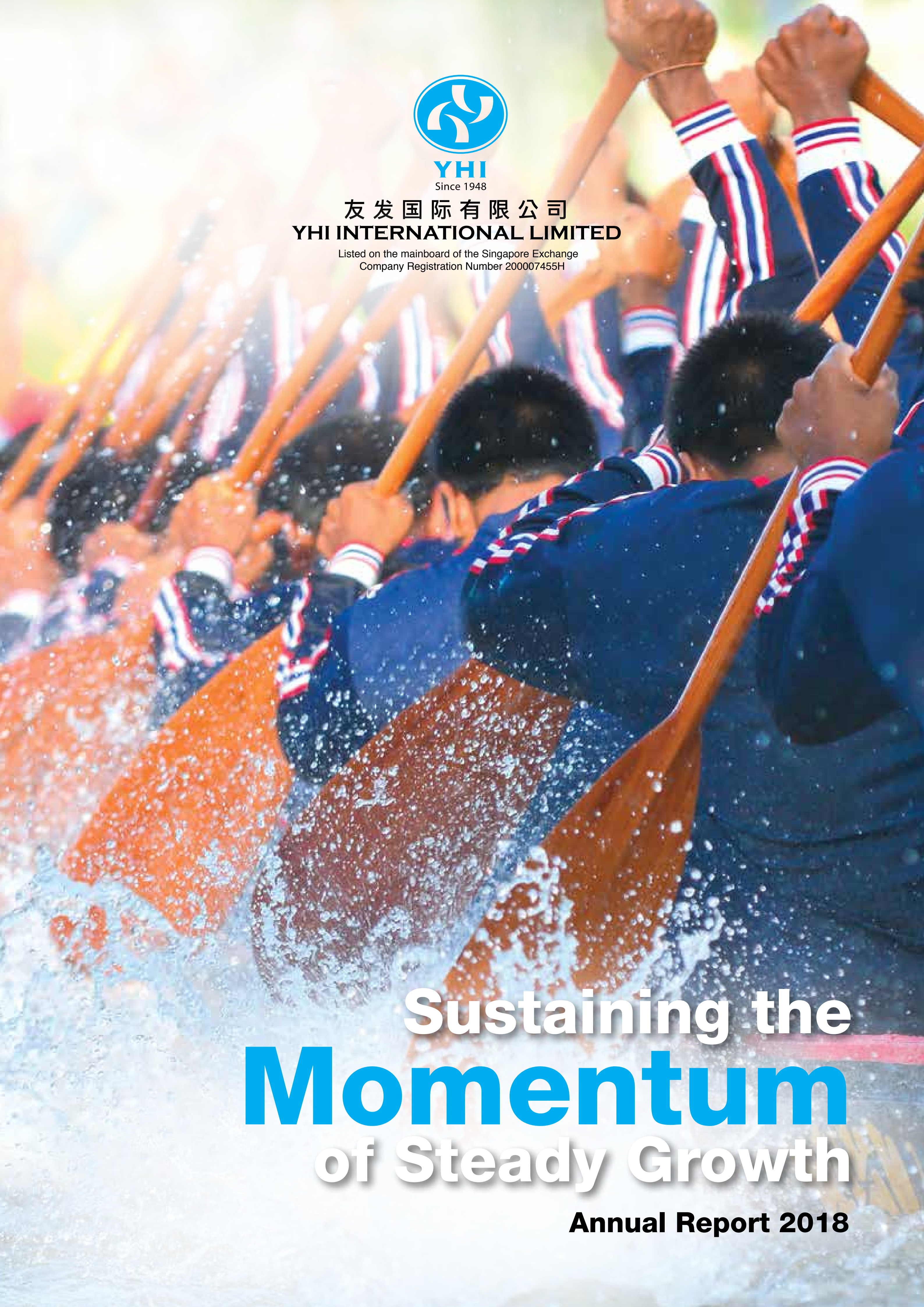


YHI

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

Sustaining the Momentum of Steady Growth

Annual Report 2018

CONTENTS

OUR MISSION

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

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

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

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

Striving in Tandem for the next milestone

CORPORATE PROFILE

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

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

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

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

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

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

OUR PRODUCTS

TYRES

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

NEUTON	SINGAPORE
YOKOHAMA	JAPAN
NITTO	JAPAN
PIRELLI	ITALY
DEESTONE	THAILAND
OTANI	THAILAND
NANKANG	TAIWAN
accelera	INDONESIA
NEXEN TIRE	KOREA
Achilles RADIAL	INDONESIA
ROADSTONE TYRE	KOREA
GRECKSTER	INDIA
BKT GROWING TOGETHER	INDIA
MICKEY THOMPSON	USA
DELINTE We Invent. You Drive	CHINA
HILO	CHINA
AMBERSTONE	CHINA
GT RADIAL Experience the Performance	INDONESIA
CARLISLE	USA
RADAR TYRES	SINGAPORE

ALLOY WHEELS

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

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

BUGGY & UTILITY VEHICLES

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

Neuton Power
SINGAPORE

E-Z-GO
USA

CUSHMAN
USA

ENERGY SOLUTIONS

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

Neuton Power
SINGAPORE

TROJAN
USA

C&D TECHNOLOGIES
USA

Panasonic
JAPAN

HITACHI Inspire the Next
JAPAN

CSB
TAIWAN

shoto
CHINA

VISION
CHINA

YOKOHAMA
PHILIPPINES

FIAMM
ITALY

CROWN BATTERY
USA

SACRED SUN
CHINA

OTHER INDUSTRIAL PRODUCTS

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

Neuton Power
SINGAPORE

JinKO Solar
CHINA

CanadianSolar
CANADA

delta-q
CANADA

DELTA
TAIWAN

BENNING
GERMANY

EATON
USA

enphase ENERGY
USA

SOLAX
CHINA

Trinasolar
CHINA

MANUFACTURING CAPABILITIES

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

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

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

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

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

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

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

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

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

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

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

OUR QUALITY CERTIFICATES

YHI INTERNATIONAL TAIWAN CO., LTD

TAOYUAN, TAIWAN

Products: Alloy Wheels

Land area: 13,500 m^2

Year of Production: 1996

Annual production capacity: 0.2 million

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

MALACCA, MALAYSIA

Products: Alloy Wheels

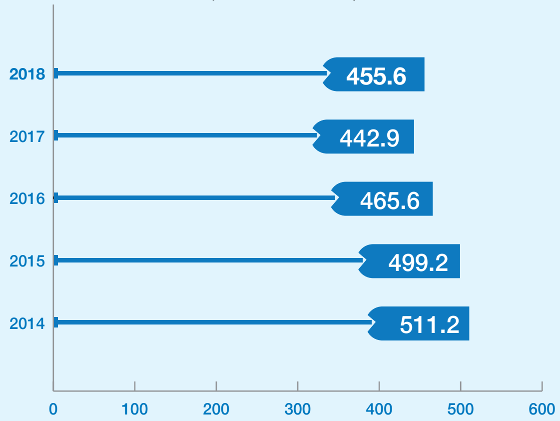
Land area: 88,000 m^2

Year of Production: 2006

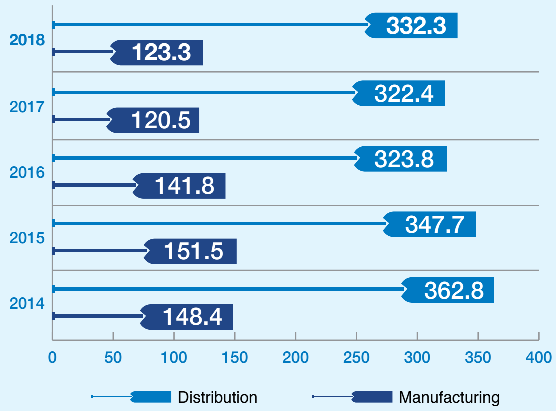
Annual production capacity: 1.2 million

FIVE-YEAR FINANCIAL HIGHLIGHTS

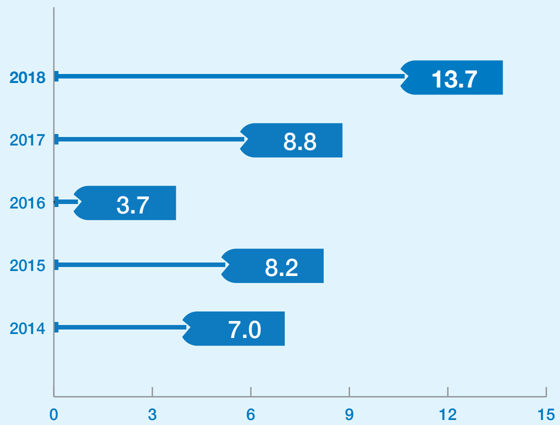
GROUP REVENUE
(S$ 'MILLION)



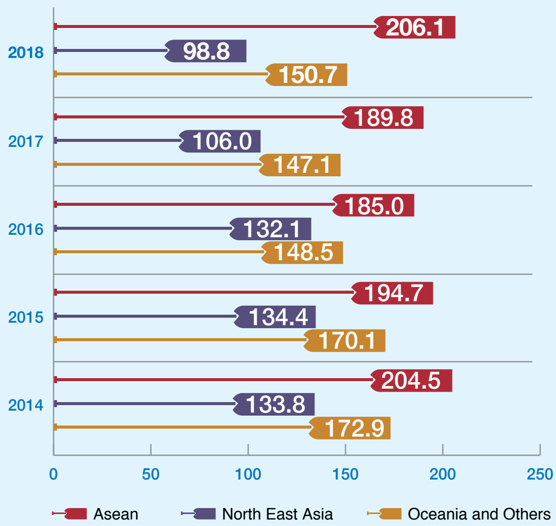
REVENUE BY BUSINESS SEGMENTS
(S$ 'MILLION)



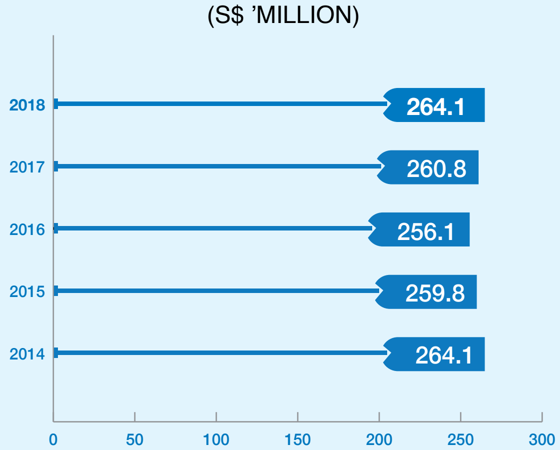
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(S$ 'MILLION)



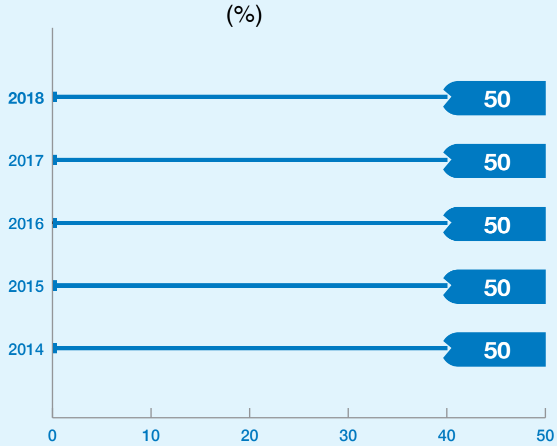
REVENUE BY GEOGRAPHY
(S$ 'MILLION)



NET ASSETS
(S$ 'MILLION)



DIVIDEND PAYOUT
(%)



FIVE-YEAR FINANCIAL SUMMARY

RESULTS OF OPERATIONS

FINANCIAL YEAR ENDED 31 DECEMBER	**FY2018 S$ '000**	FY2017 S$ '000	FY2016 S$ '000	FY2015 S$ '000	FY2014 S$ '000
Sales	**455,593**	442,878	465,569	499,174	511,229
Gross Profit %	**21.4**	23.2	21.6	21.4	22.2
Profit before income tax	**18,019**	15,192	8,355	14,469	14,873
Net profit attributable to equity holders of the Company	**13,725**	8,751	3,694	8,250	7,027
Net Profit %	**3.1**	2.1	1.0	1.8	1.6
EBITDA	**32,209**	30,808	26,046	34,519	36,365

FINANCIAL POSITION

AS AT 31 DECEMBER	**FY2018 S$ '000**	FY2017 S$ '000	FY2016 S$ '000	FY2015 S$ '000	FY2014 S$ '000
Current assets	**272,009**	267,057	272,545	287,677	301,620
Non-current assets	**121,959**	120,417	129,864	137,627	145,086
Total assets	**393,968**	387,474	402,409	425,304	446,706
Current liabilities	**119,498**	109,046	122,112	134,906	151,210
Non-current liabilities	**10,351**	17,621	24,228	30,569	31,369
Total liabilities	**129,849**	126,667	146,340	165,475	182,575
Net assets	**264,119**	260,807	256,069	259,829	264,131
Capital and reserves attributable to equity holders of the Company	**252,940**	248,175	242,512	246,408	251,305
Non-controlling interests	**11,179**	12,632	13,557	13,421	12,826
Total equity	**264,119**	260,807	256,069	259,829	264,131

FINANCIAL INDICATORS

	FY2018	**FY2017**	**FY2016**	**FY2015**	**FY2014**
Return on shareholders equity (%)	**5.4**	3.5	1.5	3.3	2.8
Earnings per share (cents)*	**4.70**	2.99	1.26	2.82	2.40
Net asset value per share (cents)*	**86.54**	84.91	82.97	84.30	85.98
Dividend per share (cents)*	**2.35**	1.50	0.64	1.42	1.20
Cash and bank balances (S$ '000)	**51,102**	54,360	51,470	52,271	56,421
Net debt to equity ratio (%)	**12.8**	12.5	19.3	30.0	30.4

* Post-consolidation of shares

"As a long-established company, **we have weathered many global and regional financial upheavals and through them**, we have learnt invaluable lessons which have been translated into sound corporate policies that have permeated and been entrenched in our organisation."

RICHARD TAY
Executive Chairman &
Group Managing Director

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

History will record 2018 as a year of great economic and political uncertainty. According to the International Monetary Fund, industrial production and trade slowed down, with business confidence falling, after the upswing in 2017. One of the reasons for this slowdown was the implementation of tariffs by major countries as the protectionist rhetoric gained momentum globally. In particular, the trade dispute between China and the United States continued to adversely affect investor confidence and rattle stock markets. Europe faced an uncertain future, with the outcome of Brexit still unsettled, while Asian economic growth was uneven, impacted by the slowdown in the Chinese economy. As an open economy, Singapore was impacted by the global economic slowdown.

YHI International Limited (or "the Group"), is no stranger to the vagaries of economics and politics. As a long-established company, we have weathered many global and regional financial upheavals and through them, we have learnt invaluable lessons which have been translated into sound corporate policies that have permeated and been entrenched in our organisation. As a direct consequence of these policies, chief among them being our 3R policy - Reduce inventory, Reduce accounts receivable, Reduce operating cost – we have turned in a respectable performance despite market challenges, rising business costs and margin pressures. Our inventories are well-managed, our accounts receivable within healthy limits and our operating costs tightly controlled despite the subdued market conditions, which have contributed significantly to our financial performance. While cost control, healthy cash flow and a strong balance sheet are imperative to the financial wellbeing of an organisation, revenues are the determinant factors for growth. On this front, we improved overall sales through concerted and determined business development efforts by all our divisions, which is evidenced by our financial results.

FINANCIAL HIGHLIGHTS

The revenue for the year ended 31 December 2018 ("FY2018") was S$455.6million, representing a 2.9% increase over revenue of S$442.9 million for the financial year ended 31 December 2017 ("FY2017"). Net profit attributable to equity holders of the Company ("net profit") stood at S$13.7 million, which is an increase of 56.8% over FY2017's net profit of S$8.8 million. The revenue increase was attributed to higher turnover in the both the Group's distribution and manufacturing businesses, while the net profit position was on account of higher profit contribution from the manufacturing business compared to FY2017.

Profitability-wise, gross profit and gross profit margin fell by 5.0% to S$97.5 million and by 1.8 percentage points to 21.4%, respectively, from S$102.5 million and 23.2% in FY2017. The lower gross profit margin was on the back of lower gross profit margin from both the distribution and manufacturing businesses. Lower gross profit margin from the distribution business was due to intense price competition in the market while that of the manufacturing business stemmed largely from higher aluminium prices and other production costs.

The main contributor to Group revenue continued to be our distribution business which accounted for 73% of the Group's revenue. While the overall distribution business recorded an increase in sales of 3.1% to S$332.3 million from S$322.4 million in the previous financial period, the tyre distribution business which accounted for 41% of total group revenue recorded lower sales. Tyre distribution continued to face price pressures, a confluence of low rubber prices and prevailing excess capacity in the market which has yet to be absorbed. The impact from the lower performance of the tyre distribution business was mitigated by our industrial product and automotive battery business ("Energy Solutions") which achieved positive growth due to higher sales achieved by the industrial battery business while the wheels division turned in a consistent performance.

Another positive financial highlight was the performance of the Group's wheel manufacturing business which achieved sales of S$123.3 million, a 2.4% increase as compared to FY2017. Our wheel manufacturing factory in Suzhou, China, registered increased orders from the United States, while our facility in Malacca, Malaysia, also experienced higher sales to Germany; our Taiwan facility recorded a marginal improvement in sales as well. Additionally, the division's restructuring of manufacturing assets has contributed to its healthy showing; costs savings on labour and other manufacturing overheads from its discontinued operations in Shanghai as well as the lease rental income of the premises there, have positively impacted the Group's financial performance, despite the increase in raw material prices and higher business costs, particularly in China.

On our balance sheet, we maintained cash and cash equivalents of S$50.8 million as compared to S$54.0 million as at December 2017. Net cash generated from operations was S$15.2 million, with S$8.7 million used in investing activities, mainly for the purchase of an industrial land in Malaysia for future consolidation of the Group's warehousing and logistics services for the distribution business in Malaysia. A total of S$9.2 million was raised from financing activities to pay trade suppliers. Our net gearing for the period under review is 13%. With nets assets attributable to shareholders of S$252.9 million, net asset value per share was 86.54 cents based on 292.3 million issued shares, while earnings per share as at 31 December 2018 was 4.70 cents.

CHAIRMAN'S MESSAGE

COMMITMENT TO VALUE CREATION FOR SHAREHOLDERS

In light of our performance and in line with our commitment to shareholders to generate stable returns, the Board is recommending a one-tier tax-exempt final dividend of 2.35 cents per share. If approved at the forthcoming Annual General Meeting, the dividend will be paid in May 2019. Based on the closing share price of S$0.395 as at the last practicable date before printing of the Annual Report, this represents a dividend yield of 5.9% and a dividend payout ratio of 50% of our profit.

