友发国际有限公司

YHI INTERNATIONAL LIMITED

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

A FORWARD LOOKING VISION.
A GROWTH ORIENTED STRATEGY.

ANNUAL REPORT 2021

CONTENT

OUR MISSION

To be a recognised global distributor of high quality automotive and industrial products, and a familiar and trusted brand name in alloy wheels manufacturing as an Original Design Manufacturer.

To position our company effectively by continuously providing our customers with quality products and distinctive customer services so as to build strong customer relationships.

To provide growth and opportunities for our employees and to consistently generate stable returns to our shareholders.

To be committed to quality, professional and personnel management, sound business practices and teamwork.

CORPORATE **PROFILE**

YHI's international presence spans across over 100 countries through its 32 subsidiaries and 3 associated companies located across Asia Pacific, North America and Europe. YHI distributes a diverse range of premium automotive products, which includes tyres, alloy wheels, energy solutions, buggy & utilities vehicles and other industrial products to more than 5,000 customers globally.

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

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

Today, YHI's international presence spans across over 100 countries through its 32 subsidiaries and 3 associated companies located across Asia Pacific, North America and Europe. YHI distributes a diverse range of premium automotive products, which includes tyres, alloy wheels, energy solutions, buggy & utilities vehicles and other industrial products to more than 5,000 customers globally.

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

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

OUR PRODUCTS

TYRES

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

NEUTON SINGAPORE	YOKOHAMA JAPAN	PIRELLI ITALY	NITTO JAPAN	TOYO TIRES JAPAN
DEESTONE THAILAND	OTANI THAILAND	NANKANG TAIWAN	NEXEN TIRE KOREA	ROADSTONE TYRE KOREA
GT RADIAL Experience the Performance INDONESIA	accelera INDONESIA	Achilles RADIAL INDONESIA	COOPER TIRES USA	MICKEY THOMPSON USA
CARLISLE USA	RADAR TYRES SINGAPORE	GRECKSTER INDIA	CEAT SPECIALTY INDIA	DELINTE We Invent. You Drive CHINA
HILO CHINA	AMBERSTONE CHINA	FARROAD CHINA	TRAZANO CHINA	TRISTAR THE POWER OF GRIP CHINA

ALLOY WHEELS

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

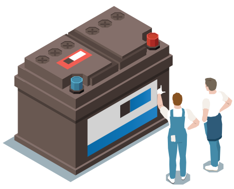
Advanti RACING SINGAPORE	ENKEI JAPAN	KÖNIG USA	OZ RACING ITALY	sparco WHEELS ITALY
Breyton GERMANY	MAMBA USA			

OUR PRODUCTS

BUGGY & UTILITY VEHICLES

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

NPE	E-Z-GO	CUSHMAN
SINGAPORE	USA	USA



ENERGY SOLUTIONS

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

NEUTON POWER	TROJAN	VISION	CSB	AMARON
SINGAPORE	USA	CHINA	TAIWAN	INDIA
ROCKET	FIAMM	C&D TECHNOLOGIES	U.S. Battery	Panasonic
KOREA	ITALY	USA	USA	JAPAN
SACRED SUN	shoto			
CHINA	CHINA			

OTHER INDUSTRIAL PRODUCTS

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

NEUTON POWER	DELTA	elf	SMA	delta-q
SINGAPORE	TAIWAN	CANADA	GERMANY	CANADA
EATON	MORNINGSTAR	SOLAX	Trinasolar	
USA	USA	CHINA	CHINA	

MANUFACTURING **CAPABILITIES**

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

While distribution had been the core business of YHI, the Group took the bold initiative to venture into alloy wheels manufacturing in 1996. From one production line in Taoyuan Taiwan, we had expanded to 18 manufacturing lines in operation at 4 production sites by 2006.

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 2011, the Malacca plant was added to become the fifth production site for the alloy wheel manufacturing, with 0.6 million new capacity added.

To enhance our capability as an integrated ODM, YHI Precision Moulding (Shanghai) Co Ltd was set up in 2004 to manufacture and supply alloy wheels moulds for the manufacturing plants. Through continuous innovation and improvements in production processes, Enkei Corporation has put the Group at the forefront of alloy wheels manufacturing. Our Most Advanced Technology (MAT) is an innovative casting and wheel forming technology that is critical in improving the alloy wheel's material property and strength.

YHI MANUFACTURING (MALAYSIA) SDN BHD YHI ADVANTI MANUFACTURING (MALAYSIA) SDN BHD
MALACCA, MALAYSIA
Products: Alloy Wheels
Land area: 88,000 m^2
Year of Production: 2006
Annual production capacity: 1.2 million

YHI INTERNATIONAL TAIWAN CO., LTD
TAOYUAN, TAIWAN
Products: Alloy Wheels
Land area: 13,500 m^2
Year of Production: 1996
Annual production capacity: 0.2 million

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

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

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

In terms of manufacturing R&D, our Suzhou team has achieved a breakthrough with a new proprietary Dynamic Spinning Technology (DST) launched for the Aftermarket segment in 2014. Based on flow forming technology, the new DST alloy wheels offer increased strength and performance compared to regular cast technology wheels. This new technology has enabled YHI to produce lighter and stronger alloy wheels which will, in turn, lead to lower production costs and enhance the Group's competitiveness.

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

OUR QUALITY **CERTIFICATES**

YHI ADVANTI MANUFACTURING (SUZHOU) CO., LTD

SUZHOU, CHINA

Products: Alloy Wheels & Precision Moulding Sets

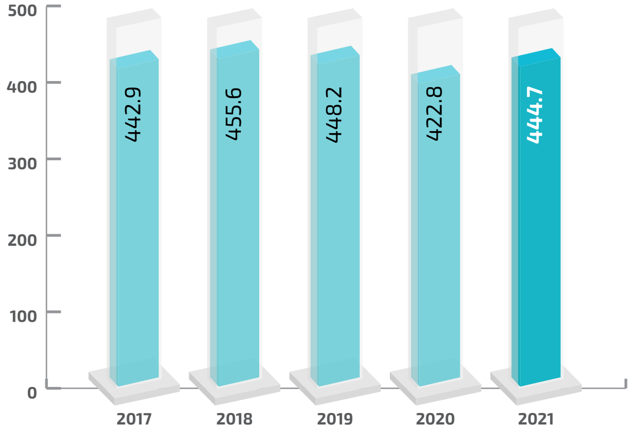
Land area: 75,600 m^2

Year of Production: 2006

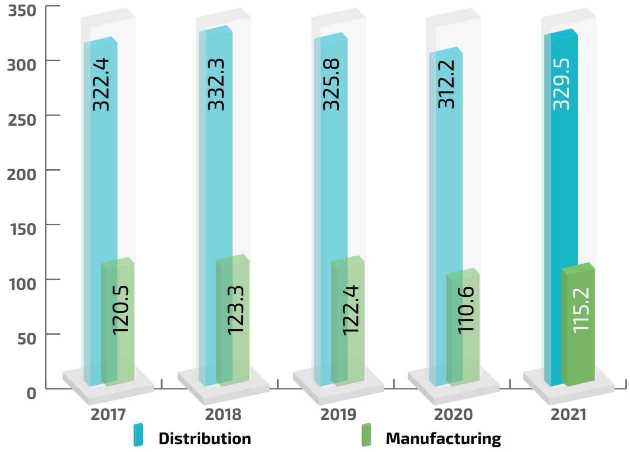
Annual production capacity: 1.2 million + 850 set mould

FIVE-YEAR **FINANCIAL HIGHLIGHTS**

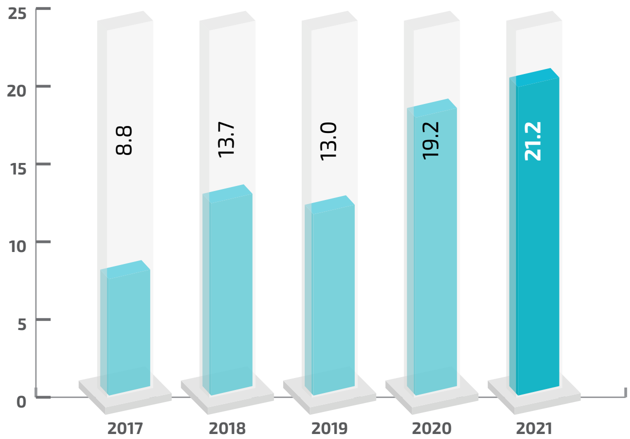
GROUP REVENUE
(S$ 'MILLION)



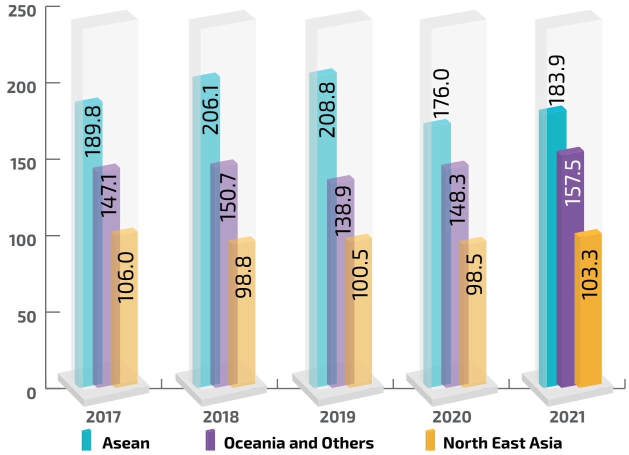
REVENUE BY BUSINESS SEGMENTS
(S$ 'MILLION)



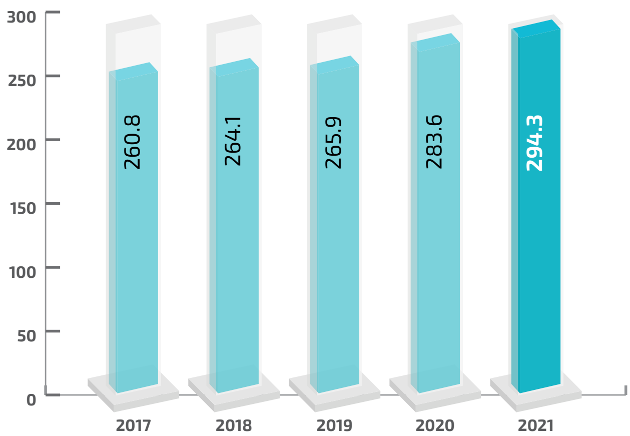
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(S$ 'MILLION)



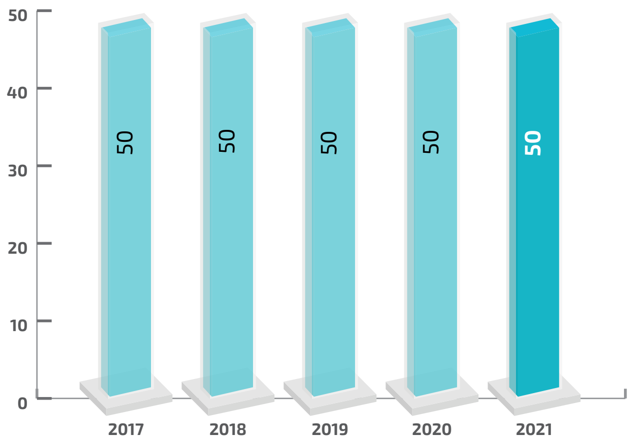
REVENUE BY GEOGRAPHY
(S$ 'MILLION)



NET ASSETS
(S$ 'MILLION)



DIVIDEND PAYOUT
(%)



FIVE-YEAR **FINANCIAL SUMMARY**

RESULTS OF OPERATIONS

FINANCIAL YEAR ENDED 31 DECEMBER	FY2021 S$ '000	FY2020 S$ '000	FY2019 S$ '000	FY2018 S$ '000	FY2017 S$ '000
Sales	**444,718**	422,795	448,207	455,593	442,878
Gross Profit %	**23.8**	24.0	21.4	21.4	23.2
Profit before income tax	**28,830**	25,317	16,221	18,019	15,192
Net profit attributable to equity holders of the Company	**21,165**	19,155	12,956	13,725	8,751
Net Profit %	**5.0**	4.6	2.8	3.1	2.1
EBITDA	**46,385**	44,514	38,074	32,209	30,808

FINANCIAL POSITION

AS AT 31 DECEMBER	FY2021 S$ '000	FY2020 S$ '000	FY2019 S$ '000	FY2018 S$ '000	FY2017 S$ '000
Current assets	**301,790**	267,102	259,694	272,009	267,057
Non-current assets	**137,233**	138,021	138,878	121,959	120,417
Total assets	**439,023**	405,123	398,572	393,968	387,474
Current liabilities	**113,474**	94,242	108,276	119,498	109,046
Non-current liabilities	**31,238**	27,304	24,433	10,351	17,621
Total liabilities	**144,712**	121,546	132,709	129,849	126,667
Net assets	**294,311**	283,577	265,863	264,119	260,807
Capital and reserves attributable to equity holders of the Company	**286,289**	275,381	255,825	252,940	248,175
Non-controlling interests	**8,022**	8,196	10,038	11,179	12,632
Total equity	**294,311**	283,577	265,863	264,119	260,807

FINANCIAL INDICATORS

	FY2021	FY2020	FY2019	FY2018	FY2017
Return on shareholders equity (%)	**7.4**	7.0	5.1	5.4	3.5
Earnings per share (cents)*	**7.29**	6.57	4.43	4.70	2.99
Net asset value per share (cents)*	**98.58**	94.83	87.52	86.54	84.91
Dividend per share (cents)*	**3.60**	3.30	2.22	2.35	1.50
Cash and bank balances (S$ '000)	**84,854**	84,620	56,392	51,102	54,360
Net debt to equity ratio (%)	**3.0**	NM	15.0	12.8	12.5

* Post-consolidation of shares

KEEPING A STEADY COURSE.

GAINING NEW GROUND.

CHAIRMAN'S **MESSAGE**

DEAR SHAREHOLDERS,

The end of 2020 had brought hope to Singapore that the worst of the COVID-19 pandemic was over. The infection rate had fallen significantly, and together with our country's high vaccination rate, rigorous testing and contact tracing regimes, light was seen at the end of the tunnel.

However, the cumulative effects of wave after wave of the deadly Delta variant began to be felt from the second half of 2021 onwards. This was because countries teetered between periods of tightening and relaxation of controls on travel, quarantine, social distancing, and mobility. Governments did their best to avoid the shutdown of economic activities, but at times they had to revert to the reimposition of controls. Additionally, the Omicron variant of COVID-19 which made its first appearance in November 2021, caused an exponential surge in infections worldwide in the ending months of 2021 leading to the reimposition of controls on travel, quarantine, social distancing, and mobility in many countries.

For a global business like YHI, the on-and-off COVID-19 restrictions had a significant impact on business leading to a 8.4% fall in sales from $237.4 million in 2HFY2020 to $217.5 million in 2HFY2021.

In the third quarter of 2021, supply chain disruptions and inflationary pressures had begun to surface in the global economy. The pandemic restrictions and pent-up demand also had an impact on the Group's business. Vehicle owners bought alloy wheels to enhance the appearance of their vehicles. Tyres were replaced more frequently as long-distance domestic travel in North America, Europe, Australia and New Zealand wore out tyres at a faster rate.

Inflation was a direct consequence of demand outstripping supply. From raw materials to energy and finished consumer goods, prices rose in tandem across the world. Freight charges rose by more than a few hundred percent and there was a severe shortage of containers.

Even the service sector was hard hit as wages rose. This can be seen in the wages of foreign labor in Singapore as COVID-19 restrictions reduced the supply from the source countries. The inflationary situation also led to governments tightening their monetary policies and Central Banks pondering interest rate hikes.

THE WORLD LEARNS TO LIVE WITH COVID-19

As Omicron surged across the world at an unprecedented speed, Singapore, and nearly all countries, abandoned a Covid-zero strategy to adopt a 'living with the virus' strategy-relaxing controls on travel, quarantine, social distancing and mobility.

There is broad consensus among governments, and institutions such as the IMF, ADB and World Bank that the economic recovery will continue in 2022 though at a slower pace than in 2021. China, for example remains relatively unscathed by the pandemic and can be the engine of growth, (especially for the ASEAN countries) for the World to ride on its tailwinds. Table 1 below shows the IMF projection of GDP growth rate for 2021, 2022 and 2023 in its World Economic Outlook Report Jan 2022.

WORLD GDP GROWTH (%) BY COUNTRY/ REGION 2021, 2022, 2023[1]

	2021 Estimate	2022 Projection	2023 Projection
World	5.9	4.4	3.8
USA	5.6	4.0	2.6
China	8.1	4.8	5.2
Euro Area	5.2	3.9	2.5
India	9.0	9.0	7.1
ASEAN-5*	3.1	5.6	6.0

**ASEAN-5: Indonesia, Malaysia, Philippines, Thailand and Singapore*

[1] World Economic Outlook Report, 25 January 2022 International Monetary Fund

CHAIRMAN'S **MESSAGE**

A CREDITABLE FINANCIAL PERFORMANCE

I am pleased to report that the Group has recorded a creditable financial performance for FY2021 despite a challenging business environment. This is a continuation of the positive performance recorded in FY2020, which was achieved during the darkest period of the COVID-19 pandemic. Turnover increased from $422.8 million in FY2020 to $444.7 million in FY2021, an increase of 5.2%. This was mainly due to the momentum in sales carried over from 2HFY2020 into 1HFY2021.

Gross Profit increased by 4.4% (or $4.4 million) to $105.8 million (FY2021) from $101.4 million (FY2020) mainly due to higher sales and gross profit margins recorded by the distribution business. The distribution business had higher margins as a result of increased demand amid shortages in the market. However, as a whole, gross profit margin decreased slightly to 23.8% in FY2021 compared to 24.0% in FY2020 mainly due to lower gross profit margin of the manufacturing business. The Group's manufacturing segment felt the impact of higher aluminium prices and higher ocean freight charges.

The Group's distribution business accounted for 74.1% of turnover, while the manufacturing business accounted for the remaining 25.9%. Tyres accounted for 52.8% of the distribution business. Each segment's contribution to turnover remained largely unchanged from FY2020.

In the Group's manufacturing segment, Northeast Asia (Taiwan and Suzhou) accounted for 65.5% of turnover, with ASEAN segment (Malaysia) accounting for the remaining 34.5%.

The distribution business was less affected by rising freight charges as its major markets of ASEAN and Oceania (Australia and New Zealand) were nearer in geographical proximity than the market for the products of the manufacturing segment. ASEAN was the Group's largest market for the distribution business, with FY2021 turnover of $144.1 million accounting for 43.7% of the turnover. Oceania (Australia and New Zealand) was a close second contributing $137.5 million or 41.7% of turnover.

STRONG FINANCIAL POSITION AND SMOOTH CASHFLOW

The Group's "3R" strategy of reducing stockholding, accounts receivables and operating costs is an integral part of its business culture. Constant awareness and implementation of this strategy over the years has paid off in the form of greater resilience in times of uncertainties and a challenging business environment. A strong financial position also enables the Group to seize any new opportunities thrown up by changes in the dynamics of the industry and business.

In FY2021, the Group's Earnings Per Share increased from 6.57 cents per share in FY2020 to 7.29 cents per share in FY2021. Net Asset Value Per Share increased from 94.83 cents per share as at 31 December 2020 to 98.58 cents per share as at 31 December 2021. Despite higher sales in FY2021, our Current Ratio of 2.7 as at 31 December 2021 is well above the level required for short-term liquidity. In terms of debt as a proportion of equity, as at 31 December 2021 our Debt/Equity ratio is a low 0.5. Operating cash flow before working capital charges was $42.5 million in FY2021 as compared to $43.4 million in FY2020. Net cash provided by operating activities in FY2021 was $5.5 million.

FY2021 NEW DISTRIBUTION RIGHTS

In December 2021 the Group announced that its wholly owned subsidiary, YHI (Malaysia) Sdn Bhd will establish Yokohama Tyre Sales Malaysia Sdn Bhd as an associated company with Yokohama Rubber Co., Ltd. The associated company was inaugurated in January 2022. Yokohama Rubber Co. Ltd will hold the majority stake of 51% in the associated company.

Malaysia is one of the fastest growing markets in ASEAN for the automotive industry. The associated company combines Yokohama Rubber's global marketing strategies and full product range, with the established network and local market experience of YHI Malaysia. This will enhance the further expansion of Yokohama's market share in the Malaysian market. In particular, the Group sees an opportunity for the associated company to promote Yokohama's high-value-added tyres such as the ADVAN and GEOLANDAR brands in the replacement tyre market.

In FY2021, Elf Aquitaine, a division of French conglomerate TotalEnergies, granted the Group the Philippine distribution rights for its well-known Elf brand lubricants. In FY2020, we had won the Myanmar distribution rights for Elf lubricants. These are two new territories with good growth potential for our products due to their demographic profiles and high rate of urbanisation.

OUTLOOK FOR 2022

The age of coexisting with COVID-19 virus has dawned. A significant part of the global population has been vaccinated. Together with natural immunity conferred by infection, better testing, contact tracing, new vaccines and drugs, the world has a better chance of returning to normalcy. Border controls and mobility restrictions will be further loosened thus paving the way for more economic activities to resume.

The current crisis in Ukraine as at March 2022 has created more uncertainties in the global economic environment and dimmed the outlook for 2022. The inflationary trend for goods

CHAIRMAN'S **MESSAGE**

and services has intensified as Russia is a major exporter of oil and gas as well as metals, minerals and agricultural commodities that are the raw materials for manufactured products. The war has also further disrupted global transportation networks. The Group will be adversely affected by rising prices for the products that it distributes and rising raw material costs for the products that it manufactures. Freight costs that are already at an all-time high are set to increase further.

The year ahead is fraught with uncertainties, but we believe in keeping our eyes on the big picture. The Asia-Pacific region riding on the tailwinds of economic giants China and India is set to continue its high growth path. The 10 ASEAN countries with a total population of 660 million[2] will be a major beneficiary. The Group's established footprint in ASEAN will benefit from the prosperity in the region.

Throughout the decades, the Group's focus on its "3M" marketing strategy of multi-product, multi-brand and multi-category was a major factor for its success. We will continue to enhance our "3M" strategy by incorporating lessons learned from managing the pandemic. New markets, customers, products, and categories of products will raise the Group's business to the next level.

The changes in the economic and business environment brought about by the pandemic has thrown up several opportunities for the Group. As less financially strong companies in the tyre distribution industry fold, we see opportunities to fill the gaps in the market left by them. YHI with its strong financial position, as well as the infrastructure and network built up over the decades is poised to capitalize on this opportunity.

In the alloy wheels aftermarket business, our geographically diversified ODM (Original Design Manufacturers) manufacturing operations will enable us to leverage the competitive strengths of each location to cater to the differences in quality, price, and size of each market. The pandemic has also confirmed that for the alloy wheels aftermarket business, branding, customization, 'white glove' customer service and flawless aftersales support play a very important part in attracting new customers and creating brand loyalty.

The Group's proprietary manufacturing technologies such as MAT ('Most Advance Technology' an innovative wheel casting and forming technology that enhances wheel material strength properties) and DST ('Dynamic Spinning Technology' which enables the manufacturing of stronger yet lighter wheels) also play a part in reinforcing the image of our premium brands.

The Group will gradually shift more of its production from the Suzhou to the Malacca manufacturing plant. This is because of the lower cost structure in Malaysia for manufacturing and also because of tariffs imposed on China-made products. But because of its higher productivity and R&D capabilities (both MAT and DST were developed by the Suzhou R&D department), Suzhou will be used for the design and production of the high-end brands wheels that will be marketed as exclusive products with a premium price.

A significant part of our success in distribution is because we have always recognized the fact that no one knows the market better than the local businessman. Differences in culture, payment and credit options, sensitivity to price, likes and dislikes for certain designs or colors or specifications make each market unique. We work hand-in-hand with our distributors to promote the sale of our products. This involves not only the tyres and alloy wheels but also our energy and industrial products such as batteries, buggies, utility vehicles and lubricants.

ASEAN is the major market for our distribution business with good potential for growth. IMF World Economic Outlook Report[3] published in January 2022 projections for Real GDP growth rates by country and region for the period 2022-2023. The ASEAN-5 (Indonesia, The Philippines, Thailand, Malaysia, Singapore) region is projected to have an annual Real GDP growth rate for 2022-2023 in the range of 5.6% to 6.0% annually, which is the highest globally except for India. The region with its huge young populations, rapid urbanization and rise in disposable income will be a big market for automotive products. The Group has offices in nine of the ten ASEAN countries, with Laos being supported by the Vietnam office. These offices are a point of contact with the local distributors, giving them strong support in promoting the Group's products and responding promptly to requests by the local distributors or changes in the market situation.

