 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.

At least three (3) members of the Audit Committee, including the Audit Committee Chairman 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.

The internal and the external auditors are invited to attend the Audit Committee meetings to table their plans and reports respectively. During the financial year, the Audit Committee had also met up with the external auditors, without any executives of the Group being present.

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.

Corporate Governance

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 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:

	2015 S\$	2014 S\$
Fees on audit services paid/payable to:		
Auditors of the Company - PwC Singapore	186,000	175,000
Other PwC network firms	146,000	143,000
Other auditors	247,000	263,000
Fees on non-audit services paid/payable to:		
Auditors of the Company - PwC Singapore	112,000	54,000
Other auditors	93,000	53,000
Total	784,000	688,000

Principle 13: Internal Audit

The Audit Committee approves the hiring, removal, evaluation and compensation of the internal auditors. The internal auditors report primarily to the Chairman of the Audit Committee and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

The Board recognises that it is responsible for maintaining a system of internal controls 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.

The Audit Committee is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing ("IIA 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 auditors may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditors in specific areas of concerns.

D. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

Sufficient Information to Shareholders

The Board believes that a high level of disclosure on a timely basis is essential for the good corporate governance practice. 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 informed equally and in a timely manner of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET system, press releases, annual reports, and other various media including our corporate website (<http://www.yhigroup.com>).

The Executive Directors and the Group Chief Financial Officer meet up with analysts and investors whenever 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.

Shareholders' Opportunity to Participate and Vote at General Meeting

The Board supports the Code's principles of encouraging shareholders' participation. General meetings are the principal forum for dialogue with shareholders. Shareholders are encouraged to attend Annual General Meeting or Extraordinary General Meeting (if it is held) and to stay informed of the Group's strategy and goals, to ensure a high level of accountability.

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 14 working days before the meeting. Shareholders are informed of the rules, including voting procedures that govern the general meetings. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were explained by the scrutineers at such general meetings.

The Board welcomes questions from shareholders who wish to raise issues either informally or formally before or at the general meetings. The Executive Chairman, the Chairpersons of the Audit Committee, Nominating Committee, Remuneration Committee and the external auditors are available at the meetings to address shareholders' queries.

Proxies for Corporations Providing Nominee or Custodial Services

Shareholders may vote in person or by proxy. In addition, corporations providing nominee or custodial services can appoint more than two (2) proxies so as to allow shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Dividend Policy

The Company does not have a formal dividend policy. Nevertheless, it has a track record of paying annual dividends to shareholders. The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management.

Conduct of General Meetings

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

The Constitution of the Company allows absentia voting at general meetings. Voting by poll was conducted for resolutions passed at the Extraordinary General Meeting held on 8 January 2016.

Minutes of the general meetings will be made available to shareholders upon request.

Corporate Governance

E. DEALING IN SECURITIES

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

Under the code of conduct, the Directors and 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 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 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 officer deals in the Company's securities on short-term considerations.

The Directors and officers are periodically reminded of all requirements of the code of conduct and all applicable laws via the regular circulation of internal memoranda.

F. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries for the benefit of the Directors or controlling shareholders during FY2015.

G. 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 2015 to 31 December 2015.

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

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Directors' Statement

For the financial year ended 31 December 2015

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

In the opinion of the Directors,

- the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 62 to 121 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 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- 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 Yuen Sou Wai
Mr Henry Tan Song Kok
Mr Hee Theng Fong
Mr Phua Tin How

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

- 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 21.1.2016	At 31.12.2015	At 1.1.2015	At 21.1.2016	At 31.12.2015	At 1.1.2015
Company						
(No. of ordinary shares)						
Mr Tay Tian Hoe Richard ^{(1), (3), (4)}	-	-	-	139,958,860	279,917,721	365,265,628
Mr Tay Tiang Guan ^{(1), (2), (4)}	43,026,453	86,052,907	705,000	1,550,000	3,100,000	344,491,628
Mr Yuen Sou Wai ⁽⁴⁾	120,000	240,000	240,000	-	-	-
Mr Hee Theng Fong ⁽⁴⁾	60,000	120,000	120,000	-	-	-
Mr Henry Tan Song Kok ⁽⁴⁾	20,000	40,000	40,000	-	-	-
Mr Phua Tin How ⁽⁴⁾	55,000	110,000	110,000	-	-	-

Directors' Statement

For the financial year ended 31 December 2015

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Holdings registered in name of Director			Holdings in which Director is deemed to have an interest		
	At 21.1.2016	At 31.12.2015	At 1.1.2015	At 21.1.2016	At 31.12.2015	At 1.1.2015
Immediate and ultimate holding company						
- YHI Holdings Pte Ltd ⁽¹⁾						
(No. of ordinary shares)						
Mr Tay Tian Hoe Richard ^{(1), (3), (4)}	641,392	641,392	641,392	-	-	-
Mr Tay Tiang Guan ^{(1), (2), (4)}	-	-	375,000	-	-	-

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 Tiang Guan is directly interested in 43,026,453 shares of the Company. Mr Tay Tiang Guan is deemed interested in 1,550,000 shares of the Company held in the name of his nominees.
- (3) As at the date of this statement, Mr Tay Tian Hoe Richard is interested in 641,392 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 11,937,000 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.
- (4) As at the date of this statement, the Company has completed its share consolidation exercise effective on 19 January 2016 and every two (2) existing shares has been consolidated to constitute one (1) consolidated share. Following the completion of the share consolidation, the issued share capital of the Company now comprises 292,295,811 consolidated shares.
- (b) Mr Tay Tian Hoe Richard and Mr Tay Tiang Guan, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly-owned by the Group:

	At 31.12.2015	At 1.1.2015
YHI (Australia) Pty Limited		
- No. of ordinary shares	80,000	80,000
YHI (New Zealand) Limited		
- No. of ordinary shares	70,000	70,000
YHI Corporation Japan Co., Ltd		
- No. of ordinary shares	360	360
YHI Power Pty Limited		
- No. of ordinary shares	8,000	8,000
YHI Corporation (Thailand) Co., Ltd		
- No. of ordinary shares	24,500	24,500
Evo-Trend Corporation (Malaysia) Sdn Bhd		
- No. of ordinary shares	140,000	140,000

Directors' Statement

For the financial year ended 31 December 2015

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	At 31.12.2015	At 1.1.2015
PT YHI Indonesia		
- No. of ordinary shares	288,000	288,000
YHI (Philippines) Inc		
- No. of ordinary shares	8,995	8,995
YHI (Vietnam) Co., Ltd	VND	VND
- Share capital	5,311,650,000	5,311,650,000
YHI Corporation (Shanghai) Co., Ltd		
- Share capital	US\$360,000	US\$360,000
Pan-Mar Corporation D/B/A Konig (American)		
- Common stock	US\$142,500	US\$142,500
Advanti Racing USA, LLC		
- Common stock	US\$85,500	US\$85,500
YHI (East Malaysia) Sdn Bhd		
- No. of ordinary shares	80	-

(c) The Directors' interests in the ordinary shares of the Company as at 21 January 2016 are shown in Note (a).

DIRECTORS' CONTRACTUAL BENEFITS

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

SHARE OPTIONS

YHI Share Option Scheme

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

AUDIT COMMITTEE

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

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

Directors' Statement

For the financial year ended 31 December 2015

AUDIT COMMITTEE (CONTINUED)

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 2015 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

24 March 2016

Independent Auditor's Report

to the members of YHI International Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of YHI International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 121, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 24 March 2016

Consolidated Income Statement

For the financial year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Sales	4	499,174	511,229
Cost of sales	5	(392,202)	(397,629)
Gross profit		106,972	113,600
Other gains – net	4	6,091	2,805
Expenses			
- Distribution	5	(48,422)	(51,731)
- Administrative	5	(45,932)	(45,489)
- Finance	6	(5,253)	(5,020)
Share of profit of an associated company		1,013	708
Profit before income tax		14,469	14,873
Income tax expense	8	(5,418)	(6,646)
Net profit		9,051	8,227
Profit attributable to:			
Equity holders of the Company		8,250	7,027
Non-controlling interests		801	1,200
		9,051	8,227
Earnings per share attributable to the equity holders of the Company	9		
- Basic		2.82 cents	2.40 cents
- Diluted		2.82 cents	2.40 cents

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	2015 \$'000	2014 \$'000
Profit for the year	9,051	8,227
Other comprehensive income, net of tax:		
Items that may be classified subsequently to profit or loss:		
- Currency translation differences	(9,158)	(1,485)
Total comprehensive (loss)/income for the year	(107)	6,742
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(1,389)	5,930
Non-controlling interests	1,282	812
	(107)	6,742