SUSTAINING THE MOMENTUM OF STEADY GROWTH

While the past financial year was challenging, especially following the Group's strong showing in FY2017, our best in three years riding on the positive global conditions then, we have managed to sustain the momentum of growth. Through a steadfast commitment to finding new markets for our products and new customers in existing markets, we have grown our topline at a time when business development would have been low on the priority list of many other organisations. Much has been previously said of our cost management strategies and it needs no repeating. Nevertheless, what must be emphasised is our commitment regardless of our performance, to keep on exercising restraint and prudence while simultaneously keeping an eye for opportunities even in the most challenging of times. Towards this end, we have taken certain strategic decisions in terms of our assets, with long term growth in mind.

In the first half of FY2018, we disposed of our freehold warehouse and office building of our Australian subsidiary as part of our further efforts to streamline and optimise the use of our resources and to be nimble in responding to market demand changes. The Group simultaneously made strategic investments elsewhere, laying the groundwork for future business initiatives. In October, we completed the purchase of two lots of industrial land in Malaysia through our Malaysian subsidiaries. The land was purchased with a view to building up the Group's logistics and warehousing capabilities over time to serve our existing distribution entities and customers there. We have plans to gradually consolidate our warehousing and logistics services, thus reducing our warehouse rentals costs and related overheads. We will eventually extend our offerings to just-in-time delivery services to be managed by logistics professionals, with a view to enhancing and distinguishing our customer service. This will enable our customers to leverage on our capabilities, in turn eliminating or reducing their own warehousing space requirements and achieving cost savings.

CREATING OPPORTUNITIES AMIDST THE HEADWINDS

There are headwinds on the horizon and we anticipate that FY2019 will prove to be challenging. Firstly, the United States-China trade dispute remains unresolved. The US has postponed its deadline for the imposition of the increased 25% tariff, which was supposed to have been effected after 1 March 2019, due to progress made during recent trade negotiations. We had taken steps to mitigate its effect on our customers in the United States and on our wheels manufacturing business in Suzhou, China; we have ensured that our US customers have sufficient stock while our manufacturing facilities in Malaysia and Taiwan ramp up production to meet demand. Nevertheless, a prolonged trade war between the two largest economies in the world will inevitably take its toll on the global economic activity. There are other downside risks. China's growth is projected to moderate on account of a slowdown in credit growth and softer external demand. The economies of ASEAN countries may also face a slowdown or at best stagnation.[1] Several new governments and administrations have been voted in on populist sentiments that are heralding changes in economic and foreign policies that may have far reaching reverberations particularly as protectionism gains momentum. All these do not bode well for business sentiment and consumer spending which will in turn impede economic growth and impact business earnings.

[1] Ministry of Trade and Industry. "MTI Forecasts GDP Growth by "3.0 to 3.5 Per Cent" in 2018 and "1.5 to 3.5 Per Cent" in 2019.

Faced with these external pressures, we are continuing to focus on improving our internal organisational capabilities, enhancing our productivity, leveraging on technology, increasing automation and finding new channels of sales. As business revolutionises, we have to take transformative steps to ensure we are in step with these changes and to maintain our competitive advantages. With technology empowering consumers to make informed choices based on price, service levels become imperative as a distinguishing characteristic of our business and as a means of preserving and even improving our profit margins. We will, therefore, continue to seek ways to value add to our customer experience and enhance our service levels. At the same time, we will seek long term and sustainable growth opportunities, looking for yield accretive investments that will complement our existing businesses. We are also looking at opportunities in countries such as Vietnam and Indonesia for future expansion. Vietnam is projected to grow above 6% while Indonesia's growth is pegged above 5% in 2019-2020. Both markets offer opportunities given their growing middle class, relative economic stability and ongoing job creation for the population. Furthermore, there is no longer a compelling case for our expansion in China due to rising business costs and intense market competition there, although it will continue to be an important base of operations and market for us. We will adopt a cautious approach always with a view to sustainable growth, balancing this with a keen eye for opportunities and a bold spirit to take us forward.

IN APPRECIATION

In closing, the Board of Directors and I would like to express our thanks to our customers, partners and shareholders for their support during the year. We would like to extend our warm appreciation to the talented and dedicated staff and management for their efforts and achievements in helping us through another challenging year. Finally, we would not be able to have had the right strategies and plans in place without the guidance, acumen and foresight of our Board of Directors. I have every confidence in our team in executing our plans and bringing the Group through FY2019. Opportunities, after all, are made through effort and do not exist just for the taking.

Richard Tay
Executive Chairman & Group Managing Director

董事长
献词

亲爱的股东们，

过去的一年证实了2018年是经济和政治都极其不稳定的一年。根据国际货币基金组织的数据，由于商业信心的下降，工业生产和贸易在2017年上涨后放缓。而随着保护主义言论在全球范围内获得了动力，一些主要国家纷纷实施了关税，这也是导致工业生产和贸易放缓的原因之一。特别是中美之间的贸易争端继续对投资者信心造成了有害影响，使股市动荡不安。英国退出欧盟一直以来悬而未决，欧洲经济前景不明朗。整个亚洲受中国经济放缓的影响，其经济发展不平衡。而新加坡作为一个开放的经济体，势必受到全球经济放缓的侵扰。

友发国际有限公司 （或 “集团”） 可以说对这种经济和政治的变幻莫测尚有经验和应对措施。作为一家历史悠久的公司，我们经历了许多全球和区域金融动荡，从这些动荡中，我们学到了不少宝贵的经验教训，并将这些经验教训转化为健全完善的企业政策，这些政策已经渗透到我们的组织中并且根深蒂固。这些政策包括我们的3R政策——减少库存、减少应收账款、降低运营成本——尽管面临市场挑战、运营成本上升和利润的压力，我们仍取得了骄人的业绩。

尽管市场环境低迷，但我们的库存管控良好，应收账款在健康合理的范围内，我们的运营成本也受到严格控制，这些都给我们取得良好的财务业绩打下了重要基础。虽然成本控制、健康的现金流和强大的资产负债表对于一家企业的财务健康状况至关重要，但收益是企业增长的决定性因素。在这方面，我们通过各部门的协调，一致的坚决的开拓发展业务，提高了整体销售额，我们的财务业绩报表上也可以看到这一点。

财务业绩

2018年12月31日 (“2018财政年度”)，集团总销售额达到4.556亿新元，比去年同期 （截至2017年12月31日 “2017财政年度”） 的4.429亿新元增长2.9%。集团净利润为1370万新元，比2017年的880万新元增长56.8%。收益增长归因于集团批发业务和制造业务的营业额增加，而净利润则来自制造业务的盈利贡献比2017年较高。

利润方面，毛利从2017年的10250万新元下降至9750万新元，下降5.0%；毛利率从2017年的23.2%，下降了1.8个百分点至21.4%。批发业务和制造业毛利率较低导致了总毛利率下降。批发业务毛利率较低是由于市场价格竞争激烈，而制造业务毛利率较低很大程度上是由于铝价和其他生产成本上涨。

批发业务仍然是本集团收入的主要来源，占总销售额的73%。虽然整体分批发业务的销售额较上一年的3.224亿新元增长3.1%，达到3.323亿新元，但轮胎批发业务占集团总收入的41%，销售额有所下降。轮胎批发继续面临着价格压力，这是橡胶价格低廉且市场上普遍产能过剩来不及消化等因素合力所致。我们的工业产品和汽车电池业务凭借高销售额，实现了正增长，从而弥补了轮胎销售业务表现不佳的不足，而轮毂制造部门的业绩持续稳定。

另一个财务亮点是集团轮毂制造业务的表现，本年度实现了1.233亿新元的销售额，与2017年相比增长了2.4%。我们中国苏州的轮毂制造厂增加了来自美国的订单，而在马来西亚马六甲的工厂也增加了对德国的销售；我们在台湾工厂的销售也略有增长。此外，尤其在中国，原材料价格上涨和业务成本上升，制造业资产的重组无疑有助于本集团业务健康发展，停止上海工厂运营，省去了劳动力成本和其他制造业日常开支，加上租赁租金的收入对提高本集团的财务业绩都起到了积极作用。

我们的资产负债表，现金和现金等价物为5080万新元，而截至2017年12月为5400万新元。经营活动现金额为1520万新元，其中870万新元用于投资建设，主要用于购买马来西亚的工业用地，以供将来马来西亚批发业务的仓储和物流服务。金融活动中的920万新元，用于支付贸易供应商。我们的净负债率为13%。归属于股东的净资产为2.529亿新元，发行股票2.923亿，每股净资产值达到86.54分，而截至2018年12月31日的每股收益为4.70分。

为股东创造价值的承诺

鉴于我们的业绩以及我们对股东稳定回报的承诺，董事会建议最终股息每股为2.35分。如果在即将召开的年度股东大会上获得批准，股息将于2019年5月支付。根据年度报告印刷前最后一个可行日期的收市价S$0.395股息收益率为5.9%, 股息支付率为利润的50%。

董事长献词

保持稳定增长之势

尽管过去一个财政年度富有挑战性，那也是我们三年来在当时全球条件积极的情况下取得了最佳业绩，继2017年的强劲表现之后，我们再一次设法维持了增长势头。通过坚定不移地致力于为我们的产品寻找新市场和现有市场中的新客户，在许可其他企业不屑开发的业务上，我们逐一扩展了我们的产品线。关于我们的成本管理策略，以前说过很多，这里不再累述。然而必须强调的是，不管我们的业绩如何，我们都要保持理智的头脑和谨慎的态度，同时还要目光敏锐，不放过任何机会，即使在最困难的时候也是如此。为此，考虑到长期发展，我们在资产方面做出了一些战略决策。

在2018年上半年，我们出让了澳大利亚子公司的不动产仓库和办公楼，这是我们进一步努力精简和优化资源以灵活应对市场的需求变化。本集团同时在其他地方进行战略投资，为未来的业务开拓计划奠定了基础。10月份，我们通过马来西亚子公司在马来西亚完成了两批工业用地的收购。土地的购买旨在逐渐增强本集团的物流和仓储能力，以服务于当地现有的批发实体和客户。我们计划逐步巩固我们的仓储和物流服务能力，从而降低我们的仓库租赁成本和相关管理费用。我们将最终把这项服务扩展到由物流专业人员管理的准时交货服务，以期待提升客户的管理和区分服务。这将使客户能够利用我们的资源，消除或减少他们自己的仓储需求，实现成本节约。

在逆境中创造机会

逆境无处不在，我们预计2019财年还是具有挑战性的。首先，美中贸易争端仍未解决。由于近期贸易谈判取得进展，美国推迟了征收25%关税的最后期限，该关税本应在2019年3月1日后生效。我们已经采取相关措施减缓其对美国客户和中国苏州工厂轮毂制造业务的影响；我们确保我们的美国客户有足够的库存，同时我们在马来西亚和台湾的制造工厂加大生产以备不时之需。然而，世界上两大经济体之间长期的贸易战不可避免地会对全球经济造成伤害，还有其他的一些负面风险。由于信贷增长放缓和外部需求疲软，中国经济增长预计将放缓。东盟国家的经济也可能面临放缓，甚至是停滞。(工贸部预测，2018年国内生产总值将增长3.0%至3.5%，2019年将增长1.5%至3.5%。)。一些新政府和行政部门投票支持民粹主义观点，这预示着其经济和外交政策的改变，特别是在保护主义势头强劲的时候这种改变可能会引起深远的反响。所有这些对企业信心和消费支出都不是好兆头，相反会阻碍经济增长并影响企业收益。

面对这些外部压力，我们继续致力于提升内部管理能力、改进生产力、利用新技术提高自动化程度和寻找新的销售渠道。在这商业变革中，我们必须采取变革性措施，确保我们的步伐紧跟上这些变革，从而保持我们的竞争优势。科技的发展使消费者能够根据价格做出明智的选择，服务水平悄然已经成为我们业务的一个显著特征，更是我们保持甚至提高利润率的一种手段。因此，我们将继续摸索一条增加客户体验和提升服务水平的道路。同时，我们将寻求长期和可持续发展的契机，探寻收益增值投资，以补充我们现有的业务。我们还将在越南和印度尼西亚等国家寻找扩张的机会。2019-2020越南的增长率预计将超过6%，而印度尼西亚的增长率将保持在5%以上。这两个国家的中产阶级日益壮大，经济相对稳定，不断增长的就业机会，给市场提供了机会。此外，由于中国市场业务成本的上升和激烈的市场竞争，我们在中国扩张的理由不再充分，令人信服，尽管它将继续是我们重要的运营基地和市场。我们将至始至终着眼于可持续发展，采取谨慎的态度，以敏锐的目光，勇于开拓的创新精神，大步向前。

感谢献词

最后，我代表董事会要对我们的客户、合作伙伴和股东表示感谢，感谢他们在本年度对我们的支持。我们衷心感谢那些有才干和敬业精神的员工和管理干部所付出的辛勤汗水和取得的成就，是他们帮助友发度过了又一个充满挑战的年度。最后，我要感谢董事会，如果没有他们的高瞻远瞩和指导，我们将无法制定正确的战略和计划。我对我们的团队在执行计划和带领友发度过2019年度充满信心。总之，机遇不会自己找上门，而是要靠自己的努力去争取的。

郑添和
执行主席兼集团董事长

Keeping the Spirit High for the ultimate win

BUSINESS REVIEW

YHI International Ltd ("YHI" or "the Group") was faced with an economy which began to show signs of deceleration in the second half of the year. The US-China trade dispute, slowing Chinese economy, rising commodity prices as well as political tensions around the world, conspired to drive business and consumer sentiment down. As a Group with diversified products, operating across many countries and having a global customer base, we were impacted by these macro-economic factors. Nevertheless, we achieved an increase in both our top and bottom lines due to our concerted efforts at maintaining a strong balance sheet with close adherence to our 3R policy of reducing inventory, reducing accounts receivable and reducing operating costs. Simultaneously, we have also remained focused on our multi-product, multi-brand and multi-category or 3M strategy to continue expanding and promoting our portfolio of premium and proprietary brands in our existing markets and new markets. With this two-pronged, overarching strategy, we have reported a respectable financial performance despite the prevailing challenges.

YHI achieved revenue of S$455.6 million which represents an increase of 2.9% as compared to S$442.9 million for the financial year ended 31 December 2017 ("FY2017"). Net profit attributable to equity holders of the Company ("net profit") stood at S$13.7 million, an increase of 56.8% over net profit of S$8.8 million in FY2017. Despite the higher revenue and net profit, gross profit and gross profit margin fell due to lower gross profit margin from both the distribution and manufacturing businesses. Manufacturing business recorded lower gross profit margin mainly due to higher aluminium prices and other productions cost in FY2018 compared to last year. Gross profit stood at S$97.5 million (FY2017: S$ 102.5 million) while gross profit margin was 21.4% (FY2017: 23.2%).

As a global business with a footprint in more than 100 countries across North East Asia, ASEAN and Oceania, we are diversified in terms of our products, brands and markets, thus mitigating our risks of being dependent on only a few markets, products or customers. As with previous years, ASEAN, mainly Singapore, Malaysia, Indonesia, Thailand and the Philippines, accounted for the bulk of our revenue, contributing 45.2% of total revenue, followed by Oceania (28.6 %), North East Asia (21.7%) and North America (4.5%).

In terms of products, our tyre segment accounted for 41.2%, wheels, 36.5% and the energy solutions and other industrial products, 22.3% of total revenue. The energy solution and other industrial product segment improved its sales, while the wheel segment held steady. Unfortunately, the tyre segment continued to face a difficult market on the back of low rubber prices and a glut in the tyre market.

In terms of divisional performance, both our distribution and manufacturing businesses registered increased turnover, due in no small part to our proactive and tireless business development efforts, in tandem with our organisational and operational improvements during this challenging year. The distribution business registered sales increase of 3.1% to S$332.3 million, which was 72.9% of the total Group sales. The manufacturing business recorded sales of S$123.3 million, which is a 2.4% improvement over its sales in FY2017.

DISTRIBUTION BUSINESS

As a distributor of more than five key products and over 45 brands with a presence in 15 countries, the Group's distribution business continues to be the mainstay of our business. Some of the best known tyre brands such as Yokohama, Nitto, Nankang, Nexen, Pirelli, Archilles, ATG Tires, Mickey Thompson and our proprietary brand, Neuton Tyres, are distributed by us. Another product category of our distribution business is the Energy Solution segment, which includes both automotive and rechargeable batteries for commercial and industrial use such as Hitachi, Trojan, CSB, Crown, Vision, FIAMM and our proprietary brand, Neuton Power. Other industrial products such as solar panels, inverter, chargers and UPS (Uninterrupted Power Supply) comprising brands such as Benning, Delta Q, Jinko Solar and our proprietary brand, Neuton Power, are also included in our distribution business. We also distribute Golf and utility vehicles from E-Z-GO, Cushman and Neuton Power Electric as well as alloy wheels which include leading names such as Enkei, OZ, Konig and Breyton and our proprietary brand, Advanti Racing. We have identified key market segments for our alloy wheel business that allow us to optimise our operational advantages that align with our group strategy.

The tyre segment contributed 56.6 % of segmental revenue, the energy solution, industrial product and equipment segment contributed 30.5 % and the wheel segment contributed 12.9 % for the period under review.

The Oceania market, despite reporting lower revenue in the tyre segment, registered a significant growth in the energy solution and industrial product segment. It achieved an overall increase in revenue of 3.9% to S$130.3 million despite the soft market in FY2018. ASEAN, our primary market traditionally, particularly Singapore, Malaysia, Philippines and Vietnam, continued to be the leading growth contributor for our Distribution Business, reporting a 6.3% rise in revenue to S$145.9 million. Conversely, our revenue decreased by 6.3% to $35.6 million in the North East Market, mainly due to the slowdown in the Chinese economy.

Myanmar, a market which we penetrated in 2017 through a joint venture with Aung San Company, a company engaged in the import of car products such as wheels, tyres, accessories, spare parts and general merchandise, has performed within expectation.

Tyre distribution once again faced a year of overcapacity which resulted in low prices from fierce competition. This, coupled with the effects of the China and USA trade war, which resulted in the influx of Chinese tyres in the regional markets, has heightened the intense price competition and negatively impacted our tyre distribution business particularly in Singapore, Malaysia, Thailand and Australia. Consequently, our tyre business reported a drop in revenue to S$187.9 million in FY2018, a decrease of 3.8% from a year ago.

In Australia, we consolidated warehouse operations of our branches in Sydney, Brisbane and Adelaide. As a result of this consolidation, we disposed of our freehold warehouse and office building in Sydney in the first half of FY2018.

We will continue to find new channel of sales and improve our operations across our markets. The Group will source for new products and business opportunities, strengthen our distribution network and intensify our marketing efforts to support YHI's stable of brands. Our proprietary Neuton brand of tyres continues to introduce new sizes in the different categories catering to the different demands and lifestyles of drivers.

Our energy solution and other industrial product segment lifted the distribution business on positive demand from our key markets, with growth coming mainly from Singapore, Malaysia and Australia. There was, however, only marginal growth in the alloy wheel segment.

BUSINESS REVIEW

MANUFACTURING BUSINESS

Our manufacturing business, which has been right-sized and reorganised, registered a strong financial year. It managed to grow its sales from Europe, specifically Germany and the United States despite the less-than-favourable economic conditions which prevailed.