[2] "The Growing China-ASEAN Economic Ties", HKTDC Research, 7 January 2022
[3] World Economic Outlook Report, 25 January 2022, International Monetary Fund

CHAIRMAN'S **MESSAGE**

Our Energy Solutions segment distributes commercial and industrial batteries, buggies, utility vehicles, solar panels, invertors, and UPS. Sales in this segment represents 26% of total revenue. The products in this segment are often complementary in their applications. Customers who buy tyres are also potential customers for our alloy wheels and vehicle batteries. This allows for a cross-selling marketing strategy and an opportunity to be not just a product seller but a solutions provider that can customize a combination of products tailored to the customer's unique requirements. This will in turn further increase the growth potential for the Energy Solutions segment. The Group will focus on the growth of its Energy Solutions business in FY2022 by leveraging on its existing network and expanding through new marketing channels.

SHARING THE FRUITS OF OUR SUCCESS WITH SHAREHOLDERS

The Group appreciates the strong support of its Shareholders. Their trust and confidence inspire the Board and Management to perform their best to continue the growth of the Company and create long-lasting value for Shareholders.

We will share the fruits of our success with our loyal Shareholders. The Board is recommending a first and final tax-exempt cash dividend of 3.6 cents per ordinary share for FY2021, subject to approval of Shareholders at the forthcoming Annual General Meeting. This represents a dividend yield of 7.0% based on the closing share price of S$0.515 as at the last practicable date before the printing of this report. The total dividend payout amounts to 50% of our net profit.

ACKNOWLEDGEMENTS

The Group's creditable performance in FY2021, notwithstanding the daunting challenges in the economic and business environment, could not have been achieved without the contribution from many people. My deepfelt thanks go to the Board of Directors for their guidance in steering the Group through another difficult year. On behalf of the Board, I would also like to thank our partners and customers for their support during this difficult period. My thanks also go to our Shareholders for their trust and confidence in our ability to overcome the challenges. Last, but not least, I would like to personally thank all management and staff for their sacrifices, dedication, and hard work during the year as we worked as one family to emerge stronger in FY2021, and ready to meet FY2022 with confidence and enthusiasm.

董事长献词

亲爱的股东们：

2020年底，新加坡新冠疫情最严重的时期总算过去，感染人数明显下降，再加上我国高疫苗的接种率、严格的核酸检测和对密接者的追踪制度，让我们看到了曙光。

但是从2021后半年开始，一波又一波致命的德尔塔变异株的累积效应开始显现。这是因为各国在制订旅行、隔离、社交距离和人潮流动等一系列政策时，时而收紧，时而放松。虽然各国政府尽了最大努力尽可能避免停工停业，但面临疫情反复有时不得不加强管控。 此外，在2021年11月首次出现新冠病毒的奥密克戎变异株，导致全球范围内的感染人数剧增，迫使许多国家对旅行、隔离、社交距离和人潮流动等方面的控制重新作出调整。

对于像友发这样的跨国企业来说，政府对新冠病毒采取的限制措施对集团业务产生了重大影响，销售额从2020年下半年的2.374亿元下降到2021年下半年的2.175亿元，降幅为8.4%。

2021年第三季度，全球经济开始出现供应链中断和通胀压力。一直被疫情限制和压抑着的市场需求也对本集团的业务产生了影响。车主购买铝合金轮毂来美化自己爱车的外观。北美、欧洲、澳大利亚和新西兰人喜欢在国内长途旅行，轮胎磨损很快，更换也更加频繁。

通货膨胀是供不应求的直接产物。从原材料到能源和消费品，全世界的物价都在同步上涨。不只运费上涨了好几倍，集装箱也严重短缺。

就连服务业也因工资上涨而受到了重创。由于外籍劳工供应受到限制，从而导致薪酬上涨。通货膨胀还导致各国政府收紧货币政策，各国央行也在考虑加息。

学会与新冠病毒共存

随着奥密克戎以前所未有的速度席卷全球，新加坡和几乎所有其他国家陆续放弃了新冠病毒清零策略，采取了“与病毒共存”的新策略，放松了对旅行、隔离、社交距离和人潮流动的管控。

各国政府和国际货币基金组织、亚洲开发银行和世界银行等机构普遍认为，尽管2022年的经济增速会比2021年缓慢，但仍会继续复苏。中国经济的巨轮乘风破浪，相对来说几乎没有受到疫情的影响，成为了全球（尤其是东盟国家）经济增长的引擎。下面的表1显示了国际货币基金组织在2022年1月世界经济展望报告中，对2021，2022 和 2023 这三年GDP增长率的预测。

各国/各地区 2021，2022，2023 全球国民生产总值 (GDP) 增长率预测[1]

	2021 估算	2022 推测	2023 推测
全球	5.9	4.4	3.8
美国	5.6	4.0	2.6
中国	8.1	4.8	5.2
欧元区	5.2	3.9	2.5
印度	9.0	9.0	7.1
东盟五国*	3.1	5.6	6.0

**东盟五国：印度尼西亚，马来西亚，菲律宾，泰国，新加坡*

良好的财务状况

我很高兴地宣布，尽管经济环境充满挑战，但友发集团在2021年的财务表现良好。这是继2020财年之后又取得一个积极良好的财务状况，尤其是在新冠疫情最严重的时期，实属不易。由于从2020下半年到2021上半年，销售形势大好，营业额从2020财年的4.228亿元增加到2021财年的4.447亿元，增幅为5.2%。

毛利润从2020财年的1.014亿元增至2021财年的1.058亿元，增幅为4.4% (440万元)，这主要归功于批发业务较高的销售额和毛利润率。由于市场短缺，需求增加，批发业务利润率更高。然而，与2020财年的24.0%相比，2021财年的总体毛利率略微下降至23.8%。主要由于铝价上涨和海运费上涨，导致轮毂制造业务毛利率较低。

[1] 世界经济展望报告，2022年1月25日，国际货币基金组织

董事长献词

集团的批发业务占总收入的74.1%，而轮毂制造业务则占剩下的25.9%。轮胎业务占批发业务的52.8%，每个部门的营业额百分比与2020财年相比基本持平。

集团轮毂制造业的营业额部分，东北亚(台湾厂，苏州厂)占了65.5%，东盟(马来西亚厂)占剩余的34.5%。

由于东盟和大洋洲(澳大利亚和新西兰)的主要市场，在地理位置上比制造部门的产品市场更有优势，批发业务受运费上涨的影响较小。东盟市场是本集团最大的销售市场，2021财年营业额为1.441亿元，占总营业额的43.7%。大洋洲市场(澳大利亚和新西兰)紧随其后，贡献1.375亿元，占营业额的41.7%。

坚强的财务后盾和顺畅的现金流量

减少库存、应收账款和运营成本的“3R”策略，是本集团经营文化不可分割的一部分。多年来不断贯彻和执行这项策略，并取得回报，让我们在充满挑战和不确定性的经济环境中增强了应变能力。强大的财务状况也能支撑集团抓住行业动态变化带来的任何机遇。

2021财年，本集团的每股收益从2020财年的6.57分增加到7.29分。2021年12月31日，每股资产净值由2020年12月31日的每股94.83分，上升至98.58分。2021财年的销售额有所上升，截至2021年12月31日，我们的流动比率为2.7，远高于短期偿债所需的水平。以债务占股本的比例计算，截至2021年12月31日，我们的负债股权比率仅为0.5。2021财年营运现金流入为4,250万元（未扣除营运资本费用），而2020财年为4,340万元。2021财年由经营活动产生的现金净额为550万元。

2021年新的经销权

2021年12月，集团宣布其全资子公司，友发　(马来西亚)有限公司，将于2022年1月，与横滨橡胶有限公司合资成立“横滨轮胎销售马来西亚有限公司”。横滨橡胶有限公司将持有合资公司 51% 的股份。

马来西亚是东盟汽车工业增长最快的市场之一。横滨橡胶的全球市场策略和全面的产品系列，加上友发马来西亚建立的网络和当地的市场经验，新合资公司的这两大优势势必进一步扩大横滨轮胎在马来西亚市场的份额。尤其是合资公司将有机会在改装轮胎市场上推广横滨的高附加值轮胎系列，如 ADVAN 和 GEOLANDA 系列。

2021年，法国 TotalEnergies 集团旗下的 Elf Aquitaine 公司，授予本集团其著名品牌Elf润滑油在菲律宾的经销权。在2020年，我们获得了Elf润滑油在缅甸的经销权。这两个新开拓市场的人口结构和高度城市化，对我们的产品销售具有良好的增长潜力。

展望 2022年

与新冠病毒共存的时代已经到来。全球大部分的人口已经接种了疫苗。再加上感染后带来的自然免疫力，更好的检测，密接者追踪，新疫苗和药物的开发，这些都有助于全球更快的恢复正常。边境管制和人潮流动限制将进一步放宽，从而为更快恢复经济铺平道路。

2022年3月，乌克兰危机给全球经济带来了更多的不确定因素，2022年前景堪称暗淡。俄罗斯是石油，天然气以及金属、矿物和农产品的主要出口国，而这些都是制造货品的原材料，使得商品和服务行业的通货膨胀形势日趋严重。战争还进一步破坏了全球交通网络。毫无例外，本集团将会受到由分销产品价格上涨，制造产品的原材料成本上升所带来的不利影响。此外，已经刷新历史最高水平的运费还将进一步上涨。

未来的一年充满了不确定性，但我们有理由相信，并且把目光放在大局上。亚太地区依靠经济大国中国和印度，顺风顺水，将继续保持高速增长，拥有6.6亿[2]人口的10个东盟国家将成为主要受益者。本集团在东盟市场的发展也将受益于该地区的繁荣。

几十年来，专注于“3M”营销策略的多产品、多品牌、多类别是集团取得成功的主要因素。我们将继续加强我们的“3M”策略，从管理新冠病毒疫情中吸取经验教训。开拓新市场、客户、产品和产品种类，将集团的业务提升到一个新的水平。

另一方面，新冠疫情造成的经济和商业环境变化，又为集团提供了机会。轮胎批发业务中，随着财务实力较弱的公司纷纷倒闭，留下了市场空白，使我们看到了填补它们的机会。凭借强大的财政状况，以及数十年来建立起来的基础设施和网络，我们没有理由放弃这样的良机。

[2] “中国与东盟经贸关系趋紧密”，2022年1月7日，经贸研究

董事长献词

在铝合金轮毂售后方面，我们地理上多元化的ODM(自主设计生产)制造业务使我们能够充分利用每个工厂的竞争优势，以迎合各个市场在质量、价格和规模方面的差异。此次新冠疫情还证实，对于铝合金轮毂售后业务来说，品牌、定制、“白手套”客户服务和完美的售后支持，在吸引新客户和建立品牌忠诚度方面扮演了至关重要的角色。

集团的专利制造技术，例如 MAT 技术(“最先进的技术”，创新的轮毂铸造及成型技术，可提升轮毂材料强度特性)及DST技术(“动态旋压技术”，可制造更坚固及更轻便的轮毂)，亦有助于巩固我们的高端品牌形象。

集团将逐步将更多的生产线从苏州搬到马六甲工厂。这是因为在马来西亚制造成本低及对中国制造的产品征税。但是苏州工厂有其更高的生产能力和研发能力(MAT和DST均由苏州研发部门开发)，苏州工厂将用于专门设计，生产和销售能带来更高效益的高端品牌的轮毂。

集团销售成功的一个秘诀是我们总是认识到没有人比当地商人更了解市场这一事实。文化、支付和信用选择的差异、对价格的敏感度、对某些款式的设计，颜色或规格的喜好，使每个市场都独一无二。我们与当地经销商携手合作，推销我们的产品。产品不仅包括轮胎和铝合金轮毂，还涉及我们的能源与工业产品，如电池、四轮车、多功能车和润滑油等。

东盟是我们批发业务的主要市场，具有良好的增长潜力。国际货币基金组织2022年1月25日发布的《世界经济展望报告》[3] 载有2022-2023年，按国家和区域分列的实际国内生产总值增长率预测。东盟五国(印度尼西亚、菲律宾、泰国、马来西亚、新加坡)预计在2022-2023年期间，每年的实际国内生产总值增长率为5.6% 至 6.0%，是除印度以外全球最高的。东盟五国人口年轻化、城市化进程快速，可支配收入高，这些都将打造该地区成为汽车产品的巨大消费市场。十个东盟国家中，本集团在九个国家设有办事处，老挝市场由越南办事处接手。这些办事处负责与本地分销商的联络，大力支持他们推广友发集团的产品，并迅速回应他们的需求和市场动态。

[3] 世界经济展望报告，2022年1月25日，国际货币基金组织

能源与机械部经销商业和工业电池，高尔夫球车，轻型多功能车，太阳能板，变速器、后备电源与设备等等，销售额占总收入的26%。这部分的产品在应用上通常可以互补。消费者在购买轮胎时可能也会对我们的铝合金轮毂和汽车电池感兴趣。这不失为一个连带销售的好营销策略，我们不仅卖产品，还可以根据客户独有的需求定制和提供解决方案。这也将进一步提高能源与机械领域的增长潜力。2022年本集团将专注于利用现有网络和开拓新的营销渠道来实现能源能源与机械业务的增长。

与股东分享我们成功的果实

我代表本集团感谢股东们的大力支持。他们的信任和信心激励董事会和管理层，使我们以优异的表现实现了公司的持续增长，为股东创造长期的价值。

我们将与我们忠实的股东们分享我们成功的果实。董事会提议在即将召开的年度股东大会上，由股东们批准后，2021财年单层免税最终股息每股为3.6分。根据本年报发布前最后一个可行日期的收盘价S$0.515，股息收益率为7.0%。股息派发总额占我们净利润的50%。

感谢

面临市场严峻的挑战和不尽人意的经济环境，没有大家共同的努力，2021年本集团不可能取得是令人赞许的成绩。我深深感谢董事会带领我们度过又一个艰难的一年。我还想代表董事会，感谢我们的合作伙伴和客户，在这个困难的时期给予我们的支持。同时，也要感谢我们的股东们，有你们的信任和支持，我们才能克服挑战。最后，我想感谢所有管理层和员工，感谢你们的无私奉献和努力，在2021这一年，在友发大家庭里，和我们携手并进，并继续用满腔信心和热情投入到2022年中。

郑添和
执行主席兼集团董事长

BUSINESS REVIEW

The Group's operations in FY2021 had fully recovered from the disruptions caused by the COVID-19 pandemic in the first half of FY2020. The operations at our manufacturing plants in Taiwan, Suzhou, and Malacca, were fully functioning as of January 2021. In the distribution business, we have restored support and supplies to our local distributors in over 100 countries. Although supply chain disruptions and higher material costs in the second half of FY2021 were a concern, we were nevertheless largely able to replenish the stock of our distributors. We were able to overcome the operational challenges of this period thanks to the good planning and hard work of our well-trained staff. We truly appreciate the cooperation and understanding of our valuable customers.

Despite lingering uncertainties in the pandemic situation, we not only restored our operations to pre-covid levels but went on to expand our sales and marketing activities to attract new customers, and to work hand-in-hand with our local distributors to expand market share for all our products. The pandemic created a shake-out of marginal players in the industry and as these marginal companies exited the business, we were able to fill the gaps left by them.

Pent-up demand amid a tight supply situation resulted in higher margins for certain products in some markets. During the darkest days of the pandemic, we observed that for our premium brands of alloy wheels and tyres, branding, customization, and good after-sales support were increasingly important factors for attracting new customers and retaining their loyalty.

The Group's core business segments are the ODM manufacturing of alloy wheels, the distribution of tyres and other automotive and energy-related products such as commercial and industrial batteries, electric buggies, utility vehicles, UPS, solar panels, chargers, invertors, and lubricants.

DISTRIBUTION BUSINESS

The Group's distribution business, comprising tyres, wheels, energy solutions, electric buggies, utility vehicles and industrial products, continues to be the mainstay of its business.

Our portfolio of more than 45 leading brands across these categories ensures a diversified and stable source of revenue. We have over the years also developed our own proprietary brands that cater to different niches of the market. Our brands include Neuton tyres, Advanti Racing alloy wheels, Neuton Power rechargeable batteries and Neuton Power electric buggies.

Distribution sales for FY2021 increased by 5.5% from $312.2 million to $329.5 million, contributing to 74.1% of total sales. By geography, the ASEAN region accounted for $144.1 million or 43.7% sales from distribution while Oceania (Australia and New Zealand) was a close second place with $137.5 million or 41.7% with the remaining 14.6% contributed by Others. The contribution to total distribution sales from ASEAN was an increase of 2.0% from FY2020, while the contribution by Oceania remained largely unchanged from the 41.4% of FY2020.

The main growth engine of the distribution segment is tyres which accounted for 52.8% of the distribution revenue. The wide range of tyres that we distribute include well-known and established brands such as Yokohama, Nitto, Nankang, Nexen, Pirelli, Achilles, ATG Tyres and Mickey Thompson. From value-for-money tyres to premium brand tyres, we have a product for each niche of the market.

ASEAN was also the fastest growing distribution market with a growth rate of 10.7% as compared to the Oceania growth rate of 6.3%. The more competitive Northeast Asia market contributed only $27.9 million or 8.5% to distribution revenue.

BUSINESS **REVIEW**

MANUFACTURING BUSINESS

Our alloy wheel manufacturing business, accounting for 25.9% of the Group's total turnover, recorded an increase of 4.2% (or $4.6 million) in turnover from $110.6 million (FY2020) to $115.2 million (FY2021) and was mainly contributed by the Suzhou and Taiwan factories.

Northeast Asia contributed $75.4 million or 65.5% to sales while the remaining $39.8 million or 34.5% was contributed by ASEAN. As compared to FY2020, Northeast Asia's 65.5% contribution to the manufacturing segment was an increase from the 58.6% of FY2020.

The Group will gradually shift more mass volume projects from Suzhou to the Malacca manufacturing plant. This is due to Malaysia's global economic advantage in terms of tariff free market entry. As there are more commercial opportunities for Malaysia, we would be increasing the Malacca plant's production thus reaping more economies of scale for future strategies.

Our Suzhou plant, with its higher productivity yield and R&D capabilities (both MAT and DST were developed by the Suzhou R&D division), will focus on the design and production of the high-end brand wheels that require higher levels of customization and technological breakthroughs. These products will be marketed as exclusive products that enjoy a higher premium. These products are primarily initiated by European and US market leaders where the demand for such products provides higher margins. They would be available for distribution in our other international markets as well.

BUSINESS **REVIEW**

BUSINESS OUTLOOK

Despite a growing concern of environmental issues, the automotive industry will continue to register strong growth. A larger part of the growth will be in the Asia-Pacific region where rapid urbanization coupled with huge and young populations fuel a demand for automotive products. In particular, the 10 countries of ASEAN are projected to grow their demand for both light commercial and passenger vehicles[1]. Table 1 below shows The IHS Markit projection of the light vehicle market by region in millions of units.

Units, Millions	2020	2021E	2022E	2023E
Europe	16.6	16.0	18.6	20.6
North America	13.0	13.0	15.2	17.3
Greater China	23.6	23.3	24.5	27.5
Rest of World	21.4	22.5	24.4	26.6
Total	74.6	74.8	82.7	91.9

Source: IHS Markit @2021. E=Estimated

A major factor for the Group's success is the scale of our operations. We are a global company with presence spanning across over 100 countries through our 32 subsidiaries and 3 associated companies located across Asia Pacific, North America, and Europe.

We have the business infrastructure, human resources, and network to monitor global trends in the industry, and to respond promptly to changes in the market with strategies suited to each market.

Additionally, many of our products are complementary to each other. Tyres, wheels, and even lubricants can benefit from cross-selling. UPS, solar panels, chargers, and batteries are also complementary products where a cross-selling strategy can be implemented.

The Group's steady growth from its founding as a small tyre distributor 7 decades ago to the global business it is today, has laid the strong foundation for it to explore and capitalise on the new opportunities that will arise from the transformation of the automotive industry. Many countries have already set targets for reducing pollution from fossil fuels, and all automobile manufacturers have plans for increasing their production of electric vehicles. Automobiles will increasingly become platforms on which information technology applications such as AI and IoT sensors are embedded to analyse and perform tasks from predictive maintenance to performance enhancement and safety control.

The Group is positioned to capitalize on new opportunities arising from these pivotal changes in the automotive industry. As we welcome 2022, we will strive for sustainable growth by focusing on our "3M" Growth Strategy and seek strategic diversification to new segments which synergize with our strong network and infrastructure in the region.

Nevertheless, we will stay vigilant to monitor and respond to the volatile business environment that is expected for the year ahead.

[1] "Worsening run rate, but 2022 global light vehicle production outlook intact", HIS Markit Press Release, 18 October 2021.

A DIVERSIFIED PORTFOLIO.

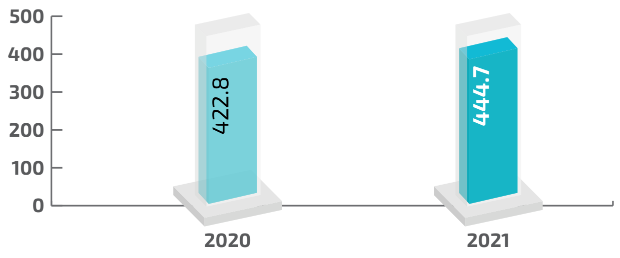
A MULTI-PRONGED STRATEGY.

FINANCIAL **REVIEW**

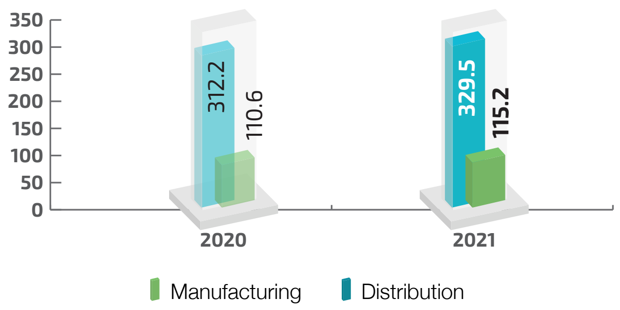
The COVID-19 pandemic continued its unpredictable evolution in 2021. Hopes for a smooth recovery in 2022 were dashed when the Omicron variant appeared in November 2021. However, by the second half of 2021, most countries had adopted a policy of 'living with the virus' and the pandemic was relabelled as endemic.

With the partial resumption of economic activities, the Group recorded a creditable financial performance in FY2021 with an improvement in the Income, Financial Position and Cashflow Statements as compared to FY2020.

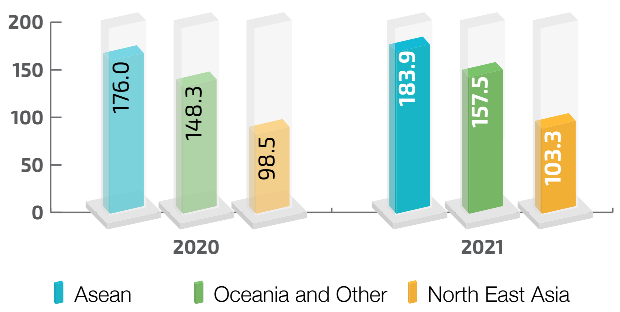
GROUP REVENUE
(S$ 'MILLION)



REVENUE BY BUSINESS SEGMENTS
(S$ 'MILLION)



REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS
(S$ 'MILLION)



Despite a challenging business environment with its on-and-off imposition of border controls, travel quarantine requirements and restrictions on social distancing and mobility, the Group recorded a 5.2% increase in turnover from $422.8 million to $444.7 million. Net Profit attributable to Shareholders increased by 10.5% from $19.2 million to $21.2 million. As a result, Earnings per share increased from 6.57 cents per share in FY2020 to 7.29 cents per share in FY2021. Net asset value per share increased from 94.83 cents per share in FY2020 to 98.58 cents per share in FY2021. Despite higher sales in FY2021, our Current ratio 2.7 is well above the level required for short-term liquidity. In terms of debt as a proportion of equity, our Debt/Equity ratio is a low 0.5. Cash flow from operations before working capital charges was positive and stands at $42.5 million while operating activities after working capital charges provided a net cash flow of $5.5 million.

GROUP REVENUE

Distribution business, accounting for 74.1% of the Group's total turnover, recorded an increase of 5.5% (or $17.3 million) in turnover, from $312.2 million (FY2020) to $329.5 million (FY2021) mainly due to higher sales from our core products across the board. Our wheel manufacturing business, accounting for 25.9% of the Group's total turnover, recorded an increase of 4.2% (or $4.6 million) in turnover from $110.6 million (FY2020) to $115.2 million (FY2021), mainly contributed by Suzhou and Taiwan factory.