Balance Sheet - Group and Company

As at 31 December 2015

		The Group		The Company	
	Note	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	52,271	56,421	2,739	3,694
Trade and other receivables	11	97,797	89,838	38,661	40,815
Inventories	12	126,299	132,323	-	-
Other current assets	13	11,310	14,654	10	15
		287,677	293,236	41,410	44,524
Non-current assets held for sale	19	-	8,384	-	-
		287,677	301,620	41,410	44,524
Non-current assets					
Transferable club memberships, at cost		227	146	-	-
Investment in an associated company	15	15,441	15,588	-	-
Investments in subsidiaries	16	-	-	100,122	100,122
Property, plant and equipment	17	115,187	121,316	228	298
Intangible assets	18	3,376	3,447	-	-
Deferred income tax assets	8(c)	3,396	4,589	-	-
		137,627	145,086	100,350	100,420
Total assets		425,304	446,706	141,760	144,944
LIABILITIES					
Current liabilities					
Trade and other payables	20	35,807	45,389	1,400	3,009
Current income tax liabilities	8(b)	639	1,327	86	-
Derivative financial instruments	14	289	365	277	365
Borrowings	21	98,171	104,129	4,400	6,400
		134,906	151,210	6,163	9,774
Non-current liabilities					
Derivative financial instruments	14	-	58	-	58
Borrowings	21	28,099	28,751	600	5,000
Deferred income tax liabilities	8(c)	2,159	2,276	-	-
Other non-current liabilities		311	280	-	-
		30,569	31,365	600	5,058
Total liabilities		165,475	182,575	6,763	14,832
NET ASSETS		259,829	264,131	134,997	130,112
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	77,001	77,001	77,001	77,001
Other reserves	24	(16,629)	(7,117)	-	-
Retained profits	25	186,036	181,421	57,996	53,111
		246,408	251,305	134,997	130,112
Non-controlling interests		13,421	12,826	-	-
Total equity		259,829	264,131	134,997	130,112

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

Note	Attributable to equity holders of the Company			Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Other reserves \$'000	Retained profits \$'000			
2015						
Beginning of financial year	77,001	(7,117)	181,421	251,305	12,826	264,131
Total comprehensive (loss)/income for the year	-	(9,639)	8,250	(1,389)	1,282	(107)
Dividends relating to 2014 paid	26	-	(3,508)	(3,508)	(687)	(4,195)
Transfer from retained profits to other reserves	24(b)(i)	-	127	(127)	-	-
End of financial year	77,001	(16,629)	186,036	246,408	13,421	259,829
2014						
Beginning of financial year	77,001	(6,592)	178,941	249,350	12,685	262,035
Total comprehensive (loss)/income for the year	-	(1,097)	7,027	5,930	812	6,742
Dividends relating to 2013 paid	26	-	(3,975)	(3,975)	(671)	(4,646)
Transfer from retained profits to other reserves	24(b)(i)	-	572	(572)	-	-
End of financial year	77,001	(7,117)	181,421	251,305	12,826	264,131

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Net profit		9,051	8,227
Adjustments for:			
- Income tax expense		5,418	6,646
- Depreciation of property, plant and equipment		14,735	16,410
- Amortisation of intangible assets		62	62
- (Gain)/loss on disposal of property, plant and equipment		(2,877)	286
- Interest expense		5,253	5,020
- Interest income		(350)	(515)
- Dividend income		-	(319)
- Share of profit of an associated company		(1,013)	(708)
- Fair value (gain)/loss on derivative financial instruments		(134)	136
- Gain on disposal of club membership		(3)	-
- Unrealised currency translation differences		(511)	273
Operating cash flow before working capital changes		29,631	35,518
Changes in working capital, net of effects from disposal of subsidiary:			
- Inventories		1,445	(1,227)
- Trade and other receivables		(6,875)	(6,142)
- Other current assets		451	(1,309)
- Trade and other payables		(8,626)	3,268
Cash generated from operations		16,026	30,108
Interest received		350	515
Income tax paid		(4,733)	(6,634)
Net cash provided by operating activities		11,643	23,989
Cash flows from investing activities			
Dividends received		224	319
Proceeds from sale of property, plant and equipment		11,004	2,352
Purchase of property, plant and equipment		(12,205)	(11,231)
Proceed from disposal of transferable club membership		6	-
Purchase of transferable club membership		(84)	-
Net cash used in investing activities		(1,055)	(8,560)
Cash flows from financing activities			
Dividends paid to equity holders of the Company		(3,508)	(3,975)
Dividends paid to non-controlling interest		(687)	(671)
Interest paid		(5,462)	(4,603)
Proceeds from borrowings		20,611	9,722
Repayments of borrowings		(21,280)	(11,858)
Repayments of finance lease liabilities		(1,902)	(2,494)
Net cash used in financing activities		(12,228)	(13,879)
Net (decrease)/increase in cash and cash equivalents		(1,640)	1,550
Cash and cash equivalents at beginning of the financial year		55,543	53,791
Effects of currency translation on cash and cash equivalents		(2,169)	202
Cash and cash equivalents at end of the financial year	10	51,734	55,543

- (a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$12,205,000 (2014: \$11,286,000) of which nil (2014: \$140,000) were acquired on finance leases. During the financial year, cash payments of nil (2014: \$85,000) were made in respect of property, plant and equipment acquired on credit terms in the previous years.

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

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

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

FRS 108 *Operating segments*

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity’s assets when segment assets are reported.

The Group has included the additional required disclosures in Note 31 of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

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

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

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

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

(d) *Rental income*

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

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has 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 de-consolidated from the date on that control ceases.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

(ii) *Acquisitions*

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

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes 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 on acquisitions" 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 profits if required by a specific Standard.

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

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

(b) *Transactions with non-controlling interests*

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

(c) *Associated company*

An associated company is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(c) Associated company (continued)

(i) Acquisitions

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

(ii) Equity method of accounting

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

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

(iii) Disposals

Investment in an associated company is derecognised when the Group loses significant influence. 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 is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

(ii) Components of costs

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

(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:

	<u>Useful lives</u>
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 5 years
Motor vehicles	3 to 7 years
Renovation	5 to 10 years
Computers	2 to 5 years
Furniture and fittings	2 to 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet 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 - net".

2.5 Intangible assets

(a) *Goodwill on acquisitions*

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

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of associated company represents the excess of the cost of the acquisition over the fair value of the Group's share of the 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, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

(b) *Acquired trademarks*

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

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

(c) *Acquired computer software licences*

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

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

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

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.7 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.

2.8 Impairment of non-financial assets

(a) *Goodwill*

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (continued)

- (b) *Intangible assets*
Property, plant and equipment
Investments in subsidiaries and associated company

Intangible assets, property, plant and equipment 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.

2.9 Financial assets

- (a) *Classification*

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

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

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

- (ii) *Loans and receivables*

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(b) *Recognition and derecognition*

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

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

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for derivatives, which are recognised at fair value (see Note 2.13). Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

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

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

(e) *Impairment*

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

Loans and receivables

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

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

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

2.10 Financial guarantees

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

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

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

Intra-group transactions are eliminated on consolidation.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Borrowings

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

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

2.12 Trade and other payables

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

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

2.13 Derivative financial instruments

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

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

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions 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.

2.15 Leases

(a) When the Group is the lessee:

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

(i) *Lessee - Finance leases*

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

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

(ii) *Lessee - Operating leases*

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

(b) When the Group is the lessor:

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

Lessor - Operating leases

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

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

2.16 Inventories

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

2.17 Income taxes

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

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

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated 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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes (continued)

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

The Group 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.

2.18 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.

2.19 Employee compensation

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

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as 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) *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 FRS 37 (Note 2.18) 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.

2.20 Currency translation

(a) *Functional and presentation currency*

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Currency translation (continued)

(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 cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

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

(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 of the entity giving rise to such reserve.

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

2.21 Segment reporting

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

2.22 Cash and cash equivalents

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share capital

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

2.24 Dividends to Company's shareholders

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

2.25 Non-current assets held-for-sale

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) *Estimated impairment of non-financial assets*

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

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

(b) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. The amount of trade receivables from non-related parties past due but not impaired is \$16,544,000 (2014: \$6,836,000) [Note 28(b)(ii)].

(c) *Impairment of property, plant and equipment*

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

In the financial year ended 31 December 2015, property, plant and equipment of a certain subsidiary, amounting to \$24,553,000 was subjected to impairment test. The recoverable amount of these assets is determined based on value-in-use calculations. These calculations require the use of estimates.

Notes to the Financial Statements

For the financial year ended 31 December 2015

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

(c) Impairment of property, plant and equipment (continued)

Cash flows projections used in the value-in-use calculations for the subsidiary was based on financial budgets of the following year, 2016 and a further projections of three years to 2019. The financial budgets and projections are approved by the management. The key estimates used for value-in-use calculations include budgeted average gross margins and projected proceeds from eventual disposal of the property, plant and equipment and pre-tax discount rate. The budgeted average gross margin for financial years 2016 to 2019 and pre-tax discount rate used in the value-in-use calculations for the subsidiary were 14% and 11% respectively.

In projecting the proceeds from eventual disposal of the property, plant and equipment comprising land and buildings, management has considered the current selling price, the trend of increases in selling price of the land, the replacement cost of building and the relevant costs of disposal.

As at 31 December 2015, based on these calculations, no impairment charge is required.

If the estimated average gross margin used for 2016 to 2019 in the value-in-use calculations is increased by one percentage point, the recoverable amount of property, plant and equipment for the subsidiary will be higher than its carrying amount by approximately \$1,459,000. If the estimated average gross margin used for 2016 to 2019 in the value-in-use calculations is decreased by one percentage point, the recoverable amount of property, plant and equipment for the subsidiary will be lower than its carrying amount by approximately \$1,498,000.