Our largest market was Europe (64.4%), followed by USA (18.4%), Japan (12.6%), Asia ex Japan (4.0%) and others (0.6%). In Europe, sales increased above 2017's levels as there was higher external demand for our goods. Japan, on the other hand, registered lower sales. By contrast, the rest of the Asian markets performed well overall, in spite of the reverberations from a slowing Chinese economy which registered its weakest growth in 28 years.[1]

We continued to realise costs savings with the transfer of our manufacturing facilities out of Shanghai to Suzhou. Specifically, our administrative expenses decreased overall by 7.0%, from S$49.3 million in FY2017 to S$45.8 million in the current financial year due to lower staff related costs and repair and maintenance expenses.

In 2018, our Malacca factory adopted the flow forming technology and invested in new plant and machinery in order to increase our product offering to our clients globally. With the flow forming technology, we are able to enhance our product differentiation and competitiveness in the market.

In line with our 3R initiative, we sought to grow our footprint in our existing markets and expand to new ones which is an intrinsic part of our long-term growth strategies.

2019 OUTLOOK

There is general consensus that the global economy in the coming year will experience weaker growth. Escalation in the trade tensions between the United States and China, weakening financial market sentiment, a slowdown in China's growth,[2] volatile commodity prices and political uncertainty are some of the downside risks. We will be affected by these external factors. We anticipate our tyre distribution business to continue to face downward price pressures due to low rubber prices and the prevailing excess capacity in the market. Nevertheless, the outlook for our energy solutions and other industrial products remain promising, which should mitigate the pressures faced by the tyre distribution business. As for our wheel manufacturing business, aluminium prices have stabilised but the new 10% tariffs effected on 24 September 2018 as announced by the United States on the "Import of Automobiles, including Cars, SUVs, Vans and Light Trucks, and Automotive Parts under Section 232", may still increase to 25% if the trade dispute, temporarily halted, is not eventually resolved when trade talks resume. These escalated tariffs will potentially affect our wheel manufacturing business in China although we have already taken proactive steps to mitigate the potential impact on our business.

Although all our business segments are facing a difficult year, and our general approach is one of cautiousness, we will continue to actively source for new products and business opportunities, explore new sale channels and strengthen our distribution network. We will also explore potential mergers and acquisition opportunities, other business partnerships and long-term investments, as a means of further growing our business in a sustainable manner.

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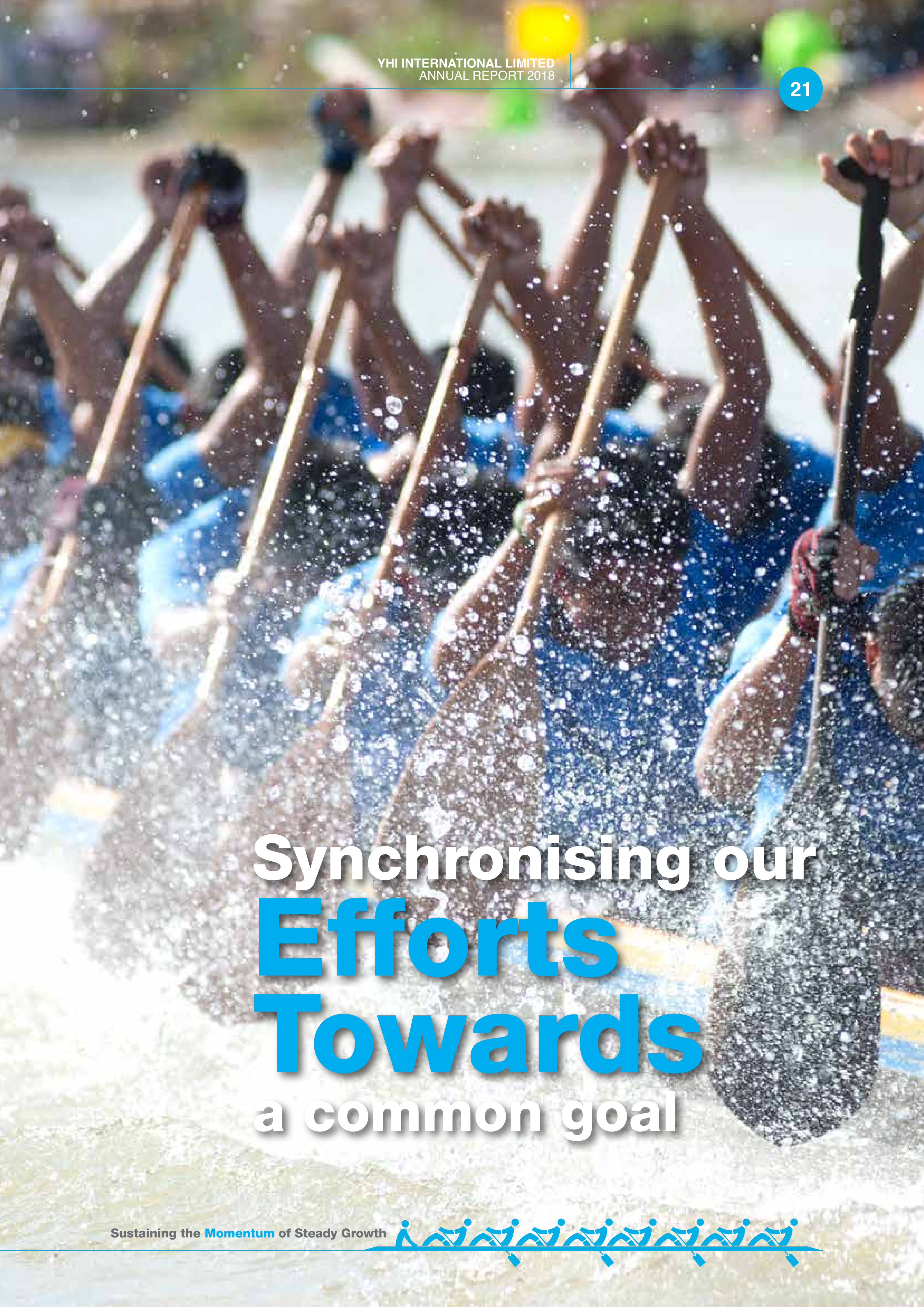
[1] Channel NewsAsia 21 Jan 2018. "China's economy grew 6.6% in 2018, slowest rate in 28 Year."

[2] International Monetary Fund. "World Economic Outlook Update, January 2019."



Synchronising our Efforts Towards a common goal

FINANCIAL REVIEW

INCOME STATEMENT REVIEW

YHI Group achieved a respectable financial performance in FY2018 despite a slowdown in the global economy.

The Group reported a 2.9% (or $12.7 million) increase in turnover to $455.6 million (FY2018) from $442.9 million (FY2017) mainly due to higher sales in both distribution and manufacturing business as compared to last year.

Distribution business, accounting for 72.9% of the Group's total turnover, recorded an increase of 3.1% (or $9.9 million) in turnover, from $322.4 million (FY2017) to $332.3 million (FY2018) mainly due to higher sales achieved by our energy solution, other industrial product and wheel business, and was negated by our tyre business which reported lower sales in FY2018. Our wheel manufacturing business, accounting for 27.1% of the Group's total turnover, recorded an increase of 2.4% (or $2.8 million) in turnover, from $120.5 million (FY2017) to $123.3 million (FY2018) due to higher sales achieved by all three factories in China, Malaysia and Taiwan.

Group's Gross Profit decreased by 5.0% (or $5.0 million) to $97.5 million (FY2018) from $102.5 million (FY2017) mainly due to lower gross profit margin and lower sales from our tyre distribution business. The Group's gross profit margin decreased to 21.4% in FY2018 compared to 23.2% in FY2017 due to lower gross profit margin from both the distribution and manufacturing business.

Gross profit margin of the distribution business decreased mainly due to a change in our product mix and recorded lower gross profit margins generally across our various distribution business segments in FY2018 compared to FY2017. In particular we recorded higher sales for our energy solution and other industrial product business but with lower gross profit margin in FY2018.

Manufacturing business recorded lower gross profit margin in FY2018 mainly due to higher aluminium prices and other production costs compared to last year.

A review of the Group's turnover by geographical markets of ASEAN, North East Asia, Oceania and Others contributed 45%, 22%, 29% and 4% respectively. The turnover in ASEAN, our largest revenue contributor, increased by 8.6% to $206.1 million mainly due to higher revenue in Singapore, Malaysia, Philippines and Vietnam. The turnover in North East Asia decreased by 6.8% to $98.8 million mainly due to cessation of production at our Shanghai factory despite higher sales recorded in Suzhou and Taiwan factories. The turnover in Oceania increased by 3.8% to $130.3 million due to higher revenue in Australia and New Zealand. Lastly, the turnover in Others decreased by 5.6% to $20.4 million due to lower revenue in USA.

Other gains increased from $4.4 million in FY2017 to $9.2 million in FY2018. The sales of our freehold warehouse and office building at our Australia subsidiary was completed in 1H2018 and accordingly the Group recognised a gain on disposal of $3.1 million (before tax and minority interest). Lease rental income from Shanghai factory also contributed $2.9 million (gross, before expenses) in FY2018 compared to $1.6m last year.

Credit loss allowance on trade receivables increased from $1.2 million in FY2017 to $1.7 million in FY2018 due to the adoption of expected credit loss model to estimate life time expected credit losses under SFRS(I) 9 Financial Instruments.

In tandem with its continual cost management efforts, the Group's total operating expenses decreased by 3.2% (or $3.0 million) to $90.9 million in FY2018 from $93.9 million in FY2017. Operating expenses to sales ratio decreased to 20.0% compared to 21.2% in FY2017 due to higher sales and lower operating expenses in FY2018.

Distribution expenses reported relatively flat at $39.9 million in FY2018 and FY2017.

Administrative expenses decreased by 7.0% (or $3.5 million) in FY2018 to $45.8 million compared to $49.3 million in FY2017 mainly due Plant & Machinery written off arising from the cessation of production at our Shanghai factory reported in FY2017. This is further contributed by lower staff related costs in FY2018 and foreign currency exchange gain in FY2018 compared to a loss in FY2017.

Financing costs remained relatively flat at $3.5 million in FY2018.

Our associated company reported better performance and our share of profit was $2.2 million in FY2018 as compared to $2.1 million in FY2017.

Profit before income tax was $18.0 million in FY2018, an increase of 18.6%, compared to $15.2 million in FY2017.

Income tax expense decreased by 34.1 % (or $1.9 million) to $3.7 million compared to $5.6 million in FY2017 mainly due to higher group profit before tax and certain profitable subsidiaries had claimed tax deduction from accumulated tax losses brought forward from prior years in FY2018.

Net profit after tax and non-controlling interests attributable to shareholders of the Company increased by 56.8% to $13.7 million in FY2018 as compared to $8.8 million in FY2017.

FINANCIAL POSITION REVIEW

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

As at 31 December 2018, total assets amounted to about $393.9 million comprising $272.0 million of current assets and $121.9 million of non-current assets. Total liabilities amounted to about $129.8 million comprising current liabilities of $119.5 million and non-current liabilities of $10.3 million. Shareholders' equity including non-controlling interests amounted to $264.1 million, giving a net assets value per share of 86.54 Singapore cents.

The Group's net working capital decreased to $152.5 million in FY2018 from $158.0 million with current ratio at 2.3 times and cash and cash equivalent of $51.1 million as at 31 December 2018.

Trade and other receivables marginally increased from $100.1 million to $100.8 million mainly due to higher sales in FY2018. Except for those trade receivables where loss allowance for expected credit loss on trade receivable has been made, most of the trade receivables that remained outstanding at the end of FY2018 were still within the acceptable credit terms.

Inventories increased from $111.7million to $120.0 million mainly due to purchases of inventories at the end of FY2018 in anticipation of the sales requirements in 1QFY2019.

Non-current assets held for sale decreased from $0.7 million to $NIL due to the completion of disposal of freehold warehouse and office building at our Australian subsidiary in 1H2018.

Transferable club membership, at cost increased from $38,000 to $172,000 mainly due to purchase of country club memberships.

Property, plant and equipment increased from $82.3 million to $85.0 million mainly due to the purchase of freehold industrial land in Malaysia for $7.1 million but was negated by the depreciation charge for the year FY2018.

Deferred income tax assets decreased from $4.2 million to $3.4 million mainly due to reversal of capital gains tax payable to Profit & Loss account on completion of the disposal of freehold warehouse and office building at our Australia subsidiary in 1H2018.

Trade and other payables increased from $36.5 million to $43.4 million due to new purchases of inventories at the end of FY2018.

Income tax liabilities decreased from $2.1 million to $709,000 mainly due to income tax paid during the year.

Borrowings (current & non-current) decreased from $85.4 million to $83.5 million due to repayment of bank borrowings during the year. Gross gearing stood at 33% as at 31 December 2018, improved from 34.4% in the year before.

Group's net borrowings (net of cash) increased from $31.0 million to $32.4 million and net gearing ratio increased marginally from 12.5% to 12.8% at the end of 31 December 2018. The increased net borrowings mainly due to lower cash and cash equivalents at the end of the financial year ended 31 December 2018.

The Group elect to set the cumulative translation difference for all foreign operations to be zero as at the date of transition to SFRS(I)s on 1 January 2017. As a result, other reserves and retained profits as at 1 January 2017 and 31 December 2017 was increased / (decreased) by $24.7 million respectively.

Other reserves, consist of foreign currency translation gains or losses on overseas investments, decreased from a gain of $3.8 million to a loss of $210K mainly due to the weakening of RMB and AUD against SGD.

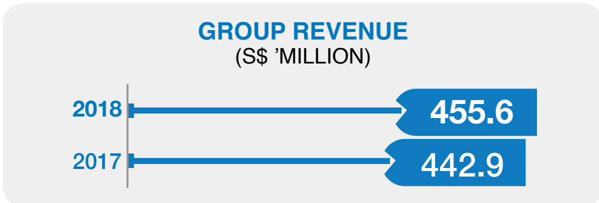
CASH FLOWS REVIEW

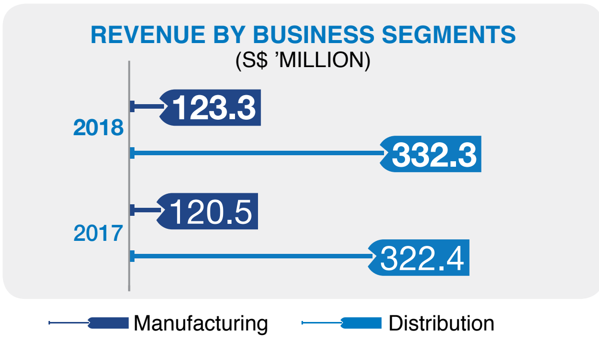
$15.2 million was provided by operating activities in FY2018. The Group utilised $8.7 million in investing activities mainly for the purchase of freehold industrial land in Malaysia. A total of net $9.2 million was raised from financing activities mainly from short term bank borrowings to pay trade suppliers. Cash and cash equivalents amounted to $50.8 million as at 31 December 2018 compared to $54.0 million reported as at 31 December 2017.

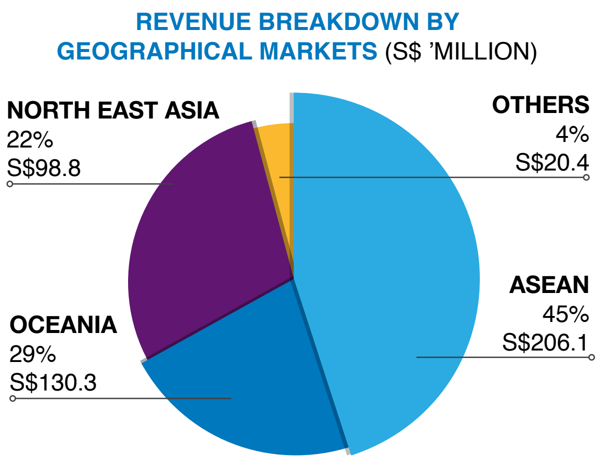
DIVIDEND

The Board of Directors has proposed a first and final (one-tier tax-exempted) dividend payout of 2.35 Singapore cents per share, subject to shareholders' approval at the Company's Annual General Meeting on 26 April 2019.

This translates to a dividend yield of 5.9% based on $0.395 as at the closing share price of last practicable date before printing of the Annual Report and a dividend payout ratio of 50% based on earning per share of 4.70 Singapore cent for FY2018.







CORPORATE MILESTONES

START

1948

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

1973-1975

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

1980-1995

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

1996

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

1997

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

1999

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

2000

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

2003 - 2004

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

2005

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

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.

CORPORATE MILESTONES

2008

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

2009

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

2010

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

2011

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

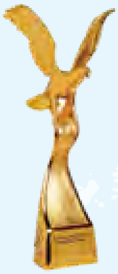
2012

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

2013

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

2014



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

2015

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

2016

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

2017

- YHI Manufacturing (Malaysia) Sdn Bhd received the Super Golden Bull 2017 Award for outstanding SME in Malaysia.
- For the ninth consecutive year, YHI (Malaysia) Sdn Bhd received the Golden Eagle 2017 Award for outstanding SMA 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 SMA in Malaysia.
- Ventured into Cambodia.

BOARD OF DIRECTORS

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

MR TAY TIAN HOE, RICHARD, 67

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

Under his stewardship, Mr Tay has led the development and growth of our alloy wheels manufacturing business. He is a member of the Singapore Institute of Directors. He was appointed to the Board on 26 August 2000 and last re-appointed on 26 April 2018.

MR TAY TIANG GUAN, 66

Executive Director

Mr Tay Tiang Guan is the Executive Director of our Group. He has more than 38 years of business experience and has extensive knowledge in the automotive and industrial products industry.

He is responsible for 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 2016.

MR HENRY TAN SONG KOK, 54

Lead Independent Director

Mr Henry Tan was appointed to the Board on 22 May 2003 and last re-appointed on 26 April 2018. He currently chairs the Audit Committee and is a member of our Remuneration Committee and Nominating Committee. He is the Group CEO & Chief Innovation Officer of Nexia TS Public Accounting Corporation and the Nexia TS Pte Ltd. He was the past Asia Pacific Regional Chairman and board member of Nexia International.

He holds directorship for several companies. He is a director of China New Town Development Co Ltd, BH Global Corporation Limited & Yinda Infocomm Limited. He is Chairman of the Nanyang Business School Alumni Advisory Board of NTU and Council Member of Institute of Singapore Chartered Accountants (ISCA).

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

MR YUEN SOU WAI, 65

Independent Director

Mr Yuen Sou Wai was appointed to the Board on 22 May 2003 and re-designated as an Independent Director from Non- Executive Director on 25 February 2014 and was last re-appointed as Independent Director on 26 April 2017. He currently chairs the Remuneration Committee and is a member of our Audit Committee and Nominating Committee.

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

Mr Yuen is presently the Lead Independent Director as well as the Chairman of the Audit Committee at Huationg Global Limited which is listed on Catalist of the SGX-ST.