A review of the Group's turnover by geographical markets of ASEAN, North East Asia, Oceania and Others contributed 41.3%, 23.2%, 31.0% and 4.5% respectively. The turnover in ASEAN, our largest revenue contributor, increased by 4.5% to $183.9 million mainly due to higher revenue in Singapore, Indonesia, and the Philippines. The turnover in North East Asia increased by 4.9% to $103.4 million mainly due to higher revenue from Suzhou and Taiwan factory. The turnover in Oceania increased by 6.3% to $137.5 million due to higher revenue in New Zealand. Lastly, the turnover in Others, Pan-Mar Corporation (America), increased by 5.6% to $20.0 million.

Other gains, mainly property and buggy rental income, and government grants for COVID-19 relief in the various countries where the Group operates, were relatively flat at $7.8 million.

Credit loss allowance on trade receivables were written back for specific debtors previously provided for offset by new debtors who are credit impaired and invoices remains unpaid after year end for more than a year.

GROSS PROFIT

Gross Profit increased by 4.4% (or $4.4 million) to $105.8 million (FY2021) from $101.4 million (FY2020) mainly due to higher sales and higher gross profit margins across all core products of our distribution business.

However, gross profit margin decreased to 23.8% in FY2021 from 24.0% in FY2020 mainly due to lower gross profit margin contributed by our manufacturing business which was impacted by higher aluminium prices and ocean freight charges.

OPERATING EXPENSES

The Group's total operating expenses increased by 1.9% (or $1.6 million) to $88.1 million in FY2021 from $86.5 million in FY2020. Operating expenses to sales ratio decreased to 19.8% compared to 20.5% in FY2020 due to higher sales in FY2021.

FINANCIAL **REVIEW**

Distribution expenses increased by 9.0% (or $3.5 million) in FY2021 to $41.5 million compared to $38.0 million in FY2020 mainly due to higher outbound freight charges, staff related costs, sales and advertising promotion expenses in line with higher sales.

Administrative expenses decreased by 0.4% (or $0.2 million) in FY2021 to $44.0 million compared to $44.2 million in FY2020 mainly due to lower premises-related costs and foreign exchange loss offset by higher staff related cost.

Financing costs decreased by 4.3% (or $0.1 million) in FY2021 to $2.8 million compared to $2.9 million in FY2020 mainly due to lower loan interest.

SHARE OF PROFIT OF AN ASSOCIATED COMPANY

Our associated company reported higher profit and our share of profit was $3.3 million in FY2021 compared to $2.7 million in FY2020.

Profit before income tax was $28.8 million in FY2021, increased by 13.9% compared to $25.3 million in FY2020.

Income tax expense increased by 15.1% (or $0.9 million) mainly due to higher profit before tax in FY2021.

NET PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS

Net profit after tax and non-controlling interests attributable to shareholders of the Company increased by 10.5% (or $2.0 million) to $21.2 million in FY2021 from $19.2 million in FY2020 mainly due to higher sales and gross profit margin contributed by our distribution business.

Profit attributable to non-controlling interests increased to $1.0 million in FY2021 from $0.4 million in FY2020 mainly due to higher profit recorded by subsidiaries where there are minority local shareholders.

BALANCE SHEET REVIEW

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

As at 31 December 2021, total assets amounted to about $439.0 million comprising $301.8 million of current assets and $137.2 million of non-current assets. Total liabilities amounted to $144.7 million comprising current liabilities of $113.5 million and non-current liabilities of $31.2 million. Shareholders' equity including non-controlling interests amounted to $294.3 million. Shareholders' equity excluding non-controlling interests amounted to $286.3 million, giving a net assets value per share of 98.58 Singapore cents.

The Group's net working capital increased to $188.3 million in FY2021 from $173.2 million with current ratio at 2.7 times and cash and cash equivalent of $84.9 million as at 31 December 2021.

Trade and other receivables increased from $80.4 million to $85.3 million in line with higher sales in FY2021. Debtors Turnover marginally increased to 70 days in FY2021 compared to 69 days in FY2020.

Inventories increased from $102.1 million to $128.9 million and Inventory Turnover increased from 116 days to 139 days in FY2021 mainly due to higher purchases to mitigate supply chain disruptions and uncertainty of shipment dates.

Our wholly owned subsidiary, YHI Malaysia Sdn Bhd had established an associated company, Yokohama Tyre Sales Malaysia Sdn Bdn ("YTSM"), with Yokohama Rubber Co., Ltd in December 2021 and entered into a business transfer agreement for the sale of the its plant, equipment and inventories to YTSM. The sale of the disposal group will be completed in 2022 above its carrying amount of $2.7 million.

Investment in an associated company decreased from $23.1 million to $22.8 million mainly due to the weakening of Euro currency against SGD for our share of investment in OZ S.p.A Italy in FY2021.

Right-of-use assets increased from $28.7 million to $33.5 million, while lease liabilities increased from $25.7 million to $31.0 million mainly due to new leases in Australia that were entered in FY2021.

Trade and other payables increased from $42.4 million to $47.0 million mainly due to higher purchases to mitigate supply chain disruptions and uncertainty of shipment dates before year end.

Income tax liabilities decreased from $2.4 million to $2.0 million mainly due to income tax paid during the year.

Derivative financial instrument (liability) decreased from $1.1 million to $0.05 million mainly due to fewer outstanding derivative contracts to hedge our USD receivables and foreign currencies requirements.

Borrowings increased from $48.0 million to $62.6 million due to higher short-term bank borrowings for payments to trade suppliers in FY2021.

The group's net borrowings (net of cash) increased from negative $10.9 million to $8.7 million and net gearing ratio increased from Nil to 3.0% at the end of 31 December 2021. The Group's gross gearing ratio also increased from 26.8% to 32.7% at the end of 31 December 2021.

Other reserves, consisting of foreign currency translation gains on overseas investments, decreased from $4.4 million to $3.8 million mainly due to weakening of the AUD against the SGD.

CASHFLOW REVIEW

Operating activities in FY2021 yielded $5.6 million in cashflow. The Group utilised $1.2 million in investing activities mainly for the purchase of property, plant and equipment. A total of $5.9 million was utilised in financing activities mainly for dividend payment, repayment of borrowings and payments of lease liabilities. Cash and cash equivalents amounted to $83.6 million as at 31 December 2021 compared to $84.5 million reported as at 31 December 2020.

DIVIDEND

The Board of Directors has proposed a first and final (one-tier tax-exempted) dividend payout of 3.60 Singapore cents per share, subject to shareholders' approval at the Company's Annual General Meeting on 28 April 2022.

This translates to a dividend yield of 7.0% based on $0.515 as at the closing share price of last practicable date before printing of the Annual Report and a dividend payout ratio of 50% based on earning per share of 7.29 Singapore cent for FY2021.

CORPORATE **MILESTONES**

1948

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

1937 - 1975

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

1980 - 1995

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

1996

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

1997

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

1999

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

CORPORATE **MILESTONES**

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.

2007

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

2008

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

CORPORATE **MILESTONES**

2009

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

2010

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

2011

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

2012

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

2013

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

2014

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

CORPORATE **MILESTONES**

2015

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

2016

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

2017

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

2018

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

2019

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

2021

- Incorporated Yokohama Tyre Sales Malaysia Sdn Bhd ("YTSM") for distributing Yokohama brand of automotive tyres and other related parts in Malaysia.
- Entered into a Sale & Purchase agreement to dispose 51% shareholding in YTSM to Yokohama Rubber Co. Ltd in December 2021.

BOARD OF DIRECTORS

Mr Tay Tian Hoe, Richard

Mr Tay Tiang Guan

Mr Hong Pian Tee

Mr Ong Kian Min

Ms Gn Jong Yuh Gwendolyn

MR TAY TIAN HOE, RICHARD, 70

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 45 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 2021.

MR TAY TIANG GUAN, 69

Executive Director

Mr Tay Tiang Guan is the Executive Director of our Group. He has more than 40 years of business experience and has extensive knowledge in the automotive and industrial products industry.

He is responsible for the Group's operations in ASEAN and overseeing the business development and operational management of our tyre and industrial product distribution business.

He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000 and was last re-appointed on 28 April 2021.

BOARD OF DIRECTORS

MR HONG PIAN TEE, 77
Lead Independent Director

Mr Hong Pian Tee was appointed to the Board on 1 September 2021. He currently chairs the Audit Committee and is a member of our Nominating Committee and Remuneration Committee.

Mr Hong was a Partner of PricewaterhouseCoopers from 1985 to 1999 prior to retiring from professional practice.

Mr Hong's experience and expertise are in corporate advisory, financial reconstruction and corporate insolvencies since 1977. He has been a Corporate/Financial Advisor to clients with businesses in Singapore and Indonesia and in addition was engaged to restructure companies with operations in Taiwan, Indonesia and Malaysia.

Mr Hong is currently the Chairman of Pei Hwa Foundation Limited and sits on the boards of three other companies listed on the Official List of the Singapore Exchange Securities Trading Limited, namely, as an Independent Director of Sinarmas Land Ltd, Yanlord Land Group Limited, and XMH Holdings Ltd. Mr Hong is also an independent director of Hyflux Ltd (in liquidation). Mr Hong was previously a Non-executive Chairman and Independent Director of AsiaPhos Limited from 2019 to 2021.

MR ONG KIAN MIN, 61
Independent Director

Mr Ong Kian Min was appointed to the Board on 1 October 2021. He currently chairs the Remuneration Committee and is a member of our Audit Committee and Nominating Committee.

Mr Ong was an advocate and solicitor practising as a consultant with Singapore law firm Drew & Napier LLC, which he joined in October 2000, until March 2019. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In his more than 25 years of legal practice, he focused on corporate and commercial law such as mergers and acquisitions, joint ventures, restructuring and corporate finance. In addition to his legal practice, he is a senior adviser of Alpha Advisory Pte. Ltd., a boutique financial and corporate advisory firm, and is also the founder of Kanesaka Sushi Private Limited which owns and operates three fine dining Japanese restaurants in Singapore.

Mr Ong was an elected member of parliament in Singapore from January 1997 to April 2011. In 1979, he was awarded the President's Scholarship and the Singapore Police Force Scholarship. He holds a Bachelor of Laws (Honours) external degree from the University of London in England and a Bachelor of Science (Honours) degree from the Imperial College of Science & Technology, England.

MS GN JONG YUH GWENDOLYN, 51
Independent Director

Ms Gwendolyn Gn was appointed to the Board on 1 October 2021. She currently chairs the Nominating Committee and is a member of our Audit Committee and Remuneration Committee.

Ms Gn has more than 20 years' experience as a Corporate Lawyer, specialising in corporate finance and capital markets in Singapore and the Asian region. Ms Gn is currently an Equity Partner in Shook Lin & Bok LLP where she actively advises both Mainboard and Catalist listed companies, SMEs, MNCs and financial institutions on areas of fund raising, IPOs/RTOs/dual listings, mergers and acquisitions, corporate structuring and corporate governance. Ms Gn graduated with LLB Hons (Second Upper) from the National University of Singapore in 1994 and was called to the Singapore bar as an Advocate and Solicitor in 1995. Ms Gn is a winner of the International Law Office and Lexology Client Choice Award 2014 in Singapore for Capital Markets and has been recognised as a leading capital markets and corporate finance lawyer in Asialaw Leading Lawyers. She has been named as an expert in Euromoney's Guide to the World's Leading Women in Business Law and World's Leading Capital Markets Lawyers.

SENIOR MANAGEMENT TEAM

Mr Gary Su Thiam Huat

Mr Alex Ong Chin Kiong

Mr Lu Chun Ya

Mr Robert Tan Yong Quan

Ms Amy Soo Wee Hsien

MR GARY SU THIAM HUAT

Group Chief Financial Officer (CFO)

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

He began his career as an Auditor in London, United Kingdom (UK) and has more than 25 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 Strategic Business Planning and Operational Management for YHI Distribution Group. He oversees YHI subsidiaries within the Distribution business of the Group, Suppliers Relationship as well as Information Technology Unit to streamline the supply chain and optimize business processes.

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

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

SENIOR MANAGEMENT TEAM

MR LU CHUN YA
Chief Operating Officer (COO),
Manufacturing Group

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

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

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

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

MR ROBERT TAN YONG QUAN
General Manager

Mr Robert Tan oversees the business operations in Thailand. In Singapore, he oversees the management of the Operation Process Centre (OPC), exploring growth opportunities, improving operations, systems, workflows, processes and policies of YHI Corporation (S) Pte Ltd.

Mr Tan has over 18 years of experience managing the YHI distribution group in ASEAN. He holds a Bachelor of Commence (Marketing and Finance) from Curtin University of Technology, Perth Australia; and an Executive Master of Business Administration from the Helsinki School of Economics, Finland.

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

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

She joined the Group in 2001 as Group Human Resource Manager after one and a half years with a public listed company and 5 years in a local multinational corporation as a Human Resource Manager. To date, Ms Soo has more than 30 years of experience in Human Resource Management/ Development.

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

HEAD OF SUBSIDIARIES

MALAYSIA

MR RYAN TAY

General Manager
YHI (Malaysia) Sdn Bhd

MR LU CHUN YA

Chief Operating Officer cum General Manager
YHI Manufacturing (Malaysia) Sdn Bhd

MR THAM KONG MOO

General Manager
Evo-Trend Corporation (Malaysia) Sdn Bhd

MALAYSIA

MR SHAWN NG

Head of Company
YHI (East Malaysia) Sdn Bhd

MR JACKY KOK

Deputy General Manager
YHI Power (Malaysia) Sdn Bhd

THAILAND

MR RAYMOND TAY

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

INDONESIA

MR EKA SATRIA

Deputy General Manager
PT YHI Indonesia

VIETNAM

MR IAN TAN

Deputy General Manager
YHI (Vietnam) Co., Ltd

PHILIPPINES

MR JASON G. DELLOSO

General Manager
YHI (Philippines) Inc

MYANMAR

MR U MAUNG MAUNG LATT

Managing Director
YHI Aung (Myanmar) Company Limited

HEAD OF SUBSIDIARIES

HONG KONG

MR BENNY KAN

General Manager
YHI (Hong Kong) Co., Ltd

CHINA

MR DENG JUN HUI

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

MR WU MENG

General Manager
YHI Advanti (Shanghai)
Co., Ltd

MR WANG ZHAN WEI

General Manager
YHI Corporation
(Guangzhou) Co., Ltd

TAIWAN

MR LIU DE SEN

General Manager
YHI International
(Taiwan) Co., Ltd

MR KEVIN LEE

General Manager
YHI Distribution
(Taiwan) Co., Ltd

AUSTRALIA

MR TONY SUHAN

Managing Director
YHI (Australia) Pty Ltd

MR DAVID CHEN

Managing Director
YHI Power Pty Ltd

NEW ZEALAND

MR CHRISTOPHER TALBOT

Managing Director
YHI (New Zealand) Ltd

USA

MR JOSEPH SCHAEFER

President
Pan-Mar Corporation
D/B/A Konig (American) &
Advanti Racing USA, LLC

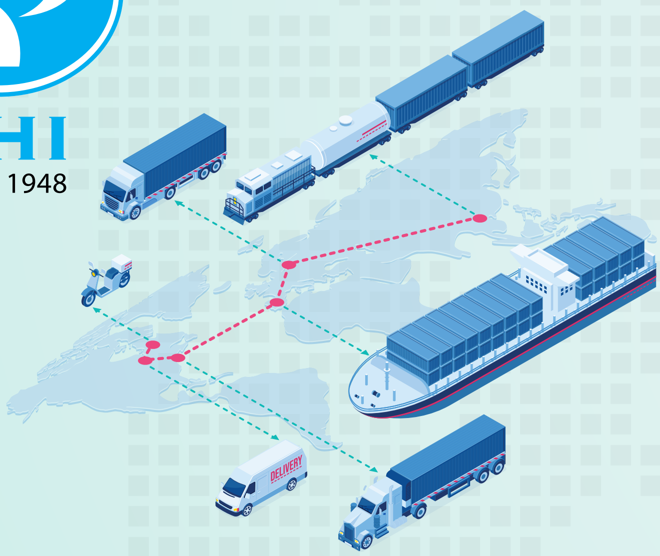
ITALY

MR CLAUDIO BERNONI

Managing Director
O.Z. S.p.A

CORPORATE STRUCTURE

YHI
Since 1948



DISTRIBUTION

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

MANUFACTURING

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

LOGISTICS

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

GLOBAL **PRESENCE**

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

MALAYSIA
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YHI Logistics (Malaysia) Sdn Bhd
Evo-Trend Corporation (Malaysia) Sdn Bhd
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YHI Advanti Manufacturing (Malaysia) Sdn Bhd
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75250 Melaka Malaysia
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F: (60) 6 351 9008
E: alan@yhiam.com
W: www.advanti-wheel.com

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Tay Tian Hoe Richard
Executive Chairman &
Group Managing Director

Tay Tiang Guan
Executive Director

Hong Pian Tee
Lead Independent Director

Ong Kian Min
Independent Director

Gn Jong Yuh Gwendolyn
Independent Director

AUDIT COMMITTEE

Hong Pian Tee
Chairman

Ong Kian Min
Member

Gn Jong Yuh Gwendolyn
Member

REMUNERATION COMMITTEE

Ong Kian Min
Chairman

Hong Pian Tee
Member

Gn Jong Yuh Gwendolyn
Member

NOMINATING COMMITTEE

Gn Jong Yuh Gwendolyn
Chairman

Tay Tian Hoe Richard
Member

Hong Pian Tee
Member

Ong Kian Min
Member

JOINT COMPANY SECRETARIES

Tan Wei Jie Joel and Shu Shin Yee

AUDITOR

PricewaterhouseCoopers LLP
7 Straits View,
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Partner-in-charge :
Maurice Loh Seow Wee
Year of appointment: 2018

SHARE REGISTRAR

Tricor Barbinder Share
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DBS Bank
Standard Chartered Bank

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Company Registration No:
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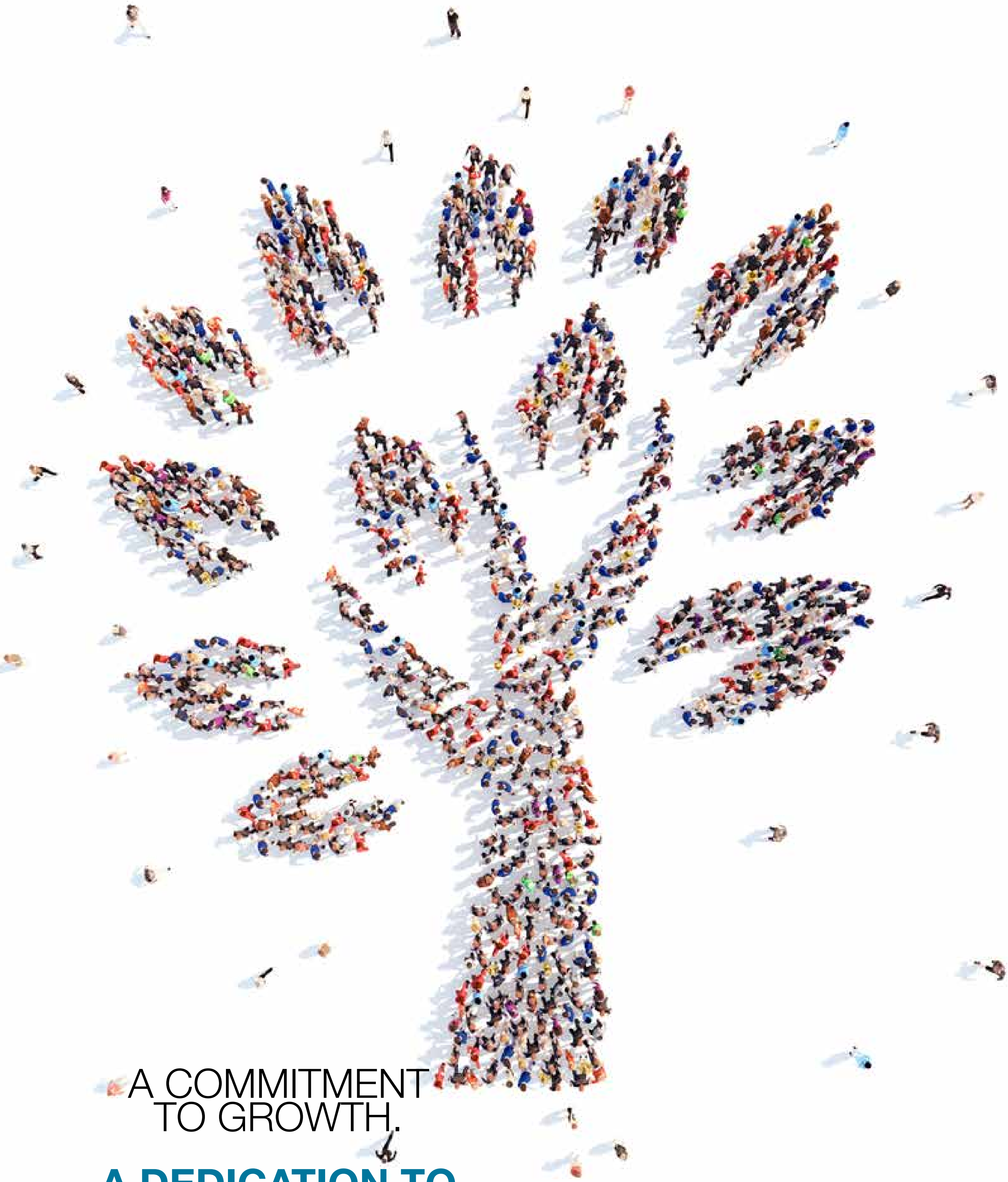
FINANCIAL **CALENDAR**

10 Aug 2021
Announcement of half year unaudited results

31 Dec 2021
Financial year-end

25 Feb 2022
Announcement of full year unaudited results

28 Apr 2022
Annual General Meeting



A COMMITMENT TO GROWTH.

A DEDICATION TO SUSTAINABILITY.

CORPORATE **GOVERNANCE**

CORPORATE GOVERNANCE REPORT FOR FY2021

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 2021 ("**FY2021**"), with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"), which forms part of the continuing obligations of the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Rules**"). The Company has complied with the principles and provisions as set out in the Code where applicable and where there are variations from the provisions of the Code, explanations and alternative corporate governance practices adopted by the Company which are consistent with the aim and philosophy of the principles of the Code have been provided.

THE CODE

The Code is divided into five main sections:
(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Shareholder Rights and Engagement
(E) Managing Stakeholders Relationships

(A) BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

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

As at 29 March 2022, the Board comprises the following Directors:

Mr Tay Tian Hoe Richard	(Executive Chairman and Group Managing Director)
Mr Tay Tiang Guan	(Executive Director)
Mr Hong Pian Tee	(Lead Independent Director)
Ms Gn Jong Yuh Gwendolyn	(Independent Director)
Mr Ong Kian Min	(Independent Director)

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

CORPORATE **GOVERNANCE**

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

The principal functions of the Board include the following:

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

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

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

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

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

On 1 September 2021, Mr Hong Pian Tee was appointed as the Lead Independent Director in place of Mr Henry Tan Song Kok who ceased to be the Lead Independent Director with effect from 31 August 2021. On 1 October 2021, Ms Gn Jong Yuh Gwendolyn and Mr Ong Kian Min were appointed as Independent Directors of the Company in place of Mr Yuen Sou Wai and Mr Phua Tin How who ceased to be Independent Directors with effect from 30 September 2021.

When new Directors are appointed, the Company will conduct a comprehensive and tailored orientation program to provide the 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. Due to the COVID-19 restrictions, the Company was unable to conduct an orientation program for the new Directors appointed during FY2021. Given the recent lifting of the COVID-19 restrictions, the Company will be conducting an orientation program for the new Directors appointed in FY2021. The orientation program will give the new Directors an understanding of the Group's businesses to enable them to assimilate into their new role. It also allows new Directors to be familiar with the management, thereby facilitating Board interaction and independent access to the management.

The Directors, including the newly appointed Directors, Mr Hong Pian Tee, Ms Gn Jong Yuh Gwendolyn and Mr Ong Kian Min are familiar with the Group's business, industry-specific practices and governance practices.

The new Directors appointed during FY2021 have prior experience as directors of a company listed on the SGX-ST and are familiar with the roles and responsibilities as a director of a listed company. Listing Rule 210(5)(a)

CORPORATE **GOVERNANCE**

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

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

Listing Rule 210(5)(e)

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

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

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

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

The composition of each Board Committee is set out in the table below:

Director	Nominating Committee	Remuneration Committee	Audit Committee
Mr Tay Tian Hoe Richard (Executive Chairman & Group Managing Director)	Member	–	–
Mr Tay Tiang Guan (Executive Director)	–	–	–
Mr Hong Pian Tee (Lead Independent Director) (1)	Member	Member	Chairman
Ms Gn Jong Yuh Gwendolyn (Independent Director) (2)	Chairman	Member	Member
Mr Ong Kian Min (Independent Director)(2)	Member	Chairman	Member

Note:

(1) On 1 September 2021, Mr Hong Pian Tee was appointed as the Lead Independent Director of the Company in place of Mr Henry Tan Song Kok who ceased to be the Lead Independent Director with effect from 31 August 2021.