If the pre-tax discount rate applied to the value-in-use calculation is increased by one percentage point, the recoverable amount of the property, plant and equipment for the subsidiary will be lower and an impairment charge of \$762,000 will be required.

If the pre-tax discount rate applied to the value-in-use calculation is decreased by one percentage point, the recoverable amount of the property, plant and equipment for the subsidiary will be higher than its carrying amount by approximately \$755,000.

If the projected proceeds from eventual disposal of the property, plant and equipment is increased by five percentage point, the recoverable amount of property, plant and equipment for the subsidiary will be higher than its carrying amount by approximately \$749,000.

If the projected proceeds from eventual disposal of the property, plant and equipment is decreased by five percentage point, the recoverable amount of property, plant and equipment for the subsidiary will be lower and an impairment charge of \$787,000 will be required.

4. REVENUE AND OTHER GAINS – NET

	<u>Group</u>	
	2015 \$'000	2014 \$'000
Sale of goods		
- Automotive and industrial products	347,649	362,775
- Alloy wheels	151,525	148,454
Total sales	499,174	511,229
Other gains – net:		
- Rental income	675	635
- Gain/(loss) on disposal of property, plant and equipment	2,877	(286)
- Interest income from banks	350	515
- Fair value gain/(loss) on derivative financial instruments (Note 14)	134	(136)
- Other	2,055	2,077
Total other gains – net	6,091	2,805
	505,265	514,034

Notes to the Financial Statements

For the financial year ended 31 December 2015

5. EXPENSES BY NATURE

	2015 \$'000	Group 2014 \$'000
Advertising and promotion	5,869	6,503
Amortisation of intangible assets [Note 18(b)]	62	62
Carriage outwards	9,759	9,176
Changes in inventories of raw materials, work-in-progress and finished goods	(6,024)	1,227
Commission charges	4,061	4,882
Currency translation loss – net	8	953
Depreciation of property, plant and equipment (Note 17)	14,735	16,410
Employee compensation (Note 7)	61,017	58,765
Purchases of raw materials, finished goods and consumables	364,753	362,415
Write-down of inventories	1,682	1,304
Repair and maintenance	1,190	1,145
Rental on operating leases	7,619	7,513
Research expense	2,662	2,587
Transportation and travelling expense	5,677	5,916
Other expenses	13,486	15,991
Total cost of sales, distribution and administrative expenses	486,556	494,849

6. FINANCE EXPENSES

	2015 \$'000	Group 2014 \$'000
Interest expense:		
- Bank loans	3,617	3,107
- Bank overdrafts	195	282
- Trust receipt loans	1,280	1,290
- Finance leases	161	341
	5,253	5,020

7. EMPLOYEE COMPENSATION

	2015 \$'000	Group 2014 \$'000
Wages and salaries	53,986	53,405
Termination benefits	441	-
Employer's contribution to defined contribution plans including Central Provident Fund	6,590	5,360
	61,017	58,765

Included in the above is long service leave benefits amounting to \$63,000 (2014: \$136,000).

Notes to the Financial Statements

For the financial year ended 31 December 2015

8. INCOME TAX

(a) Income tax expense

	2015 \$'000	Group 2014 \$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	311	920
- Foreign	3,762	5,652
	4,073	6,572
Deferred income tax [Note 8(c)]	415	317
	4,488	6,889
Under/(over) provision in previous financial years		
- Current income tax [Note 8(b)]	99	(73)
- Deferred income tax [Note 8(c)]	831	(170)
	5,418	6,646

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:

	2015 \$'000	Group 2014 \$'000
Profit before income tax	14,469	14,873
Share of profit of an associated company, net of tax	(1,013)	(708)
Profit before tax and share of profit of an associated company	13,456	14,165
Tax calculated at a tax rate of 17% (2014: 17%)	2,288	2,408
Effects of:		
- Singapore statutory stepped income exemption	(26)	(52)
- Effects of different tax rates in other countries	899	829
- Withholding tax	97	112
- Expenses not deductible for tax purposes	2,396	2,016
- Utilisation of previously unrecognised tax losses	(363)	(53)
- Income not subject to tax	(1,036)	(229)
- Tax losses for which no deferred income tax asset was recognised	1,225	2,223
- Effects of changes in tax rate	(27)	-
- Tax incentive	(1,036)	-
- Others	71	(365)
- Under/(over) provision of income tax in prior years	99	(73)
- Under/(over) provision of deferred income tax in prior years	831	(170)
Tax charge	5,418	6,646

Notes to the Financial Statements

For the financial year ended 31 December 2015

8. INCOME TAX (CONTINUED)

(b) Movements in current income tax liabilities

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Beginning of financial year	1,327	1,189	-	148
Currency translation differences	(127)	273	-	-
Income tax paid	(4,733)	(6,634)	(56)	(127)
Tax expense on profit from the current financial year	4,073	6,572	35	26
Under/(over) provision in previous financial years [Note 8(a)]	99	(73)	107	(47)
End of financial year	639	1,327	86	-

(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	
	2015 \$'000	2014 \$'000
Deferred income tax assets:		
- To be recovered within one year	(429)	(762)
- To be recovered after one year	(2,967)	(3,827)
	(3,396)	(4,589)
Deferred income tax liabilities:		
- To be settled within one year	822	792
- To be settled after one year	1,337	1,484
	2,159	2,276

Movement in deferred income tax account is as follows:

	Group	
	2015 \$'000	2014 \$'000
Beginning of financial year	(2,313)	(2,200)
Currency translation differences	(170)	(260)
Charged to income statement [Note 8(a)]	1,246	147
End of financial year	(1,237)	(2,313)

Notes to the Financial Statements

For the financial year ended 31 December 2015

8. INCOME TAX (CONTINUED)

(c) Deferred income taxes (continued)

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation \$'000
2015	
Beginning of financial year	2,276
Currency translation differences	(154)
Charged to income statement	37
End of financial year	<u>2,159</u>
2014	
Beginning of financial year	1,987
Currency translation differences	(55)
Charged to income statement	344
End of financial year	<u>2,276</u>

Deferred income tax assets

	Provisions \$'000	Excess of tax written-down value over net book value \$'000	Other \$'000	Total \$'000
2015				
Beginning of financial year	(2,351)	(1,662)	(576)	(4,589)
Currency translation differences	36	(30)	(22)	(16)
Charged/(credited) to income statement	120	739	350	1,209
End of financial year	<u>(2,195)</u>	<u>(953)</u>	<u>(248)</u>	<u>(3,396)</u>
2014				
Beginning of financial year	(2,429)	(1,389)	(369)	(4,187)
Currency translation differences	20	(96)	(129)	(205)
Charged/(credited) to income statement	58	(177)	(78)	(197)
End of financial year	<u>(2,351)</u>	<u>(1,662)</u>	<u>(576)</u>	<u>(4,589)</u>

The Group has unrecognised tax losses of \$26,703,000 (2014: \$23,762,000) 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 \$23,348,000 and \$154,000 which will expire between 2016 and 2020 and 2025 respectively.

Deferred tax liabilities of \$1,547,000 (2014: \$1,483,000) arising on temporary differences associated with 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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

8. INCOME TAX (CONTINUED)

(d) There is no tax (charge)/credit 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.

	2015	Group 2014 (Restated)
Net profit attributable to equity holders of the Company (\$'000)	8,250	7,027
Weighted average number of ordinary shares in issue after share consolidation exercise (Note 23) for basic earnings per share ('000) [Note (a)]	292,296	292,296
Basic earnings per share	2.82 cents	2.40 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.

(a) The weighted average number of ordinary shares used for the calculation of earnings per share for financial years 2014 and 2015 had been adjusted for the effect of the share consolidation.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash at bank and on hand	47,878	41,575	2,739	3,694
Short-term bank deposits	4,393	14,846	-	-
	52,271	56,421	2,739	3,694

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

	Group 2015 \$'000	2014 \$'000
Cash and bank balances (as above)	52,271	56,421
Less: Bank overdrafts (Note 21)	(537)	(878)
Cash and cash equivalents per consolidated statement of cash flows	51,734	55,543

Notes to the Financial Statements

For the financial year ended 31 December 2015

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables				
- Non-related parties	98,073	89,574	-	-
- An associated company [Note (a)]	127	1,261	-	-
	98,200	90,835	-	-
Less: Allowance for impairment of receivables - non-related parties	(2,969)	(3,157)	-	-
Trade receivables – net	95,231	87,678	-	-
Due from subsidiaries (non-trade) [Note (b)]	-	-	38,661	40,815
Other receivables	2,566	2,160	-	-
	97,797	89,838	38,661	40,815

- (a) The trade amounts due from an associated company are unsecured, interest-free and are based on credit term of 90 days.
(b) The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

12. INVENTORIES

	Group	
	2015 \$'000	2014 \$'000
Materials and supplies	6,187	8,196
Work-in-progress	3,016	4,202
Finished goods	117,096	119,925
	126,299	132,323

The cost of inventories recognised as an expense and included in “cost of sales” amounted to \$358,729,000 (2014: \$363,642,000).