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

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

MR PHUA TIN HOW, 68

Independent Director

Mr Phua Tin How was appointed to the Board on 22 May 2003 and was last re-appointed on 25 April 2017. He currently chairs the Nominating Committee and is a member of our Audit Committee and Remuneration Committee.

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

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

SENIOR MANAGEMENT TEAM

MR GARY SU THIAM HUAT

Group Chief Financial Officer (CFO)

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

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

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

MR ALEX ONG CHIN KIONG

Chief Operating Officer (COO)
Distribution Group

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

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

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

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

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

MR LU CHUN YA

Group General Manager, Manufacturing Group, North East Asia Operations

Mr Lu Chun Ya was appointed Group General Manager of the YHI Manufacturing Group, China operations on 3 December 2013. His portfolio was extended to cover the management of Taiwan factory in 2017. With over 25 years of experience in alloy wheels manufacturing, he is now responsible for overseeing our business operations in China and Taiwan as well as the alloy wheels manufacturing plants in Suzhou and Taiwan respectively.

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

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

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

MR ROBERT TAN YONG QUAN

General Manager, ASEAN Management

Mr Robert Tan is General Manager, ASEAN Management. He has over 16 years of experience managing the YHI distribution group in ASEAN and is responsible for overseeing the business operations in Thailand, Malaysia, Vietnam and the Philippines. In Singapore, he oversees the management of the Operation Process Centre (OPC) of YHI Corporation (S) Pte Ltd.

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

MS AMY SOO WEE HSIEN

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

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

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

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

HEAD OF SUBSIDIARIES

MALAYSIA

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

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

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

MALAYSIA

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

MR JACKY KOK CHEE CHEN
Deputy General Manager
YHI Power (Malaysia) Sdn Bhd

THAILAND

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

INDONESIA

MR EKA SATRIA
Deputy General Manager
PT YHI Indonesia

VIETNAM

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

BRUNEI

MR RICKEY TAY
Manager
YHI Corporation (B) Sdn Bhd

PHILIPPINES

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

MYANMAR

MR U MAUNG MAUNG LATT
Managing Director
YHI Aung (Myanmar) Company Limited

HONG KONG

MR BENNY KAN

General Manager
YHI (Hong Kong) Co., Ltd

CHINA

MR LIN CHEN WEI

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

MR WU MENG

General Manager
YHI Advanti (Shanghai) Co., Ltd

MR WANG ZHAN WEI

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

TAIWAN

MR LIU DE SEN

General Manager
YHI International (Taiwan) Co., Ltd

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

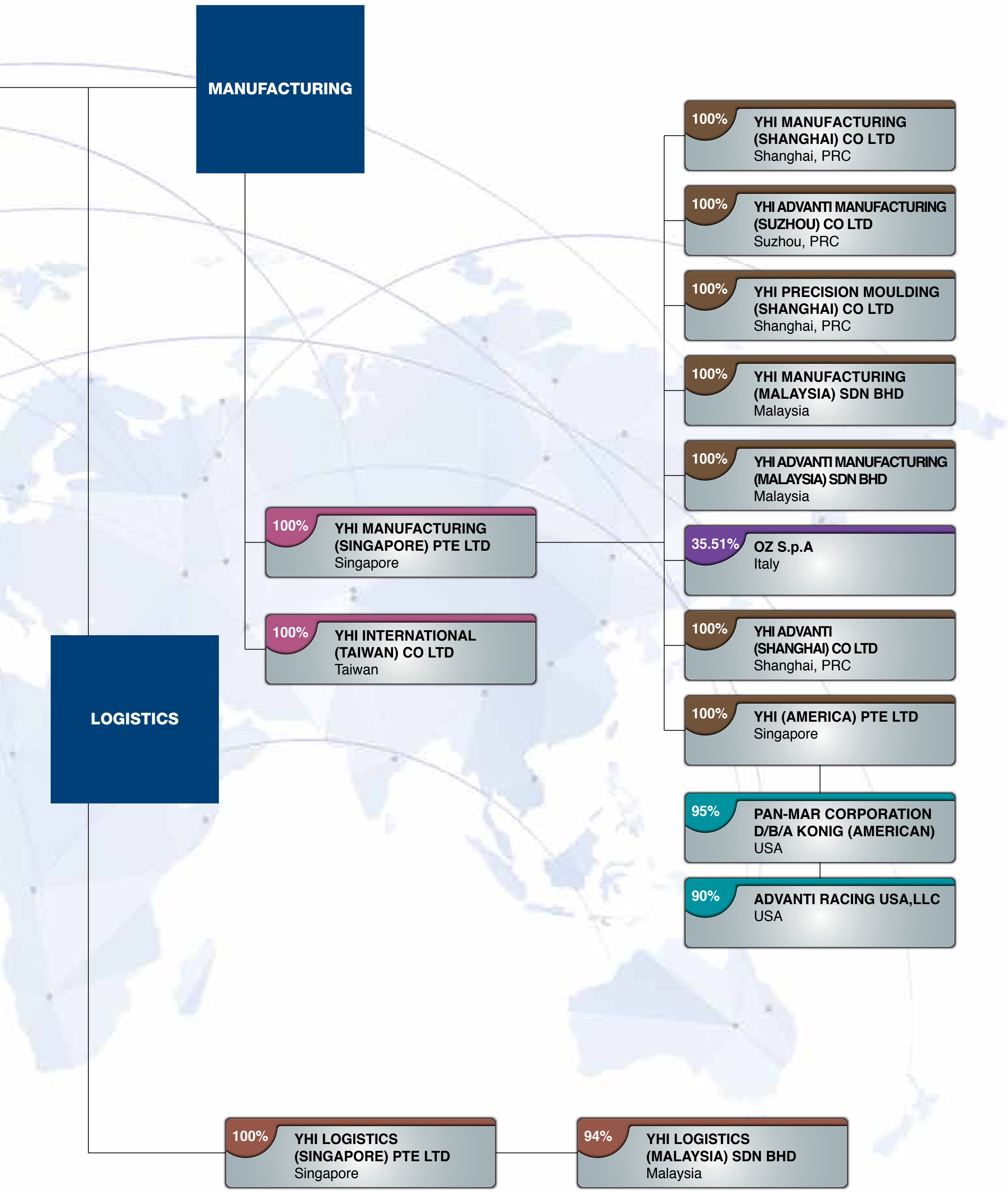
CORPORATE STRUCTURE

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
  - 100% YHI CORPORATION (BEIJING) CO LTD, Beijing, PRC
  - 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
  - 30% YHI (CAMBODIA) COMPANY LIMITED, Cambodia
- 100% YHI (MALAYSIA) SDN BHD, Malaysia
- 100% YHI (HONG KONG) CO LTD, Hong Kong
- 100% YHI (CHINA) STRATEGY CO LTD, Hong Kong
  - 100% YHI CORPORATION (GUANGZHOU) CO LTD, Guangzhou, PRC
- 80% YHI (AUSTRALIA) PTY LTD, Australia
- 85% YHI POWER PTY LTD, Australia
- 70% YHI (NEW ZEALAND) LTD, New Zealand

* incorporated on 5 Jan 2019


MANUFACTURING
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 MANUFACTURING (SINGAPORE) PTE LTD Singapore
35.51% OZ S.p.A Italy
100% YHI INTERNATIONAL (TAIWAN) CO LTD Taiwan
100% YHI ADVANTI (SHANGHAI) CO LTD Shanghai, PRC
LOGISTICS
100% YHI (AMERICA) PTE LTD Singapore
95% PAN-MAR CORPORATION D/B/A KONIG (AMERICAN) USA
90% ADVANTI RACING USA,LLC USA
100% YHI LOGISTICS (SINGAPORE) PTE LTD Singapore
94% YHI LOGISTICS (MALAYSIA) SDN BHD Malaysia

GLOBAL PRESENCE

SINGAPORE (Head Office)

YHI Holdings Pte Ltd
YHI International Limited
YHI Corporation (Singapore) Pte Ltd
YHI Manufacturing (Singapore) Pte Ltd
YHI (America) Pte Ltd
YHI Logistics (Singapore) Pte Ltd
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W: www.advanti-wheel.com

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MYANMAR

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F: (673) 277 1320
E: yhicorpbn@brunet.bn

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F: (61) 3 6344 7795

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tay Tian Hoe Richard
Executive Chairman &
Group Managing Director

Tay Tiang Guan
Executive Director

Henry Tan Song Kok
Lead Independent Director

Yuen Sou Wai
Independent Director

Phua Tin How
Independent Director

AUDIT COMMITTEE

Henry Tan Song Kok
Chairman

Phua Tin How
Member

Yuen Sou Wai
Member

REMUNERATION COMMITTEE

Yuen Sou Wai
Chairman

Phua Tin How
Member

Henry Tan Song Kok
Member

NOMINATING COMMITTEE

Phua Tin How
Chairman

Tay Tian Hoe Richard
Member

Henry Tan Song Kok
Member

Yuen Sou Wai
Member

COMPANY SECRETARY

Gn Jong Yuh Gwendolyn
LLB Hons

AUDITOR

PricewaterhouseCoopers LLP
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Partner-in-charge :
Maurice Loh Seow Wee
Year of appointment: 2018

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Tricor Barbinder Share
Registration Services
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PRINCIPAL BANKERS

DBS Bank
Standard Chartered Bank

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Company Registration No:
200007455H

FINANCIAL CALENDAR

CALENDAR
14 May 2018
Announcement of first quarter unaudited results

CALENDAR
8 August 2018
Announcement of half year unaudited results

CALENDAR
13 November 2018
Announcement of third quarter unaudited results

CALENDAR
31 December 2018
Financial year-end

CALENDAR
28 February 2019
Announcement of full year unaudited results

CALENDAR
26 April 2019
Annual General Meeting

CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

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

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2018 ("FY2018"), with specific reference to the principles and guidelines of the Code of Corporate Governance issued in May 2012 (the "Code"), which forms part of the continuing obligations of the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Listing Rules").

A. BOARD MATTERS

As at 22 March 2019, the Board comprises the following Directors:

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

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

Principle 1: The Board's Conduct of Affairs

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

The principal functions of the Board include the following:

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

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 interest of the Group.

CORPORATE GOVERNANCE

The Group has adopted a set of internal guidelines on matters that require the Board's approval. The matters include interested person transactions, investments and divestments, capital expenditure and business contracts which exceed certain amount. For example, the Board approves transactions exceeding certain threshold limits while delegating authority for transactions below those limits to the Board Committees and the Management via a structured matrix, which is reviewed on a regular basis and accordingly revised when necessary.

The Board holds regular meetings on a quarterly basis to review the Group's key activities, business strategies, funding plans, financial performance and to approve the announcement of quarterly and annual results. Where required, ad-hoc meetings are arranged. The Directors are also constantly kept updated on the Group's development which allows them to participate and to share their views.

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

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

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

When the new Directors are appointed, the Company will conduct a comprehensive and tailored orientation programme to provide new Directors with extensive background information about the Group's structure and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. New Directors will have the opportunity to visit the Group's operational facilities and to meet with the Management to gain a better understanding of the Group's business operations. The orientation programme will give the new Directors an understanding of the Group's businesses to enable them to assimilate into their new role. It also will allow the new Directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management. Upon appointment of each new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations. Where appropriate, training on the roles and responsibilities of a director of a listed company will be provided to directors who have no prior experience as a director of a company listed on the SGX-ST.

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:

a. Nominating Committee
b. Remuneration Committee
c. Audit Committee

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

The roles of each Board Committee are outlined in the respective committee's written Terms of Reference approved by the Board, which clearly set out the authority and duties of each respective committee. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

Following the changes to the composition of the Board on 26 April 2018, the composition of the each Board Committee has been re-constituted as set out in Table 1, with effect from 26 April 2018. Table 2 discloses the Directors' attendance at Board and Board Committee meetings in FY2018.

CORPORATE GOVERNANCE

Table 1: Composition of Board Committees with effect from 26 April 2018

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

Table 2: Attendance of Directors at Board and Board Committee Meetings in FY2018

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

Notes:

^ By Invitation

(1) Retired pursuant to Regulation 89 of the Company's Constitution on 26 April 2018

Principle 2: Board Composition and Guidance

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

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

The criterion of "independence" is based on the provisions in the Listing Manual of the SGX-ST and the guidelines provided in the Code. 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 10% 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. Additionally, the Independent Directors have confirmed that none of them and/or their immediate family members were employed by the Company or any of its related corporations for FY2018 and for the past three (3) financial years.

CORPORATE GOVERNANCE

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 Manual of the SGX-ST.

The independence of each Director is reviewed by the Nominating Committee annually and as and when required and reported to the Board. The Nominating Committee is responsible for examining the size, composition and diversity of the Board and Board Committees. The criteria of diversity include, 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.

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

The Nominating Committee is also of the view that the current Board, with Independent Directors making up more than half of the Board, has a strong and independent element that is able to exercise objective judgement on corporate affairs independently. The Nominating Committee is also of the view that no individual or small group of individuals dominates the Board's decision making process. The Board also considers that its current composition of Independent Directors provides an effective mix of commercial, accounting, finance and legal experience. This balance and diversity is important in ensuring that the strategies proposed by the Management are well deliberated taking into account the long term interests of the Group.

The Independent Directors are actively involved in strategy decisions. They constructively challenge and provide invaluable insights to the Management in developing business strategy. They also review and monitor the performance of the Management in meeting agreed business goals.

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

Mr Yuen Sou Wai will be retiring by rotation at the forthcoming Annual General Meeting. If Mr Yuen Sou Wai is re-appointed at the forthcoming Annual General Meeting, Mr Yuen Sou Wai, together with Messrs Henry Tan Song Kok and Phua Tin How, will enter into their seventeenth (17th) year of tenure on the Board from the date of their first appointments. Mr Yuen Sou Wai was appointed as an Independent Director since February 2014. Prior to that, he acted as our Non-Executive Director from September 2009 to February 2014 and our Executive Director from May 2003 to September 2009.

Pursuant to the guidelines of the Code, the Board, with the assistance of the Nominating Committee, has subjected the independence of these Directors to rigorous review annually. The aspects of review include the following:

a. The Directors' relationship with the Group, shareholders and the Management;
b. The professionalism and objectivity of the Directors' character and judgement;
c. The Directors' commitment in upholding the interest of the Group and the shareholders as a whole; and
d. The ability of the Directors to confront key issues and hold the Executive Directors and Management accountable for their decisions.

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

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

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

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

The Independent Directors 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.

Principle 3: Role of Chairman and Group Managing Director

Mr Tay Tian Hoe Richard is the Executive Chairman and Group Managing Director. Accordingly, pursuant to the guidelines of the Code, Independent Directors should make up at least half the Board and a Lead Independent Director should be appointed. As disclosed above, the Independent Directors make up more than half of the Board and Mr Henry Tan Song Kok acts as the Company's Lead Independent Director.

As Chairman of the Board, Mr Tay Tian Hoe Richard:

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

CORPORATE GOVERNANCE

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

a. Major business and operational decisions made by Mr Tay Tian Hoe Richard are reviewed by the Audit Committee and the Board;
b. The Board has appointed Mr Henry Tan Song Kok as the Lead Independent Director, pursuant to the recommendations of the Code. The Lead Independent Director 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; and
c. Independent Directors make up more than half of the Board.

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

Principle 4: Board Membership

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

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

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

a. The Board's structure, size and composition;
b. The Board succession plans for Directors, in particular, for the Chairman and the Group Managing Director;
c. Identify and make recommendations to the Board on the Directors who are due for retirement by rotation as well as candidates for nomination or re-nomination at the forthcoming Annual General Meeting;
d. The evaluation criteria and process 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.

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

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

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

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

CORPORATE GOVERNANCE

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 Director. 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.

The Nominating Committee is charged with determining the independence of the Directors. The Board, after taking into consideration the views of the Nominating Committee, is of the view that Mr Henry Tan Song Kok, Mr Yuen Sou Wai and Mr Phua Tin How are independent and that no individual or small group of individuals dominates the Board's decision-making process.

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

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

Commitments of Directors Sitting on Multiple Boards

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.

Appointment of Alternative Directors

There is no alternate director on the Board.

Information on Directors

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

CORPORATE GOVERNANCE

Principle 5: Board Performance

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

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.

Performance Criteria for Board (including Board Committees)

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

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

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

Evaluation of Individual Directors

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

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

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

Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board for FY2018. 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 FY2018.

Principle 6: Access to Information

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

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

All Directors are provided with board papers prior to Board and Board Committee meetings. Generally, detailed Board and Board Committees papers prepared for each meeting are circulated five (5) working days in advance of each meeting. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussions can be more meaningful and productive. 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 region performance and capital expenditure of the Group, cash flow projections, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. Where required, detailed monthly management accounts will be provided. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations and risk management.

Directors' Access to Company Secretary

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

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

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

Directors' Access to Independent Professional Advice

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

CORPORATE GOVERNANCE

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Mr Yuen Sou Wai, an Independent Director, is the Chairman of the Remuneration Committee for FY2018. The Remuneration Committee comprises the following Independent Directors:

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

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:

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 Executive 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.

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 FY2018.

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

Access to Remuneration Consultant's Advice

When the need arises, the Remuneration Committee has access to external remuneration consultants' service and advice on Director's remuneration. No remuneration consultant was appointed for FY2018.

Principle 8: Level and Mix of Remuneration

Remuneration of Executive Directors and Key Management Personnel

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

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.

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options or other forms of deferred remuneration. The YHI Share Option Scheme (the "Scheme"), which was adopted on 22 May 2003, has since expired. The Company had not granted any share options pursuant to the Scheme in previous financial years and decided not to renew the Scheme.

Remuneration of Independent Directors

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

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

Contractual Provisions to Reclaim Incentive Components of Remuneration

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

Principle 9: Disclosure of Remuneration

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

Remuneration of Directors and Key Executives in FY2018

Table 3: Remuneration and fees, in bands of S$250,000, paid to Directors in FY2018

	Number of Directors	
	2018	2017
S$1,000,001 and above	**1**	1
S$750,001 to S$1,000,000	**–**	–
S$500,001 to S$750,000	**–**	–
S$250,000 to S$500,000	**–**	–
Below S$250,000	**4**	5
Total	**5**	6

CORPORATE GOVERNANCE

Table 4: Breakdown of the Directors' remuneration and fees, in percentage terms, for FY2018

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Tay Tian Hoe Richard	32	67	–	1	100
Tay Tiang Guan	48	38	–	14	100
Yuen Sou Wai	–	–	100	–	100
Henry Tan Song Kok	–	–	100	–	100
Phua Tin How	–	–	100	–	100

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

Remuneration of Employees Who are Immediate Family of Directors

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

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

Notes:

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

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

Management presents to the Audit Committee the quarterly and full-year results and the Audit Committee reports the results to the Board for review and approval before the timely release of the results to the SGX-ST. Financial results and Annual Reports are announced or issued within the mandatory period. The announcements and reports will comment on the Group's business performance, competitive position as well as significant trends and prospects of the industry. When required, the Board will also provide reports to regulators.