(2) On 1 October 2021, Ms Gn Jong Yuh Gwendolyn and Mr Ong Kian Min were appointed as Independent Directors of the Company in place of Mr Yuen Sou Wai and Mr Phua Tin How who ceased to be Independent Directors with effect from 30 September 2021.

CORPORATE **GOVERNANCE**

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

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

The attendance of the Directors at meetings of the Board and Board Committees during FY2021 are set out in the table below

	Board Meeting		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meeting	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tay Tian Hoe Richard	4	4	2	2	2	2^	4	4^
Tay Tiang Guan	4	4	2	2^	2	2^	4	4^
Henry Tan Song Kok(1)	4	3	2	2	2	2	4	3
Phua Tin How(2)	4	3	2	2	2	2	4	3
Yuen Sou Wai(3)	4	3	2	2	2	2	4	3
Hong Pian Tee(4)	4	1	2	-	2	-	4	1
Ms Gn Jong Yuh Gwendolyn(5)	4	1	2	-	2	-	4	1
Mr Ong Kian Min(6)	4	1	2	-	2	-	4	1

Notes:

^ By invitation

(1) Mr Henry Tan Song Kok ceased to be the Lead Independent Director, chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee with effect from 31 August 2021.

(2) Mr Phua Tin How ceased to be an Independent Director, chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee with effect from 30 September 2021.

(3) Mr Yuen Sou Wai ceased to be an Independent Director, chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee with effect from 30 September 2021.

(4) Mr Hong Pian Tee was appointed as the Lead Independent Director, the chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee with effect from 1 September 2021.

(5) Ms Gn Jong Yuh Gwendolyn was appointed as an Independent Director, chairman of the Nominating Committee and a member of the Remuneration Committee and Audit Committee with effect from 1 October 2021.

(6) Mr Ong Kian Min was appointed as an Independent Director, chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee with effect from 1 October 2021.

CORPORATE **GOVERNANCE**

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

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

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

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

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

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

The Board have separate and independent access to the Management. Directors are entitled to request and receive, in a timely manner, from the Management such additional information as necessary to make informed decisions. Provision 1.7

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

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

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

Should the 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 Director or the group of Directors to render the advice. The cost of such professional advice will be borne by the Company.

CORPORATE **GOVERNANCE**

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

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

Additionally, the Independent Directors have confirmed that (a) none of them and/or their immediate family members were employed by the Company or any of its related corporations for FY2021 and for the past three (3) financial years and (b) none of them have served on the Board for an aggregate period of more than 9 years (whether before or after listing). Listing Rule 210(5)(d)

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

As at the date of this Corporate Governance Report, the Board comprises five (5) Directors. The Executive Chairman of the Board, Mr Tay Tian Hoe Richard, is not independent and therefore Independent Directors make up a majority of the Board. The Independent Directors are: Provision 2.2

- Mr Hong Pian Tee (Lead Independent Director)
- Ms Gn Jong Yuh Gwendolyn
- Mr Ong Kian Min

The Company has renewed its Board composition in FY2021. On 1 September 2021, Mr Hong Pian Tee was appointed as the Lead Independent Director in place of Mr Henry Tan Song Kok who ceased to be the Lead Independent Director with effect from 31 August 2021. On 1 October 2021, Ms Gn Jong Yuh Gwendolyn and Mr Ong Kian Min were appointed as Independent Directors of the Company in place of Mr Yuen Sou Wai and Mr Phua Tin How who ceased to be Independent Directors with effect from 30 September 2021.

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

CORPORATE **GOVERNANCE**

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

Having considered the scope and nature of the Group businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the Nominating Committee, considers that a Board size of between five (5) to eight (8) members as appropriate and facilitates effective decision-making. The current Board comprise of Independent Directors with finance, accounting, corporate finance and/or business expertise, with successful careers in professional firm, MNC or listed companies. The Board believes that its current Board size and the existing composition of the Board Committees effectively serves the Group and provides sufficient diversity for effective discharging of Board duties without interfering with efficient decision-making.

The Company does not adopt a formal board diversity policy, whereas it has embraced all aspects of diversity in the current Board composition and takes into consideration various factors of diversity in reviewing the Board composition as mentioned above.

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

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

The Board is represented by a wide range of age group with diverse experience, professional training and industrial knowledge in various fields such as in legal, commercial, accounting and finance industries which adds value to the Board in its decision making process. The Company believes that the practices adopted above are consistent with the intent of Principle 2 of the Code of Corporate Governance and enables the Company to make decisions in the best interests of the Company.

The Independent Directors of the Company at the relevant time in FY2021 have met without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. The Lead Independent Director will provide feedback to the Executive Chairman after such meetings as appropriate. Provision 2.5

CORPORATE **GOVERNANCE**

PRINCIPLE 3: CHAIRMAN AND GROUP MANAGING DIRECTOR

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

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

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

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

a. Major business and operational decisions made by Mr Richard Tay are reviewed by the Audit Committee and the Board;
b. The Board has appointed a Lead Independent Director, Mr Hong Pian Tee; and
c. Independent Directors make up more than half of the Board.

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

PRINCIPLE 4: BOARD MEMBERSHIP

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

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

a. The Board's structure, size and composition;
b. The Board succession plans for Directors, in particular, for the Chairman, Group Managing Director and key management personnel;
c. Identify and make recommendations to the Board on the Directors who are due for retirement by rotation as well as candidates for nomination or re-nomination at the forthcoming Annual General Meeting;
d. The evaluation criteria and process of evaluation for the Board, Board Committees and individual Directors;
e. The independence of individual Directors;
f. The contribution and commitment of each Director; and
g. Training and professional development programs for the Board.

CORPORATE **GOVERNANCE**

Ms Gn Jong Yuh Gwendolyn, an Independent Director, is the Chairman of the Nominating Committee. A majority of the Nominating Committee are Independent Directors. The Nominating Committee comprise of the following Directors: Provision 4.2

- Ms Gn Jong Yuh Gwendolyn, as Chairman of the Nominating Committee;
- Mr Hong Pian Tee, the Lead Independent Director;
- Mr Tay Tian Hoe Richard; and
- Mr Ong Kian Min.

<u>The Process for the Selection, Appointment and Re-appointment of Directors</u> Provision 4.3

The Board believes that Board renewal must be an ongoing process which ensures both good governance and maintains relevance to the changing needs of the Company and business.

The Constitution requires at least one-third of the Directors, excluding the Group Managing Director, to retire from office by rotation and submit themselves to re-nomination and re-election by shareholders at every Annual General Meeting. No Director stays in office for more than three (3) years without being re-elected by shareholders.

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

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

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

<u>Retirement and Re-Nomination of Directors at the Forthcoming Annual General Meeting</u>

The Nominating Committee has recommended to the Board that Mr Richard Tay, Mr Hong Pian Tee, Mr Ong Kian Min and Ms Gn Jong Yuh Gwendolyn to be nominated for re-appointment at the forthcoming Annual General Meeting.

Please refer to page 153 to 162 for additional information on Directors to be re-elected.

CORPORATE **GOVERNANCE**

The independence of each Director is reviewed by the Nominating Committee annually and as and when required and reported to the Board, having regard to the circumstances set forth in Provision 2.1 of the Code. Provision 4.4

The Independent Directors have confirmed that they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

The Board, after taking into consideration the views of the Nominating Committee, is of the view that Mr Hong Pian Tee, Mr Ong Kian Min and Ms Gn Jong Yuh Gwendolyn are independent and that no individual or small group of individuals dominates the Board's decision-making process.

The Nominating Committee ensures that new Directors are aware of their duties and obligations. Provision 4.5

The Board does not prescribe a maximum number of listed company board representations that each Director may hold. However, all Directors are required to declare their board representations. The Nominating Committee is of the view that any maximum number established is unlikely to be representative of the participation and commitment that a Director may contribute to the Board and its overall effectiveness.

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

There is no alternate director on the Board.

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

PRINCIPLE 5: BOARD PERFORMANCE

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

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

Performance Criteria for Board (including Board Committees)

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

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

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

CORPORATE **GOVERNANCE**

Evaluation of Individual Directors

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

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

A formal review of the effectiveness of the Board and Board Committees and the assessment of the 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 into account the input from other Directors and the Company Secretary. Provision 5.2

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

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

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

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

Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board for FY2021. The Board and Board Committees have met the prescribed performance objectives. There was no external facilitator engaged to assess the performance of the Board for FY2021.

(B) REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

a. Reviewing and recommending to the Board a formal and transparent framework of remuneration for the Directors and key management personnel on all aspects of remuneration including Director's fees, salaries, allowances, bonuses, options (if any) and benefits-in-kind;

b. Reviewing and recommending to the Board the specific remuneration packages and terms of employment for each Director and key management personnel;

c. Reviewing the level of remuneration such that it is appropriate to attract, retain and motivate the Directors and key management personnel whilst linking rewards to group or corporate and individual performances;

d. Ensuring adequate disclosure on Director's remuneration; and

e. Recommending to the Board any long-term incentive scheme which may be set up from time to time and doing all acts necessary in connection therewith.

CORPORATE **GOVERNANCE**

Mr Ong Kian Min, an Independent Director, is the Chairman of the Remuneration Committee. All members of the Remuneration Committee are Independent Directors and the Remuneration Committee comprise of the following Directors: Provision 6.2

- Mr Ong Kian Min, Chairman of the Remuneration Committee;
- Mr Hong Pian Tee, the Lead Independent Director; and
- Ms Gn Jong Yuh Gwendolyn.

In its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation, the Group's performance vis-a-vis the industry as well as the individual Director and the key management personnel's contribution and performance. No Director or key management personnel is involved in deciding his own remuneration. Following the Remuneration Committee's review, the Board is of the view that the remuneration packages are appropriate and the performance conditions set have been met for FY2021. Provision 6.3

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

When the need arises, the Remuneration Committee has access to external remuneration consultants' service and advice on Director's remuneration. No remuneration consultant was appointed for FY2021. Provision 6.4

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

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

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

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

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

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

The Board will recommend the remuneration of the Independent Directors for FY2021 for approval at the Annual General Meeting.

CORPORATE **GOVERNANCE**

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

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

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

The Executive Directors' remuneration consists of their salaries, allowances, bonuses, and profit-sharing awards conditional upon their meeting of certain profit before tax targets. There are no termination, retirement and post-employment benefits that may be granted to the Directors and key executives. The Independent Directors receive directors' fees which are subject to the approval of shareholders at the Annual General Meeting. Provision 8.1

The remuneration for the Directors in bands of $250,000 in FY2021 is as follows:

	Number of Directors	
	FY2021	FY2020
S$1,000,001 and above	1	1
S$750,001 to S$1000,000	-	-
S$500,001 to S$750,000	-	-
$250,000 to S$500,000	-	-
Below $250,000	7	4
Total	8	5

The breakdown of the Directors' remuneration and fees, in percentage terms, for FY2021 is as follows:

	Salary	**Bonus**	**Directors Fees**	**Other Benefits**	**Total**
	%	%	%	%	%
Tay Tian Hoe Richard	23	76	-	1	100
Tay Tiang Guan	33	50	-	17	100
Hong Pian Tee	-	-	100	-	100
Gn Jong Yuh Gwendolyn	-	-	100	-	100
Ong Kian Min	-	-	100	-	100
Yuen Sou Wai	-	-	100	-	100
Henry Tan Song Kok	-	-	100	-	100
Phua Tin How	-	-	100	-	100

The Company ensures that the Remuneration Committee reviews and considers the remuneration of each Director and key management personnel of the Company as described in Provision 6.1 of this report and after due deliberation, the Remuneration Committee would make appropriate recommendations to the Board. No Director or key management personnel is involved in deciding his own remuneration.

The Company operates in a niche industry in automotive manufacturing and distribution industry sector where relevant talent and expertise is limited. It has been facing and continues to face stiff competition in attracting and retaining talent in a small community of industry players. While the Company is cognizant of the need for corporate transparency in the remuneration of its Directors and key executives, the Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the highly competitive industry conditions where poaching has become commonplace. The disclosure of specific detailed information on aggregate remuneration of individual director and key management personnel will affect its ability to retain its talent pool and is not in the best interests of the Company.

CORPORATE **GOVERNANCE**

The Company views manpower as key source for the continuous success of the Company. The disclosure of the remuneration of the top five key management personnel (who are not directors or the CEO) would be detrimental to the Company's ability to retain its existing key management personnel. The Company believes that the current disclosure is adequate.

In particular, the Company had previously announced its "3R" strategy and restructuring of its Group operations and the disclosure of remuneration matters are sensitive and confidential in light of its restructuring and resizing strategy. The Group also sees human capital as one of its key advantages over its competitors and, noting that the highly competitive industry which the Group operates in, believes that the disclosure above best preserves the business interests of the Group. As far as the Company is aware, the remuneration paid to Directors and key executives is in line with industry practices.

In light of the spirit of Principle 8 of the Code, the Company has demonstrated the level and mix of remuneration by setting out the following:

(a) directors' remuneration in bands of $250,000; and

(b) a breakdown of each Director's remuneration and fees in terms of percentage and the different components of the remuneration i.e. salary, bonus, director's fees and other benefits

Details of employees whose remuneration exceed S$100,000 and are immediate family members of Executive Directors during FY2021 are set out below: Provision 8.2

Name of Employee	Remuneration Band
Tay Soek Eng Margaret(1)	S$200,000 to S$250,000
Tay Guoren Ryan(2)	S$150,000 to S$200,000

Notes:

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

(2) Mr Ryan Tay is the son of our Executive Chairman and Group Managing Director, Mr Tay Tian Hoe Richard.

Save as disclosed above, there are no employees of the Company who are substantial shareholders of the Company, or are immediate family members of any Director, the Group Managing Director or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during FY2021.

The Company has in place the 2021 YHI Share Option Scheme (the "**Scheme**") which was approved by shareholders of the Company at an Extraordinary General Meeting on 29 November 2021. Provision 8.3

The Scheme is administered by a committee which comprise of the Board of Directors and the Remuneration Committee at the relevant time.

The purpose of the Scheme is to provide an opportunity for employees and executive directors of the Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and a higher standard of performance, and to give them due recognition.

On 24 December 2021, the Company granted incentive options to subscribe for 2,250,000 ordinary shares of the Company at an exercise price of $0.39 per share. The 2021 Options are exercisable from 24 December 2023 and expires on 23 December 2031.

Further details on the Scheme may be found on page 65 of this annual report.

CORPORATE **GOVERNANCE**

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Risk Management Framework

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

All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. Targets are set to measure the performance of business and effectiveness of risk management. The targets include sales growth, profit margins, operating expenses, management of inventory and receivables.

The identified risks and the corresponding countervailing controls are also regularly reviewed by the Management to ensure that they are up to date and effective. For example, financial risk management is discussed in Note 29 of the financial statements set out on pages 127 to 140.

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

The RMEC performs the following principal functions:

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

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

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

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

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. Provision 9.2

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

CORPORATE **GOVERNANCE**

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

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

Based on Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the Audit Committee, is of the view that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Group are adequate and effective as at 31 December 2021.

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

PRINCIPLE 10: AUDIT COMMITTEE

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

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

a. Reviewing financial statements as well as any announcements of the Company and the Group before submission to the Board for approval and release;
b. Reviewing at least annually the adequacy and effectiveness of the Group's internal control and risk management systems;
c. Reviewing the assurance from the Group Managing Director and the Chief Financial officer on the financial records and financial statements of the Group;
d. Reviewing the annual internal audit plan and internal audit reports tabled by the internal auditors;
e. Making recommendations to the Board on the proposals to the shareholders on the appointment and removal of external auditors, and the remuneration and terms of engagement of the external auditors;
f. Reviewing the audit plan of the external auditors and the external auditors' reports;
g. Reviewing the co-operation given by executives to the external auditors;
h. Reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
i. Reviewing the Group's compliance with relevant key legislative and regulatory requirements and the continuing listing requirements;
j. Reviewing the Group Whistle-Blowing Policy and ensure that concerns or complaints received are properly attended to;
k. Reviewing interested person transactions reported (if any);
l. Reviewing the Group's capital expenditure transactions and investments; and
m. Reviewing the Group's foreign currency hedging activities.

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

CORPORATE **GOVERNANCE**

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

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

Key audit matters are the matters that, in the external auditors' professional judgement, are of most significance in the audit of the full-year financial statements. The Audit Committee's reviews and assessments of the key audit matters highlighted by the external auditors for the full-year financial statements ended 31 December 2021 are provided as follows:

– **Credit loss allowance on trade receivables**

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

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

Whistle-Blowing Policy

A Group Whistle-Blowing Policy ("**Policy**") has been put in place and communicated to the employees. The Company has designated Group Internal Audit to investigate whistleblowing reports made in good faith.

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. There were no instances where concerns were raised under the Policy during FY2021.

The concerns can be made anonymously and will be kept in strict confidence. The identity of the whistleblower is kept confidential. The Audit Committee is responsible for the oversight of and monitors whistleblowing to ensure that concerns are independently and appropriately attended to, assessed and resolved in accordance with the Policy. The Audit Committee will also ensure protection of the whistleblower against detrimental or unfair treatment. 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. PwC is registered with the Accounting and Corporate Regulatory Authority.

The Audit Committee has conducted an annual review of all non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination, and is of the opinion that the non-audit services provided by PwC would not affect its independence.

The Group has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to its auditors. The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services are set out below:

CORPORATE **GOVERNANCE**

	2021	2020
	S$	S$
Fees on audit services paid/payable to:		
Auditors of the Company – PwC Singapore	228,580	227,540
Other PwC network firms	149,772	105,995
Other auditors	249,706	236,071
Fees on non-audit services paid/payable to:		
Auditors of the Company- PwC Singapore	82,000	79,813
Other auditors	53,391	52,129
Total	763,449	701,548

Mr Hong Pian Tee, the Lead Independent Director, is the Chairman of the Audit Committee. The Audit Committee comprises the following Independent Directors: Provision 10.2

- Mr Hong Pian Tee, as Chairman of the Audit Committee;
- Ms Gn Jong Yuh Gwendolyn; and
- Mr Ong Kian Min.

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

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

None of the members of the Audit Committee are former partners or directors of the Group's existing auditing firm or auditing corporation within the last two (2) years and none of the members of the Audit Committee hold any financial interest in the Group's existing auditing firm or auditing corporation. Provision 10.3

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

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

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

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

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

CORPORATE **GOVERNANCE**

The internal and the external auditors are invited to attend the Audit Committee meetings to table their plans and reports respectively. During FY2021, the Audit Committee met with the external auditors without any executives of the Group being present. The Chairman of the Audit Committee liaised with the internal auditor without the involvement of the Management to receive updates. Provision 10.5

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

<u>Shareholders' Opportunity to Participate and Vote at General Meeting</u> Provision 11.1

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

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

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

During FY2021, an annual general meeting was held on 28 April 2021 ("**AGM**") and an extraordinary general meeting was held on 29 November 2021 ("**EGM**"). Each item of special business included in the notice of the meetings were accompanied by a full explanation of the effects of a proposed resolutions at all general meetings. Separate resolutions were proposed for substantially separate issues at the general meetings. Provision 11.2

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

All the Directors and the external auditors attended the AGM and were available to address shareholders' queries. Provision 11.3

All of the Directors attended the EGM and were available to address shareholders' queries.

Shareholders were given the choice to vote by appointing the Chairman as a proxy. Provision 11.4

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

Minutes of the AGM and EGM were prepared and made available to shareholders by publishing them on SGXNet and the Company's website within 1 month after the AGM and EGM. The Company's responses to the substantial and relevant comments or queries from shareholders relating to the agenda of the AGM, and responses from the Board and Management were published on SGXNet and the Company's website on 26 April 2021. There no substantial and relevant comments or queries from shareholders relating to the agenda of the EGM. Provision 11.5

CORPORATE **GOVERNANCE**

The Company does not have a formal dividend policy, nevertheless, it has a track record of paying annual dividends to shareholders and the payout is aligned with the Company's financial results. The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management. Subject to the approval of Shareholders at the upcoming Annual General Meeting, the Company has, on 25 February 2022, in its unaudited financial results for the financial year ended 31 December 2021, recommended a first and final tax exempt (one-tier) dividend of 3.60 cents per ordinary share for the financial year ended 31 December 2021. Provision 11.6

Listing Rule 704(24)

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

In line with the provisions of the Listing Rules and the Companies Act 1967 of Singapore, the Board's policy is that all shareholders should be equally and in a timely manner be informed of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET system. Press releases, annual reports, other various media and our contact details are provided in the corporate website (http://www.yhigroup.com) so as to allow shareholders to make well-informed investment decisions and maintain a regular dialogue channel with shareholders to gather views, input and address shareholders' concerns. Provision 12.1

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

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

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

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

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

The key areas of focus and engagement mechanisms adopted by the Company for each group of stakeholders in FY2021 are outlined as follows: Provision 13.2

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

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

CORPORATE **GOVERNANCE**

DEALINGS IN SECURITIES

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

Under the code of conduct, the Directors and key officers are prohibited from dealing in the Company's securities at least one (1) month before the announcement of the Company's half-year and full-year results until one (1) day after the release of the announcement.

The Directors and key officers are required to notify the Company of any dealings in the Company's securities (during the open window period) and within two (2) business days of the transaction(s). At all times, the Directors and key officers are aware that it is an offence to deal in securities of the Company and other companies when they are in possession of unpublished price-sensitive information in relation to those securities and that the law on insider trading applies to them at all times.

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

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

INTERESTED PERSON TRANSACTIONS

In order to ensure that the Company complies with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions, the Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the transactions. The Audit Committee meets quarterly to review all interested person transactions of the Company.

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

There was no interested person transaction exceeding S$100,000 in value during the financial period from 1 January 2021 to 31 December 2021.

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

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries for the benefit of the Directors or controlling shareholders during FY2021.

SUSTAINABILITY SUMMARY STATEMENT

At YHI Group, we are committed to consider sustainability issues as part of its strategic formulation and have identified our material Environment, Social and Governance ("**ESG**") factors with sustainability factors in mind.

We will be releasing our fifth sustainability report for the financial year ended 31 December 2021 ("**FY2021**") ("**Sustainability Report**") which will be prepared with reference to the new Global Reporting Initiative ("**GRI**") Sustainability Reporting Guidelines and is in line with the requirements on sustainability reporting under the Listing Manual of the Singapore Exchange Securities Trading Limited. Our Sustainability Report will include YHI's stakeholder engagement mechanism to gather feedback as well as our policies, practices and actual performance on each material ESG factor in FY2021.

We look forward to updating you on our progress and the full Sustainability Report which will be available in May 2022 at the URL www.yhigroup.com/investor/sustainability-reports/ and the SGXNET at the URL https://www.sgx.com/securities/company-announcements.

FINANCIAL CONTENTS

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2021 and the balance sheet of the Company as at 31 December 2021.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 71 to 146 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 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

DIRECTORS

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

Mr Tay Tian Hoe Richard	
Mr Tay Tiang Guan	
Mr Hong Pian Tee	(appointed on 1 September 2021)
Mr Ong Kian Min	(appointed on 1 October 2021)
Ms Gn Jong Yuh Gwendolyn	(appointed on 1 October 2021)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in name of Director			Holdings in which Director is deemed to have an interest		
	At 21.1.2022	At 31.12.2021	At 1.1.2021 or date of appointment, if later	At 21.1.2022	At 31.12.2021	At 1.1.2021 or date of appointment, if later
Company						
(No. of ordinary shares)						
Mr Tay Tian Hoe Richard [1], [2]	–	–	–	141,958,860	141,958,860	141,958,860
Mr Tay Tiang Guan [3]	–	–	–	45,000,353	45,000,353	45,000,353
Mr Hong Pian Tee	659,800	659,800	659,800	–	–	–
Immediate and ultimate holding company						
- YHI Holdings Pte Ltd [1]						
(No. of ordinary shares)						
Mr Tay Tian Hoe Richard [1], [2]	691,917	691,917	691,917	–	–	–

Notes:

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

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

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

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

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

	At 31.12.2021	At 1.1.2021
YHI (Australia) Pty Limited		
- No. of ordinary shares	80,000	80,000
YHI (New Zealand) Limited		
- No. of ordinary shares	85,000	85,000
YHI Power Pty Limited		
- No. of ordinary shares	8,000	8,000
YHI Corporation (Thailand) Co., Ltd		
- No. of ordinary shares	24,500	24,500
Evo-Trend Corporation (Malaysia) Sdn Bhd		
- No. of ordinary shares	140,000	140,000
PT YHI Indonesia		
- No. of ordinary shares	288,000	288,000
YHI (Vietnam) Co., Ltd	VND	VND
- Share capital	5,624,100,000	5,624,100,000
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	400,000	400,000
YHI Logistics (Malaysia) Sdn Bhd		
- No. of ordinary shares	22,560,000	22,560,000
YHI Aung (Myanmar) Company Limited		
- No. of ordinary shares	51,000	51,000
YHI Distribution (Taiwan) Co., Ltd		
- Share capital	NTD 2,000,000	NTD 2,000,000

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2022 are shown in Note (a).