The Group has written down inventories amounting to \$1,682,000 (2014: \$1,304,000) and the amount has been included in “cost of sales”.

13. OTHER CURRENT ASSETS

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Prepayments	8,695	11,669	10	15
Deposits	2,615	2,985	-	-
	11,310	14,654	10	15

Notes to the Financial Statements

For the financial year ended 31 December 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount \$'000	Group Fair value	
		Asset \$'000	Liability \$'000
2015			
<i>Non-hedging instruments</i>			
- Cross-currency swap	2,000	-	277
- Currency forwards	4,700	-	12
Less: Current portion		-	(289)
Non-current portion		-	-
2014			
<i>Non-hedging instruments</i>			
- Cross-currency swap	6,000	-	423
Less: Current portion		-	(365)
Non-current portion		-	58
		Company Fair value	
2015			
<i>Non-hedging instruments</i>			
- Cross-currency swap	2,000	-	277
Less: Current portion		-	(277)
Non-current portion		-	-
2014			
<i>Non-hedging instruments</i>			
- Cross-currency swap	6,000	-	423
Less: Current portion		-	(365)
Non-current portion		-	58

The swap is a derivative financial instrument which is marked-to-market at each balance sheet date. As at 31 December 2015, a fair value gain of \$134,000 [2014: loss of \$136,000] (Note 4), has been recognised in profit and loss.

15. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2015 \$'000	2014 \$'000
Carrying value of Group's interest in an associated company	15,441	15,588

Set out below is the associated company of the Group as at 31 December 2015, which, in the opinion of the directors, is material to the Group. The associated company as listed below have share capital consisting solely of ordinary shares, which is held directly by the Group; the country of incorporation is also their principal place of business.

Notes to the Financial Statements

For the financial year ended 31 December 2015

15. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Name	Principal activities	Country of business/ incorporation	Effective equity holding	
			2015 %	2014 %
<i>Held by a subsidiary:</i>				
O.Z. S.p.A *	Investment holding, manufacturer, importer, exporter and distributor of alloy wheels	Italy	35.51	35.51

* Audited by Deloitte and Touche, Italy.

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

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

Summarised balance sheet

	2015 \$'000	2014 \$'000
Current assets	36,829	38,009
Current liabilities	(14,609)	(18,327)
Non-current assets	27,418	30,435
Non-current liabilities	(6,154)	(6,219)
Net assets	43,484	43,898

Summarised statement of comprehensive income

	2015 \$'000	2014 \$'000
Revenue	69,687	74,502
Expenses		
Includes:		
- Depreciation and amortisation	(2,864)	(3,062)
- Interest expense	(145)	(238)
Profit before income tax	4,268	3,735
Income tax expense	(1,415)	(1,742)
Profit for the year and total comprehensive income	2,853	1,993
Dividends received from an associated company	224	319

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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

15. 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.

	2015 \$'000	2014 \$'000
Net assets		
Beginning of financial year	43,898	47,145
Profit for the year	2,853	1,993
Dividends paid during the year	(631)	(898)
Foreign exchange differences	(2,636)	(4,342)
End of financial year	43,484	43,898
Interest in an associated company (35.51%)	15,441	15,588
Carrying value of Group's interest in an associated company	15,441	15,888

16. INVESTMENTS IN SUBSIDIARIES

	2015 \$'000	Company 2014 \$'000
<i>Equity investment at cost</i>		
Beginning and end of financial year	100,122	100,122

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has the following subsidiaries as at 31 December 2015 and 2014:

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	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Held by the Company:								
(a) YHI Manufacturing (Singapore) Pte Ltd	Investment holding, importer, exporter and distributor of alloy wheels and related goods	Singapore	100	100	100	100	-	-
(a) YHI Corporation (Singapore) Pte Ltd	Importer, exporter and distributor of tyres, alloy wheels and related goods and industrial batteries	Singapore	100	100	100	100	-	-
(b) YHI (Malaysia) Sdn Bhd	Importer and distributor of tyres, alloy wheels and related goods and industrial batteries	Malaysia	100	100	100	100	-	-
(c) YHI (China) Strategy Company Limited	Investment holding, trading of golf car accessories and related goods	Hong Kong	100	100	100	100	-	-
(c) YHI (Hong Kong) Co., Limited	Importer, exporter and distributor of tyres, alloy wheels and related goods	Hong Kong	100	100	100	100	-	-
(d) YHI International (Taiwan) Co., Ltd.	Manufacturing, distribution and export of alloy wheels	Taiwan	100	100	100	100	-	-
(e) YHI (Australia) Pty Limited	Importer and distributor of tyres, alloy wheels and related goods	Australia	80	80	80	80	20	20
(f) YHI (New Zealand) Limited	Importer and distributor of tyres, alloy wheels and related goods	New Zealand	70	70	70	70	30	30

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Held by the company (continued)								
(e) YHI Power Pty Limited	Importer and distributor of industrial batteries	Australia	80	80	80	80	20	20
Held by the subsidiaries								
(g), (h) YHI Manufacturing (Shanghai) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	-	-	100	100	-	-
(g) YHI Precision Moulding (Shanghai) Co., Ltd	Manufacturing and supply of alloy wheels moulds	People's Republic of China	-	-	100	100	-	-
(g), (h) YHI Advanti Manufacturing (Suzhou) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	-	-	100	100	-	-
(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	-	-
(m) 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
(i) YHI Corporation Japan Co., Ltd	Importer, exporter and distributor of alloy wheels and related goods	Japan	-	-	90	90	10	10

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
<i>Held by the subsidiaries (continued)</i>								
(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
(k) YHI Corporation (Guangzhou) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	-	-	100	100	-	-
(l) YHI (Canada) Inc.	Importer, exporter and distributor of tyres, alloy wheels and related goods	Canada	-	-	100	100	-	-
(m) Advanti Racing USA, LLC	Importer, exporter and distributor of tyres, alloy wheels and related goods	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	-	-
(i) 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 (incorporated on 6 September 2015)	Distribution of tyres, alloy wheels and related goods	Malaysia	-	-	80	-	20	-

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
<i>Held by the subsidiaries (continued)</i>								
(i) 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	-	-
(i) YHI Corporation (Beijing) Co., Ltd	Distribution of alloy wheels and related goods	People's Republic of China	-	-	100	100	-	-
(p) YHI (Vietnam) Co., Ltd	Distribution of tyres, alloy wheels and related goods	Vietnam	-	-	85	85	15	15
(q) YHI (Philippines) Inc.	Distribution of tyres, alloy wheels and related goods	Philippines	-	-	90	90	10	10
(a) Audited by PricewaterhouseCoopers LLP, Singapore								
(b) Audited by SE Lai CK Chartered Accountants, Malaysia								
(c) Audited by Wilson Ho & Co. C.P.A., Hong Kong								
(d) Audited by KPMG, Taiwan								
(e) Audited by Lamb Lowe & Partners, Australia								
(f) Audited by PricewaterhouseCoopers, New Zealand								
(g) Audited by Shanghai Da Long Certified Public Accountants Co., Ltd for local statutory purposes.								
(h) Audited by PricewaterhouseCoopers network firms outside Singapore for the purposes of preparation of consolidated financial statements								
(i) Not required to be audited under the laws of the country of incorporation								
(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 consolidated financial statements, these financial statements have been audited by Wilson Ho & Co. C.P.A., Hong Kong								
(l) Audited by Henderson Tse Chartered Accountants, Canada								
(m) Audited by Moss-Levy Hartzheim, LLP CAP's, United States of America								
(n) Audited by Kap Rama Wendra, Indonesia								
(o) Audited by Lee & Raman (CPA), Brunei Darussalam								
(p) Audited by Tin Vier Auditing and Consulting Company Limited								
(q) Audited by Morfe, Caneta & Co., Certified Public Accountants, Philippines								

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Carrying value of non-controlling interests

	2015 \$'000	2014 \$'000
YHI (Australia) Pty Limited	6,015	6,257
YHI (New Zealand) Limited	3,551	3,450
Evo-Trend Corporation (Malaysia) Sdn Bhd	2,300	2,405
Other subsidiaries with immaterial non-controlling interests	1,555	714
	13,421	12,826

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 2015 and 2014.