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

Compliance with Legislative and Regulatory Requirements

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

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

Management Accounts

Management provides the Board with financial results on a quarterly basis for deliberation and approval. Where required, detailed monthly management accounts will be provided to the Board. The information provided allows the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

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

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

Risk Management Framework

The Group's Risk Management Framework is aligned with 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 28 of the financial statements set out on pages 128 to 142.

CORPORATE GOVERNANCE

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.

<u>Board's Regular Review of the Adequacy and Effectiveness of Internal Control and Risk Management Systems</u>

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

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

<u>Board's Comment on Adequacy and Effectiveness of Internal Control and Risk Management Systems as at 31 December 2018</u>

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

(a) that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(b) that the Group's internal control and risk management systems are effective and adequate.

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 2018.

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 12: Audit Committee

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

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

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

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

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

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

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

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

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

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 2018 are provided as follows:

CORPORATE GOVERNANCE

- **Credit loss allowance on trade receivables**

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

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

Whistle-Blowing Policy

A Group Whistle-Blowing Policy ("Policy'") has been put in place and communicated to the employees. The Policy provides employees with clearly defined processes and channels through which they can raise their concerns or complaints in relation to possible violations of the Group's Code of Ethics and Business Conduct or suspected irregularities to the Audit Committee through the internal audit function. There were no instances where concerns were raised under the Policy for FY2018.

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

Nomination and Re-Appointment of External Auditors

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

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

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

	2018	2017
	S$	S$
Fees on audit services paid/payable to:		
Auditors of the Company - PwC Singapore	**216,000**	205,000
Other PwC network firms	**104,000**	120,000
Other auditors	**287,000**	272,000
Fees on non-audit services paid/payable to:		
Auditors of the Company - PwC Singapore	**91,000**	49,000
Other auditors	**52,000**	60,000
Total	**750,000**	706,000

Principle 13: Internal Audit

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

The 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 ("IIA Standards") laid down in the International Professional Practices Framework issued by The Institute of Internal Auditors.

The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the Audit Committee for approval prior to the commencement of the internal audit work. In addition, the internal 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.

D. COMMUNICATION WITH SHAREHOLDERS

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

Sufficient Information to Shareholders

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

In line with the provisions of the Listing Rules and the Companies Act (Cap. 50 of Singapore), the Board's policy is that all shareholders should be equally and in a timely manner be informed of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET system. Press releases, annual reports, other various media and our contact details are provided in the corporate website (http://www.yhigroup.com) so to allow shareholders to make well-informed investment decisions and maintain a regular dialogue channel with shareholders to gather views, input and address shareholders' concerns.

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

CORPORATE GOVERNANCE

Shareholders' Opportunity to Participate and Vote at General Meeting

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

Proxies for Corporations Providing Nominee or Custodial Services

Shareholders may vote in person or by proxy. In addition, a shareholder who is a relevant intermediary may appoint more than two (2) proxies so as to allow shareholders who hold shares through such relevant intermediaries can attend and participate in general meetings as proxies.

Dividend Policy

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

Conduct of General Meetings

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Constitution of the Company allows absentia voting at general meetings. The Company conducted poll voting in accordance with the Listing Manual of the SGX-ST for all resolutions tabled at the general meetings and the detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET and made available on the Company's website after the conclusion of the general meetings. 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.

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

E. DEALING IN SECURITIES

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

Under the code of conduct, the Directors and key officers are prohibited from dealing in the Company's securities at least two (2) weeks before the announcement of the Company's quarterly results and one (1) month before the announcement of the Company's full-year results until one day after the release of the announcement.

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

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

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

F. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries for the benefit of the Directors or controlling shareholders during FY2018.

G. INTERESTED PERSON TRANSACTIONS

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

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

There was no interested person transaction exceeding S$100,000 in value during the financial period from 1 January 2018 to 31 December 2018.

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

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

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 66 to 149 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 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in name of Director			Holdings in which Director is deemed to have an interest		
	At 21.1.2019	At 31.12.2018	At 1.1.2018	At 21.1.2019	At 31.12.2018	At 1.1.2018
Company (No. of ordinary shares)						
Mr Tay Tian Hoe Richard [(1), (2)]	–	–	–	141,958,860	141,958,860	139,958,860
Mr Tay Tiang Guan [(3)]	–	–	–	45,000,353	45,000,353	44,576,453
Mr Henry Tan Song Kok	20,000	20,000	20,000	–	–	–
Mr Yuen Sou Wai	120,000	120,000	120,000	–	–	–
Mr Phua Tin How	55,000	55,000	55,000	–	–	–

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Holdings registered in name of Director			Holdings in which Director is deemed to have an interest		
	At 21.1.2019	At 31.12.2018	At 1.1.2018	At 21.1.2019	At 31.12.2018	At 1.1.2018
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	641,392	–	–	–

Notes:

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

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

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

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

	At 31.12.2018	At 1.1.2018
YHI (Australia) Pty Limited – No. of ordinary shares	80,000	80,000
YHI (New Zealand) Limited – No. of ordinary shares	70,000	70,000
YHI Power Pty Limited – No. of ordinary shares	8,500	8,500
YHI Corporation Japan Co., Ltd – No. of ordinary shares	–	360
YHI Corporation (Thailand) Co., Ltd – No. of ordinary shares	24,500	24,500
Evo–Trend Corporation (Malaysia) Sdn Bhd – No. of ordinary shares	140,000	140,000
PT YHI Indonesia – No. of ordinary shares	288,000	288,000
YHI (Vietnam) Co., Ltd – Share capital	VND 5,311,650,000	VND 5,311,650,000
YHI Corporation (Shanghai) Co., Ltd – Share capital	US$360,000	US$360,000

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	At 31.12.2018	At 1.1.2018
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	–
YHI Aung (Myanmar) Company Limited		
– No. of ordinary shares	51,000	–

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2019 are shown in Note (a).

AUDIT COMMITTEE

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

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 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

22 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YHI INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of YHI International Limited ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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 for the year ended 31 December 2018;
- the consolidated statement of comprehensive income for the year ended 31 December 2018;
- the consolidated balance sheet of the Group as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows of the Group for the 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 2018. 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 2018, the Group has trade receivables amounting to $85,591,000 net of credit loss of $4,105,000. 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. 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 28(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 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 28(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.

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)

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 22 March 2019

CONSOLIDATED INCOME STATEMENT

AS AT 31 DECEMBER 2018

	Note	2018	2017
		$'000	$'000
Sales	4	**455,593**	442,878
Cost of sales	5	**(358,139)**	(340,331)
Gross profit		**97,454**	102,547
Other gains	4	**9,232**	4,431
Credit loss allowance on trade receivables	5	**(1,706)**	(1,178)
Expenses			
– Distribution	5	**(39,881)**	(39,955)
– Administrative	5	**(45,830)**	(49,296)
– Finance	6	**(3,472)**	(3,481)
Share of profit of an associated company		**2,222**	2,124
Profit before income tax		**18,019**	15,192
Income tax expense	8	**(3,741)**	(5,674)
Net profit		**14,278**	9,518
Profit attributable to:			
Equity holders of the Company		**13,725**	8,751
Non–controlling interests		**553**	767
		14,278	9,518
Earnings per share attributable to the equity holders of the Company	9		
– Basic		**4.70 cents**	2.99 cents
– Diluted		**4.70 cents**	2.99 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018	2017
	$'000	$'000
Profit for the year	**14,278**	9,518
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**(4,086)**	(1,292)
– Reclassification of currency translation differences arising on liquidation of subsidiaries	**(99)**	–
	(4,185)	(1,292)
Items that will not be reclassified subsequently to profit or loss:		
– Currency translation differences	**(649)**	(134)
Total comprehensive income for the year	**9,444**	8,092
Total comprehensive income to:		
Equity holders of the Company	**9,540**	7,459
Non-controlling interests	**(96)**	633
	9,444	8,092

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

BALANCE SHEET – GROUP AND COMPANY

AS AT 31 DECEMBER 2018

		The Group			The Company		
	Note	**31/12/18**	31/12/17	1/1/17	**31/12/18**	31/12/17	1/1/17
		$'000	$'000	$'000	**$'000**	$'000	$'000
ASSETS							
Current assets							
Cash and cash equivalents	10	**51,102**	54,360	51,470	**4,430**	3,178	4,285
Trade and other receivables	11	**100,800**	100,149	108,002	**34,855**	35,943	32,637
Inventories	12	**119,992**	111,721	112,937	**–**	–	–
Derivative financial instruments	13	**115**	115	136	**–**	–	–
		272,009	266,345	272,545	**39,285**	39,121	36,922
Non-current assets held for sale	19	**–**	712	–	**–**	–	–
		272,009	267,057	272,545	**39,285**	39,121	36,922
Non-current assets							
Transferable club memberships, at cost		**172**	38	227	**–**	–	–
Investment in an associated company	14	**18,629**	17,896	16,263	**–**	–	–
Investments in subsidiaries	15	**–**	–	–	**100,325**	100,325	100,122
Property, plant and equipment	16	**84,999**	82,302	105,878	**20**	88	158
Investment property	17	**10,334**	11,011	–	**–**	–	–
Intangible assets	18	**4,445**	4,914	4,201	**–**	–	–
Deferred income tax assets	8(c)	**3,380**	4,243	3,295	**–**	–	–
Other long-term receivables		**–**	13	–	**–**	–	–
		121,959	120,417	129,864	**100,345**	100,413	100,280
Total assets		**393,968**	387,474	402,409	**139,630**	139,534	137,202
LIABILITIES							
Current liabilities							
Trade and other payables	20	**43,427**	36,506	44,678	**1,407**	1,224	873
Current income tax liabilities	8(b)	**709**	2,052	576	**159**	–	–
Borrowings	21	**75,362**	70,488	76,858	**–**	–	600
		119,498	109,046	122,112	**1,566**	1,224	1,473
Non-current liabilities							
Borrowings	21	**8,145**	14,888	21,517	**–**	–	–
Deferred income tax liabilities	8(c)	**2,149**	2,500	2,390	**–**	–	–
Other non-current liabilities		**57**	233	321	**–**	–	–
		10,351	17,621	24,228	**–**	–	–
Total liabilities		**129,849**	126,667	146,340	**1,566**	1,224	1,473
NET ASSETS		**264,119**	260,807	256,069	**138,064**	138,310	135,729
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	23	**77,001**	77,001	77,001	**77,001**	77,001	77,001
Other reserves	24	**(210)**	3,836	4,822	**–**	–	–
Retained profits	25	**176,149**	167,338	160,764	**61,063**	61,309	58,728
		252,940	248,175	242,587	**138,064**	138,310	135,729
Non-controlling interests		**11,179**	12,632	13,482	**–**	–	–
Total equity		**264,119**	260,807	256,069	**138,064**	138,310	135,729

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		← Attributable to equity holders of the Company →					
	Note	**Share capital**	**Other reserves**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total equity**
		$'000	$'000	$'000	$'000	$'000	$'000
2018							
Beginning of financial year		**77,001**	**(3,836)**	**167,338**	**248,175**	**12,632**	**260,807**
Effects on adoption of SFRS(I) 9	2.2(b)	–	–	(391)	(391)	–	(391)
		77,001	**3,836**	**166,947**	**247,784**	**12,632**	**260,416**
Profit for the year		–	–	13,725	13,725	553	14,278
Other comprehensive loss for the year		–	(4,185)	–	(4,185)	(649)	(4,834)
Total comprehensive (loss)/income for the year		**–**	**(4,185)**	**13,725**	**9,540**	**(96)**	**9,444**
Liquidation of subsidiaries		–	–	–	–	(193)	(193)
Dividends relating to 2017 paid	26	–	–	(4,384)	(4,384)	(1,164)	(5,548)
Transfer from retained profits to other reserves	24(b)(i)	–	139	(139)	–	–	–
End of financial year		**77,001**	**(210)**	**176,149**	**252,940**	**11,179**	**264,119**
2017							
Beginning of financial year		**77,001**	**(19,911)**	**185,422**	**242,512**	**13,557**	**256,069**
Effects on transition to SFRS(I)	2.2(b)	–	24,733	(24,658)	75	(75)	–
Balance as at 1 January 2017 (restated)		**77,001**	**4,822**	**160,764**	**242,587**	**13,482**	**256,069**
Profit for the year		–	–	8,751	8,751	767	9,518
Other comprehensive loss for the year		–	(1,292)	–	(1,292)	(134)	(1,426)
Total comprehensive (loss)/income for the year		**–**	**(1,292)**	**8,751**	**7,459**	**633**	**8,092**
Acquisition of additional interest in subsidiaries		–	–	–	–	(286)	(286)
Dividends relating to 2016 paid	26	–	–	(1,871)	(1,871)	(1,197)	(3,068)
Transfer from retained profits to other reserves	24(b)(i)	–	306	(306)	–	–	–
End of financial year		**77,001**	**3,836**	**167,338**	**248,175**	**12,632**	**260,807**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	**2018**	2017
		$'000	$'000
Cash flows from operating activities			
Net profit		**14,278**	9,518
Adjustments for:			
– Income tax expense		**3,741**	5,674
– Depreciation of property, plant and equipment and investment property		**10,240**	11,774
– Amortisation of intangible assets		**478**	361
– (Gain)/loss on disposal of property, plant and equipment		**(62)**	599
– Gain on disposal of non-current assets held for sale		**(3,075)**	–
– Interest expense		**3,472**	3,481
– Interest income		**(455)**	(520)
– Share of profit of an associated company		**(2,222)**	(2,124)
– Fair value loss on derivative financial instruments		**–**	21
– Gain on disposal of club membership		**–**	(35)
– Plant and equipment written off		**–**	1,590
– Unrealised currency translation differences		**(327)**	(702)
Operating cash flow before working capital changes		**26,068**	29,637
Changes in working capital			
– Inventories		**(11,253)**	(771)
– Trade and other receivables		**(2,561)**	5,904
– Trade and other payables		**7,573**	(7,543)
Cash generated from operations		**19,827**	27,227
Interest received		**455**	520
Income tax paid		**(5,114)**	(5,071)
Net cash provided by operating activities		**15,168**	22,676
Cash flows from investing activities			
Dividends received from an associated company		**1,005**	952
Proceeds from sale of property, plant and equipment		**454**	2,165
Proceeds from sale of non-current assets held for sale		**3,986**	–
Purchase of property, plant and equipment		**(13,936)**	(4,897)
(Purchase)/proceed from disposal of transferable club membership		**(134)**	224
Purchase of intangible assets		**(53)**	(1,082)
Net cash used in investing activities		**(8,678)**	(2,638)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		$'000	$'000
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(4,384)**	(1,871)
Dividends paid to non-controlling interest		**(1,164)**	(1,197)
Interest paid		**(3,472)**	(3,481)
Proceeds from borrowings		**21,226**	18,366
Repayments of borrowings		**(21,395)**	(27,606)
Repayments of finance lease liabilities		**(29)**	(65)
Acquisition of additional interest in subsidiary		**–**	(202)
Net cash used in financing activities		**(9,218)**	(16,056)
Net (decrease)/increase in cash and cash equivalents		**(2,728)**	3,982
Cash and cash equivalents at beginning of the financial year		**53,995**	50,386
Effects of currency translation on cash and cash equivalents		**(447)**	(373)
Cash and cash equivalents at end of the financial year	10	**50,820**	53,995

Reconciliation of liabilities arising from financing activities

	Opening balance $'000	Proceeds, principal and interest payments $'000	Profit or loss $'000	Non-cash charge $'000	Closing balance $'000
			Interest expense	Foreign exchange movement	
2018					
Bank borrowings	85,288	(3,762)	3,467	(1,580)	83,413
Finance lease liabilities	88	1	5	–	94
2017					
Bank borrowings	98,299	(13,531)	3,475	(2,955)	85,288
Finance lease liabilities	76	7	6	1	88

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 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.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(i) Business combinations

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

(ii) Cumulative translation differences

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017.

(iii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments*: Disclosure to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(iv) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

The date of transition to SFRS(1) as at 1 January 2017

As at 1 January 2017	Note	Reported under SFRS	Effects of applying SFRS(I) 1	Effects of applying SFRS(I) 15	Reported under SFRS(I)
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents		51,470	–	–	51,470
Trade and other receivables		108,002	–	–	108,002
Inventories		112,937	–	–	112,937
Derivative financial instruments		136	–	–	136
		272,545	–	–	272,545
Non-current assets					
Transferable club membership, at cost		227	–	–	227
Investment in an associated company		16,263	–	–	16,263
Property, plant and equipment		105,878	–	–	105,878
Intangible assets		4,201	–	–	4,201
Deferred income tax assets		3,295	–	–	3,295
		129,864	–	–	129,864
Total assets		402,409	–	–	402,409
LIABILITIES					
Current liabilities					
Trade and other payables		44,678	–	–	44,678
Current income tax liabilities		576	–	–	576
Borrowings		76,858	–	–	76,858
		122,112	–	–	122,112

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued)

As at 1 January 2017	Note	Reported under SFRS	Effects of applying SFRS(I) 1	Effects of applying SFRS(I) 15	Reported under SFRS(I)
		$'000	$'000	$'000	$'000
Non-current liabilities					
Borrowings		21,517	–	–	21,517
Deferred income tax liabilities		2,390	–	–	2,390
Other non-current liabilities		321	–	–	321
		24,228	–	–	24,228
Total liabilities		146,340	–	–	146,340
NET ASSETS		256,069	–	–	256,069
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital		77,001	–	–	77,001
Other reserves	A1	(19,911)	24,733	–	4,822
Retained profits	A1	185,422	(24,658)	–	160,764
		242,512	75	–	242,587
Non-controlling interests		13,557	(75)	–	13,482
Total equity		256,069	–	–	256,069

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued)

The end of the latest period presented in the most recent financial statements in accordance with SFRS - as at 31 December 2017

	Note	As at 31 December 2017 reported under SFRS	Effects of applying SFRS(I) 1	Effects of applying SFRS(I) 15	As at 31 December 2017 reported under SFRS(I)	Effects of applying SFRS(I) 9	As at 1 January 2018 reported under SFRS(I)
		$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Current assets							
Cash and cash equivalents		54,360	–	–	54,360	–	54,360
Trade and other receivables	C1	100,149	–	–	100,149	(391)	99,758
Inventories		111,721	–	–	111,721	–	111,721
Derivative financial instruments		115	–	–	115	–	115
		266,345	–	–	266,345	(391)	265,954
Non-current assets as held-for-sale		712	–	–	712	–	712
		267,057	–	–	267,057	(391)	266,666
Non-current assets							
Transferable club membership, at cost		38	–	–	38	–	38
Investment in an associated company		17,896	–	–	17,896	–	17,896
Property, plant and equipment		82,302	–	–	82,302	–	82,302
Investment property		11,011	–	–	11,011	–	11,011
Intangible assets		4,914	–	–	4,914	–	4,914
Deferred income tax assets		4,243	–	–	4,243	–	4,243
Other long-term receivables		13	–	–	13	–	13
		120,417	–	–	120,417	–	120,417
Total assets		387,474	–	–	387,474	–	387,083