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

SHARE OPTIONS

(a) 2021 YHI Share Option Scheme

The 2021 YHI Share Option Scheme (the "Scheme") was approved by members of the Company at an Extraordinary General Meeting on 29 November 2021. The purpose of the Scheme is to provide an opportunity for employees and executive directors of the Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and a higher standard of performance, and to give them due recognition.

The Scheme is administered by a committee comprising the Board of Directors including all members of the remuneration committee of the Company from time to time.

As at the date of the Statement, the members of the committee and the Board of Directors are Mr Tay Tian Hoe Richard, Mr Tay Tiang Guan, Mr Hong Pian Tee, Mr Ong Kian Min and Ms Gn Jong Yuh Gwendolyn.

Under the Scheme, options to subscribe for the ordinary shares of the Company are granted to eligible participants nominated by the committee administering the Scheme at the relevant time. There are two categories of options: Market Price Option and the Incentive Option.

The exercise price of the Market Price Options is determined by taking the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for a period of five consecutive market days immediately preceding the date of the grant ("Market Price").

The exercise price of the Incentive Options is determined by the committee administering the Scheme at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price.

The vesting period of the Market Price Options and Incentive Options are one and two years respectively from the grant date, and both categories of options expire ten years from the grant date. The options may be exercised in full or in part on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the Company excluding treasury shares and subsidiary holdings on the day preceding that date. The number of shares comprised in any options to be offered to a participant in the Scheme shall be determined at the absolute discretion of the committee administering the Scheme, who shall take into account criteria such as the rank, past performance, years of service, potential for future development and contribution of the participant.

On 24 December 2021, the Company granted Incentive Options to subscribe for 2,250,000 ordinary shares of the Company at an exercise price of $0.39 per share ("2021 Options"). The 2021 Options are exercisable from 24 December 2023 and expires on 23 December 2031.

Under the Scheme, controlling shareholders of the Company or their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited) shall not be eligible to participate in the Scheme.

Under the Scheme, directors and employees of the parent company and its subsidiaries shall not be eligible to participate in the Scheme.

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the 2021 YHI Share Option Scheme outstanding at the end of the financial year was as follows:

	No. of unissued ordinary shares under option at 31.12.2021	Exercise price	Exercise period
2021 Options	2,250,000	$0.39	24.12.2023 – 23.12.2031

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

AUDIT COMMITTEE

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

Mr Hong Pian Tee (Chairman)
Mr Ong Kian Min
Ms Gn Jong Yuh Gwendolyn

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act 1967. 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 2021 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

29 March 2022

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of YHI International Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the financial year ended 31 December 2021;
- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2021;
- the balance sheet of the Group and the balance sheet of the Company as at 31 December 2021;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Credit loss allowance on trade receivables As at 31 December 2021, the Group has trade receivables amounting to $70,034,000 net of credit loss of $4,779,000. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of credit loss allowance made. They include estimating and evaluating the required lifetime expected credit losses under SFRS(I) 9 Financial Instruments. We focused on this area due to the management's judgement required in estimating the credit loss allowance. The key judgement and estimation on expected credit losses for trade receivables and the Group's credit risk management are disclosed in Notes 3(a) and 29(b) to the financial statements.	We evaluated management's assessment on the recoverability of the trade receivables and the adequacy of lifetime expected credit losses based on SFRS(I) 9. This includes the appropriateness of historical loss rate determined and adjusted for applicable forward looking information. We found the judgement and estimation used by management in determining the credit losses on trade receivables to be supportable based on available evidence. We also found that the disclosures provided in the financial statements as disclosed in Notes 3(a) and 29(b) to be appropriate.

Other Information

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

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants Singapore,

29 March 2022

CONSOLIDATED **INCOME STATMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	**2021**	2020
		$'000	$'000
Sales	4	**444,718**	422,795
Cost of sales	5	**(338,879)**	(321,434)
Gross profit		**105,839**	101,361
Other gains - net	4	**7,794**	7,791
Credit loss writeback/(allowance) on trade receivables		**174**	(1,357)
Expenses			
- Distribution	5	**(41,486)**	(38,048)
- Administrative	5	**(44,028)**	(44,189)
- Finance	6	**(2,778)**	(2,904)
Share of profit of an associated company		**3,315**	2,663
Profit before income tax		**28,830**	25,317
Income tax expense	8	**(6,618)**	(5,751)
Net profit		**22,212**	19,566
Profit attributable to:			
Equity holders of the Company		**21,165**	19,155
Non-controlling interests		**1,047**	411
		22,212	19,566
Earnings per share attributable to the equity holders of the Company			
- Basic	9	**7.29 cents**	6.57 cents
- Diluted	9	**7.29 cents**	6.57 cents

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021	2020
	$'000	$'000
Profit for the year	**22,212**	19,566
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
- Currency translation differences	**(674)**	7,703
Items that will not be reclassified subsequently to profit or loss:		
- Currency translation differences	**(169)**	688
Total comprehensive income for the year	**21,369**	27,957
Total comprehensive income to:		
Equity holders of the Company	**20,491**	26,858
Non-controlling interests	**878**	1,099
	21,369	27,957

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

BALANCE SHEETS – **GROUP AND COMPANY**

AS AT 31 DECEMBER 2021

	Note	The Group		The Company	
		2021	2020	**2021**	2020
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and bank balances	10	**84,854**	84,620	**6,430**	5,334
Trade and other receivables	11	**85,271**	80,401	**26,639**	27,550
Inventories	12	**128,929**	102,081	**-**	-
		299,054	267,102	**33,069**	32,884
Disposal group held for sale	13	**2,736**	-	**-**	-
		301,790	267,102	**33,069**	32,884
Non-current assets					
Transferable club memberships		**65**	65	**-**	-
Investment in an associated company	14	**22,766**	23,143	**-**	-
Investments in subsidiaries	15	**-**	-	**102,207**	102,207
Property, plant and equipment	16	**64,622**	68,278	**485**	-
Right-of-use assets	17(a)	**33,498**	28,652	**-**	-
Investment property	19	**9,663**	9,662	**-**	-
Intangible assets	20	**2,751**	3,526	**-**	-
Deferred income tax assets	8(c)	**3,868**	4,695	**-**	-
		137,233	138,021	**102,692**	102,207
Total assets		**439,023**	405,123	**135,761**	135,091
LIABILITIES					
Current liabilities					
Trade and other payables	21	**46,956**	42,390	**2,092**	1,902
Current income tax liabilities	8(b)	**1,961**	2,362	**-**	-
Derivative financial instruments	22	**45**	1,076	**-**	-
Borrowings	23	**58,711**	42,731	**-**	-
Lease liabilities	17(b)	**5,801**	5,338	**-**	-
		113,474	93,897	**2,092**	1,902
Non-current liabilities					
Borrowings	23	**3,871**	5,291	**-**	-
Lease liabilities	17(b)	**25,172**	20,378	**-**	-
Deferred income tax liabilities	8(c)	**1,653**	1,475	**-**	-
Other non-current liabilities		**542**	505	**-**	-
		31,238	27,649	**-**	-
Total liabilities		**144,712**	121,546	**2,092**	1,902
NET ASSETS		**294,311**	283,577	**133,669**	133,189
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	**77,001**	77,001	**77,001**	77,001
Treasury shares	24	**(671)**	(671)	**(671)**	(671)
Other reserves	25	**3,779**	4,406	**-**	-
Retained profits	26	**206,180**	194,645	**57,339**	56,859
		286,289	275,381	**133,669**	133,189
Non-controlling interests		**8,022**	8,196	**-**	-
Total equity		**294,311**	283,577	**133,669**	133,189

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		← Attributable to equity holders of the Company →						
	Note	Share capital	Treasury shares	Other reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021								
Beginning of financial year		**77,001**	**(671)**	**4,406**	**194,645**	**275,381**	**8,196**	**283,577**
Profit for the year		-	-	-	21,165	21,165	1,047	22,212
Other comprehensive loss for the year		-	-	(674)	-	(674)	(169)	(843)
Total comprehensive (loss)/income for the year		**-**	**-**	**(674)**	**21,165**	**20,491**	**878**	**21,369**
Dividends relating to 2020 paid	27	-	-	-	(9,583)	(9,583)	(1,052)	(10,635)
Transfer from retained profits to other reserves	25(b)(i)	-	-	47	(47)	-	-	-
End of financial year		**77,001**	**(671)**	**3,779**	**206,180**	**286,289**	**8,022**	**294,311**
2020								
Beginning of financial year		**77,001**	**-**	**(3,328)**	**182,152**	**255,825**	**10,038**	**265,863**
Profit for the year		-	-	-	19,155	19,155	411	19,566
Other comprehensive income for the year		-	-	7,703	-	7,703	688	8,391
Total comprehensive income for the year		**-**	**-**	**7,703**	**19,155**	**26,858**	**1,099**	**27,957**
Purchase of treasury shares		-	(671)	-	-	(671)	-	(671)
Acquisition of additional interest in subsidiary		-	-	6	-	6	(2,158)	(2,152)
Disposal of interest in subsidiary without change in control		-	-	(148)	-	(148)	334	186
Dividends relating to 2019 paid	27	-	-	-	(6,489)	(6,489)	(1,117)	(7,606)
Transfer from retained profits to other reserves	25(b)(i)	-	-	173	(173)	-	-	-
End of financial year		**77,001**	**(671)**	**4,406**	**194,645**	**275,381**	**8,196**	**283,577**

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		$'000	$'000
Cash flows from operating activities			
Net profit		**22,212**	19,566
Adjustments for:			
- Income tax expense		**6,618**	5,751
- Depreciation of property, plant and equipment and investment property		**7,430**	9,094
- Depreciation of right-of-use assets		**6,858**	6,720
- Amortisation of intangible assets		**489**	479
- Gain on disposal of property, plant and equipment		**(224)**	(15)
- Loss on early termination of leases		**10**	-
- Interest expense		**2,778**	2,904
- Interest income		**(341)**	(357)
- Share of profit of an associated company		**(3,315)**	(2,663)
- Fair value (gain)/loss on derivative financial instruments		**(74)**	1,082
- Unrealised currency translation differences		**89**	861
Operating cash flow before working capital changes		**42,530**	43,422
Changes in working capital			
- Inventories		**(29,984)**	20,683
- Trade and other receivables		**(5,073)**	5,284
- Trade and other payables		**4,024**	7,520
Cash generated from operations		**11,497**	76,909
Interest received		**341**	357
Income tax paid		**(6,358)**	(5,430)
Net cash provided by operating activities		**5,480**	71,836
Cash flows from investing activities			
Dividends received from an associated company		**1,867**	1,148
Proceeds from sale of property, plant and equipment		**973**	1,100
Purchase of property, plant and equipment		**(3,796)**	(3,589)
Purchase of intangible assets		**(213)**	(9)
Net cash used in investing activities		**(1,169)**	(1,350)
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(9,583)**	(6,489)
Dividends paid to non-controlling interest		**(1,052)**	(1,117)
Acquisition of additional interest in subsidiary		**-**	(2,152)
Disposal of interest in subsidiary without change in control		**-**	186
Interest paid		**(2,778)**	(2,904)
Proceeds from borrowings		**21,659**	8,732
Repayments of borrowings		**(7,818)**	(31,031)
Principal payment of lease liabilities		**(6,275)**	(6,450)
Purchase of treasury shares		**-**	(671)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		$'000	$'000
Net cash used in financing activities		**(5,847)**	(41,896)
Net (decrease)/increase in cash and bank balances		**(1,536)**	28,590
Cash and bank balances at beginning of the financial year		**84,512**	54,815
Effects of currency translation on cash and bank balances		**666**	1,107
Cash and bank balances at end of the financial year	10	**83,642**	84,512
Consolidated cash and bank balances represented by			
Cash and bank balances		**84,854**	84,620
Less: Bank overdrafts		**(1,212)**	(108)
Cash and bank balances as per consolidated statement of cash flows	10	**83,642**	84,512

Reconciliation of liabilities arising from financing activities

	Opening balance $'000	Proceeds, principal and interest payments $'000	Non-cash changes $'000			Closing balance $'000
			Movement during the year	Interest expense	Foreign exchange movement	
2021						
Bank borrowings	48,022	13,456	-	1,489	(385)	62,582
Lease liabilities	25,716	(7,564)	11,918	1,289	(386)	30,973
2020						
Bank borrowings	70,716	(25,598)	-	1,830	1,074	48,022
Lease liabilities	24,171	(7,524)	7,067	1,074	928	25,716

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

1. GENERAL INFORMATION

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

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are set out in Note 15 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2021

On 1 January 2021, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

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

Effective for annual periods beginning on or after 1 January 2021:

1 June 2020	Amendments to: - SFRS(I) 16 Leases (COVID-19-Related Rent Concessions)
1 January 2021	Amendments to: - SFRS(I) 9 Financial Instruments, - SFRS(I) 1-39 Financial Instruments: Recognition and Measurement - SFRS(I) 7 Financial Instruments: Disclosures - SFRS(I) 16 Leases (Interest Rate Benchmark Reform – Phase 2)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

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

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

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

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

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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.

(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" for the subsequent accounting policy on goodwill.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(a) *Subsidiaries* (continued)

(iii) Disposals

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

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

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

(b) *Transactions with non-controlling interests*

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

(c) *Associated companies*

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

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

(i) Acquisitions

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

Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(c) *Associated companies* (continued)

(ii) *Equity method of accounting* (continued)

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

(iii) *Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. 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.

2.5 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 2.7 on borrowing costs).

(b) *Depreciation*

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

	Useful lives
Buildings on freehold land	50 years
Leasehold properties	3 to 50 years or over the lease term, whichever is shorter
Office equipment, plant and machinery	2 to 10 years
Motor vehicles	5 to 7 years
Renovation	5 to 10 years or over the lease term, whichever is shorter
Computers	2 to 5 years
Furniture and fittings	2 to 10 years

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

(c) Subsequent expenditure

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

(d) Disposal

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

2.6 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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

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

(b) Acquired trademarks

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

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

(c) Acquired computer software

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.7 Borrowing costs

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

2.8 Investment property

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

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

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

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

2.9 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.

2.10 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 ("CGUs") 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 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets (continued)

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

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

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

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

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

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

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

2.11 Financial assets

(a) Classification and measurement

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

- Amortised cost

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

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

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

<u>At initial recognition</u>

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.11 **Financial assets** (continued)

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

At subsequent measurement

Debt instruments

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

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

(b) ***Impairment***

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 29(b) details how the Group determines whether there has been a significant increase in credit risk.

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

2.12 **Financial guarantees**

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

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

(a) amount initially recognised less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected credit loss computed using the impairment methodology under Note 2.11.

2.13 **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.

2.14 **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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 Leases

(a) When the Group is the lessee:

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

- Right-of-use assets

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

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

  Right-of-use asset which meets the definition of an investment property are presented within "Investment properties" and accounted for in accordance with Note 2.8.

- Lease liabilities

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

  Lease payments include the following:

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (continued)

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

- Short-term leases

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

- Variable lease payments

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

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

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

- Lessor – Operating leases

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

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

2.17 Inventories

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

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

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

Deferred income tax is measured:

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

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

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

The Group accounts for investment tax credits (for example, productivity and innovation 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.

2.19 Provisions

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

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

2.20 Employee compensation

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

(a) Defined contribution plans

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee compensation (continued)

(b) Employee leave entitlement

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

(c) Other long term benefits

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

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) are credited to the share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees. The related balances previously recognised in the share option reserve are transferred to other reserves upon expiry or exercise of the options.

2.21 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

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

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

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

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

2.22 Segment reporting

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

2.23 Cash and bank balances

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

2.24 Share capital and treasury shares

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in other reserves.

2.25 Dividends to Company's shareholders

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

2.26 Disposal group held-for-sale

Non-current assets (or disposal groups) 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.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Impairment of trade receivables

As at 31 December 2021, the Group's trade receivables amounted to $74,813,000 (2020: $71,430,000) (Note 11), arising from the Group's different revenue segments – Distribution and Manufacturing. The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, customers are grouped based on shared credit risk characteristics.

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

A credit loss allowance of $4,779,000 (2020: $5,255,000) for trade receivables was recognised as at 31 December 2021.

The Group's credit risk exposure for trade receivables by different revenue segment are set out in Note 29(b).

If the estimated loss rate for each age category were to increase by 0.5% (2020: 0.5%), an additional credit loss allowance of $352,000 (2020: $335,000) would have been recognised.

(b) Estimated impairment of non-financial assets

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

The recoverable amount of goodwill has been determined based on the value-in-use of cash-generating units. These calculations require the use of estimates and assumptions (Note 20). Reasonably possible changes in those estimates at the balance sheet date do not result in any impairment of the goodwill.

(c) Uncertain tax positions

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

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

(d) Conditional sales and purchase agreement for the disposal of Yokohama Tyre Sales Malaysia Sdn Bhd ("YTSM")

In December 2021, the Group, via its wholly-owned subsidiary YHI (Malaysia) Sdn Bhd ("YHIM"), signed a sale and purchase agreement with The Yokohama Rubber Co Ltd ("YRC") to dispose of 51% shareholdings of YTSM at a consideration of RM15,300,000 (approximately S$4,956,000). The completion of the transaction is subject to conditions precedent to be fulfilled.

Those conditions include amongst others the completion of the transfer of identified inventory, equipment, contracts and books relating to the existing trading of Yokohama products in YHIM (the "YTSM operations"), and obtaining of all relevant business and operating licenses for the places of business.

As at 31 December 2021, as the conditions precedent were not yet fulfilled, management has assessed that the disposal of the 51% shareholding interest to have not taken place.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

(d) Conditional sales and purchase agreement for the disposal of Yokohama Tyre Sales Malaysia Sdn Bhd ("YTSM") (continued)

The identified assets to be transferred under the agreement has been reclassified as disposal group held for sale (Note 13). There were no write-down of the identified assets to fair value less cost to sell upon the reclassification of these assets as disposal group held for sale. The disposal group is presented as part of the ASEAN distribution segment (Note 32).

The YTSM operations does not represent a separate major line of business or geographical area of operation, and accordingly, was not presented as discontinued operations.

Subsequent to 31 December 2021, the Group completed the disposal of 51% shareholdings in YTSM to YRC. This constituted a sale of controlling rights. As the Group shall retain significant influence over YTSM, the 49% interest held in YTSM shall be equity accounted for as an associated company with effect from the financial year ending 31 December 2022. An estimated gain on disposal of S$5.6 million, represented by the excess of sales proceeds and the fair value of interest retained by the Group over the carrying value of disposal group sold, shall be recorded accordingly.

(e) Impact of COVID-19

The COVID-19 pandemic has affected almost all countries in the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The prevailing global shortage of shipping containers and high ocean freight charges due to the pandemic also resulted in disruptions in the supply chain. In view of the risks and uncertainties pertaining to COVID-19, the Group expects the ongoing pandemic to continue to impact its business in the financial year ending 31 December 2022.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2022. The Group will continue to monitor the pandemic situation closely and implement appropriate measures when necessary to mitigate the impact on its business.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. REVENUE AND OTHER GAINS

	Group	
	2021	2020
	$'000	$'000
At a point in time		
Sale of goods		
- Automotive and industrial products (Distribution)		
North-east Asia	**27,937**	33,702
ASEAN	**144,068**	130,175
Oceania	**137,464**	129,354
Other	**20,027**	18,959
	329,496	312,190
- Alloy wheels (Manufacturing)		
North-east Asia	**75,426**	64,822
ASEAN	**39,796**	45,783
	115,222	110,605
Total sales	**444,718**	422,795

	Group	
	2021	2020
	$'000	$'000
Other gains:		
- Rental income	**4,401**	4,114
- Interest income from banks	**341**	357
- Gain on disposal of property, plant and equipment	**224**	15
- Fair value gain/(loss) on derivative financial instruments (Note 22)	**74**	(1,082)
- Government grant income	**1,169**	3,500
- Other	**1,585**	887
Total other gains	**7,794**	7,791

Grant income pertained to wage support schemes in relation to COVID-19 provided by the governments in the various regions.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5. EXPENSES BY NATURE

	Group	
	2021	2020
	$'000	$'000
Amortisation of intangible assets [Note 20(b),(c)]	**489**	479
Depreciation of property, plant and equipment (Note 16)	**7,010**	8,691
Depreciation of investment property (Note 19)	**420**	403
Depreciation of right-of-use assets [Note 17(a)]	**6,858**	6,720
Changes in inventories of raw materials, work-in-progress and finished goods	**26,849**	(17,661)
Purchases of raw materials, finished goods and consumables	**289,931**	318,184
Write-down of inventories	**1,067**	2,414
Transportation and travelling	**2,883**	2,700
Advertising and promotion	**3,847**	2,467
Commission charges	**4,373**	4,022
Employee compensation (Note 7)	**58,639**	51,740
Directors' fees	**315**	264
Repair and maintenance	**1,276**	1,220
Rental on leases for premises [Note 17(d)]	**396**	250
Currency translation loss – net	**294**	1,779
Others	**19,746**	19,999
Total cost of sales, distribution and administrative expenses	**424,393**	403,671

6. FINANCE EXPENSES

	Group	
	2021	2020
	$'000	$'000
Interest expense:		
- Bank loans	**1,095**	1,342
- Bank overdrafts	**26**	28
- Trust receipts	**368**	460
- Lease liabilities	**1,289**	1,074
	2,778	2,904

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7. EMPLOYEE COMPENSATION

	Group	
	2021	2020
	$'000	$'000
Wages and salaries	**54,624**	48,582
Other long-term benefits	**41**	44
Employer's contribution to defined contribution plans including Central Provident Fund	**3,974**	3,114
	58,639	51,740

8. INCOME TAX

(a) *Income tax expense*

	Group	
	2021	2020
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	**560**	767
- Foreign	**5,386**	5,092
	5,946	5,859
Deferred income tax [Note 8(c)]	**783**	(411)
	6,729	5,448
(Over)/under provision in previous financial years		
- Current income tax	**(212)**	93
- Deferred income tax [Note 8(c)]	**101**	210
	6,618	5,751

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. **INCOME TAX** (CONTINUED)

(a) ***Income tax expense*** (continued)

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

	Group	
	2021	2020
	$'000	$'000
Profit before income tax	**28,830**	25,317
Less: Share of profit of an associated company, net of tax	**(3,315)**	(2,663)
Profit before tax and share of profit of an associated company	**25,515**	22,654
Tax calculated at a tax rate of 17% (2020: 17%)	**4,338**	3,851
Effects of:		
- Singapore statutory stepped income exemption	**(35)**	(21)
- Effects of different tax rates in other countries	**1,560**	1,711
- Withholding tax	**646**	269
- Expenses not deductible for tax purposes	**647**	1,423
- Income not subject to tax	**(578)**	(586)
- Tax incentive	**(50)**	(217)
- Tax losses for which no deferred income tax asset was recognised	**486**	136
- Utilisation of previously unrecognised tax losses	**(492)**	(1,066)
- Deferred tax liability on an associated company's unremitted profits	**96**	78
- (Over)/under provision of income tax in prior years	**(111)**	303
- Others	**111**	(130)
Tax charge	**6,618**	5,751

(b) ***Current income taxes***

	Group		Company	
	31 December		31 December	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Tax recoverable assets (Note 11)	**(916)**	(592)	**-**	-
Current income tax liabilities	**1,961**	2,362	**-**	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. **INCOME TAX** (CONTINUED)

(c) *Deferred income taxes*

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

	Group	
	2021	2020
	$'000	$'000
Deferred income tax assets	**(3,868)**	(4,695)
Deferred income tax liabilities	**1,653**	1,475

Movement in deferred income tax account is as follows:

	Group	
	2021	2020
	$'000	$'000
Beginning of financial year	**(3,220)**	(2,797)
Currency translation differences	**121**	(222)
Charged/(credited) to income statement [Note 8(a)]	**884**	(201)
End of financial year	**(2,215)**	(3,220)

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	
	2021	2020
	$'000	$'000
Beginning of financial year	**1,475**	1,761
Currency translation differences	**(29)**	42
Charged/(credited) to income statement	**207**	(328)
End of financial year	**1,653**	1,475

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. **INCOME TAX** (CONTINUED)

(c) ***Deferred income taxes*** (continued)

Deferred income tax assets

	Provisions	Excess of tax written-down value over net book value	Other	Total
	$'000	$'000	$'000	$'000
2021				
Beginning of financial year	**(3,272)**	**(204)**	**(1,219)**	**(4,695)**
Currency translation differences	**(1)**	**(48)**	**199**	**150**
(Credited)/charged to income statement	**(393)**	**292**	**778**	**677**
End of financial year	**(3,666)**	**40**	**(242)**	**(3,868)**
2020				
Beginning of financial year	(2,619)	(360)	(1,579)	(4,558)
Currency translation differences	(68)	(66)	(130)	(264)
(Credited)/charged to income statement	(585)	222	490	127
End of financial year	(3,272)	(204)	(1,219)	(4,695)

The Group has unrecognised tax losses of $13,723,000 (2020: $24,280,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date except for amounts of $8,127,000 (2020: $18,330,000) which will expire between 2022 to 2026 (2020: 2021 to 2025).