Summarised balance sheet

	YHI (New Zealand) Limited		YHI (Australia) Pty Limited		Evo-Trend Corporation (Malaysia) Sdn Bhd	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current						
Assets	21,887	23,390	39,144	48,471	7,682	8,328
Liabilities	(11,487)	(12,852)	(13,500)	(21,967)	(332)	(481)
Total current net assets	10,400	10,538	25,644	26,504	7,350	7,847
Non-current						
Assets	1,384	1,543	4,642	5,474	337	188
Liabilities	-	(613)	(277)	(757)	(20)	(17)
Total non-current net assets	1,384	930	4,365	4,717	317	171
Net assets	11,784	11,468	30,009	31,221	7,667	8,018

Summarised income statement

	YHI (New Zealand) Limited		YHI (Australia) Pty Limited		Evo-Trend Corporation (Malaysia) Sdn Bhd	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue	41,131	40,701	67,328	85,807	11,895	13,894
Profit before income tax	2,465	2,699	1,273	3,918	2,372	3,021
Income tax expense	(746)	(786)	(404)	(1,141)	(596)	(764)
Profit for the year and total comprehensive income	1,719	1,913	869	2,777	1,776	2,257
Total comprehensive income allocated to non-controlling interests	516	574	174	555	533	677
Dividends paid to non-controlling interests	222	151	151	226	288	317

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised cash flows

	YHI (New Zealand) Limited 2015 \$'000	YHI (Australia) Pty Limited 2015 \$'000	Evo-Trend Corporation (Malaysia) Sdn Bhd 2015 \$'000
Cash flows from operating activities			
Cash generated from operations	2,422	(1,433)	1,660
Interest received	-	4	103
Income tax paid	(774)	(312)	(587)
Net cash generated from/(used in) operating activities	1,648	(1,741)	1,176
Net cash used in investing activities	(200)	(161)	(217)
Net cash used in financing activities	(2,819)	(1,391)	(959)
Net decrease in cash and cash equivalents	(1,371)	(3,293)	-
Cash and cash equivalents at beginning of year	2,308	5,171	4,890
Exchange losses on cash and cash equivalents	(135)	(220)	(642)
Cash and cash equivalents at end of year	802	1,658	4,248

	YHI (New Zealand) Limited 2015 \$'000	YHI (Australia) Pty Limited 2015 \$'000	Evo-Trend Corporation (Malaysia) Sdn Bhd 2015 \$'000
Cash flows from operating activities			
Cash generated from operations	2,340	6,776	2,924
Interest received	-	4	95
Income tax paid	(691)	(718)	(774)
Net cash generated from operating activities	1,649	6,062	2,245
Net cash used in investing activities	(299)	(603)	(132)
Net cash from/(used in) financing activities	47	(2,341)	(1,040)
Net increase in cash and cash equivalents	1,397	3,118	1,073
Cash and cash equivalents at beginning of year	915	2,146	3,885
Exchange losses on cash and cash equivalents	(4)	(93)	(68)
Cash and cash equivalents at end of year	2,308	5,171	4,890

Notes to the Financial Statements

For the financial year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Buildings on freehold land \$'000	Leasehold properties \$'000	Office equipment, plant and machinery \$'000	Motor vehicles \$'000	Renovation \$'000	Computers \$'000	Furniture and fittings \$'000	Construction in-progress \$'000	Total \$'000
Group 2015 Cost										
Beginning of financial year	2,376	3,984	74,770	124,303	8,048	1,194	4,150	1,772	115	220,712
Currency translation differences	14	(736)	(931)	(2,631)	(258)	(52)	(85)	(62)	1	(4,740)
Additions	-	-	210	3,097	1,391	138	507	60	6,802	12,205
Disposals	-	-	-	(1,288)	(783)	-	(97)	(17)	-	(2,185)
End of financial year	2,390	3,248	74,049	123,481	8,398	1,280	4,475	1,753	6,918	225,992
Accumulated depreciation and impairment loss										
Beginning of financial year	-	479	11,892	77,808	4,075	729	3,321	1,092	-	99,396
Currency translation differences	-	(51)	(75)	(1,806)	(138)	(25)	(73)	(40)	-	(2,208)
Depreciation	-	45	2,135	10,742	1,114	68	475	156	-	14,735
Disposals	-	-	-	(405)	(619)	-	(87)	(7)	-	(1,118)
End of financial year	-	473	13,952	86,339	4,432	772	3,636	1,201	-	110,805
Net book value End of financial year	2,390	2,775	60,097	37,142	3,966	508	839	552	6,918	115,187

Notes to the Financial Statements

For the financial year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land \$'000	Buildings on freehold land \$'000	Leasehold properties \$'000	Office equipment, plant and machinery \$'000	Motor vehicles \$'000	Renovation \$'000	Computers \$'000	Furniture and fittings \$'000	Construction in- progress \$'000	Total \$'000
Group										
2014										
<i>Cost</i>										
Beginning of financial year	3,431	12,139	73,431	123,975	6,880	1,153	3,667	1,813	231	226,720
Currency translation differences	(14)	(319)	929	2,020	(91)	(5)	37	(3)	9	2,563
Additions	-	-	640	7,485	2,099	79	573	328	82	11,286
Reclassification	(1,041)	(7,816)	-	(3,603)	-	-	5	-	-	(12,455)
Disposals	-	(20)	(230)	(5,574)	(840)	(33)	(132)	(366)	(207)	(7,402)
End of financial year	2,376	3,984	74,770	124,303	8,048	1,194	4,150	1,772	115	220,712
<i>Accumulated depreciation and impairment loss</i>										
Beginning of financial year	-	1,370	9,583	70,537	3,817	680	2,895	981	-	89,863
Currency translation differences	-	(36)	230	1,769	(43)	(1)	34	5	-	1,958
Depreciation	-	136	2,101	12,426	1,007	60	512	168	-	16,410
Reclassification	-	(979)	-	(3,093)	-	-	1	-	-	(4,071)
Disposals	-	(12)	(22)	(3,831)	(706)	(10)	(121)	(62)	-	(4,764)
End of financial year	-	479	11,892	77,808	4,075	729	3,321	1,092	-	99,396
Net book value										
End of financial year	2,376	3,505	62,878	46,495	3,973	465	829	680	115	121,316

Notes to the Financial Statements

For the financial year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles	
	2015 \$'000	2014 \$'000
Company		
2015		
<i>Cost</i>		
Beginning of financial year	600	550
Additions	-	350
Disposals	-	(300)
End of financial year	600	600
<i>Accumulated depreciation</i>		
Beginning of financial year	302	550
Depreciation charge	70	52
Disposals	-	(300)
End of financial year	372	302
Net book value		
End of financial year	228	298

- (a) Included in additions in the consolidated financial statements are motor vehicles acquired under finance leases amounting to nil (2014: \$142,000).

The carrying amounts of motor vehicles, and office equipment, plant and machinery held under finance leases are \$754,000 (2014: \$1,565,000) and \$251,000 (2014: \$2,046,000) respectively at the balance sheet date.

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

	Group	
	2015 \$'000	2014 \$'000
Freehold land	794	1,924
Buildings on freehold land	967	7,942
Leasehold properties	25,652	26,704
Plant and machinery	8,452	10,316
Other equipment	2,560	3,025
	38,425	49,911

18. INTANGIBLE ASSETS

Composition:

	Group	
	2015 \$'000	2014 \$'000
Goodwill arising on consolidation [Note (a)]	1,676	1,685
Trademark [Note (b)]	1,364	1,426
Computer software licence [Note (c)]	336	336
	3,376	3,447

Notes to the Financial Statements

For the financial year ended 31 December 2015

18. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation

	2015 \$'000	Group 2014 \$'000
<i>Cost</i>		
Beginning of financial year	2,455	2,456
Currency translation differences	(9)	(1)
End of financial year	2,446	2,455
<i>Accumulated impairment</i>		
Beginning and end of financial year	770	770
Net book value	1,676	1,685

Impairment tests for goodwill

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

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

	Distribution of automotive products and industrial products	
	2015 \$'000	2014 \$'000
Singapore	881	881
Malaysia	505	505
China/Hong Kong	59	59
New Zealand	231	240
	1,676	1,685

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 products and industrial products			
	2015		2014	
	Singapore	Malaysia	Singapore	Malaysia
Terminal growth rate	3%	3%	1%	1%
Pre-tax discount rate	9.4%	12.5%	6.3%	9.7%

Notes to the Financial Statements

For the financial year ended 31 December 2015

18. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation (continued)

These assumptions were used for the analysis of each CGU within the business segment. Management determined average growth rates used were consistent with forecasts included in industry reports. The discount rate used was pre-tax and reflected specific risks relating to the segment.

(b) Trademark

	Group	
	2015 \$'000	2014 \$'000
<i>Cost</i>		
Beginning and end of financial year	1,861	1,861
<i>Accumulated amortisation</i>		
Beginning of financial year	435	373
Amortisation charge (Note 5)	62	62
End of financial year	497	435
<i>Net book value</i>	1,364	1,426

(c) Computer software licence

	Group	
	2015 \$'000	2014 \$'000
<i>Cost</i>		
Beginning of financial year	336	-
Additions	-	336
End of financial year	336	336
<i>Accumulated amortisation</i>		
Beginning and end of financial year	-	-
<i>Net book value</i>	336	336

There is no amortisation expense for the year as the computer software licence has yet to be put in use.