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued)

	Note	As at 31 December 2017 reported under SFRS	Effects of applying SFRS(I) 1	Effects of applying SFRS(I) 15	As at 31 December 2017 reported under SFRS(I)	Effects of applying SFRS(I) 9	As at 1 January 2018 reported under SFRS(I)
		$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Current liabilities							
Trade and other payables		36,506	–	–	36,506	–	36,506
Current income tax liabilities		2,052	–	–	2,052	–	2,052
Borrowings		70,488	–	–	70,488	–	70,488
		109,046	–	–	109,046	–	109,046
Non-current liabilities							
Borrowings		14,888	–	–	14,888	–	14,888
Deferred income tax liabilities		2,500	–	–	2,500	–	2,500
Other non-current liabilities		233	–	–	233	–	233
		17,621	–	–	17,621	–	17,621
Total liabilities		126,667	–	–	126,667	–	126,667
NET ASSETS		260,807	–	–	260,807	–	260,416
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital		77,001	–	–	77,001	–	77,001
Other reserves	A1	(20,897)	24,733	–	3,836	–	3,836
Retained profits	A1,C1	191,996	(24,658)	–	167,338	(391)	166,947
		248,100	75	–	248,175	(391)	247,784
Non-controlling interests		12,707	(75)	–	12,632	–	12,632
Total equity		260,807	–	–	260,807	(391)	260,416

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

For the financial year ended 31 December 2017	Note	Reported under SFRS	Effects of applying SFRS(I) 1	Effects of applying SFRS(I) 15	Reported under SFRS(I)
		$'000	$'000	$'000	$'000
Sales		442,878	–	–	442,878
Cost of sales	B1	(339,110)	–	(1,221)	(340,331)
Gross profit		103,768	–	(1,221)	102,547
Other gains		4,431	–	–	4,431
Credit loss allowance on trade receivables		(1,178)	–	–	(1,178)
Expenses					
– Distribution	B1	(41,176)	–	1,221	(39,955)
– Administrative		(49,296)	–	–	(49,296)
– Finance		(3,481)	–	–	(3,481)
Share of profit of associated company		2,124	–	–	2,124
Profit before income tax		15,192	–	–	15,192
Income tax expense		(5,674)	–	–	(5,674)
Net profit for the year		9,518	–	–	9,518
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		(1,292)	–	–	(1,292)
		(1,292)	–	–	(1,292)
Items that will not be reclassified subsequently to profit or loss:					
Currency translation differences		(134)	–	–	(134)
Total comprehensive income for the year		8,092	–	–	8,092

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the optional exemptions provided for under SFRS(I) 1 and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

A. Optional exemptions

As disclosed in Note 2.2(a), the Group has applied certain exemptions in preparing this first set of financial statements in accordance with SFRS(I). The exemptions that resulted in adjustments to the previously issued SFRS financial statements are as follows:

A1. Cumulative translation differences

As disclosed in Note 2.2(a)(ii), the Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and retained profits as at 1 January 2017 and 31 January 2017 was increased/reduced by $24,733,000 and $24,658,000 respectively.

B. Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(iv), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

B1. Accounting for costs to fulfil a contract

For the financial year ended 31 December 2017, distribution expenses that relate to cost to fulfil a contract has been reclassified to cost of sales. As a result, cost of sales and distribution expenses for the year ended 31 December 2017 increased/decreased by $1,221,000 respectively.

C. Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(iii), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

C1. Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15;
- lease receivables recognised under SFRS(I) 1-17; and
- loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11 and Note 28(b).

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

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 on that control ceases.

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

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 2018

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, associated companies, and joint ventures" 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 and joint ventures 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 and joint ventures 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 and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(c) ***Associated companies*** (continued)

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' 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 or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, 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 or joint venture. If the associated company or joint venture 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 or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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

(iii) *Disposals*

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

2.5 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

(b) Depreciation

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

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

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.6 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assetst (continued)

(b) Acquired trademarks

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

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

(c) Acquired computer software

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

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

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

2.7 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.

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

2.8 Investment property

Investment property comprise land and building 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 is 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.

Transfer to investment property from property, plant and equipment is made at the end of owner-occupation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ("CGU") expected to benefit from synergies arising from the business combination.

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

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

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

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

Intangible assets, property, plant and equipment, 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

(a) *Classification*

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

Loans and receivables

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

(b) *Recognition and derecognition*

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

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

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for derivatives, which are recognised at fair value (see Note 2.14).

(d) *Subsequent measurement*

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

(e) *Impairment*

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

Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

The accounting for financial assets from 1 January 2018 is as follows:

(f) Classification and measurement

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

- Amortised cost

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

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

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

At initial recognition

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

At subsequent measurement

Debt instruments

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

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

(g) 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 28(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial guarantees (continued)

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

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

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

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

Intra-group transactions are eliminated on consolidation.

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.

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 Fair value estimation of financial assets and liabilities

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

The fair value of currency swaps are determined using actively quoted forward exchange rates.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases

(a) When the Group is the lessee:

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

(i) Lessee - Finance leases

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

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

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

(ii) Lessee - Operating leases

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

(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 a non-related party.

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.

2.18 Inventories

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

2.19 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes (continued)

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

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

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

Deferred income tax is measured:

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

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

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

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

2.20 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.

2.21 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 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(d) Termination benefits

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

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

(b) when the entity recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 (Note 2.20) and involves the payment of termination benefits.

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

2.22 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 of the entity giving rise to such reserve.

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

2.23 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.

2.24 Cash and cash equivalents

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

2.25 Share capital

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

2.26 Dividends to Company's shareholders

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

2.27 Non-current assets held for sale

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 loans and receivables

As at 31 December 2018, the Group's trade receivables amounted to $89,696,000 (Note 11), arising from the Group's different revenue segments – Distribution and Manufacturing. The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, customers are grouped based on shared credit risk characteristics.

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

A credit loss allowance of $4,105,000 for trade receivables was recognised as at 31 December 2018.

The Group's and the Company's credit risk exposure for trade receivables by different revenue segment are set out in Note 28(b).

(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 18.

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 18). Reasonably possible changes in the estimates and assumptions will not result in any significant adjustments.

(c) Uncertain tax positions

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. REVENUE AND OTHER GAINS

	Group	
	2018	2017
	$'000	$'000
At a point in time		
Sale of goods		
– Automotive and industrial products (Distribution)		
North-east Asia	**35,632**	38,007
ASEAN	**145,911**	137,318
Oceania	**130,304**	125,476
Other	**20,411**	21,614
	332,258	322,415
– Alloy wheels (Manufacturing)		
North-east Asia	**63,136**	67,963
ASEAN	**60,199**	52,500
	123,335	120,463
Total sales	**455,593**	442,878

Unsatisfied performance obligation

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

	Group	
	2018	2017
	$'000	$'000
Other gains:		
– Rental income	**3,760**	2,164
– Gain/(loss) on disposal of property, plant and equipment	**62**	(599)
– Gain on disposal of non-current assets held for sale	**3,075**	–
– Interest income from banks	**455**	520
– Fair value gain/(loss) on derivative financial instruments (Note 13)	**22**	(21)
– Gain on disposal of club membership	**–**	35
– Other	**1,858**	2,332
Total other gains	**9,232**	4,431

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. EXPENSES BY NATURE

	Group	
	2018	2017
	$'000	$'000
Amortisation of intangible assets [Note 18(b),(c)]	**478**	361
Depreciation of property, plant and equipment (Note 16)	**9,828**	11,774
Depreciation of investment property (Note 17)	**412**	–
Changes in inventories of raw materials, work-in-progress and finished goods	**8,271**	(1,216)
Purchases of raw materials, finished goods and consumables	**325,405**	317,989
Write-down of inventories	**1,780**	2,394
Credit loss allowance on trade receivables	**1,706**	1,178
Transportation and travelling	**4,408**	4,384
Advertising and promotion	**3,620**	3,522
Commission charges	**3,713**	3,694
Employee compensation (Note 7)	**56,606**	53,926
Directors' fees	**271**	271
Staff termination arising from restructuring	**–**	592
Repair and maintenance	**1,516**	1,641
Rental on operating leases for premises	**6,831**	6,443
Research expense	**2,333**	2,203
Currency translation (gain)/loss – net	**(214)**	1,765
Plant and equipment written off	**–**	1,590
Others	**18,592**	18,249
Total cost of sales, distribution and administrative expenses	**445,556**	430,760

6. FINANCE EXPENSES

	Group	
	2018	2017
	$'000	$'000
Interest expense:		
– Bank loans	**2,703**	2,724
– Bank overdrafts	**28**	101
– Trust receipts	**736**	650
– Finance leases	**5**	6
	3,472	3,481

7. EMPLOYEE COMPENSATION

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**51,314**	48,675
Other long-term benefits	**58**	77
Employer's contribution to defined contribution plans including Central Provident Fund	**5,234**	5,174
	56,606	53,926

8. INCOME TAX

(a) Income tax expense

	Group	
	2018	2017
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**–**	384
– Foreign	**3,562**	5,868
	3,562	6,252
Deferred income tax [Note 8(c)]	**367**	(817)
	3,929	5,435
(Over)/under provision in previous financial years		
– Current income tax [Note 8(b)]	**(183)**	351
– Deferred income tax [Note 8(c)]	**(5)**	(112)
	3,741	5,674

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	
	2018	2017
	$'000	$'000
Profit before income tax	**18,019**	15,192
Less:		
Share of profit of an associated company, net of tax	**(2,222)**	(2,124)
Profit before tax and share of profit of an associated company	**15,797**	13,068
Tax calculated at a tax rate of 17% (2017: 17%)	**2,685**	2,222
Effects of:		
– Singapore statutory stepped income exemption	**(24)**	(41)
– Effects of different tax rates in other countries	**1,361**	1,345
– Withholding tax	**125**	67
– Expenses not deductible for tax purposes	**677**	898
– Income not subject to tax	**(571)**	(327)
– Tax losses for which no deferred income tax asset was recognised	**622**	1,738
– Utilisation of previously unrecognised tax losses	**(658)**	(106)
– Tax incentive	**(399)**	(498)
– Deferred tax liability on an associated company's unremitted profits	**68**	57
– (Over)/under provision of income tax in prior years	**(188)**	239
– Others	**43**	80
Tax charge	**3,741**	5,674

(b) *Current income taxes*

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Tax recoverable assets (Note 11)	**(527)**	–	–	**–**	–	–
Current income tax liabilities	**709**	2,052	576	**159**	–	–

8. INCOME TAX (CONTINUED)

(b) *Current income taxes* (continued)

Movement in current income tax account is as follows:

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**2,052**	576
Currency translation differences	**(135)**	(56)
Income tax paid	**(5,114)**	(5,071)
Tax expense on profit from the current financial year	**3,562**	6,252
(Over)/under provision in previous financial years [Note 8(a)]	**(183)**	351
End of financial year	**182**	2,052

(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		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Deferred income tax assets	**(3,380)**	(4,243)	(3,295)
Deferred income tax liabilities	**2,149**	2,500	2,390

Movement in deferred income tax account is as follows:

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**(1,743)**	(905)
Currency translation differences	**150**	91
Charged/(credited) to income statement [Note 8(a)]	**362**	(929)
End of financial year	**(1,231)**	(1,743)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INCOME TAX (CONTINUED)

(c) *Deferred income taxes* (continued)

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation	
	2018	2017
	$'000	$'000
Beginning of financial year	**2,500**	2,390
Currency translation differences	**(13)**	2
(Credited)/charged to income statement	**(338)**	108
End of financial year	**2,149**	2,500

Deferred income tax assets

	Provisions	Excess of tax written-down value over net book value	Taxes deferred for non-current assets held for sale	Other	Total
	$'000	$'000	$'000	$'000	$'000
2018					
Beginning of financial year	**(2,627)**	**(501)**	**(960)**	**(155)**	**(4,243)**
Currency translation differences	**73**	**37**	**–**	**53**	**163**
(Credited)/charged to income statement	**(129)**	**66**	**960**	**(197)**	**700**
End of financial year	**(2,683)**	**(398)**	**–**	**(299)**	**(3,380)**
2017					
Beginning of financial year	(2,462)	(593)	–	(240)	(3,295)
Currency translation differences	36	38	14	1	89
(Credited)/charged to income statement	(201)	54	(974)	84	(1,037)
End of financial year	(2,627)	(501)	(960)	(155)	(4,243)

8. INCOME TAX (CONTINUED)

(c) *Deferred income taxes* (continued)

The Group has unrecognised tax losses of $37,547,000 (31 December 2017: $42,904,000; 1 January 2017: $39,665,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirement by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date except for amounts of $31,388,000 (31 December 2017: $38,567,000; 1 January 2017: $35,057,000) which will expire between 2019 to 2023 (31 December 2017: 2018 to 2022; 1 January 2017: 2017 to 2021).

The cumulative retained earnings of $30,533,000 (31 December 2017: $28,537,000; 1 January 2017: $25,126,000) for which deferred tax liabilities arising on temporary differences associated with overseas investments in subsidiaries have not been recognised as there are no current intention of remitting the retained earnings of these subsidiaries to the holding company in the foreseeable future.

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

9. EARNINGS PER SHARE

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

	Group	
	2018	2017
Net profit attributable to equity holders of the Company ($'000)	**13,725**	8,751
Weighted average number of ordinary shares in issue after share consolidation exercise (Note 23) for basic earnings per share ('000)	**292,296**	292,296
Basic earnings per share	**4.70 cents**	2.99 cents

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

10. CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Cash at bank and on hand	**42,782**	42,499	39,138	**4,430**	3,178	4,285
Short-term bank deposits	**8,320**	11,861	12,332	**–**	–	–
	51,102	54,360	51,470	**4,430**	3,178	4,285

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Cash and bank balances (as above)	**51,102**	54,360	51,470
Less: Bank overdrafts (Note 21)	**(282)**	(365)	(1,084)
Cash and cash equivalents per consolidated statement of cash flows	**50,820**	53,995	50,386

11. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Trade receivables						
– Non-related parties	**88,561**	87,480	94,494	**–**	–	–
– An associated company	**1,135**	64	76	**–**	–	–
	89,696	87,544	94,570	**–**	–	–
Less: Credit loss allowance	**(4,105)**	(2,562)	(2,345)	**–**	–	–
Trade receivables – net	**85,591**	84,982	92,225	**–**	–	–
Due from subsidiaries (non-trade) [Note (a)]	**–**	–	–	**34,831**	35,933	32,628
Deposits	**2,434**	2,179	2,147	**–**	–	–
Prepayments	**6,331**	8,970	11,267	**8**	10	9
Lease receivables	**868**	85	–	**–**	–	–
Other receivables	**5,049**	3,933	2,363	**16**	–	–
Tax recoverable assets [Note 8(b)]	**527**	–	–	**–**	–	–
Total	**100,800**	100,149	108,002	**34,855**	35,943	32,637

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

12. INVENTORIES

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Materials and supplies	**11,643**	7,889	7,901
Work-in-progress	**6,505**	5,615	3,174
Finished goods	**101,844**	98,217	101,862
	119,992	111,721	112,937

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $333,676,000 (2017: $316,773,000).

The Group has written down inventories amounting to $1,780,000 (2017: $2,394,000) and the amount has been included in "cost of sales".

13. DERIVATIVE FINANCIAL INSTRUMENTS

		Group	
	Contract notional amount	**Fair value**	
		Asset	**Liability**
	$'000	$'000	$'000
31 December 2018			
Non-hedging instruments			
– Currency forwards	**8,694**	**115**	**–**
Less: Current portion		**(115)**	**–**
Non–current portion		**–**	**–**
31 December 2017			
Non–hedging instruments			
– Currency forwards	5,784	115	–
Less: Current portion		(115)	–
Non–current portion		–	–
1 Janaury 2017			
Non–hedging instruments			
– Currency forwards	9,792	136	–
Less: Current portion		(136)	–
Non–current portion		–	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Carrying value of Group's investment in an associated company	**18,629**	17,896	16,263

Set out below is the associated company of the Group as at 31 December 2018, which, in the opinion of the directors, is material to the Group. The associated company as listed below have share capital consisting solely of ordinary shares, which is held directly by the Group and the country of incorporation is also their principal place of business.

Name	Principal activities	Country of business/ incorporation	Effective equity holding		
			31 December		1 January
			2018	2017	2017
			%	%	%
Held by a subsidiary:					
O.Z. S.p.A *	Investment holding, manufacturer, importer, exporter and distributor of alloy wheels	Italy	**35.51**	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

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Current assets	**56,031**	50,308	45,957
Current liabilities	**(24,097)**	(22,531)	(21,451)
Non-current assets	**28,586**	28,396	27,010
Non-current liabilities	**(8,059)**	(5,776)	(5,718)
Net assets	**52,461**	50,397	45,798

14. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Summarised statement of comprehensive income

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Revenue	**86,967**	85,148	79,002
Expenses			
Includes:			
– Depreciation and amortisation	**(3,843)**	(3,562)	(3,335)
– Interest expense	**(147)**	(86)	(98)
Profit before income tax	**8,622**	7,975	6,418
Income tax expense	**(2,365)**	(1,994)	(2,194)
Profit for the year and total comprehensive income	**6,257**	5,981	4,224
Dividends received from an associated company	**1,005**	952	270

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.

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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.