The cumulative retained earnings of $34,808,000 (2020: $37,832,000) for which deferred tax liabilities arising on temporary differences associated with overseas investments in subsidiaries have not been recognised as there is no current intention of remitting the retained earnings of these subsidiaries to the holding company in the foreseeable future.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2021	2020
Net profit attributable to equity holders of the Company ($'000)	**21,165**	19,155
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**290,400**	291,750
Basic earnings per share	**7.29 cents**	6.57 cents

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	Group	
	2021	2020
Net profit attributable to equity holders of the Company ($'000)	**21,165**	19,155
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	**290,400**	291,750
Adjustments for share options ('000)	**10**	-
	290,410	291,750
Diluted earnings per share	**7.29 cents**	6.57 cents

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. CASH AND BANK BALANCES

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**83,197**	74,895	**6,430**	5,334
Short-term bank deposits	**1,657**	9,725	**-**	-
	84,854	84,620	**6,430**	5,334

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

	Group	
	2021	2020
	$'000	$'000
Cash and bank balances (as above)	**84,854**	84,620
Less: Bank overdrafts (Note 23)	**(1,212)**	(108)
Cash and bank balances per consolidated statement of cash flows	**83,642**	84,512

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Non-related parties	**73,245**	69,403	**-**	-
- An associated company	**1,568**	2,027	**-**	-
	74,813	71,430	**-**	-
Less: Credit loss allowance	**(4,779)**	(5,255)	**-**	-
Trade receivables – net	**70,034**	66,175	**-**	-
Due from subsidiaries (non-trade) [Note (a)]	**-**	-	**26,624**	27,520
Deposits	**1,205**	1,371	**-**	-
Prepayments	**8,801**	9,051	**12**	10
Lease receivables	**1,003**	818	**-**	-
Other receivables	**3,312**	2,394	**3**	20
Tax recoverable assets [Note 8(b)]	**916**	592	**-**	-
Total	**85,271**	80,401	**26,639**	27,550

Trade receivables as at 1 January 2020 amounted to $71,364,000, net of credit loss of $4,533,000.

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

NOTES TO THE **FINANCIAL STATEMENTS**

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12. INVENTORIES

	Group	
	2021	2020
	$'000	$'000
Materials and supplies	**12,684**	8,226
Work-in-progress	**5,715**	6,688
Finished goods	**110,530**	87,167
	128,929	102,081

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $316,780,000 (2020: $300,523,000).

The Group has written down inventories amounting to $1,067,000 (2020: $2,414,000) and the amount has been included in "cost of sales".

13. DISPOSAL GROUP HELD FOR SALE

	Group	
	2021	2020
	$'000	$'000
Plant and equipment [Note (a)]	**89**	-
Inventories [Note (a)]	**2,142**	-
Goodwill [Note (b)]	**505**	-
	2,736	-

(a) These assets were identified to be transferred in accordance with the sale and purchase agreement between YHIM and YRC [Note 3(d)].

(b) This pertains to the goodwill allocated to the Malaysian distribution business sold under Note (a).

14. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2021	2020
	$'000	$'000
Carrying value of Group's investment in an associated company	**22,766**	23,143

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14. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Set out below is the associated company of the Group as at 31 December 2021, which, in the opinion of the directors, is material to the Group. The associated company as listed below has share capital consisting solely of ordinary shares, which is held directly by the Group and the country of incorporation is also their principal place of business.

Name	Principal activities	Country of business/ incorporation	Effective equity holding	
			2021	2020
			%	%
Held by a subsidiary:				
O.Z. S.p.A *	Investment holding, manufacturer, importer, exporter and distributor of alloy wheels	Italy	**35.51**	35.51

* Audited by Deloitte and Touche, Italy.

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

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

Summarised balance sheet

	2021	2020
	$'000	$'000
Current assets	**70,332**	72,797
Current liabilities	**(30,593)**	(27,834)
Non-current assets	**33,065**	31,949
Non-current liabilities	**(8,692)**	(11,738)
Net assets	**64,112**	65,174

Summarised statement of comprehensive income

	2021	2020
	$'000	$'000
Revenue	**97,384**	84,538
Expenses		
Includes:		
- Depreciation and amortisation	**(4,273)**	(4,329)
- Interest expense	**(160)**	(183)
Profit before income tax	**12,653**	9,504
Income tax expense	**(3,318)**	(2,065)
Profit for the year and total comprehensive income	**9,335**	7,439
Dividends received from an associated company	**1,867**	1,148

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**

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14. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Reconciliation of summarised financial information

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

	2021	2020
	$'000	$'000
Net assets		
Beginning of financial year	**65,174**	55,249
Profit for the year	**9,335**	7,439
Dividends paid during the year	**(5,258)**	(3,234)
Foreign exchange differences	**(5,139)**	5,720
End of financial year	**64,112**	65,174
Interest in an associated company	**22,766**	23,143
Carrying value of Group's investment in an associated company	**22,766**	23,143

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021	2020
	$'000	$'000
Equity investment at cost		
Beginning of financial year	**102,207**	100,325
Additions	**-**	2,152
Disposals	**-**	(270)
End of financial year	**102,207**	102,207

NOTES TO THE **FINANCIAL STATEMENTS**

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15. **INVESTMENTS IN SUBSIDIARIES** (CONTINUED)

The Group has the following subsidiaries as at 31 December 2021 and 2020:

	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	
				2021	2020	**2021**	2020	**2021**	2020
	Held by the Company:			**%**	%	**%**	%	**%**	%
(a)	YHI Manufacturing (Singapore) Pte Ltd	Investment holding, import and export of alloy wheels and related goods	Singapore	**100**	100	**100**	100	**-**	-
(a)	YHI Corporation (Singapore) Pte Ltd	Importer, exporter and distributor of tyres, alloy wheels and related goods and industrial batteries	Singapore	**100**	100	**100**	100	**-**	-
(b)	YHI (Malaysia) Sdn Bhd	Importer and distributor of tyres, alloy wheels and related goods and industrial batteries	Malaysia	**100**	100	**100**	100	**-**	-
(c)	YHI (China) Strategy Company Limited	Investment holding and trading of batteries	Hong Kong	**100**	100	**100**	100	**-**	-
(c)	YHI (Hong Kong) Co., Limited	Trading of tyres, alloy wheels and batteries	Hong Kong	**100**	100	**100**	100	**-**	-
(d)	YHI International (Taiwan) Co., Ltd.	Manufacturing, distribution and export of alloy wheels	Taiwan	**100**	100	**100**	100	**-**	-
(e)	YHI (Australia) Pty Limited	Importer and distributor of tyres, alloy wheels and related goods	Australia	**80**	80	**80**	80	**20**	20
(f)	YHI (New Zealand) Limited	Importer and distributor of tyres, alloy wheels and related goods	New Zealand	**85**	85	**85**	85	**15**	15
(g)	YHI Power Pty Limited	Importer and distributor of industrial batteries	Australia	**80**	80	**80**	80	**20**	20
(a)	YHI Logistics (Singapore) Pte Ltd*	Investment holding and value-added logistics provider	Singapore	**100**	100	**100**	100	**-**	-

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
				2021	2020	**2021**	2020	**2021**	2020
	Held by the subsidiaries:			**%**	%	**%**	%	**%**	%
(h)	YHI Manufacturing (Shanghai) Co., Ltd	Rental of investment property	People's Republic of China	**-**	-	**100**	100	**-**	-
(h)	YHI Precision Moulding (Shanghai) Co., Ltd*	Manufacturing and supply of alloy wheels moulds	People's Republic of China	**-**	-	**100**	100	**-**	-
(h), (i)	YHI Advanti Manufacturing (Suzhou) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**-**	-	**100**	100	**-**	-
(b)	YHI Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**-**	-	**100**	100	**-**	-
(a)	YHI (America) Pte Ltd	Investment holding	Singapore	**-**	-	**100**	100	**-**	-
(l)	Pan-Mar Corporation D/B/A Konig (American)	Importer, exporter and distributor of tyres, alloy wheels and related goods	United States of America	**-**	-	**95**	95	**5**	5
(j)	YHI Corporation (Thailand) Co., Ltd	Distribution of tyres, alloy wheels and related goods	Thailand	**-**	-	**49**	49	**51**	51
(b)	Evo-Trend Corporation (Malaysia) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Malaysia	**-**	-	**70**	70	**30**	30

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
				2021	2020	**2021**	2020	**2021**	2020
	Held by the subsidiaries (continued):			**%**	%	**%**	%	**%**	%
(k)	YHI Corporation (Guangzhou) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**-**	-	**100**	100	**-**	-
(m)	Advanti Racing USA, LLC	Wholesale distribution of automotive parts, tyres and accessories	United States of America	**-**	-	**86**	86	**14**	14
(n)	PT YHI Indonesia	Distribution of tyres, alloy wheels and related goods	Indonesia	**-**	-	**90**	90	**10**	10
(o)	YHI Corporation (B) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Negara Brunei Darussalam	**-**	-	**100**	100	**-**	-
(h)	YHI Corporation (Shanghai) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**-**	-	**90**	90	**10**	10
(b)	YHI (East Malaysia) Sdn Bhd	Trading of tyres, rims and all kinds of auto spare parts	Malaysia	**-**	-	**80**	80	**20**	20
(b)	YHI Power (Malaysia) Sdn Bhd	Trading of batteries, golf carts and all kinds of auto spare parts	Malaysia	**-**	-	**100**	100	**-**	-

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
				2021	2020	**2021**	2020	**2021**	2020
	Held by the subsidiaries (continued):			**%**	%	**%**	%	**%**	%
(h)	YHI Advanti (Shanghai) Co., Ltd	Importer, exporter and distributor of alloy wheels and related goods	People's Republic of China	**-**	-	**100**	100	**-**	-
(b)	YHI Advanti Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**-**	-	**100**	100	**-**	-
(p)	YHI (Vietnam) Co., Ltd	Distribution of tyres, alloy wheels and related goods	Vietnam	**-**	-	**90**	90	**10**	10
(q)	YHI (Philippines) Inc.	Distribution of tyres, alloy wheels and related goods	Philippines	**-**	-	**100**	100	**-**	-
(b)	YHI Logistics (Malaysia) Sdn Bhd*	Value-added logistics provider	Malaysia	**-**	-	**94**	94	**6**	6
(r)	YHI Aung (Myanmar) Company Limited	Consultancy services, technology related services and marketing services	Myanmar	**-**	-	**51**	51	**49**	49
(s)	YHI Distribution (Taiwan) Co., Ltd	Importer and distributor of tyres	Taiwan	**-**	-	**80**	80	**20**	20
(b)	Yokohama Tyre Sales Malaysia Sdn Bhd	Distribution of tyres and related goods	Malaysia	**-**	-	**100**	-	**-**	-

NOTES TO THE **FINANCIAL STATEMENTS**

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15. **INVESTMENTS IN SUBSIDIARIES** (CONTINUED)

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Audited by SE Lai CK Chartered Accountants, Malaysia

(c) Audited by Wilson Ho & Co. C.P.A., Hong Kong

(d) Audited by KPMG, Taiwan

(e) Audited by Littlewoods Chartered Accountant, Australia

(f) Audited by PricewaterhouseCoopers, New Zealand

(g) Audited by Lamb Lowe & Partners, Australia

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

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

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

(k) Audited by Guangzhou Shucheng Certified Public Accountants Co., Ltd. for local statutory purposes. For the purpose of preparing the consolidated financial statements, these financial statements have been audited by Wilson Ho & Co. C.P.A., Hong Kong

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

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

(n) Audited by Krisnawan Nugroho & Fahmy, Indonesia

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

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

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

(r) Audited by ACA Audit Firm, Yangon

(s) Audited by Horng Yow & Co., CPAS, Taiwan

* Dormant

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.

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15. **INVESTMENTS IN SUBSIDIARIES** (CONTINUED)

Carrying value of non-controlling interests

	2021	2020
	$'000	$'000
YHI (Australia) Pty Limited	**3,366**	4,272
YHI (New Zealand) Limited	**2,579**	2,440
YHI Power Pty Limited	**2,254**	1,840
Other subsidiaries with immaterial non-controlling interests	**(177)**	(356)
	8,022	8,196

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.

Summarised balance sheet

	YHI (New Zealand) Limited		**YHI (Australia) Pty Limited**		**YHI Power Pty Limited**	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current						
Assets	**34,840**	23,855	**20,735**	24,363	**22,680**	18,950
Liabilities	**(20,581)**	(10,434)	**(5,652)**	(4,484)	**(13,430)**	(11,157)
Total current net assets	**14,259**	13,421	**15,083**	19,879	**9,250**	7,793
Non-current						
Assets	**8,927**	8,208	**12,758**	7,381	**4,947**	3,743
Liabilities	**(5,994)**	(5,355)	**(11,012)**	(5,899)	**(2,929)**	(2,239)
Total non-current net assets	**2,933**	2,853	**1,746**	1,482	**2,018**	1,504
Net assets	**17,192**	16,274	**16,829**	21,361	**11,268**	9,297

Summarised income statement

	YHI (New Zealand) Limited		**YHI (Australia) Pty Limited**		**YHI Power Pty Limited**	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**55,504**	47,859	**29,626**	36,451	**52,340**	45,045
Profit/(loss) before income tax	**3,565**	2,645	**(1,412)**	738	**4,519**	3,676
Income tax expense	**(1,007)**	(746)	**-**	-	**(1,360)**	(1,107)
Profit/(loss) for the year and total comprehensive income	**2,558**	1,899	**(1,412)**	738	**3,159**	2,569
Total comprehensive income/(loss) allocated to non-controlling interests	**384**	285	**(282)**	148	**632**	514
Dividends paid to non-controlling interests	**168**	222	**505**	286	**123**	159

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15. **INVESTMENTS IN SUBSIDIARIES** (CONTINUED)

Summarised cash flows

	YHI (New Zealand) Limited		**YHI (Australia) Pty Limited**		**YHI Power Pty Limited**	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Net cash (used in)/generated from operating activities	**(4,362)**	9,742	**1,091**	8,849	**548**	3,281
Net cash (used in)/generated from investing activities	**(279)**	(278)	**(131)**	(1,178)	**399**	(906)
Net cash generated from/(used in) financing activities	**4,208**	(10,121)	**(4,353)**	(3,904)	**(1,660)**	(1,755)
Net (decrease)/increase in cash and bank balances	**(433)**	(657)	**(3,393)**	3,767	**(713)**	620
Cash and bank balances at beginning of year	**345**	955	**6,185**	2,248	**1,162**	504
Exchange (losses)/gains on cash and bank balances	**(10)**	47	**(204)**	170	**(38)**	38
Cash and bank balances at end of year	**(98)**	345	**2,588**	6,185	**411**	1,162

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Leasehold properties	Office equipment, plant and machinery	Motor vehicles	Renovation	Computers	Furniture and fittings	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
2021										
Cost										
Beginning of financial year	9,172	1,820	55,717	105,465	8,153	1,804	3,578	1,647	-	187,356
Currency translation differences	(115)	(26)	595	2,274	(123)	(28)	1	(12)	-	2,566
Additions	-	-	14	1,293	1,561	221	206	51	450	3,796
Disposals	-	-	-	(3,627)	(641)	(75)	(89)	(31)	-	(4,463)
Reclassification	-	-	146	50	-	-	19	-	(215)	-
Reclassified from right-of-use assets (Note 17)	-	-	-	-	54	-	-	-	-	54
Reclassified to disposal group held for sale (Note 13)	-	-	-	(109)	(379)	-	(60)	-	-	(548)
End of financial year	9,057	1,794	56,472	105,346	8,625	1,922	3,655	1,655	235	188,761
Accumulated depreciation and impairment loss										
Beginning of financial year	-	76	15,913	91,253	5,993	1,176	3,267	1,400	-	119,078
Currency translation differences	-	(4)	180	2,126	(82)	(19)	(1)	(10)	-	2,190
Depreciation (Note 5)	-	19	1,752	3,991	834	115	195	104	-	7,010
Disposals	-	-	-	(2,896)	(646)	(55)	(89)	(28)	-	(3,714)
Reclassified from right-of-use assets (Note 17)	-	-	-	-	34	-	-	-	-	34
Reclassified to disposal group held for sale (Note 13)	-	-	-	(76)	(329)	-	(54)	-	-	(459)
End of financial year	-	91	17,845	94,398	5,804	1,217	3,318	1,466	-	124,139
Net book value										
End of financial year	**9,057**	**1,703**	**38,627**	**10,948**	**2,821**	**705**	**337**	**189**	**235**	**64,622**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings on freehold land	Leasehold properties	Office equipment, plant and machinery	Motor vehicles	Renovation	Computers	Furniture and fittings	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
2020										
Cost										
Beginning of financial year	9,180	1,822	54,985	106,681	7,662	1,575	3,342	1,610	1,422	188,279
Currency translation differences	(8)	(2)	723	3,584	252	25	132	17	70	4,793
Additions	-	-	9	1,577	754	204	192	23	830	3,589
Disposals	-	-	-	(8,699)	(551)	-	(88)	(3)	-	(9,341)
Reclassification	-	-	-	2,322	-	-	-	-	(2,322)	-
Reclassified from right-of-use assets (Note 17)	-	-	-	-	36	-	-	-	-	36
End of financial year	9,172	1,820	55,717	105,465	8,153	1,804	3,578	1,647	-	187,356
Accumulated depreciation and impairment loss										
Beginning of financial year	-	58	14,008	89,944	5,568	1,024	2,922	1,256	-	114,780
Currency translation differences	-	1	162	3,341	181	15	122	15	-	3,837
Depreciation (Note 5)	-	17	1,743	5,616	757	137	289	132	-	8,691
Disposals	-	-	-	(7,648)	(539)	-	(66)	(3)	-	(8,256)
Reclassified from right-of-use assets (Note 17)	-	-	-	-	26	-	-	-	-	26
End of financial year	-	76	15,913	91,253	5,993	1,176	3,267	1,400	-	119,078
Net book value										
End of financial year	**9,172**	**1,744**	**39,804**	**14,212**	**2,160**	**628**	**311**	**247**	**-**	**68,278**

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicle	
	2021	2020
Company	**$'000**	$'000
Cost		
Beginning of financial year	**352**	352
Additions	**520**	-
Disposals	**(350)**	-
End of financial year	**522**	352
Accumulated depreciation		
Beginning of financial year	**352**	350
Depreciation charge	**35**	2
Disposals	**(350)**	-
End of financial year	**37**	352
Net book value		
End of financial year	**485**	-

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

	Group	
	2021	2020
	$'000	$'000
Freehold land	**499**	505
Buildings on freehold land	**397**	419
Leasehold properties	**19,410**	20,451
Plant and machinery	**581**	290
Office equipment	**2,013**	1,654
	22,900	23,319

17. LEASES – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Buildings

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

NOTES TO THE **FINANCIAL STATEMENTS**

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

Nature of the Group's leasing activities (continued)

Leasehold land

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

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

Vehicles and equipment

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

(a) Right-of-use assets

	Leasehold land	Office and warehouse	Motor vehicles	Plant and equipment	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Group					
2021					
Cost					
As at 1 January 2021	13,469	26,455	940	212	41,076
Reclassification to property, plant and equipment (Note 16)	-	-	(54)	-	(54)
Currency translation differences	159	(610)	(26)	(3)	(480)
Additions	-	11,672	356	90	12,118
Disposals	-	(4,433)	(294)	(97)	(4,824)
End of financial year	13,628	33,084	922	202	47,836
Accumulated depreciation					
As at 1 January 2021	2,458	9,252	591	123	12,424
Reclassification to property, plant and equipment (Note 16)	-	-	(34)	-	(34)
Currency translation differences	51	(320)	(24)	(3)	(296)
Depreciation charge during the year (Note 5)	624	5,912	273	49	6,858
Disposals	-	(4,233)	(294)	(87)	(4,614)
End of financial year	3,133	10,611	512	82	14,338
Net book value					
End of financial year	**10,495**	**22,473**	**410**	**120**	**33,498**

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

(a) Right-of-use assets (continued)

	Leasehold land	Office and warehouse	Motor vehicles	Plant and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Group					
2020					
Cost					
As at 1 January 2020	13,257	20,798	843	197	35,095
Reclassification to property, plant and equipment (Note 16)	-	-	(36)	-	(36)
Currency translation differences	212	1,057	36	9	1,314
Additions	-	6,943	127	39	7,109
Disposals	-	(2,343)	(30)	(33)	(2,406)
End of financial year	13,469	26,455	940	212	41,076
Accumulated depreciation					
As at 1 January 2020	1,795	5,332	333	66	7,526
Reclassification to property, plant and equipment (Note 16)	-	-	(26)	-	(26)
Currency translation differences	48	486	28	6	568
Depreciation charge during the year (Note 5)	615	5,756	286	63	6,720
Disposals	-	(2,322)	(30)	(12)	(2,364)
End of financial year	2,458	9,252	591	123	12,424
Net book value					
End of financial year	**11,011**	**17,203**	**349**	**89**	**28,652**

NOTES TO THE FINANCIAL STATEMENTS
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17. LEASES – THE GROUP AS A LESSEE (CONTINUED)

		2021	2020
		$'000	$'000
(b)	**Lease liabilities**		
	Current	5,801	5,338
	Non-current	25,172	20,378
		30,973	25,716

		2021	2020
		$'000	$'000
(c)	**Interest expense**		
	Interest expense on lease liabilities	1,289	1,074

		2021	2020
		$'000	$'000
(d)	**Lease expense not capitalised in lease liabilities**		
	Lease expense – short-term leases	12	15
	Variable lease payments which do not depend on an index or rate	384	235
	Total (Note 5)	396	250

(e) Total cash outflow for all the leases in 2021 was $7,960,000 (2020: $7,774,000).

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

i. Variable lease payments

The leases for certain warehouses contain variable lease payments that are based on area occupied. Such variable lease payments are recognised to profit or loss when incurred and amounted to $384,000 (2020: $235,000) [Note 17(d)] for the financial year ended 31 December 2021.

ii. Extension options

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

As at 31 December 2021, potential future (undiscounted) cash outflows of approximately $6,468,000 (2020: $7,295,000) have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18. LEASES – THE GROUP AS A LESSOR

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

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

Rental income from investment property is disclosed in Note 19.