19. NON-CURRENT ASSETS HELD FOR SALE

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

	2015 \$'000	2014 \$'000
Freehold land	-	1,041
Factory building	-	6,837
Plant and machinery	-	506
	-	8,384

Notes to the Financial Statements

For the financial year ended 31 December 2015

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

On 9 September 2015, the disposal of the Group's factory in Sepang, Malaysia has been completed. The assets held for sale were sold at a consideration of \$10,000,000.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade payables to				
- Non-related parties	16,582	22,936	-	-
- An associated company [Note (a)]	99	163	-	-
	16,681	23,099	-	-
Due to directors (non-trade) [Note (b)]	700	1,000	700	1,000
Accrued operating expenses	9,454	11,697	578	663
Provision for employees leave entitlement	1,470	1,644	-	-
Due to a subsidiary (non-trade) [Note (c)]	-	-	-	1,315
Other payables	6,319	5,702	122	31
Advance payments received	1,183	2,247	-	-
	35,807	45,389	1,400	3,009

- (a) The trade amount due to an associated company is unsecured, interest-free and is based on credit term of 90 days.
- (b) This amount relates primarily to performance bonus payable to the Executive Directors of the Company based on the results of the financial year ended pursuant to the service agreements between the Executive Directors and the Company.
- (c) The non-trade amount due to a subsidiary is unsecured, interest-free and is repayable on demand.

21. BORROWINGS

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Current</i>				
Current portion of long-term bank loans	9,946	9,872	4,400	6,400
Short-term bank loans	55,194	47,504	-	-
Trust receipt loans	31,875	44,472	-	-
Bank overdrafts (Note 10)	537	878	-	-
Finance lease liabilities (Note 22)	619	1,403	-	-
	98,171	104,129	4,400	6,400
<i>Non-current</i>				
Long-term bank loans	27,958	27,242	600	5,000
Finance lease liabilities (Note 22)	141	1,509	-	-
	28,099	28,751	600	5,000
Total borrowings	126,270	132,880	5,000	11,400

Notes to the Financial Statements

For the financial year ended 31 December 2015

21. BORROWINGS (CONTINUED)

(a) Security granted

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

- (i) Borrowings of \$1,394,000 in 2014 are secured over a first legal mortgage on certain subsidiaries' freehold land and building [Note 17(b)] which were fully paid during financial year ended 31 December 2015. The freehold land and building has been reclassified as non-current assets held for sale in the previous financial year (Note 19);
- (ii) Borrowings of \$5,189,000 (2014: \$5,453,000) are secured over a first legal charge on plant and machinery of certain subsidiaries [Note 17(b)];
- (iii) Borrowings of \$61,090,000 (2014: \$69,198,000) are secured over a fixed and floating charge on all the assets of certain subsidiaries; and
- (iv) Borrowings of \$3,924,000 (2014: \$3,042,000) are secured over banker's guarantees, up to \$7.2 million (2014: \$5.5 million), given as security to other financial institutions which granted banking facilities to certain subsidiaries. The banker's guarantees are in turn secured by a fixed and floating charge on all the assets of a subsidiary referred to in paragraph (iii) above.

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

(b) Fair values of non-current borrowings

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Finance lease liabilities	250	1,467	-	-

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

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

	Group		Company	
	2015	2014	2015	2014
Finance lease liabilities	8.0%	7.1%	-	-

22. FINANCE LEASE LIABILITIES

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

	Group	
	2015 \$'000	2014 \$'000
Minimum lease payments due:		
- Not later than one year	656	1,556
- Between two and five years	144	1,585
	800	3,141
Less: Future finance charges	(40)	(229)
Present value of finance lease liabilities	760	2,912

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For the financial year ended 31 December 2015

22. FINANCE LEASE LIABILITIES (CONTINUED)

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

	2015 \$'000	Group 2014 \$'000
Not later than one year (Note 21)	619	1,403
Between one and five years (Note 21)	141	1,509
	760	2,912

23. SHARE CAPITAL

The share capital of the Company and the Group comprises fully paid-up 584,592,000 (2014: 584,592,000) ordinary shares with no par value, amounting to a total of \$77,001,000 (2014: \$77,001,000).

Subsequent to year-end, the Company has completed its share consolidation exercise effective on 19 January 2016 and every two (2) existing shares has been consolidated to constitute one (1) consolidated share. Following the completion of the share consolidation, the issued share capital of the Company now comprises 292,295,811 consolidated shares.

24. OTHER RESERVES

	2015 \$'000	Group 2014 \$'000
(a) <u>Composition:</u>		
General reserve	7,451	7,504
Currency translation reserve	(21,870)	(12,411)
Transactions with non-controlling interests	(2,210)	(2,210)
	(16,629)	(7,117)

Other reserves are non-distributable.

	2015 \$'000	Group 2014 \$'000
(b) <u>Movements:</u>		
(i) <u>General reserve</u>		
Beginning of financial year	7,504	6,679
Currency translation differences	(180)	253
Transfer from retained profits	127	572
End of financial year	7,451	7,504
(ii) <u>Currency translation reserve</u>		
Beginning of financial year	(12,411)	(11,061)
Currency translation differences	(9,459)	(1,350)
End of financial year	(21,870)	(12,411)
(iii) <u>Transactions with non-controlling interests</u>		
Beginning and end of financial year	(2,210)	(2,210)

Notes to the Financial Statements

For the financial year ended 31 December 2015

24. OTHER RESERVES (CONTINUED)

General reserve fund

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

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

25. RETAINED PROFITS

- (a) Retained profits of the Group are distributable except for accumulated share of retained profits of associated company amounting to \$5,916,000 (2014: \$5,339,000). Retained profits of the Company are distributable.
- (b) Movement in retained profits for the Company is as follows:

	<u>Company</u>	
	2015	2014
	\$'000	\$'000
Beginning of financial year	53,111	48,940
Net profit	8,393	8,146
Dividends paid (Note 26)	(3,508)	(3,975)
End of financial year	57,996	53,111

26. DIVIDENDS

	<u>Group and Company</u>	
	2015	2014
	\$'000	\$'000
<i>Ordinary dividends paid or proposed</i>		
Final exempt dividend paid in respect of the previous financial year of 0.60 cent (2014: 0.68 cent) per share	3,508	3,975

At the Annual General Meeting to be held on 28 April 2016, a final exempt dividend of 1.42 cent per share (post-consolidation of shares) amounting to a total of \$4,150,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2016.

Notes to the Financial Statements

For the financial year ended 31 December 2015

27. COMMITMENTS

(a) Capital commitments

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

	Group 2015 \$'000	2014 \$'000
Intangible asset – computer software	-	2,537
Property, plant and equipment	-	204
	-	2,741

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

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

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

	Group 2015 \$'000	2014 \$'000
Not later than one year	6,048	6,226
Between one and five years	8,875	11,907
Later than five years	8,178	8,561
	23,101	26,694

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 \$31,718. 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.

28. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Currency risk

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Renminbi ("RMB"), Malaysian Ringgit ("MYR"), Australian Dollar ("AUD") and New Zealand Dollar ("NZD"). To manage the currency risk, individual Group entities enter into currency forwards or cross-currency swaps, where appropriate. As at 31 December 2015, the Group does not have any significant outstanding currency forwards contracts except for the S\$ bank borrowings obtained which has been swapped to US\$ via a currency swap (Note 14). The Group's exposures to foreign currencies are primarily managed through matching financial assets and financial liabilities denominated in foreign currencies. The Group does not utilise currency forwards or other arrangements for trading or speculative purposes.

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

	SGD \$'000	USD \$'000	RMB \$'000	AUD \$'000	MYR \$'000	NZD \$'000	Other \$'000	Total \$'000
2015								
Financial assets								
Cash and cash equivalents	7,942	12,379	12,210	1,952	9,726	783	7,279	52,271
Trade and other receivables	10,960	19,035	22,089	15,486	2,021	6,261	21,945	97,797
Inter-company balances	40,796	34,636	30,932	3,905	20,179	414	5,162	136,024
Other current assets	62	913	357	574	384	51	274	2,615
	59,760	66,963	65,588	21,917	32,310	7,509	34,660	288,707
Financial liabilities								
Borrowings	46,857	22,714	13,092	13,108	2,929	6,861	20,709	126,270
Derivative financial instruments	-	283	-	-	-	-	6	289
Inter-company balances	40,796	34,636	30,932	3,905	20,179	414	5,162	136,024
Trade and other payables	4,155	4,222	11,084	3,450	2,923	3,096	4,224	33,154
	91,808	61,855	55,108	20,463	26,031	10,371	30,101	295,737
Net financial (liabilities)/ assets	(32,048)	5,108	10,480	1,454	6,279	(2,862)	4,559	(7,030)
Currency swap	2,000	283	-	-	-	-	6	2,289
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	21,083	12,213	(8,951)	2,590	(68)	3,237	4,858	34,962
Currency exposure on financial (liabilities)/ assets	(8,965)	17,604	1,529	4,044	6,211	375	9,423	30,221