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Net assets			
Beginning of financial year	**50,397**	45,798	43,484
Profit for the year	**6,257**	5,981	4,224
Dividends paid during the year	**(2,831)**	(2,680)	(760)
Foreign exchange differences	**(1,362)**	1,298	(1,150)
End of financial year	**52,461**	50,397	45,798
Interest in an associated company	**18,629**	17,896	16,263
Carrying value of Group's investment in an associated company	**18,629**	17,896	16,263

15. INVESTMENTS IN SUBSIDIARIES

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Equity investment at cost			
Beginning and end of financial year	**100,325**	100,325	100,122

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has the following subsidiaries as at 31 December 2018 and 2017 and 1 January 2017:

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		
			31 December		1 January	31 December		1 January	31 December		1 January
			2018 %	2017 %	2017 %	**2018 %**	2017 %	2017 %	**2018 %**	2017 %	2017 %
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**	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**	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**	100	100	**–**	–	–
(c) YHI (China) Strategy Company Limited	Investment holding and trading of batteries	Hong Kong	**100**	100	100	**100**	100	100	**–**	–	–
(c) YHI (Hong Kong) Co., Limited	Trading of tyres, alloy wheels and batteries	Hong Kong	**100**	100	100	**100**	100	100	**–**	–	–
(d) YHI International (Taiwan) Co., Ltd.	Manufacturing, distribution and export of alloy wheels	Taiwan	**100**	100	100	**100**	100	100	**–**	–	–
(e) YHI (Australia) Pty Limited	Importer and distributor of tyres, alloy wheels and related goods	Australia	**80**	80	80	**80**	80	80	**20**	20	20
(f) YHI (New Zealand) Limited	Importer and distributor of tyres, alloy wheels and related goods	New Zealand	**70**	70	70	**70**	70	70	**30**	30	30
(g) YHI Power Pty Limited	Importer and distributor of industrial batteries	Australia	**85**	85	80	**85**	85	80	**15**	15	20
(r) 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		
				31 December		1 January	31 December		1 January	31 December		1 January
				2018 %	2017 %	2017 %	**2018 %**	2017 %	2017 %	**2018 %**	2017 %	2017 %
Held by the subsidiaries												
(h)	YHI Manufacturing (Shanghai) Co., Ltd	Rental of investment property	People's Republic of China	**–**	–	–	**100**	100	100	**–**	–	–
(h)	YHI Precision Moulding (Shanghai) Co., Ltd*	Manufacturing and supply of alloy wheels moulds	People's Republic of China	**–**	–	–	**100**	100	100	**–**	–	–
(h), (i)	YHI Advanti Manufacturing (Suzhou) Co., Ltd	Manufacturing, distribution and export of alloy wheels	People's Republic of China	**–**	–	–	**100**	100	100	**–**	–	–
(b)	YHI Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**–**	–	–	**100**	100	100	**–**	–	–
(a)	YHI (America) Pte Ltd	Investment holding	Singapore	**–**	–	–	**100**	100	100	**–**	–	–
(m)	Pan-Mar Corporation D/B/A Konig (American)	Importer, exporter and distributor of tyres, alloy wheels and related goods	United States of America	**–**	–	–	**95**	95	95	**5**	5	5
(j)	YHI Corporation Japan Co., Ltd**	Importer, exporter and distributor of alloy wheels and related goods	Japan	**–**	–	–	**–**	90	90	**–**	10	10
(k)	YHI Corporation (Thailand) Co., Ltd	Distribution of tyres, alloy wheels and related goods	Thailand	**–**	–	–	**49**	49	49	**51**	51	51
(b)	Evo-Trend Corporation (Malaysia) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Malaysia	**–**	–	–	**70**	70	70	**30**	30	30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
			31 December		1 January	31 December		1 January	31 December		1 January
			2018 %	2017 %	2017 %	**2018** %	2017 %	2017 %	**2018** %	2017 %	2017 %
Held by the subsidiaries (continued)											
(l) YHI Corporation (Guangzhou) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**–**	–	–	**100**	100	100	**–**	–	–
YHI (Canada) Inc.**	Importer, exporter and distributor of tyres, alloy wheels and related goods	Canada	**–**	–	–	**–**	100	100	**–**	–	–
(m) Advanti Racing USA, LLC	Wholesale distribution of automotive parts, tyres and accessories	United States of America	**–**	–	–	**86**	86	86	**14**	14	14
(n) PT YHI Indonesia	Distribution of tyres, alloy wheels and related goods	Indonesia	**–**	–	–	**90**	90	90	**10**	10	10
(o) YHI Corporation (B) Sdn Bhd	Distribution of tyres, alloy wheels and related goods	Negara Brunei Darussalam	**–**	–	–	**100**	100	100	**–**	–	–
(h) YHI Corporation (Shanghai) Co., Ltd	Distribution of tyres, alloy wheels and related goods	People's Republic of China	**–**	–	–	**90**	90	90	**10**	10	10
(b) YHI (East Malaysia) Sdn Bhd	Trading of tyres, rims and all kinds of auto spare parts	Malaysia	**–**	–	–	**80**	80	80	**20**	20	20
(b) YHI Power (Malaysia) Sdn Bhd	Trading of batteries, golf carts and all kinds of auto spare parts	Malaysia	**–**	–	–	**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		
				31 December		1 January	31 December		1 January	31 December		1 January
				2018 %	2017 %	2017 %	**2018 %**	2017 %	2017 %	**2018 %**	2017 %	2017 %
	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	100	**–**	–	–
(b)	YHI Advanti Manufacturing (Malaysia) Sdn Bhd	Manufacturing, distribution and export of alloy wheels	Malaysia	**–**	–	–	**100**	100	100	**–**	–	–
(j)	YHI Corporation (Beijing) Co., Ltd*	Distribution of alloy wheels and related goods	People's Republic of China	**–**	–	–	**100**	100	100	**–**	–	–
(p)	YHI (Vietnam) Co., Ltd	Distribution of tyres, alloy wheels and related goods	Vietnam	**–**	–	–	**85**	85	85	**15**	15	15
(q)	YHI (Philippines) Inc.	Distribution of tyres, alloy wheels and related goods	Philippines	**–**	–	–	**100**	100	90	**–**	–	10
(b)	YHI Logistics (Malaysia) Sdn Bhd	Value-added logistics provider	Malaysia	**–**	–	–	**94**	–	–	**6**	–	–
(r)	YHI Aung (Myanmar) Company Limited	Consultancy services, technology related services and marketing services	Myanmar	**–**	–	–	**51**	–	–	**49**	–	–

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Audited by PricewaterhouseCoopers LLP, Singapore

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

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

(d) Audited by KPMG, Taiwan

(e) Audited by Littlewoods Chartered Accountant, Australia

(f) Audited by PricewaterhouseCoopers, New Zealand

(g) Audited by Lamb Lowe & Partners, Australia

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

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

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

(k) 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

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

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

(n) Audited by Krisnawan Nugroho & Fahmy

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

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

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

(r) Inactive in financial year ended 31 December 2018 and 31 December 2017

* Dormant

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

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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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Carrying value of non-controlling interests

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
YHI (Australia) Pty Limited	**4,888**	5,577	6,048
YHI (New Zealand) Limited	**4,208**	4,234	4,112
Evo-Trend Corporation (Malaysia) Sdn Bhd	**1,983**	2,099	2,214
Other subsidiaries with immaterial non-controlling interests	**100**	722	1,183
	11,179	12,632	13,557

Summarised financial information of subsidiaries with material non-controlling interests

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

There were no transactions with non-controlling interests for the financial years ended 31 December 2018 and 2017.

Summarised balance sheet

	YHI (New Zealand) Limited			YHI (Australia) Pty Limited			Evo-Trend Corporation (Malaysia) Sdn Bhd		
	31 December		1 January	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Current									
Assets	**25,915**	24,229	23,587	**26,557**	35,099	30,113	**5,238**	7,301	7,373
Liabilities	**(13,565)**	(11,709)	(11,557)	**(4,522)**	(11,525)	(3,455)	**(405)**	(571)	(287)
Total current net assets	**12,350**	12,520	12,030	**22,035**	23,574	26,658	**4,833**	6,730	7,086
Non-current									
Assets	**1,676**	1,592	1,675	**2,461**	4,469	3,790	**1,798**	285	313
Liabilities	**–**	–	–	**(54)**	(157)	(210)	**(20)**	(20)	(20)
Total non-current net assets	**1,676**	1,592	1,675	**2,407**	4,312	3,580	**1,778**	265	293
Net assets	**14,026**	14,112	13,705	**24,442**	27,886	30,238	**6,611**	6,995	7,379

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised income statement

	YHI (New Zealand) Limited			**YHI (Australia) Pty Limited**			**Evo-Trend Corporation (Malaysia) Sdn Bhd**		
	31 December		1 January	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Revenue	**48,028**	49,634	45,060	**43,164**	44,850	57,018	**7,722**	8,179	10,489
Profit/(loss) before income tax	**2,290**	3,288	2,869	**1,677**	(1,102)	429	**833**	1,289	1,984
Income tax (expense)/credit	**(649)**	(930)	(838)	**(503)**	316	(129)	**(227)**	(328)	(477)
Profit/(loss) for the year and total comprehensive income	**1,641**	2,358	2,031	**1,174**	(786)	300	**606**	961	1,507
Total comprehensive income/(loss) allocated to non-controlling interests	**492**	707	609	**235**	(157)	60	**182**	288	452
Dividends paid to non-controlling interests	**375**	351	222	**504**	318	87	**300**	436	497

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised cash flows

	YHI (New Zealand) Limited			YHI (Australia) Pty Limited			Evo-Trend Corporation (Malaysia) Sdn Bhd		
	31 December		1 January	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Cash flows from operating activities									
Cash generated from operations	**964**	1,718	2,650	**3,123**	2,809	2,440	**430**	903	2,483
Interest received	**–**	–	–	**1**	2	1	**54**	73	75
Income tax (paid)/ refunded	**(1,026)**	(915)	(809)	**(569)**	67	(171)	**(275)**	(349)	(514)
Net cash (used in)/generated from operating activities	**(62)**	803	1,841	**2,555**	2,878	2,270	**209**	627	2,044
Net cash (used in)/generated from investing activities	**(491)**	(505)	(316)	**4,301**	(207)	(1,181)	**(1,585)**	(28)	(45)
Net cash generated from/(used in) financing activities	**1,522**	(461)	(1,658)	**(5,947)**	(1,625)	(1,074)	**(961)**	(1,487)	(1,626)
Net increase/ (decrease) in cash and cash equivalents	**969**	(163)	(133)	**909**	1,046	15	**(2,337)**	(888)	373
Cash and cash equivalents at beginning of year	**495**	697	802	**2,738**	1,693	1,658	**3,737**	4,551	4,248
Exchange (losses)/ gains on cash and cash equivalents	**(16)**	(39)	28	**(212)**	(1)	20	**5**	74	(70)
Cash and cash equivalents at end of year	**1,448**	495	697	**3,435**	2,738	1,693	**1,405**	3,737	4,551

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings on freehold land	Leasehold properties	Office equipment, plant and machinery	Motor vehicles	Renovation	Computers	Furniture and fittings	Construction in-progress	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group										
2018										
Cost										
Beginning of financial year	2,099	2,091	60,914	105,507	7,964	1,487	3,373	1,456	85	184,976
Currency translation differences	–	3	(389)	(1,781)	(277)	(20)	(88)	(20)	(1)	(2,573)
Additions	–	7,102	248	4,963	811	98	324	245	145	13,936
Disposals	–	–	–	(840)	(1,024)	(5)	(247)	(151)	(112)	(2,379)
Reclassification	–	–	–	58	–	(58)	12	58	(70)	–
Reclassified to non-current assets held for sale (Note 19)	–	(269)	–	–	–	–	–	–	–	(269)
End of financial year	2,099	8,927	60,773	107,907	7,474	1,502	3,374	1,588	47	193,691
Accumulated depreciation and impairment loss										
Beginning of financial year	–	82	11,854	81,200	4,912	857	2,676	1,093	–	102,674
Currency translation differences	–	1	(47)	(1,438)	(167)	(7)	(80)	(15)	–	(1,753)
Depreciation	–	25	1,778	6,376	1,029	58	375	187	–	9,828
Disposals	–	–	–	(729)	(877)	(3)	(229)	(149)	–	(1,987)
Reclassified to non-current assets held for sale (Note 19)	–	(70)	–	–	–	–	–	–	–	(70)
End of financial year	–	38	13,585	85,409	4,897	905	2,742	1,116	–	108,692
Net book value										
End of financial year	**2,099**	**8,889**	**47,188**	**22,498**	**2,577**	**597**	**632**	**472**	**47**	**84,999**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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
<u>Group</u>										
2017										
Cost										
Beginning of financial year	2,390	2,913	77,786	122,497	7,762	1,413	4,255	1,770	1,203	221,989
Currency translation differences	–	65	(629)	(1,143)	(48)	(32)	(57)	(30)	(20)	(1,894)
Additions	–	–	748	2,383	1,079	163	485	39	–	4,897
Disposals	–	–	(18)	(11,669)	(829)	(57)	(1,310)	(323)	(26)	(14,232)
Write-offs	–	–	–	(7,633)	–	–	–	–	–	(7,633)
Reclassification	–	–	–	1,072	–	–	–	–	(1,072)	–
Reclassified to non-current assets held for sale (Note 19)	(291)	(887)	–	–	–	–	–	–	–	(1,178)
Reclassified to investment property (Note 17)	–	–	(16,973)	–	–	–	–	–	–	(16,973)
End of financial year	2,099	2,091	60,914	105,507	7,964	1,487	3,373	1,456	85	184,976
Accumulated depreciation and impairment loss										
Beginning of financial year	–	507	15,685	89,608	4,536	850	3,616	1,309	–	116,111
Currency translation differences	–	5	(32)	(1,110)	(36)	(27)	(47)	(27)	–	(1,274)
Depreciation	–	36	2,181	7,894	1,057	91	388	127	–	11,774
Disposals	–	–	(18)	(9,149)	(645)	(57)	(1,281)	(316)	–	(11,466)
Write-offs	–	–	–	(6,043)	–	–	–	–	–	(6,043)
Reclassified to non-current assets held for sale (Note 19)	–	(466)	–	–	–	–	–	–	–	(466)
Reclassified to investment property (Note 17)	–	–	(5,962)	–	–	–	–	–	–	(5,962)
End of financial year	–	82	11,854	81,200	4,912	857	2,676	1,093	–	102,674
Net book value										
End of financial year	**2,099**	**2,009**	**49,060**	**24,307**	**3,052**	**630**	**697**	**363**	**85**	**82,302**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles	
	2018	2017
	$'000	$'000
Company		
Cost		
Beginning of financial year	**350**	350
Addition	**2**	–
End of financial year	**352**	350
Accumulated depreciation		
Beginning of financial year	**262**	192
Depreciation charge	**70**	70
Disposals	**–**	–
End of financial year	**332**	262
Net book value		
End of financial year	**20**	88

(a) The carrying amounts of motor vehicles and plant and machinery held under finance leases are $64,000 (31 December 2017: $131,000; 1 January 2017: $121,000) and $Nil (31 December 2017: $11,000; 1 January 2017: $18,000) respectively at the balance sheet date.

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Freehold land	**507**	797	789
Buildings on freehold land	**459**	893	925
Leasehold properties	**22,684**	23,823	24,610
Plant and machinery	**2,018**	3,097	1,068
Office equipment	**1,600**	1,832	1,967
	27,268	30,442	29,359

NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENT PROPERTY

	Group	
	2018	2017
	$'000	$'000
Cost		
Beginning of financial year	**16,973**	–
Currency translation differences	**(419)**	–
Transferred from property, plant and equipment at carrying amount (Note 16)	**–**	16,973
End of financial year	**16,554**	16,973
Accumulated depreciation		
Beginning of financial year	**5,962**	–
Currency translation differences	**(154)**	–
Transferred from property, plant and equipment at carrying amount (Note 16)	**–**	5,962
Depreciation	**412**	–
End of financial year	**6,220**	5,962
Net book value		
End of financial year	**10,334**	11,011
Fair value		
End of financial year	**28,710**	31,133

Investment property is leased to non-related party under operating leases [Note 27(c)].

The following amounts are recognised in profit or loss:

	Group	
	2018	2017
	$'000	$'000
Rental income	**2,890**	1,561
Direct operating expenses arising from:		
– Investment property that generate rental income	**(53)**	(368)

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

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

17. INVESTMENT PROPERTY (CONTINUED)

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.

18. INTANGIBLE ASSETS

Composition:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Goodwill arising on consolidation [Note (a)]	**1,668**	1,673	1,681
Trademark [Note (b)]	**1,178**	1,240	1,302
Computer software [Note (c)]	**1,599**	2,001	1,218
	4,445	4,914	4,201

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

(a) Goodwill arising on consolidation

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Cost			
Beginning of financial year	**2,443**	2,451	2,446
Currency translation differences	**(5)**	(8)	5
End of financial year	**2,438**	2,443	2,451
Accumulated impairment			
Beginning and end of financial year	**770**	770	770
Net book value	**1,668**	1,673	1,681

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18. INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

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

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

	Distribution of automotive and industrial products		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Singapore	**881**	881	881
Malaysia	**505**	505	505
China/Hong Kong	**59**	59	59
New Zealand	**223**	228	236
	1,668	1,673	1,681

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

Key assumptions used for value-in-use calculations:

	Distribution of automotive and industrial products			
	2018		2017	
	Singapore	**Malaysia**	Singapore	Malaysia
Terminal growth rate	**2.5%**	**2.5%**	3.0%	3.0%
Pre-tax discount rate	**9.5%**	**11.2%**	9.9%	12.1%

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.

18. INTANGIBLE ASSETS (CONTINUED)

(b) Trademark

	Group	
	2018	2017
	$'000	$'000
Cost		
Beginning and end of financial year	**1,861**	1,861
Accumulated amortisation		
Beginning of financial year	**621**	559
Amortisation charge (Note 5)	**62**	62
End of financial year	**683**	621
Net book value	**1,178**	1,240

(c) Computer software

	Group	
	2018	2017
	$'000	$'000
Cost		
Beginning of financial year	**2,300**	1,218
Currency translation differences	**(52)**	–
Additions	**53**	1,082
End of financial year	**2,301**	2,300
Accumulated amortisation		
Beginning of financial year	**299**	–
Currency translation differences	**(13)**	–
Amortisation charge (Note 5)	**416**	299
End of financial year	**702**	299
Net book value	**1,599**	2,001

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19. NON-CURRENT ASSETS HELD FOR SALE

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Freehold land and building			
Beginning of the year	**712**	–	–
Transferred from property, plant and equipment at carrying amount (Note 16)	**199**	712	–
Disposals	**(911)**	–	–
	–	712	–

A subsidiary had entered into a sale and purchase agreement for the sale of the Group's land and building in Wetherill Park, NSW, Australia on 5 December 2017. The sale was completed on 26 February 2018 above its carrying amount. The land and building are included in distribution segment (Note 31).

20. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Trade payables to – Non–related parties	**23,274**	16,791	22,789	**–**	–	–
– An associated company	**1**	105	7	**–**	–	–
	23,275	16,896	22,796	**–**	–	–
Due to directors (non–trade) [Note (a)]	**918**	758	400	**918**	758	400
Accrued operating expenses	**6,930**	9,535	7,260	**461**	457	463
Provision for employees leave benefits [Note (b)]	**2,313**	2,249	2,150	**–**	–	–
Provision for staff termination arising from restructuring	**–**	–	2,700	**–**	–	–
Other payables	**9,066**	6,035	7,704	**28**	9	10
Contract liabilities [Note (c)]	**925**	1,033	1,668	**–**	–	–
	43,427	36,506	44,678	**1,407**	1,224	873

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20. 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 $58,000 (31 December 2017: $233,000; 1 January 2017: $321,000).

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

	2018	2017
	$'000	$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period	**1,033**	1,668

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.