The lease on the investment property includes fixed rate rental adjustment of 6% (2020: 6%) at every three years. Undiscounted lease payments from the leases of buggies and investment property to be received after the reporting date are as follows:

	31 December 2021	31 December 2020
	$'000	$'000
Less than one year	**3,439**	3,299
One to two years	**3,274**	3,092
Two to three years	**3,269**	3,049
Three to four years	**3,269**	3,137
Four to five years	**3,367**	3,137
Later than five years	**1,733**	4,894
Total undiscounted lease payment	**18,351**	20,608

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. INVESTMENT PROPERTY

	Group	
	2021	2020
	$'000	$'000
Cost		
Beginning of financial year	**16,801**	16,017
Currency translation differences	**754**	784
End of financial year	**17,555**	16,801
Accumulated depreciation		
Beginning of financial year	**7,139**	6,410
Currency translation differences	**333**	326
Depreciation (Note 5)	**420**	403
End of financial year	**7,892**	7,139
Net book value		
End of financial year	**9,663**	9,662
Fair value		
End of financial year	**26,542**	26,114

The following amounts are recognised in profit or loss:

	Group	
	2021	2020
	$'000	$'000
Rental income	**3,266**	2,834
Direct operating expenses arising from:		
- Investment property that generate rental income	**(46)**	(49)

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

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

Fair value hierarchy

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20. INTANGIBLE ASSETS

Composition:

	Group	
	2021	2020
	$'000	$'000
Goodwill arising on consolidation [Note (a)]	**1,164**	1,673
Trademark [Note (b)]	**1,195**	1,055
Computer software [Note (c)]	**392**	798
	2,751	3,526

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

(a) Goodwill arising on consolidation

	Group	
	2021	2020
	$'000	$'000
Cost		
Beginning of financial year	**2,443**	2,436
Reclassification to disposal group held for sale (Note 13)	**(505)**	-
Currency translation differences	**(4)**	7
End of financial year	**1,934**	2,443
Accumulated impairment		
Beginning of financial year	**770**	770
Reclassification to disposal group held for sale (Note 13)	**-**	-
End of financial year	**770**	770
Net book value	**1,164**	1,673

Impairment tests for goodwill

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

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

	Distribution of automotive and industrial products	
	2021	2020
	$'000	$'000
Singapore	**881**	881
Malaysia	**-**	505
China/Hong Kong	**59**	59
New Zealand	**224**	228
	1,164	1,673

NOTES TO THE **FINANCIAL STATEMENTS**

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20. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation (continued)

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

Key assumptions used for value-in-use calculations:

	Distribution of automotive and industrial products			
	2021		2020	
	Singapore	**Malaysia**	Singapore	Malaysia
Terminal growth rate	**2.5%**	**-**	2.0%	2.0%
Pre-tax discount rate	**12.2%**	**-**	9.5%	11.0%

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

(b) Trademark

	Group	
	2021	2020
	$'000	$'000
Cost		
Beginning of financial year	**1,861**	1,861
Additions	**202**	-
End of financial year	**2,063**	1,861
Accumulated amortisation		
Beginning of financial year	**806**	744
Amortisation charge (Note 5)	**62**	62
End of financial year	**868**	806
Net book value	**1,195**	1,055

NOTES TO THE **FINANCIAL STATEMENTS**
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20. INTANGIBLE ASSETS (CONTINUED)

(c) Computer software

	Group	
	2021	2020
	$'000	$'000
Cost		
Beginning of financial year	**2,370**	2,297
Currency translation differences	**1**	64
Additions	**11**	9
End of financial year	**2,382**	2,370
Accumulated amortisation		
Beginning of financial year	**1,572**	1,119
Currency translation differences	**(9)**	36
Amortisation charge (Note 5)	**427**	417
End of financial year	**1,990**	1,572
Net book value	**392**	798

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Trade payables to - Non-related parties	**21,377**	21,441	**-**	-
- An associated company	**32**	29	**-**	-
	21,409	21,470	**-**	-
Due to directors (non-trade) [Note (a)]	**1,519**	1,320	**1,519**	1,320
Accrued operating expenses	**7,299**	7,306	**554**	551
Provision for employees leave benefits [Note (b)]	**2,419**	2,218	**-**	-
Other payables	**13,157**	8,425	**19**	31
Deferred government grant	**-**	318	**-**	-
Contract liabilities [Note (c)]	**1,153**	1,333	**-**	-
	46,956	42,390	**2,092**	1,902

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21. TRADE AND OTHER PAYABLES (CONTINUED)

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

(b) The non-current portion of employees leave benefits amount to $542,000 (2020: $505,000).

(c) *Revenue recognised in relation to contract liabilities*

	2021	2020
	$'000	$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period	**1,333**	551

The contract liabilities relate to advance payments received from customers before the goods are delivered to them. Revenue will be recognised when the goods are delivered to the customers. Contract liabilities balance as at 1 January 2020 was $551,000.

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount	**Group Fair value**	
		Asset	**Liability**
	$'000	**$'000**	**$'000**
2021			
Non-hedging instruments			
- Currency forwards	**8,354**	-	**45**
Less: Current portion		-	**(45)**
Non-current portion		-	**-**

	Contract notional amount	**Group Fair value**	
		Asset	**Liability**
	$'000	**$'000**	**$'000**
2020			
Non-hedging instruments			
- Currency forwards		-	1,076
Less: Current portion	26,638	-	(1,076)
Non-current portion		-	-

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

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23. BORROWINGS

	Group	
	2021	2020
	$'000	$'000
Current		
Current portion of long-term bank loans	**1,539**	469
Short-term bank loans	**26,821**	25,172
Trust receipt loans	**29,139**	16,982
Bank overdrafts (Note 10)	**1,212**	108
	58,711	42,731
Non-current		
Long-term bank loans	**3,871**	5,291
	3,871	5,291
Total borrowings	**62,582**	48,022

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

	Group	
	2021	2020
	$'000	$'000
1 year or less	**57,582**	43,022

Security granted

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

(i) Borrowings of $18,129,000 (2020: $21,112,000) are secured over a fixed and floating charge on all the assets of certain subsidiaries; and

(ii) In the prior financial year, borrowings of $20,000 were secured over banker's guarantees up to $4.4 million, given as security to other financial institutions which granted banking facilities to a certain subsidiary. The banker's guarantees are in turn secured by a fixed and floating charge on all the assets of another subsidiary referred to in paragraph (i) above.

NOTES TO THE **FINANCIAL STATEMENTS**

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24. SHARE CAPITAL AND TREASURY SHARES

	← No. of ordinary shares →		← Amount →	
	Issued share capital	**Treasury shares**	**Share capital**	**Treasury shares**
	'000	**'000**	**$'000**	**$'000**
2021				
Beginning and end of financial year	**292,296**	**1,896**	**77,001**	**(671)**
2020				
Beginning of financial year	292,296	-	77,001	-
Treasury shares purchased	-	1,896	-	(671)
End of financial year	292,296	1,896	77,001	(671)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The Company acquired Nil (2020: 1,896,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was Nil (2020: $671,000) and this was presented as a component within shareholder's equity.

On 24 December 2021 (the "Offering Date"), the Company granted an aggregate of 2,250,000 Incentive Options to eligible participants of the 2021 YHI Share Option Scheme which will entitle them to subscribe for a total number of 2,250,000 ordinary shares in the share capital of the Company. The 2,250,000 Incentive Options will expire on, inter alia, the tenth anniversary of the Offering Date. The outstanding share options represents approximately 0.77% of the Company's total number of issued shares as at 31 December 2021 based on the enlarged issued share capital of 292,649,811 (excluding 1,896,000 treasury shares and Nil subsidiary holdings).

Movements in the number of unissued ordinary shares under the 2021 YHI Share Option Scheme and their exercise prices are as follows:

	← No. of ordinary shares under option →						
	Beginning of financial year	**Granted during financial year**	**Forfeited during financial year**	**Exercised during financial year**	**End of financial year**	**Exercise price**	**Exercise period**
Group and Company							
2021							
2021 Options	-	-	-	-	-	$0.39	24.12.2023 – 23.12.2031

Out of the unexercised options for 2,250,000 shares, none were exercisable at the balance sheet date.

Subsequent to 31 December 2021, all 2,250,000 Incentive Options were accepted by the eligible participants and granted to them during the month of January 2022.

The fair value of options granted on 24 December 2021, determined using the Black Scholes Option Pricing Model was $539,000. The significant inputs into the model were the estimated share price of $0.52 at the grant date, the exercise price of $0.39, standard deviation of expected share price returns of 38.50%, dividend yield of 5.15%, the expected option life of six years and the annual risk-free interest rate of 1.40%. The volatility measured on the standard deviation of expected share price returns was estimated based on statistical analysis of share prices over the last six years.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

25. OTHER RESERVES

	Group 2021	Group 2020
	$'000	$'000
(a) Composition:		
General reserve	**7,749**	7,729
Currency translation reserve	**(1,618)**	(971)
Transactions with non-controlling interests	**(2,352)**	(2,352)
	3,779	4,406

Other reserves are non-distributable.

	Group 2021	Group 2020
	$'000	$'000
(b) Movements:		
(i) General reserve		
Beginning of financial year	**7,729**	7,553
Currency translation differences	**(27)**	3
Transfer from retained profits	**47**	173
End of financial year	**7,749**	7,729
(ii) Currency translation reserve		
Beginning of financial year	**(971)**	(8,671)
Currency translation differences	**(647)**	7,700
End of financial year	**(1,618)**	(971)
(iii) Transactions with non-controlling interests		
Beginning of financial year	**(2,352)**	(2,210)
Disposal of interest in subsidiary without change in control	**-**	(148)
Acquisition of additional interest in subsidiary	**-**	6
End of financial year	**(2,352)**	(2,352)

NOTES TO THE **FINANCIAL STATEMENTS**

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25. 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.

Transactions with non-controlling interests

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

26. RETAINED PROFITS

(a) Retained profits of the Group are distributable except for accumulated share of retained profits of associated company amounting to $16,648,000 (2020: $14,215,000). Retained profits of the Company are distributable.

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

	Company	
	2021	2020
	$'000	$'000
Beginning of financial year	**56,859**	57,509
Net profit	**10,063**	5,839
Dividends paid (Note 27)	**(9,583)**	(6,489)
End of financial year	**57,339**	56,859

27. Dividends

	Group and Company	
	2021	2020
	$'000	$'000
Ordinary dividends paid or proposed		
Final exempt dividend paid in respect of the previous financial year of 3.30 cents (2020: 2.22 cents) per share	**9,583**	6,489

A final exempt dividend of 3.60 cents per share amounting to a total of $10,454,000 will be recommended at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2022.

NOTES TO THE **FINANCIAL STATEMENTS**
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28. COMMITMENTS

Capital commitments

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

	Group 31 December	
	2021	2020
	$'000	$'000
Property, plant and equipment	**96**	730

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Currency risk

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

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Renminbi ("RMB"), Malaysian Ringgit ("MYR"), Australian Dollar ("AUD"), New Zealand Dollar ("NZD") and European Dollar ("EUR"). To manage the currency risk, individual Group entities enter into currency forwards, where appropriate. As at 31 December 2021, the Group entered into currency forwards to manage currency risk from its foreign currency denominated sales in respect of which firm commitment existed at the balance sheet date as well as purchases in foreign currencies. The Group's exposures to foreign currencies are primarily managed through matching financial assets and financial liabilities denominated in foreign currencies. The Group does not utilise currency forwards or other arrangements for trading or speculative purposes.

NOTES TO THE **FINANCIAL STATEMENTS**

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	USD	RMB	AUD	MYR	NZD	EUR
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2021						
Financial assets						
Cash and bank balances	28,690	11,184	2,999	13,765	-	1,709
Trade and other receivables	15,592	9,797	12,877	3,623	7,438	1,412
Inter-company balances	7,400	9,589	1,542	17,358	282	1,383
	51,682	30,570	17,418	34,746	7,720	4,504
Financial liabilities						
Borrowings	9,854	93	7,958	3,080	9,129	1,020
Inter-company balances	7,400	9,589	1,542	17,358	282	1,383
Trade and other payables	6,260	8,214	5,557	7,690	4,327	245
Lease liabilities	862	-	16,026	1,147	7,678	-
	24,376	17,896	31,083	29,275	21,416	2,648
Net financial assets/(liabilities)	27,306	12,674	(13,665)	5,471	(13,696)	1,856
Currency forwards	8,103	-	251	-	-	-
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	1,110	(10,933)	15,184	(4,717)	13,977	-
Currency exposure on financial assets	**36,519**	**1,741**	**1,770**	**754**	**281**	**1,856**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	USD	RMB	AUD	MYR	NZD	EUR
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2020						
Financial assets						
Cash and bank balances	33,095	8,435	7,347	13,913	329	4,143
Trade and other receivables	10,470	11,671	13,304	3,466	6,410	2,175
Inter-company balances	11,783	12,348	430	17,515	281	-
	55,348	32,454	21,081	34,894	7,020	6,318
Financial liabilities						
Borrowings	3,028	-	6,955	2,291	2,157	4,189
Inter-company balances	11,783	12,348	430	17,515	281	-
Trade and other payables	7,960	8,216	4,654	3,824	4,625	164
Lease liabilities	1,112	-	9,741	2,745	6,854	-
	23,883	20,564	21,780	26,375	13,917	4,353
Net financial assets/(liabilities)	31,465	11,890	(699)	8,519	(6,897)	1,965
Currency forwards	2,165	-	874	-	-	6
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	2,233	(10,426)	620	(7,979)	7,178	-
Currency exposure on financial assets	**35,863**	**1,464**	**795**	**540**	**281**	**1,971**

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	31 December 2021		31 December 2020	
	USD	**AUD**	USD	AUD
	$'000	**$'000**	$'000	$'000
Financial assets				
Cash and bank balances	**1,142**	**-**	834	-
Trade and other receivables	**52**	**1,534**	44	341
	1,194	**1,534**	878	341
Financial liabilities				
Borrowings	**-**	**-**	-	-
Trade and other payables	**-**	**-**	-	-
	-	**-**	-	-
Net financial assets	**1,194**	**1,534**	878	341
Less: Net financial assets denominated in functional currency	**-**	**-**	-	-
Currency exposure on financial assets	**1,194**	**1,534**	878	341

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the USD, RMB, AUD, MYR, NZD and EUR change against the SGD by 2.1% (2020: 2.0%), 0.8% (2020: 0.9%), 1.6% (2020: 1.1%), 1.4% (2020: 0.1%), 1.5% (2020: 0.6%) and 0.8% (2020: 2.1%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	← Increase/(decrease) →	
	31 December	
	2021	2020
	Profit after tax	Profit after tax
	$'000	$'000
Group		
USD against SGD		
- Strengthened	**637**	595
- Weakened	**(637)**	(595)
RMB against SGD		
- Strengthened	**12**	11
- Weakened	**(12)**	(11)
AUD against SGD		
- Strengthened	**24**	7
- Weakened	**(24)**	(7)
MYR against SGD		
- Strengthened	**9**	1
- Weakened	**(9)**	(1)
NZD against SGD		
- Strengthened	**3**	1
- Weakened	**(3)**	(1)
EUR against SGD		
- Strengthened	**12**	34
- Weakened	**(12)**	(34)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

Reasonable possible change in the currency exchange rates does not have significant effects on the results and the equity of the Company.

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

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

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

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD, AUD, RMB, NZD and MYR. If the SGD, AUD, RMB, NZD and MYR interest rates per annum increase/decrease by 0.5% (2020: 1.1%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by $37,000 (2020: $112,000), $33,000 (2020: $65,000), $6,000 (2020: $6,000), $38,000 (2020: $20,000) and $53,000 (2020: $82,000) respectively as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade receivables and amount due from subsidiaries. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining 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 Head of Companies 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 Group Finance.

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

	Company	
	31 December	
	2021	2020
	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' loans	**62,173**	47,378

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

The trade receivables at the Group comprise 3 debtors (2020: 3 debtors) that individually represent 3-4% (2020: 3-9%) of trade receivables.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. 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	
	31 December	
	2021	2020
	$'000	$'000
By geographical areas		
Australia	**12,232**	12,779
Germany	**6,920**	4,116
Indonesia	**2,792**	2,452
Italy	**1,584**	2,101
Malaysia	**2,657**	2,762
New Zealand	**7,291**	6,394
People's Republic of China	**2,962**	2,890
Singapore	**9,561**	10,090
Sweden	**3,285**	714
Taiwan	**3,208**	2,661
Thailand	**860**	1,238
United Kingdom	**628**	594
United States	**6,158**	7,939
Other countries	**9,896**	9,445
	70,034	66,175
By types of customers		
Non-related parties	**68,466**	64,148
A related party	**1,568**	2,027
	70,034	66,175

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	Trade receivables
Group	$'000
Balance at 1 January 2021	**5,255**
Credit loss allowance recognised in profit or loss during the year on:	
- Allowances made	**1,097**
- Reversal of unutilised amounts	**(1,274)**
	(177)
Receivables written off as uncollectible	**(140)**
Currency translation difference	**(159)**
Balance at 31 December 2021	**(4,779)**
Balance at 1 January 2020	4,533
Credit loss allowance recognised in profit or loss during the year on:	
- Allowances made	1,792
- Reversal of unutilised amounts	(447)
	1,345
Receivables written off as uncollectible	(737)
Currency translation difference	114
Balance at 31 December 2020	5,255

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables

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

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

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

Trade receivables are written off when there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in profit or loss.

As at 31 December 2021 and 2020, management has identified certain specific debtors to be credit impaired as they experienced significant financial difficulties or are in the process of liquidation. For these specific debtors, the Group continues to engage in enforcement activities to attempt to recover the receivables due. Hence, management has assessed the recoverability of the outstanding balances separately from the provision matrix. Hence, management has assessed the recoverability of the outstanding balances separately from the provision matrix.

	31 December	
	2021	2020
Group	**$'000**	$'000
Gross carrying amount	**4,342**	4,490
Less: credit loss allowance	**(4,342)**	(4,490)
Carrying amount net of allowance	**-**	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) *Trade receivables* (continued)

The Group's credit risk exposure in relation to trade receivables presented using debtor's aging based on invoice date as at 31 December 2021 and 2020 are set out as follows:

	Within 30 days	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2021						
Distribution						
Expected credit loss rate	0.1%	0.3%	0.6%	1.9%	20.7%	
Trade receivables	26,720	12,897	6,472	1,824	960	48,873
Credit loss allowance	40	42	37	34	199	352
Manufacturing						
Expected credit loss rate	0.2%	0.3%	0.4%	0.6%	3.7%	
Trade receivables	8,603	8,145	3,435	630	785	21,598
Credit loss allowance	13	26	13	4	29	85

	Within 30 days	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2020						
Distribution						
Expected credit loss rate	0.2%	0.3%	0.6%	1.6%	28.3%	
Trade receivables	26,962	12,551	5,623	1,841	2,131	49,108
Credit loss allowance	45	43	34	30	604	756
Manufacturing						
Expected credit loss rate	0.1%	0.1%	0.1%	0.3%	10.0%	
Trade receivables	7,302	5,520	4,594	386	30	17,832
Credit loss allowance	1	1	3	1	3	9

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Cash and bank balances

The Group and Company held cash and bank balances of $84,854,000 and $6,430,000 respectively (2020: $84,620,000 and $5,334,000) with banks which are rated BBB- to AA- and A+ to AA- respectively based on Standard & Poor and considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

(iii) Non-trade receivables due from subsidiaries

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual obligations of $26,624,000 (2020: $27,520,000) and considered to have low credit risk. The non-trade receivables are measured on 12-month expected credit losses and subject to immaterial credit loss.

(iv) Financial guarantee contracts

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

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years
	$'000	**$'000**	**$'000**
Group			
At 31 December 2021			
Trade and other payables	**43,384**	**-**	**-**
Lease liabilities	**6,832**	**18,283**	**11,261**
Borrowings	**58,800**	**3,985**	**-**
	109,016	**22,268**	**11,261**
At 31 December 2020			
Trade and other payables	38,521	-	-
Lease liabilities	5,775	13,550	9,707
Borrowings	42,931	5,390	-
	87,227	18,940	9,707

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 5 years	Over 5 years
	$'000	$'000	$'000
Company			
At 31 December 2021			
Trade and other payables	**2,092**	**-**	**-**
Financial guarantee	**62,173**	**-**	**-**
	64,265	**-**	**-**
At 31 December 2020			
Trade and other payables	1,902	-	-
Financial guarantee	47,378	-	-
	49,280	-	-

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

	Less than 1 year	Between 1 and 5 years
	$'000	$'000
Group		
At 31 December 2021		
Gross settled currency forwards		
- Receipts	**8,309**	-
- Payments	**(8,354)**	-
At 31 December 2020		
Gross settled currency forwards		
- Receipts	25,562	-
- Payments	(26,638)	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. 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, are to maintain net gearing ratios below 50% and maximum 30% respectively.

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

	Group		**Company**	
	31 December		**31 December**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Net debt	**8,701**	(10,882)	**(6,430)**	(5,334)
Total capital and reserves attributable to equity holders	**286,289**	275,381	**133,669**	133,189
Net gearing ratio	**3%**	NM	**NM**	NM

NM – Not meaningful

Financial covenants relating to the Group's and Company's borrowings include consolidated tangible net worth, 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 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements

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

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

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

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

	Level 2
	$'000
Group	
As at 31 December 2021	
Derivative financial instruments	
- Asset	**-**
- Liability	**45**
As at 31 December 2020	
Derivative financial instruments	
- Asset	-
- Liability	1,076

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

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed in Note 22 to the financial statements, and the following:

	Group		**Company**	
	31 December		**31 December**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Financial assets, at amortised cost	**160,408**	155,378	**33,057**	32,874
Financial liabilities, at amortised cost	**136,939**	112,259	**2,092**	1,902

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30. 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.

31. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	Group	
	2021	2020
	$'000	$'000
Sales of goods to an associated company	**6,107**	7,767
Purchases of goods from an associated company	**(638)**	(1,106)

Outstanding balances as at 31 December 2021, arising from sale/purchase of goods to/from associated company, are unsecured, receivable/payable within 12 months from balance sheet date and are set out in Notes 11 and 21 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2021	2020
	$'000	$'000
Salaries and other short-term employee benefits	**5,200**	4,742
Employer's contribution to defined contribution plans, including Central Provident Fund	**115**	112
	5,315	4,854

Included in the above was total compensation to directors of the Company amounting to $2,403,000 (2020: $2,156,000).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. SEGMENT INFORMATION

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

Management manages and monitors three operating segments as follows:

- **Manufacturing**
  Regional areas include North East Asia and ASEAN which are engaged in the manufacturing of alloy wheels.

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

- **Rental**
  Regional area covers North East Asia which is engaged in rental activities.

The segment information provided to senior management for the year ended 31 December 2021 is as follows:

	← Manufacturing segment →			← Distribution segment →					Rental segment	
Segment Group	**North East Asia**	**ASEAN**	**Sub-total**	**North East Asia**	**ASEAN**	**Oceania**	**Others**	**Sub-total**	**North East Asia**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Sales										
Total segment sales	91,682	51,775	143,457	27,937	144,068	137,464	20,027	329,496	-	472,953
Inter-segment sales	(16,256)	(11,979)	(28,235)	-	-	-	-	-	-	(28,235)
Sales to external parties	75,426	39,796	115,222	27,937	144,068	137,464	20,027	329,496	-	444,718
Segment result	36	1,309	1,345	2,696	6,719	8,010	2,526	19,951	2,469	23,765
Other gains										4,528
Unallocated costs										-
										28,293
Finance expenses										(2,778)
Share of profit of an associated company	-	3,315	3,315	-	-	-	-	-	-	3,315
Profit before income tax										28,830
Income tax expense										(6,618)
Net profit										**22,212**
Segment assets	72,632	78,410	151,042	20,198	136,385	101,739	11,711	270,033	12,358	433,433
Segment assets includes:										
Investment in an associated company	-	22,766	22,766	-	-	-	-	-	-	22,766
Additions to:										
- Property, plant and equipment	794	402	1,196	47	903	1,650	-	2,600	-	3,796
- Intangible assets	-	-	-	6	4	-	203	213	-	213
- Right-of-use assets	-	-	-	203	632	11,079	204	12,118	-	12,118
Investment property	-	-	-	-	-	-	-	-	9,663	9,663
Segment liabilities	(9,576)	(3,712)	(13,288)	(2,774)	(21,917)	(36,674)	(2,884)	(64,249)	(934)	(78,471)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. SEGMENT INFORMATION (CONTINUED)

The segment information provided to senior management for the year ended 31 December 2020 is as follows:

	← Manufacturing segment →			← Distribution segment →					Rental segment	
Segment Group	**North East Asia**	**ASEAN**	**Sub-total**	**North East Asia**	**ASEAN**	**Oceania**	**Others**	**Sub-total**	**North East Asia**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Sales										
Total segment sales	79,313	55,234	134,547	33,702	130,175	129,354	18,959	312,190	-	446,737
Inter-segment sales	(14,491)	(9,451)	(23,942)	-	-	-	-	-	-	(23,942)
Sales to external parties	64,822	45,783	110,605	33,702	130,175	129,354	18,959	312,190	-	422,795
Segment result	4,149	366	4,515	1,822	2,830	8,080	1,329	14,061	2,025	20,601
Other gains										4,957
Unallocated costs										-
										25,558
Finance expenses										(2,904)
Share of profit of an associated company	-	2,663	2,663	-	-	-	-	-	-	2,663
Profit before income tax										25,317
Income tax expense										(5,751)
Net profit										**19,566**
Segment assets	69,398	76,421	145,819	21,935	117,961	83,537	9,035	232,468	12,351	390,638
Segment assets includes:										
Investment in an associated company	-	23,143	23,143	-	-	-	-	-	-	23,143
Additions to:										
- Property, plant and equipment	1,344	487	1,831	12	700	1,046	-	1,758	-	3,589
- Intangible assets	-	-	-	-	9	-	-	9	-	9
- Right-of-use assets	180	1,295	1,475	11	461	5,162	-	5,634	-	7,109
Investment property	-	-	-	-	-	-	-	-	9,662	9,662
Segment liabilities	(10,474)	(4,875)	(15,349)	(5,993)	(18,067)	(25,647)	(2,696)	(52,403)	(859)	(68,611)

Inter-segment sales are carried out at market terms. The revenue from external parties reported to senior management is measured in a manner consistent with that in profit or loss.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations

(i) Segment assets

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

Segment assets are reconciled to total assets as follows:

	Group	
	2021	2020
	$'000	$'000
Segment assets	**433,433**	390,638
Unallocated:		
Deferred income tax assets	**3,868**	4,695
Short-term bank deposits	**1,657**	9,725
Transferable club membership	**65**	65
	439,023	405,123

(ii) Segment liabilities

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

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2021	2020
	$'000	$'000
Segment liabilities	**78,471**	68,611
Unallocated:		
Income tax liabilities	**1,961**	2,362
Deferred income tax liabilities	**1,653**	1,475
Borrowings	**62,582**	48,022
Derivative financial instruments	**45**	1,076
	144,712	121,546

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. 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	
	2021	2020
	$'000	$'000
Distribution of automotive and industrial products	**329,496**	312,190
Manufacturing of alloy wheels	**115,222**	110,605
	444,718	422,795

(c) Geographical information

The Group operates in the following geographic areas:

	Sales *		Non-current assets	
	Group		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Singapore	**69,407**	58,990	**50,241**	52,112
Malaysia	**86,069**	90,083	**23,804**	26,186
China/Hong Kong	**78,472**	77,972	**28,728**	30,351
Taiwan	**24,891**	20,553	**3,292**	3,874
Australia	**81,966**	81,496	**15,441**	9,331
New Zealand	**55,498**	47,858	**9,003**	8,284
Other countries	**48,415**	45,843	**2,791**	3,123
	444,718	422,795	**133,300**	133,261

* 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

33. 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 2021 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Group does not expect any significant impact arising from applying these amendments.

34. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of YHI International Limited on 29 March 2022.

STATISTICS OF **SHAREHOLDINGS**
AS AT 18 MARCH 2022

ANALYSIS OF SHAREHOLDINGS

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

The Company has no treasury shares and subsidiary holdings as at 18 March 2022.

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	18	1.20	734	0.00
100 - 1,000	122	8.11	54,261	0.02
1,001 - 10,000	706	46.94	3,958,917	1.36
10,001 - 1,000,000	645	42.89	39,223,886	13.51
1,000,001 and above	13	0.86	247,162,013	85.11
TOTAL	**1,504**	**100.00**	**290,399,811**	**100.00**

Notes:
The percentage is based on 290,399,811 shares (excluding 1,896,000 shares held as treasury shares) as at 18 March 2022.

PUBLIC SHAREHOLDERS	No. of Shares	%
Non-public shareholders	186,959,213	64.38
Public shareholders	103,440,598	35.62
	290,399,811	100.00

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

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interest	**Deemed Interest**	**%**
YHI Holdings Pte Ltd	128,021,860	–	44.08
Tay Tian Hoe Richard (1)	–	141,958,860	48.88
Tay Tiang Guan (2)	–	45,000,353	15.50
Tay Soek Eng Margaret (3)	–	128,021,860	44.08

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 1967 (the 'Act'):

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

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

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

STATISTICS OF **SHAREHOLDINGS**

AS AT 18 MARCH 2022

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2022

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	YHI HOLDINGS PTE LTD	128,021,860	44.08
2	CITIBANK NOMINEES SINGAPORE PTE LTD	72,925,153	25.11
3	DBS NOMINEES PTE LTD	10,649,200	3.67
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	9,877,300	3.40
5	DB NOMINEES (SINGAPORE) PTE LTD	7,379,500	2.54
6	GU JIAN LIN	5,970,000	2.06
7	RAFFLES NOMINEES (PTE) LIMITED	3,416,700	1.18
8	PHILLIP SECURITIES PTE LTD	1,983,100	0.68
9	LEE LING LING	1,675,500	0.58
10	LIM MEE HWA	1,574,000	0.54
11	LEE WOON KIAT	1,338,000	0.46
12	TAN HUI LIANG OR TAN HWEE KHENG	1,256,000	0.43
13	TAN KIA SIONG @ TAN AH KOW	1,095,700	0.38
14	HSBC (SINGAPORE) NOMINEES PTE LTD	727,800	0.25
15	LEW WING KIT	707,300	0.24
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	705,600	0.24
17	GOH KEE CHEONG	660,000	0.23
18	HONG PIAN TEE	659,800	0.23
19	DANIEL TAN POON KUAN	652,800	0.22
20	OCBC SECURITIES PRIVATE LTD	609,400	0.21
	Total:	**251,884,713**	**86.73**

Notes:
The percentage is based on 290,399,811 shares (excluding 1,896,000 shares held as treasury shares) as at 18 March 2022.

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 convened and held by electronic means on 28 April 2022 (Thursday) at 10.00 a.m. (Singapore Time) 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 2021 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt dividend of 3.60 Singapore cents per ordinary share for the financial year ended 31 December 2021 (2020: 3.30 Singapore cents). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Regulation 89 of the Company's Constitution:

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

   Mr Tay Tian Hoe Richard will, upon re-election, remain as Executive Chairman and Group Managing Director, and member of the Nominating Committee of the Company.

4. To re-elect the following Directors retiring pursuant to Regulation 88 of the Company's Constitution:

   Mr Hong Pian Tee **(Resolution 4)**
   Mr Ong Kian Min **(Resolution 5)**
   Ms Gn Jong Yuh Gwendolyn **(Resolution 6)**

   Mr Hong Pian Tee will, upon re-election, remain as the Lead Independent Director, Chairman of the Audit Committee and member of the Remuneration Committee and Nominating Committee of the Company.

   Mr Ong Kian Min will, upon re-election, remain as an independent director, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee of the Company.

   Ms Gn Jong Yuh Gwendolyn will, upon re-election, remain as an independent director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.

5. To approve the payment of Directors' fees of S$185,416.67 for the financial year ended 31 December 2021 (2020: S$145,000.00). **(Resolution 7)**

6. To re-appoint PricewaterhouseCoopers LLP, Certified Public Accounts as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

7. 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:

8. **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 1967 of Singapore (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 new Shares to be allotted and issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

   (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) allot and 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 allotted and issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);

NOTICE OF **ANNUAL GENERAL MEETING**

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be allotted and issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

Any adjustments made in accordance with sub-paragraphs (2)(a) and (2)(b) above shall only be made in respect of new Shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution.

(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 of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution 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) and (ii)] **(Resolution 9)**

9. **Authority to allot and issue Shares under the 2021 YHI Share Option Scheme**

"That pursuant to Section 161 of the Companies Act 1967, the Directors of the Company be and are hereby authorised to grant Options in accordance with the rules of the 2021 YHI Share Option Scheme, and to allot and issue from time to time such number of fully paid-up shares in the Company as may be required to be allotted and issued pursuant to the exercise of the Options granted under the 2021 YHI Share Option Scheme, provided always that the aggregate number of new shares to be allotted and issued pursuant to the exercise of the Options granted or to be granted under the 2021 YHI Share Option Scheme, when added to all shares, options or awards granted under any other share option scheme, performance share plan or share incentive scheme of the Company then in force, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time."
[See Explanatory Note (iii)] **(Resolution 10)**

10. **The Proposed Renewal of the Share Buy-Back Mandate**

"That:

(1) for the purposes of Sections 76C and 76E of the Companies Act 1967 of Singapore, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Percentage (as defined below), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(a) on-market purchases on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**") ("**On-Market Purchases**"); and/or

(b) off-market purchases (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act 1967 of Singapore ("**Off-Market Purchases**"),

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

(2) the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(a) the date on which the next annual general meeting of the Company is held;

(b) the date by which the next annual general meeting of the Company is required by law to be held;

(c) the date when such mandate is revoked or varied by the Shareholders of the Company in general meeting; or

(d) the date on which the purchases or acquisitions of issued Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated.

NOTICE OF **ANNUAL GENERAL MEETING**

(3) in this Ordinary Resolution:

"**Maximum Percentage**" means that number of issued Shares representing not more than 10.0% of the total number of issued Shares as at date of the passing of this Ordinary Resolution (excluding any treasury shares and subsidiary holdings as at that date);

"**Maximum Price**" in relation to a Share to be purchased or otherwise acquired, means the purchase price as determined by the Directors (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) and not exceeding:

(a) in the case of an On-Market Purchase, 105.0% of the Average Closing Price of the Shares. For this purpose, the Average Closing Price is:

(i) the average of the closing market prices of the Shares over the last five (5) market days (on which transactions in the Shares were recorded) immediately before the date of the Share Purchase by the Company; and

(ii) deemed to be adjusted for any corporate action that occurs during the relevant five (5) market day period and the day on which the Share Purchase is made; and

(b) in the case of an Off-Market Purchase, 105.0% of the highest price at which a Share is transacted on the SGX-ST on the market day (when transactions in the Shares are recorded) immediately preceding the date on which the Company announces an Off-Market Purchase offer stating the purchase price and the relevant terms of the equal access scheme.

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."
[See Explanatory Note (iv)] **(Resolution 11)**

By Order of the Board
YHI International Limited

Tay Tian Hoe Richard
Executive Chairman and Group Managing Director

7 April 2022

EXPLANATORY NOTES:

(i) The Ordinary Resolution 9 proposed in item 8 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 and subsidiary holdings) 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, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution 9 is passed after adjusting for new Shares arising from the exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when Ordinary Resolution 9 is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the Directors to grant options and to allot and issue Shares in accordance with the provisions of the 2021 YHI Share Option Scheme and pursuant to Section 161 of the Companies Act 1967 to allot and issue shares upon the exercise of such options in accordance with the 2021 YHI Share Option Scheme. Please refer to the circular dated 1 November 2021 for further details.

(iv) The Ordinary Resolution 11 proposed in item 10 above, if passed, will empower the Directors of the Company to purchase, on behalf of the Company, Shares in accordance with the terms set out in the letter to shareholders of the Company dated 7 April 2022 (the "**Letter to Shareholders**") as well as the rules and regulations set forth in the Companies Act 1967 of Singapore and the Listing Rules of the SGX-ST. Please refer to the Letter to Shareholders for more information relating to the renewal of the Share Buy-Back Mandate.

NOTICE OF **ANNUAL GENERAL MEETING**

IMPORTANT NOTES TO SHAREHOLDERS ON ALTERNATIVE ARRANGEMENTS FOR THE ANNUAL GENERAL MEETING:

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Annual General Meeting ("**AGM**") will be held by way of electronic means on 28 April 2022 at 10.00 a.m. (Singapore Time) for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions set out in this Notice of AGM.

2. Printed copies of this Notice of AGM, Proxy Form, annual report for the financial year ended 31 December 2021 ("**FY2021 Annual Report**") and the Letter to Shareholders will not be sent to Shareholders. Instead, this Notice of AGM, Proxy Form, FY2021 Annual Report and the Letter to Shareholders may be accessed at the Company's website at the URL www.yhigroup.com/investor/agm2022. This Notice of AGM, Proxy Form, FY2021 Annual Report and the Letter to Shareholders are also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements.

3. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM proceedings may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant comments, queries and/or questions before the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company's announcement dated 7 April 2022.

4. **Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM will be held by way of electronic means and Shareholders will not be able to attend the AGM in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM in accordance with the instructions on the Proxy Form if such Shareholder wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form may be accessed at the Company's website at the URL www.yhigroup.com/investor/agm2022 and is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements. Where a Shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

5. CPF/SRS investors, including persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF agent banks, SRS operators or relevant intermediaries to submit their votes and/or questions relating to the resolutions tabled for approval at the AGM by 10.00 a.m. on Monday, 18 April 2022 (that is, at least seven (7) working days before the date of the AGM).

6. The Chairman of the Meeting, acting as proxy, need not be a Shareholder of the Company.
   The Proxy Form must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the registered office of the Company at No. 2 Pandan Road, Singapore 609254; or
   (b) if submitted by way of electronic means, be submitted via email in Portable Document Format (PDF) to the Company at yhi-agm@yhi.com.sg,

   in either case, by 10.00 a.m. on Monday, 25 April 2022. A Shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current COVID-19 advisories issued by the relevant authorities and the related safe distancing measures in Singapore, Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

PERSONAL DATA PRIVACY:

By submitting the Proxy Form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a Shareholder consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM and/or any adjournment thereof, and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM and/or any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

	TAY TIAN HOE RICHARD	GN JONG YUH GWENDOLYN
Date of Appointment	26 / 08 / 2000	01 / 10 / 2021
Date of last re-appointment (if applicable)	28 / 04 / 2021	Not applicable
Age	70	51
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee and having reviewed and considered the qualifications, working experience and suitability of Mr Tay Tian Hoe Richard, is of the view that Mr Tay Tian Hoe Richard has the requisite experience and capability to assume the responsibility as Executive Chairman and Group Managing Director of the Company. Accordingly, the Board of Directors approved the appointment of Mr Tay Tian Hoe Richard as Executive Chairman and Group Managing Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee and having reviewed and considered the qualifications, working experience and suitability of Ms Gn Jong Yuh Gwendolyn, is of the view that Ms Gn Jong Yuh Gwendolyn has the requisite experience and capability to assume the responsibility as an Independent Director of the Company. Accordingly, the Board of Directors approved the appointment of Ms Gn Jong Yuh Gwendolyn as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Group Managing Director	Independent Director, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee.
Professional qualifications	Member of the Singapore Institute of Directors	LLB (Hons), National University of Singapore; Advocate & Solicitor of Singapore
Working experience and occupation(s) during the past 10 years	Executive Chairman and Group Managing Director of YHI Group	Lawyer/Partner in Shook Lin & Bok LLP from 2006-present
Shareholding interest in the listed issuer and its subsidiaries	Mr Tay Tian Hoe Richard is deemed to have an interest in YHI Holdings Pte Ltd with 128,021,860 (or approximately 44.08%) of YHI International Limited and 13,937,000 ordinary shares (or approximately 4.8% of shareholding) of YHI International Limited, held in the name of his nominees by virtue of Section 7 of the Companies Act 1967.	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Tay Tian Hoe Richard is brother of Mr Tay Tiang Guan, Executive Director (Sales and Business Development) of YHI International Limited.	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

	TAY TIAN HOE RICHARD	GN JONG YUH GWENDOLYN
Past (for the last 5 years)	Director of the following Non Public Listed Companies: • YHI Corporation (Beijing) Co Ltd • YHI Corporation Japan Co., Ltd • YHI (Canada) Inc	Libra Group Limited
Present	Director of the following Non Public Listed Companies: • YHI Holdings Pte Ltd • YHI (Malaysia) Sdn Bhd • YHI (Australia) Pty Limited • YHI Power Pty Ltd • YHI (New Zealand) Limited • YHI (Hong Kong) Co., Ltd • YHI (China) Strategy Co., Ltd • YHI Corporation (Guangzhou) Co., Ltd • YHI Corporation (Singapore) Pte Ltd • Evo-Trend Corporation (Malaysia) Sdn Bhd • YHI Corporation (Thailand) Co., Ltd • YHI (Philippines) Inc • YHI Aung (Myanmar) Company Limited • YHI (Cambodia) Company Limited • YHI Corporation (Shanghai) Co., Ltd • YHI (America) Pte Ltd • Pan-mar Corporation D/B/A Konig (American) • Advanti Racing USA, LLC • YHI Manufacturing (Singapore) Pte Ltd • YHI Manufacturing (Malaysia) Sdn Bhd • YHI Advanti Manufacturing (Malaysia) Sdn Bhd • YHI International (Taiwan) Co., Ltd • YHI Manufacturing (Shanghai) Co Ltd • YHI Advanti (Shanghai) Co., Ltd • YHI Advanti Manufacturing (Suzhou) Co., Ltd • YHI Precision Moulding (Shanghai) Co., Ltd • YHI Logistics (Singapore) Pte Ltd • YHI Logistics (Malaysia) Sdn Bhd • O.Z S.p.A	Principal Commitment: Partner at Shook Lin & Bok LLP Directorships: UMS Holdings Limited Tata Precision Industries Private Limited Darco Water Technologies Limited

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	TAY TIAN HOE RICHARD	GN JONG YUH GWENDOLYN
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

	TAY TIAN HOE RICHARD	GN JONG YUH GWENDOLYN
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	Yes Darco Water Technologies Limited ("DWT"), of which Ms Gn Jong Yuh Gwendolyn is currently one of the independent directors, was issued a notice of compliance by the SGX-ST in 2021. This relates to the SGX-ST's request for a detailed report on a proposed commercial project which was commenced by DWT prior to her appointment in DWT. DWT has complied with the SGX-ST's request.

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

	HONG PIAN TEE	ONG KIAN MIN
Date of Appointment	01 / 09 / 2021	01 / 10 / 2021
Date of last re-appointment (if applicable)	Not applicable	Not applicable
Age	77	61
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and working experience of Mr Hong Pian Tee, is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Lead Independent Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Hong Pian Tee as the Lead Independent Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and working experience of Mr Ong Kian Min, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Ong Kian Min as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Audit Committee and a member of the Remuneration Committee and Nominating Committee.	Independent Director and Chairman of Remuneration Committee and a member of the Audit Committee and Nominating Committee.
Professional qualifications	None	Bachelor of Laws (Honours) (external), University of London (1986) Bachelor of Science (Honours), Imperial College of Science and Technology (1982)
Working experience and occupation(s) during the past 10 years	1 January 2000 - Present Pei Hwa Foundation Ltd Executive Director/Chairman 26 April 2017 - Present Sinarmas Land Limited (Listed on SGX-ST) Lead Independent Director Chairman Audit Committee Chairman Nominating Committee Member Remuneration Committee 29 October 2010 - Present XMH Holdings Ltd. (Listed on SGX-ST) Lead Independent Director Chairman Remuneration Committee Member Audit Committee Member Nominating Committee September 2018 - Present Yanlord Land Group Ltd (Listed on SGX-ST) Independent Director Chairman Audit Committee Chairman Remuneration Committee June 2020 – Present (In Liquidation) Hyflux Ltd (Listed on SGX-ST) Lead Independent Director	January 2010 - Present Kanesaka Sushi Private Limited Managing Director January 2007 – Present Alpha Advisory Pte. Ltd. Senior Adviser October 2000 – Present Drew & Napier LLC Consultant (non-practising)

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

	HONG PIAN TEE	ONG KIAN MIN
Working experience and occupation(s) during the past 10 years (Con't)	2013 - 2019 AsiaPhos Limited (Listed on SGX-Catalist Board) Non-Executive Chairman Independent Director Member Audit Committee Member Remuneration Committee Member Nominating Committee 2001 - 2017 Golden Agri Resources Ltd (Listed on SGX-ST) Independent Director Chairman Audit Committee Chairman Nominating Committee Chairman Remuneration Committee 2010 - 2017 Memstar Technology Ltd (Listed on SGX-ST) Independent Director Chairman Audit Committee Member Nominating Committee Member Remuneration Committee	
Shareholding interest in the listed issuer and its subsidiaries	659,000 shares in YHI International Ltd	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Past (for the last 5 years)	AsiaPhos Limited Golden Agri Resources Ltd Memstar Technology Ltd	Penguin International Limited Breadtalk Group Limited HUPSteel Limited Jaya Holdings Limited
Present	Hyflux Ltd Pei Hwa Foundation Limited XMH Holdings Ltd. Sinarmas Land Ltd Yanlord Land Group Limited	Food Empire Holdings Limited OUE Commercial REIT Management Pte. Ltd. (Manager of OUE Commercial REIT and OUE Hospitality Sub-Trust) SilverLake Axis Limited

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

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

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

	HONG PIAN TEE	ONG KIAN MIN
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-APPOINTMENT**

	HONG PIAN TEE	ONG KIAN MIN
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. The Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. The Notice of AGM is also accessible (a) via publication on the Company's website at the URL www.yhigroup.com/investor/agm2022; and (b) via publication on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. Arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated **7 April 2022**. This announcement may be accessed at the Company's website at the www.yhigroup.com/investor/agm2022, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
4. Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM will be held by electronic means and a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Notwithstanding that a member is unable to vote in person, a member may attend the AGM in the manner as set out in the accompanying Company's announcement dated **7 April 2022**.
5. CPF or SRS investors, including persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **Monday, 18 April 2022** (that is, at least seven (7) working days before the date of the AGM).
6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 7 April 2022.
7. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We*, ______________________________ (name) ____________________ (NRIC/Passport No.)

of ____ (address)

being a member/members* of YHI International Limited (the "Company"), hereby appoint the Chairman of the Annual General Meeting of the Company ("AGM") as my/our proxy/proxies to attend and vote for me/us on my/our* behalf at the AGM to be convened and held by way of electronic means on Thursday, 28 April 2022 at 10:00 a.m. and at any adjournment thereof in the following manner:

No.	Resolutions relating to:	For	Against	Abstain
1.	Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditors' Report thereon (Ordinary Resolution)			
2.	Payment of proposed first and final tax-exempt dividend of 3.60 Singapore cents per ordinary share for the financial year ended 31 December 2021 (Ordinary Resolution)			
3.	Re-election of Mr Tay Tian Hoe, Richard as Director of the Company pursuant to Regulation 89 of the Company's Constitution (Ordinary Resolution)			
4.	Re-election of Mr Hong Pian Tee as Director of the Company pursuant to Regulation 88 of the Company's Constitution (Ordinary Resolution)			
5.	Re-election of Mr Ong Kian Min as Director of the Company pursuant to Regulation 88 of the Company's Constitution (Ordinary Resolution)			
6.	Re-election of Ms Gn Jong Yuh Gwendolyn as Director of the Company pursuant to Regulation 88 of the Company's Constitution (Ordinary Resolution)			
7.	Approval of Directors' fees amounting to S$185,416.67 for the financial year ended 31 December 2021 (2020: S$145,000.00) (Ordinary Resolution)			
8.	Re-appointment of PricewaterhouseCoopers LLP, Certified Public Accountants as the Company's Auditors and to authorise the Directors to fix their remuneration (Ordinary Resolution)			
9.	Authority to allot and issue shares in the capital of the Company – Share Issue Mandate (Ordinary Resolution)			
10.	Authority to allot and issue Shares under the 2021 YHI Share Option Scheme			
11.	The Proposed Renewal of the Share Buy-Back Mandate (Ordinary Resolution)			

**Delete as appropriate*

If you wish to appoint the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with a tick [√] within the box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish to appoint the Chairman of the AGM as your proxy to abstain from voting on a resolution, please indicate with a tick [√] in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the AGM, as your proxy, is directed to abstain from voting in the "Abstain" box in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Dated this ________ day of ________________ 2022

Total Number of Shares Held

____
Signature of Shareholder(s)
and Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Printed copies of this Notice of Annual General Meeting ("**Notice of AGM**"), Proxy Form and annual report for the financial year ended 31 December 2021 (the "**FY2021 Annual Report**") and the letter to shareholders dated 7 April 2022 ("**Letter to Shareholders**") will not be sent to members. The Notice of AGM, Proxy Form, FY2021 Annual Report and the Letter to Shareholders may be accessed at the Company's website at the URL www.yhigroup.com/investor/agm2022. This Notice of AGM, Proxy Form, FY2021 Annual Report and the Letter to Shareholders are also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the AGM of the Company via electronic means (including arrangements by which the proceedings of the AGM of the Company may be electronically accessed via live audio-visual webcast or live audio-only stream), pre-registration to attend the AGM, submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy, are set out in the Company's accompanying announcement dated 7 April 2022. This announcement may be accessed at the Company's website at the www.yhigroup.com/investor/agm2022. This announcement is also available on SGXNET at https://www.sgx.com/securities/company-announcements.

3. Please insert the total number of shares held by you. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, this Proxy Form shall be deemed to relate to all the shares held by you.

4. Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM will be held by electronic means and members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM in accordance with the instructions on the Proxy Form if such member wishes to exercise his/her/its voting rights at the AGM. The Proxy Form for the AGM may be accessed at the Company's website at www.yhigroup.com/investor/agm2022 and is also available on SGXNET at https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

5. CPF/SRS investors, including persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF agent banks, SRS operators or relevant intermediaries to submit their votes and/or questions relating to the resolutions tabled for approval at the AGM by 10.00 a.m. on Monday, 18 April 2022 (that is, at least seven (7) working days before the date of the AGM). The Chairman of the AGM, as proxy, need not be a member of the Company.

6. The Proxy Form must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the registered office of the Company at No. 2 Pandan Road, Singapore 609254; or

   (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at yhi-agm@yhi.com.sg,

   in either case, by 10.00 a.m. on Monday, 25 April 2022, which is at least 72 hours before the time fixed for holding the AGM of the Company and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. In view of the current COVID-19 advisories issued by the relevant authorities and the related safe distancing measures in Singapore, members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.

7. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorized. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized.

8. 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.

9. 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 1967 of Singapore.

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 the Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM of the Company (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 or service providers) to comply with any AGM laws, listing rules, take-over rules, regulations and/or guidelines.

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

No. 2 Pandan Road Singapore 609254
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Email: yhigroup@yhi.com.sg
Website: www.yhi.com.sg