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

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

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

	2015					2014				
	SGD \$'000	USD \$'000	AUD \$'000	Other \$'000	Total \$'000	SGD \$'000	USD \$'000	AUD \$'000	Other \$'000	Total \$'000
Financial Assets										
Cash and cash equivalents	2,567	172	-	-	2,739	3,616	78	-	-	3,694
Trade and other receivables	27,866	6,293	3,747	755	38,661	26,594	9,592	3,706	923	40,815
Other current assets	-	-	-	-	-	-	-	-	-	-
	30,433	6,465	3,747	755	41,400	30,210	9,670	3,706	923	44,509
Financial Liabilities										
Borrowings	5,000	-	-	-	5,000	11,400	-	-	-	11,400
Trade and other payables	1,400	-	-	-	1,400	3,009	-	-	-	3,009
	6,400	-	-	-	6,400	14,409	-	-	-	14,409
Net financial assets	24,033	6,465	3,747	755	35,000	15,801	9,670	3,706	923	30,100
Currency swap	2,000	(2,277)	-	-	(277)	6,000	(6,381)	-	-	(381)
Net financial assets denominated in functional currency	(26,033)	-	-	-	(26,033)	(21,801)	-	-	-	(21,801)
Currency exposure on financial assets	-	4,188	3,747	755	8,690	-	3,289	3,706	923	7,918

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the USD, RMB, AUD, MYR and NZD change against the SGD by 8.5% (2014: 1.0%), 7.1% (2014: 1.7%), 9.6% (2014: 4.9%), 8.8% (2014: 2.4%) and 8.6% (2014: 2.6%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	← (Decrease)/increase →	
	2015	2014
	Profit	Profit
	after tax	after tax
	\$'000	\$'000
<u>Group</u>		
USD against SGD		
- Strengthened	1,242	(59)
- Weakened	(1,242)	59
RMB against SGD		
- Strengthened	90	330
- Weakened	(90)	(330)
AUD against SGD		
- Strengthened	322	150
- Weakened	(322)	(150)
MYR against SGD		
- Strengthened	454	143
- Weakened	(454)	(143)
NZD against SGD		
- Strengthened	27	9
- Weakened	(27)	(9)
<u>Company</u>		
USD against SGD		
- Strengthened	295	27
- Weakened	(295)	(27)
AUD against SGD		
- Strengthened	299	151
- Weakened	(299)	(151)

(ii) *Price risk*

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

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

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

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

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in AUD, RMB and MYR. If the AUD, RMB and MYR interest rates increase/decrease by 0.9% (2014: 0.7%) with all other variables including tax rate being held constant, the profit after tax will be higher/lower by \$95,000 (2014: \$111,000), \$181,000 (2014: \$56,000) and \$102,000 (2014: \$126,000) respectively as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

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

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

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

	Company	
	2015 \$'000	2014 \$'000
Corporate guarantees provided to banks on subsidiaries' loans	120,510	115,237

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

The trade receivables at the Group comprise 2 debtors (2014: 2 debtors) that individually represent 3-13% (2014: 3-5%) of trade receivables.

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	Group	
	2015 \$'000	2014 \$'000
<u>By geographical areas</u>		
Singapore	12,339	14,483
Malaysia	2,041	2,665
Taiwan	3,187	3,119
Australia	15,416	18,198
New Zealand	6,254	6,184
United States	11,734	2,199
United Kingdom	796	988
Italy	28	289
Indonesia	2,687	3,330
Sweden	1,652	1,711
People's Republic of China	20,857	19,908
Other countries	18,240	14,604
	95,231	87,678
<u>By types of customers</u>		
Non-related parties	95,104	86,417
A related party	127	1,261
	95,231	87,678

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

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

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

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

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

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

	Group	
	2015 \$'000	2014 \$'000
Past due one month	4,033	1,865
Past due two months	2,383	1,113
Past due over two months	10,128	3,858
	16,544	6,836

Notes to the Financial Statements

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

	Group	
	2015 \$'000	2014 \$'000
Not past due	158	91
Past due less than one month	19	16
Past due one month	73	492
Past due two months	292	39
Past due over two months	2,427	2,519
	2,969	3,157
Less: Allowance for impairment	(2,969)	(3,157)
	-	-

	Group	
	2015 \$'000	2014 \$'000
Beginning of financial year	3,157	1,791
Currency translation differences	(84)	28
Allowance made	976	1,738
Allowance utilised	(744)	(256)
Allowance written back	(336)	(144)
End of financial year	2,969	3,157

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

(c) Liquidity risk

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

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

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Group			
2015			
Trade and other payables	33,154	-	-
Borrowings	99,182	26,895	3,494
	132,336	26,895	3,494
2014			
Trade and other payables	41,498	-	-
Borrowings	104,987	24,456	6,500
	146,485	24,456	6,500

Notes to the Financial Statements

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Company			
2015			
Trade and other payables	1,400	-	-
Borrowings	4,505	606	-
	<u>5,905</u>	<u>606</u>	<u>-</u>
2014			
Trade and other payables	3,009	-	-
Borrowings	6,666	5,089	-
	<u>9,675</u>	<u>5,089</u>	<u>-</u>

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

	Less than 1 year \$'000	Between 1 and 5 years \$'000
Group and Company		
2015		
Gross settled currency swaps		
- Receipts	2,011	-
- Payments	2,284	-
2014		
Gross settled currency swaps		
- Receipts	4,010	2,002
- Payments	4,304	2,135

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28. 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 2014, 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 less cash and cash equivalents.

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net debt	73,999	76,459	2,261	7,706
Total capital and reserves attributable to equity holders	246,408	251,305	134,997	130,112
Net gearing ratio	30%	30%	2%	6%

Financial covenants relating to the Group's and Company's borrowings include consolidated tangible network, 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 2015 and 2014.

(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:

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. 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 1 \$'000	Level 2 \$'000	Total \$'000
Group			
As at 31 December 2015			
Derivative financial instruments			
- Asset	-	-	-
- Liability	-	289	289
As at 31 December 2014			
Derivative financial instruments			
- Asset	-	-	-
- Liability	-	423	423
Company			
As at 31 December 2015			
Derivative financial instruments			
- Asset	-	-	-
- Liability	-	277	277
As at 31 December 2014			
Derivative financial instruments			
- Asset	-	-	-
- Liability	-	423	423

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

(f) Financial instruments by category

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Loan and receivables	152,683	149,244	41,400	44,509
Financial liabilities at amortised cost	159,424	174,378	6,400	14,409

Notes to the Financial Statements

For the financial year ended 31 December 2015

29. 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.

30. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	2015 \$'000	Group 2014 \$'000
Sales of goods to an associated company	7,503	9,144
Purchases of goods from an associated company	(396)	(691)

Outstanding balances at 31 December 2015, arising from sale/purchase of goods to/from associated company, are unsecured and receivable/payable within 12 months from balance sheet date, are set out in Notes 11 and 20 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	2015 \$'000	Group 2014 \$'000
Salaries and other short-term employee benefits	4,120	4,132
Employer's contribution to defined contribution plans, including Central Provident Fund	65	103
	4,185	4,235

Included in the above was total compensation to directors of the Company amounted to \$1,792,000 (2014: \$2,097,000).

Notes to the Financial Statements

For the financial year ended 31 December 2015

31. 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 the business 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.

The segment information provided to senior management for the reportable segments for the year ended 31 December 2015 is as follows:

	← Manufacturing segment →			← Distribution segment →					
	North East Asia \$'000	ASEAN \$'000	Sub-total \$'000	North East Asia \$'000	ASEAN \$'000	Oceania \$'000	Others \$'000	Sub-total \$'000	Total \$'000
Sales									
Total segment sales	123,096	72,053	195,149	37,900	143,324	132,832	33,593	347,649	542,798
Inter-segment sales	(25,151)	(18,473)	(43,624)	-	-	-	-	-	(43,624)
Sales to external parties	97,945	53,580	151,525	37,900	143,324	132,832	33,593	347,649	499,174
Segment result	925	536	1,461	60	7,484	4,360	(694)	11,210	12,671
Other gains – net									6,091
Unallocated costs									(53)
									18,709
Finance expenses									(5,253)
Share of profit of an associated company	-	1,013	1,013	-	-	-	-	-	1,013
Profit before income tax									14,469
Income tax expense									(5,418)
Net profit									9,051
Segment assets	109,247	67,334	176,581	22,990	117,036	78,493	22,188	240,707	417,288
Segment assets includes:									
Investment in an associated company	-	15,441	15,441	-	-	-	-	-	15,441
Additions to:									
- property, plant and equipment	9,128	428	9,556	83	1,607	859	100	2,649	12,205
Segment liabilities	(12,175)	(2,519)	(14,694)	(2,823)	(9,736)	(8,272)	(593)	(21,424)	(36,118)

Notes to the Financial Statements

For the financial year ended 31 December 2015

31. SEGMENT INFORMATION (CONTINUED)

The segment information provided to senior management for the reportable segments for the year ended 31 December 2014 is as follows:

	← Manufacturing segment →			← Distribution segment →					
	North East Asia	ASEAN	Sub-total	North East Asia	ASEAN	Oceania	Others	Sub-total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales									
Total segment sales	115,421	70,079	185,500	37,445	157,403	151,462	16,465	362,775	548,275
Inter-segment sales	(17,177)	(19,869)	(37,046)	-	-	-	-	-	(37,046)
Sales to external parties	98,244	50,210	148,454	37,445	157,403	151,462	16,465	362,775	511,229
Segment result	(4,670)	(2,014)	(6,684)	1,661	14,953	7,046	(544)	23,116	16,432
Other gains – net									2,805
Unallocated costs									(52)
									19,185
Finance expenses									(5,020)
Share of profit of an associated company	-	708	708	-	-	-	-	-	708
Profit before income tax									14,873
Income tax expense									(6,646)
Net profit									8,227
Segment assets	100,750	82,858	183,608	22,717	120,300	91,615	8,885	243,517	427,125
Segment assets includes:									
Investment in an associated company	-	15,888	15,888	-	-	-	-	-	15,888
Additions to:									
- property, plant and equipment	5,003	2,301	7,304	130	1,524	2,211	119	3,984	11,288
Segment liabilities	(15,470)	(4,450)	(19,920)	(2,996)	(10,666)	(11,410)	(677)	(25,749)	(45,669)

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

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

(a) Reconciliations

(i) Segment assets

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

31. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations (continued)

(i) Segment assets (continued)

Segment assets are reconciled to total assets as follows:

	2015 \$'000	Group 2014 \$'000
Segment assets for reportable segments	395,100	418,240
Other segment assets	22,188	8,885
Unallocated:		
Deferred income tax assets	3,396	4,589
Short-term bank deposits	4,393	14,846
Transferable club membership, at cost	227	146
	425,304	446,706

(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 tax liabilities, borrowings and derivative financial instruments.

Segment liabilities are reconciled to total liabilities as follows:

	2015 \$'000	Group 2014 \$'000
Segment liabilities for reportable segments	35,525	44,992
Other segment liabilities	593	677
Unallocated:		
Income tax liabilities	639	1,327
Deferred tax liabilities	2,159	2,276
Borrowings	126,270	132,880
Derivative financial instruments	289	423
	165,475	182,575

Notes to the Financial Statements

For the financial year ended 31 December 2015

31. SEGMENT INFORMATION (CONTINUED)

(b) Revenue from major products and services

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

	Group 2015 \$'000	2014 \$'000
Distribution of automotive and industrial products	347,649	362,775
Manufacturing of alloy wheels	151,525	148,454
	499,174	511,229

(c) Geographical information

The Group operates in the following geographic areas:

	Sales* Group 2015 \$'000	2014 \$'000	Non-current assets Group 2015 \$'000	2014 \$'000
Singapore	86,658	84,268	35,449	36,296
Malaysia	79,690	93,476	25,788	32,381
China/Hong Kong	114,509	111,044	59,508	57,253
Taiwan	17,897	20,311	3,606	3,674
Australia	95,381	115,764	4,802	5,674
New Zealand	41,131	40,701	1,384	1,543
Other countries	63,908	45,665	3,467	3,530
	499,174	511,229	134,004	140,351

* 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 (2014: 10%).

Notes to the Financial Statements

For the financial year ended 31 December 2015

32. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted:

- FRS 110 *Consolidated financial statements* and FRS 28 *Investments in associates and joint ventures* (effective for annual periods beginning on or after 1 January 2016*)

These amendments address an inconsistency between FRS 110 and FRS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

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

* *(In August 2015, the IASB has published an Exposure Draft to propose deferring the effective date of the amendment indefinitely. Earlier application of the amendment continues to be permitted. No deferral has been made for similar amendment to FRS 110 and FRS 28 as at 31 October 2015).*

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

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

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

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2017*)

This is the converged standard on revenue recognition. It replaces FRS 11 *Construction contracts*, FRS 18 *Revenue*, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

* *The effective date of IFRS 15 Revenue from contracts with customers has been deferred from 1 January 2017 to 1 January 2018. No such deferral has been made for FRS 115 Revenue from contracts with customers at the date of this publication.*

Notes to the Financial Statements

For the financial year ended 31 December 2015

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

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 39.

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

33. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of YHI International Limited on 24 March 2016.

Statistics of Shareholdings

As at 10 March 2016

ANALYSIS OF SHAREHOLDINGS

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

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 99	15	0.84	524	0.00
100 – 1,000	131	7.34	58,706	0.02
1,001 – 10,000	835	46.78	4,600,841	1.57
10,001 – 1,000,000	791	44.31	44,638,377	15.27
1,000,001 and above	13	0.73	242,997,363	83.14
TOTAL	1,785	100.00	292,295,811	100.00

Public Shareholders	%
Non-public shareholders	63.13
Public shareholders	36.87

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

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interest	Deemed Interest	%
YHI Holdings Pte Ltd	128,021,860	-	43.80
Tay Tian Hoe Richard ⁽¹⁾	-	139,958,860	47.88
Tay Tiang Guan ⁽²⁾	43,026,453	1,550,000	15.25
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	11,937,000
	<u>139,958,860</u>

- (2) Mr Tay Tiang Guan is deemed to have an interest in the 1,550,000 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 the 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 10 March 2016

TWENTY LARGEST SHAREHOLDERS AS AT 10 MARCH 2016

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	YHI HOLDINGS PTE LTD	128,021,860	43.80
2	TAY TIANG GUAN	43,026,453	14.72
3	HSBC (SINGAPORE) NOMINEES PTE LTD	16,376,500	5.60
4	BANK OF SINGAPORE NOMINEES PTE LTD	14,609,500	5.00
5	CITIBANK NOMINEES SINGAPORE PTE LTD	12,921,900	4.42
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	9,954,500	3.41
7	DBS NOMINEES PTE LTD	6,137,600	2.10
8	PHILLIP SECURITIES PTE LTD	4,097,000	1.40
9	ORIX INVESTMENT AND MANAGEMENT PTE LTD	2,400,000	0.82
10	MAYBANK KIM ENG SECURITIES PTE LTD	1,844,200	0.63
11	TAN YONG CHIANG OR TAN HUI LIANG	1,256,000	0.43
12	ANG KONG MENG	1,226,850	0.42
13	HONG LEONG FINANCE NOMINEES PTE LTD	1,125,000	0.38
14	LEE WOON KIAT	984,000	0.34
15	NG CHWEE CHENG	958,800	0.33
16	TAN KIM KOON	900,000	0.31
17	LEE LING LING	867,500	0.30
18	KOO CHOON POI @ KOH CHOON PUI	782,500	0.27
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	777,900	0.27
20	LIM HUA TIONG	579,500	0.20
TOTAL		248,847,563	85.15

Notice of Annual General Meeting

YHI INTERNATIONAL LIMITED

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of YHI International Limited (the “Company”) will be held at 2 Pandan Road, Singapore 609254 on Thursday, 28 April 2016 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final tax exempt dividend of 1.42 Singapore cents per ordinary share for the financial year ended 31 December 2015 (2014: 0.60 Singapore cents). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Article 107 of the Company’s Constitution:

Mr Tay Tiang Guan **(Resolution 3)**
Mr Hee Theng Fong **(Resolution 4)**

Mr Hee Theng Fong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Chairman of the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To approve the payment of Directors’ fees of S\$192,500.00 for the financial year ended 31 December 2015 (2014: S\$192,500.00). **(Resolution 5)**
5. To re-appoint PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

- (A) (i) allot and issue shares in the capital of the Company (the “Shares”) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require the Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

Notice of Annual General Meeting

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

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier.”
[See Explanatory Note (i)]

(Resolution 7)

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 6 April 2016

Notice of Annual General Meeting

Explanatory Notes:

- (i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.
- (ii) For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time the Ordinary Resolution 7 is passed.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the “Act”), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting (“AGM”). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **No. 2 Pandan Road, Singapore 609254**, or the office of the Company’s share registrar, Tricor Barbinder Share Registration Services (as the case may be) at **80 Robinson Road #11-02, Singapore 068898**, not less than **48 hours** before the time set for the AGM.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
5. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

YHI INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)

(Company Registration Number: 200007455H)

Proxy Form

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies for the Annual General Meeting.

I/We, ...(name).....(NRIC/Passport No)

of(address)

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

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her*, the Chairman of the Meeting (defined below), as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting ("AGM") of the Company to be held at 2 Pandan Road, Singapore 609254 on Thursday, 28 April 2016 at 9.30 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015 (Ordinary Resolution)		
2.	Payment of proposed first and final dividend of 1.42 Singapore cents per ordinary share (Ordinary Resolution)		
3.	Re-election of Mr Tay Tiang Guan as Director of the Company (Ordinary Resolution)		
4.	Re-election of Mr Hee Theng Fong as Director of the Company (Ordinary Resolution)		
5.	Approval of Directors' fees amounting to S\$192,500.00 for the financial year ended 31 December 2015 (2014: S\$192,500.00) (Ordinary Resolution)		
6.	Re-appointment of PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants as the Company's Auditors and to authorise the Directors to fix their remuneration (Ordinary Resolution)		
7.	Authority to allot and issue shares in the capital of the Company ("Shares") - Share Issue Mandate (Ordinary Resolution)		

Dated this day of 2016

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

Total Number of Shares Held**IMPORTANT: PLEASE READ NOTES OVERLEAF**

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the “**Act**”), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting (“**AGM**”). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **No. 2 Pandan Road, Singapore 609254**, or the office of the Company’s share registrar, Tricor Barbinder Share Registration Services (as the case may be) at **80 Robinson Road #11-02, Singapore 068898**, not less than **48 hours** before the time set for the AGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
9. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.



友发国际有限公司
YHI INTERNATIONAL LIMITED

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

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