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

21. BORROWINGS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current						
Current portion of long-term bank loans	**6,321**	6,119	6,246	**–**	–	600
Short-term bank loans	**37,631**	36,360	49,056	**–**	–	–
Trust receipt loans	**31,092**	27,561	20,407	**–**	–	–
Bank overdrafts (Note 10)	**282**	365	1,084	**–**	–	–
Finance lease liabilities (Note 22)	**36**	83	65	**–**	–	–
	75,362	70,488	76,858	**–**	–	600
Non-current						
Long-term bank loans	**8,086**	14,883	21,506	**–**	–	–
Finance lease liabilities (Note 22)	**59**	5	11	**–**	–	–
	8,145	14,888	21,517	**–**	–	–
Total borrowings	**83,507**	85,376	98,375	**–**	–	600

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. BORROWINGS (CONTINUED)

Security granted

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

(i) Borrowings of $1,413,000 (31 December 2017: $4,124,000; 1 January 2017: $5,053,000) are secured over a first legal charge on plant and machinery of certain subsidiaries [Note 16(b)];

(ii) Borrowings of $38,639,000 (31 December 2017: $44,708,000; 1 January 2017: $40,254,000) are secured over a fixed and floating charge on all the assets of certain subsidiaries; and

(iii) Borrowings of $4,065,000 (31 December 2017: $3,839,000; 1 January 2017: $4,193,000) are secured over banker's guarantees, up to $6.6 million (31 December 2017: $6.2 million; 1 January 2017: $6.2 million), given as security to other financial institutions which granted banking facilities to certain subsidiaries. The banker's guarantees are in turn secured by a fixed and floating charge on all the assets of a subsidiary referred to in paragraph (ii) above.

Finance lease liabilities are secured by the rights to the leased property, plant and equipment [Note 16(a)], which will revert back to the lessor in the event of default by the Group.

22. FINANCE LEASE LIABILITIES

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Minimum lease payments due:			
– Not later than one year	**49**	96	67
– Between two and five years	**55**	6	11
	104	102	78
Less: Future finance charges	**(9)**	(14)	(2)
Present value of finance lease liabilities	**95**	88	76

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Not later than one year (Note 21)	**36**	83	65
Between one and five years (Note 21)	**59**	5	11
	95	88	76

NOTES TO THE FINANCIAL STATEMENTS

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23. SHARE CAPITAL

The share capital of the Company and the Group comprises fully paid-up 292,296,000 (31 December 2017: 292,296,000; 1 January 2017: 292,296,000) ordinary shares with no par value, amounting to a total of $77,001,000 (31 December 2017: $77,001,000; 1 January 2017: $77,001,000).

24. OTHER RESERVES

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
(a) Composition:			
General reserve	**7,463**	7,177	7,032
Currency translation reserve	**(5,463)**	(1,131)	–
Transactions with non-controlling interests	**(2,210)**	(2,210)	(2,210)
	(210)	(3,836)	(4,822)

Other reserves are non-distributable.

	Group	
	2018	2017
	$'000	$'000
(b) Movements:		
(i) General reserve		
Beginning of financial year	**7,177**	7,032
Currency translation differences	**147**	(161)
Transfer from retained profits	**139**	306
End of financial year	**7,463**	7,177
(ii) Currency translation reserve		
Beginning of financial year	**(1,131)**	–
Currency translation differences	**(4,332)**	(1,131)
End of financial year	**(5,463)**	(1,131)
(iii) Transactions with non-controlling interests		
Beginning and end of financial year	**(2,210)**	(2,210)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. OTHER RESERVES (CONTINUED)

General reserve fund

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

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

25. RETAINED PROFITS

(a) Retained profits of the Group are distributable except for accumulated share of retained profits of associated company amounting to $10,084,000 (31 December 2017: $8,883,000; 1 January 2017: $7,102,000). Retained profits of the Company are distributable.

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

	Company	
	2018	2017
	$'000	$'000
Beginning of financial year	**61,309**	58,728
Net profit	**4,138**	4,452
Dividends paid (Note 26)	**(4,384)**	(1,871)
End of financial year	**61,063**	61,309

26. DIVIDENDS

	Group and Company	
	2018	2017
	$'000	$'000
Ordinary dividends paid or proposed		
Final exempt dividend paid in respect of the previous financial year of 1.50 cent (2017: 0.64 cent) per share	**4,384**	1,871

At the Annual General Meeting to be held on 26 April 2019, a final exempt dividend of 2.35 cent per share amounting to a total of $6,869,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

27. COMMITMENTS

(a) Capital commitments

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Intangible asset – computer software	**–**	–	539
Property, plant and equipment	**–**	101	230
	–	101	769

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

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

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Not later than one year	**6,869**	5,954	5,895
Between one and five years	**14,665**	14,403	11,691
Later than five years	**9,233**	14,816	9,437
	30,767	35,173	27,023

Included in the above are the Group's lease commitments in respect of leases of land up to 30 September 2040 for a monthly rental payment of $36,291. Since 1 October 2014, the 2 lots of lands are subject to annual revision based on market rate, capped at 10% increase for a 4 year period. Thereafter, the annual revision will be to market rate but the increase, if any, shall not exceed 5.5% of the land rent for each immediate preceding year.

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27. COMMITMENTS (CONTINUED)

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

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

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

	Group	
	2018	2017
	$'000	$'000
Not later than one year	**3,109**	3,174
Between one and five years	**12,129**	11,954
Later than five years	**11,395**	14,526
	26,633	29,654

28. 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 2018, 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.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

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

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

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28. 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 2017						
Financial assets						
Cash and cash equivalents	10,195	5,984	3,152	18,282	476	3,465
Trade and other receivables	11,166	13,304	15,478	5,275	7,308	7,439
Inter-company balances	26,255	15,332	2,603	20,770	519	7,155
	47,616	34,620	21,233	44,327	8,303	18,059
Financial liabilities						
Borrowings	15,861	4,258	9,199	77	6,545	6,614
Inter-company balances	26,255	15,332	2,603	20,770	519	7,155
Trade and other payables	4,479	7,563	5,213	3,990	3,317	–
	46,595	27,153	17,015	24,837	10,381	13,769
Net financial assets/ (liabilities)	1,021	7,467	4,218	19,490	(2,078)	4,290
Currency forwards	1,469	–	212	–	–	(3,965)
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	11,546	(286)	(1,838)	(12,041)	3,265	–
Currency exposure on financial assets	**14,036**	**7,181**	**2,592**	**7,449**	**1,187**	**325**

28. 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 1 January 2017						
Financial assets						
Cash and cash equivalents	9,164	9,687	1,918	16,829	676	1,260
Trade and other receivables	12,208	26,862	13,248	3,931	6,646	3,862
Inter-company balances	26,822	34,869	2,522	21,875	469	3,056
	48,194	71,418	17,688	42,635	7,791	8,178
Financial liabilities						
Borrowings	22,358	19,228	1,443	61	6,214	3,469
Inter-company balances	26,822	34,869	2,522	21,875	469	3,056
Trade and other payables	5,465	13,816	4,090	3,828	3,483	–
	54,645	67,913	8,055	25,764	10,166	6,525
Net financial assets/ (liabilities)	(6,451)	3,505	9,633	16,871	(2,375)	1,653
Currency forwards	365	–	272	–	–	(7,211)
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	12,262	(5,423)	(7,197)	(10,741)	3,687	–
Currency exposure on financial assets/(liabilities)	**6,176**	**(1,918)**	**2,708**	**6,130**	**1,312**	**(5,558)**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	31 December 2018		31 December 2017		1 January 2017	
	USD $'000	**AUD $'000**	USD $'000	AUD $'000	USD $'000	AUD $'000
Financial assets						
Cash and cash equivalents	**369**	**–**	892	–	154	–
Trade and other receivables	**3**	**2,267**	–	2,379	1,451	2,447
	372	**2,267**	892	2,379	1,605	2,447
Financial liabilities						
Borrowings	**–**	**–**	–	–	–	–
Trade and other payables	**–**	**–**	–	–	–	–
	–	**–**	–	–	–	–
Net financial assets	**372**	**2,267**	892	2,379	1,605	2,447
Currency swap	**–**	**–**	–	–	1	–
Net financial assets denominated in functional currency	**–**	**–**	–	–	–	–
Currency exposure on financial assets	**372**	**2,267**	892	2,379	1,605	2,447

28. 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 2.3% (31 December 2017: 0.1%; 1 January 2017: 0.5%), 0.1% (31 December 2017: 1.7%; 1 January 2017: 5.8%), 4.7% (31 December 2017: 3.0%; 1 January 2017: 0.6%), 4.1% (31 December 2017: 3.7%; 1 January 2017: 5.7%), 4.9% (31 December 2017: 1.9%; 1 January 2017: 0.1%) and 2.2% (31 December 2017: 2.0%; 1 January 2017: 0.2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease)		
	31 December		1 January
	2018	2017	2017
	Profit after tax	Profit after tax	Profit after tax
	$'000	$'000	$'000
Group			
USD against SGD			
– Strengthened	**369**	12	26
– Weakened	**(369)**	(12)	(26)
RMB against SGD			
– Strengthened	**1**	101	(92)
– Weakened	**(1)**	(101)	92
AUD against SGD			
– Strengthened	**126**	65	13
– Weakened	**(126)**	(65)	(13)
MYR against SGD			
– Strengthened	**79**	226	290
– Weakened	**(79)**	(226)	(290)
NZD against SGD			
– Strengthened	**43**	19	1
– Weakened	**(43)**	(19)	(1)
EUR against SGD			
– Strengthened	**(153)**	5	(9)
– Weakened	**153**	(5)	9
Company			
USD against SGD			
– Strengthened	**7**	1	7
– Weakened	**(7)**	(1)	(7)
AUD against SGD			
– Strengthened	**88**	59	12
– Weakened	**(88)**	(59)	(12)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risks

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

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

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD, AUD, RMB, NZD and MYR. If the SGD, AUD, RMB, NZD and MYR interest rates per annum increase/decrease by 0.1% (31 December 2017: 1.0%; 1 January 2017: 0.4%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by $21,000 (31 December 2017: $232,000; 1 January 2017: $100,000), $6,000 (31 December 2017: $74,000; 1 January 2017: $13,000), $12,000 (31 December 2017: $81,000; 1 January 2017: $86,000), $8,000 (31 December 2017: $52,000; 1 January 2017: $20,000) and $15,000 (31 December 2017: $105,000; 1 January 2017: $39,000) respectively as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

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

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

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

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' loans	**75,529**	85,372	98,359

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

The trade receivables at the Group comprise 3 debtors (2017: 3 debtors) that individually represent 2-8% (2017: 2-8%) of trade receivables.

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
By geographical areas			
Australia	**13,738**	14,345	12,632
Germany	**9,460**	7,885	3,954
Indonesia	**3,268**	3,070	3,540
Italy	**1,427**	107	344
Malaysia	**5,606**	4,130	3,272
New Zealand	**5,716**	7,248	6,626
People's Republic of China	**5,878**	5,315	23,153
Singapore	**11,644**	14,046	13,215
Sweden	**762**	1,865	2,031
Taiwan	**2,125**	3,243	3,275
Thailand	**3,622**	4,848	4,873
United Kingdom	**221**	1,457	609
United States	**10,173**	7,358	6,553
Other countries	**11,951**	10,065	8,148
	85,591	84,982	92,225
By types of customers			
Non-related parties	**84,456**	84,918	92,149
A related party	**1,135**	64	76
	85,591	84,982	92,225

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	Trade receivables [a]
	$'000
Group	
Balance at 1 January 2018 under SFRS	2,562
Application of SFRS(I) 9 (Note 2.2C)	391
Balance at 1 January 2018 under SFRS(I) 9	2,953
Credit loss allowance recognised in profit or loss during the year on:	
– Assets acquired/originated	2,064
– Reversal of unutilised amounts	(358)
	1,706
Receivables written off as uncollectible	(459)
Currency translation difference	(95)
Balance at 31 December 2018	4,105

[a] Credit loss allowance measured at lifetime ECL

Cash and cash equivalents, lease receivables and other receivables are subject to immaterial credit loss.

(i) Trade receivables

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

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates for each band of days past due, the Group considers historical loss rates for each group of customers and where required, adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the industry performance as relevant factor, and adjusts the historical loss rates based on expected changes in these factors where necessary.

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

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) *Trade receivables* (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 and 1 January 2018 are set out in the provision matrix as follows:

		Past due				
	Current	**Within 30 days**	**30 to 60 days**	**60 to 90 days**	**More than 90 days**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
As at 31 December 2018						
Distribution						
Expected credit loss rate	0.4%	1.6%	3.5%	5.6%	56.1%	
Trade receivables	45,059	7,868	3,963	1,693	6,223	64,806
Credit loss allowance	174	127	137	95	3,488	4,021
Manufacturing						
Expected credit loss rate	0.1%	0.1%	0.1%	0.5%	42.3%	
Trade receivables	16,086	5,215	3,014	393	182	24,890
Credit loss allowance	2	1	2	2	77	84
Group						
As at 1 January 2018						
Distribution						
Expected credit loss rate	0.4%	1.9%	3.3%	3.7%	35.2%	
Trade receivables	46,659	5,062	3,037	1,685	6,896	63,339
Credit loss allowance	182	96	99	63	2,429	2,869
Manufacturing						
Expected credit loss rate	0.1%	0.1%	0.2%	0.3%	19.9%	
Trade receivables	17,277	4,059	1,916	576	377	24,205
Credit loss allowance	3	1	3	2	75	84

(ii) *Financial guarantee contracts*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

	Past due			
	Within 30 days	30 to 60 days	More than 60 days	Total
	$'000	$'000	$'000	$'000
31 December 2017				
Group				
Trade receivables				
Gross carrying amount:				
– Not past due				70,929
– Past due but not impaired	6,017	3,802	4,234	14,053
– Past due and impaired	245	190	2,127	2,562
Less: Credit loss allowance				(2,562)
Net carrying amount				84,982
1 January 2017				
Group				
Trade receivables				
Gross carrying amount:				
– Not past due				78,928
– Past due but not impaired	5,753	3,275	4,268	13,296
– Past due and impaired	322	92	1,931	2,345
Less: Credit loss allowance				(2,345)
Net carrying amount				92,225

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Financial assets that are neither past due nor impaired

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

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

(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 2018			
Trade and other payables	**40,189**	**–**	**–**
Borrowings	**75,784**	**8,588**	**–**
	115,973	**8,588**	**–**
At 31 December 2017			
Trade and other payables	32,686	–	–
Borrowings	70,934	15,804	–
	103,620	15,804	–
At 1 January 2017			
Trade and other payables	38,725	–	–
Borrowings	78,069	22,996	686
	116,794	22,996	686

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. 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 2018			
Trade and other payables	**1,407**	**–**	**–**
Financial guarantee	**75,529**	**–**	**–**
	76,936	**–**	**–**
At 31 December 2017			
Trade and other payables	1,224	–	–
Financial guarantee	85,372	–	–
	86,596	–	–
At 1 January 2017			
Trade and other payables	873	–	–
Borrowings	606	–	–
Financial guarantee	98,359	–	–
	99,838	–	–

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 2018		
Gross settled currency forwards		
– Receipts	**8,809**	**–**
– Payments	**(8,694)**	**–**
At 31 December 2017		
Gross settled currency forwards		
– Receipts	5,899	–
– Payments	(5,784)	–
At 1 January 2017		
Gross settled currency forwards		
– Receipts	9,928	–
– Payments	(9,792)	–

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk

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

Management monitors capital based on a net gearing ratio. The Group's and Company's strategies, which were unchanged from 2016, are to maintain net gearing ratios within 30% to 50% and maximum 30% respectively.

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

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Net debt	**32,405**	31,016	46,905	**(4,430)**	(3,178)	(3,685)
Total capital and reserves attributable to equity holders	**252,940**	248,175	242,587	**138,064**	138,310	135,729
Net gearing ratio	**13%**	12%	19%	**NM**	NM	NM

NM – Not meaningful

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

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

	Level 2
	$'000
Group	
As at 31 December 2018	
Derivative financial instruments	
– Asset	**115**
– Liability	**–**
As at 31 December 2017	
Derivative financial instruments	
– Asset	115
– Liability	–
As at 1 January 2017	
Derivative financial instruments	
– Asset	136
– Liability	–

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

(f) Financial instruments by category

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

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Loan and receivables	**145,044**	145,539	148,205	**39,277**	39,111	36,913
Financial liabilities at amortised cost	**123,697**	118,062	137,099	**1,407**	1,224	1,473

29. IMMEDIATE AND ULTIMATE HOLDING CORPORATION

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

30. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	Group	
	2018	2017
	$'000	$'000
Sales of goods to an associated company	**5,899**	8,062
Purchases of goods from an associated company	**(886)**	(1,560)

Outstanding balances as at 31 December 2018, 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 20 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2018	2017
	$'000	$'000
Salaries and other short-term employee benefits	**4,533**	4,323
Employer's contribution to defined contribution plans, including Central Provident Fund	**90**	60
	4,623	4,383

Included in the above was total compensation to directors of the Company amounted to $1,738,000 (2017: $1,607,000).

31. SEGMENT INFORMATION

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

Management manages and monitors 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*

* During 2018, contribution form rental income of Shanghai factory has become more significant. Therefore, the operating results of the rental business in Shanghai factory are now regularly reviewed by senior management. Accordingly, segment information for the financial year ended 31 December 2018 has separately presented the results of the rental segment and the segment information for the financial year ended 31 December 2017 has been restated for comparability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

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

	← Manufacturing segment →			← Distribution segment →					Rental segment	
Segment Group	**North East Asia**	**ASEAN**	**Sub-total**	**North East Asia**	**ASEAN**	**Oceania**	**Others**	**Sub-total**	**North East Asia**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales										
Total segment sales	82,829	71,838	154,667	35,632	145,911	130,304	20,411	332,258	–	486,925
Inter-segment sales	(19,693)	(11,639)	(31,332)	–	–	–	–	–	–	(31,332)
Sales to external parties	63,136	60,199	123,335	35,632	145,911	130,304	20,411	332,258	–	455,593
Segment result	3,098	2,132	5,230	(560)	3,510	3,265	(415)	5,800	(993)	10,037
Other gains										6,342
Premises rental income									2,890	2,890
Unallocated costs										–
										19,269
Finance expenses										(3,472)
Share of profit of an ssociated company	–	2,222	2,222	–	–	–	–	–	–	2,222
Profit before income tax										18,019
Income tax expense										(3,741)
Net profit										14,278
Segment assets	66,215	76,905	143,120	23,143	121,194	71,186	10,479	226,002	12,201	381,323
Segment assets includes:										
Investment in an associated company	–	18,629	18,629	–	–	–	–	–	–	18,629
Additions to:										
– Property, plant and equipment	2,206	1,754	3,960	5	8,702	1,053	216	9,976	–	13,936
– Intangible assets	–	–	–	–	–	53	–	53	–	53
Investment property	–	–	–	–	–	–	–	–	10,334	10,334
Segment liabilities	(8,829)	(5,087)	(13,916)	(4,308)	(14,935)	(8,693)	(754)	(28,690)	(878)	(43,484)

31. SEGMENT INFORMATION (CONTINUED)

The segment information provided to senior management for the year ended 31 December 2017 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	80,131	78,276	158,407	38,007	137,318	125,476	21,614	322,415	–	480,822
Inter-segment sales	(12,168)	(25,776)	(37,944)	–	–	–	–	–	–	(37,944)
Sales to external parties	67,963	52,500	120,463	38,007	137,318	125,476	21,614	322,415	–	442,878
Segment result	(968)	3,961	2,993	417	4,615	5,602	(942)	9,692	(567)	12,118
Other gains										2,870
Premises rental income									1,561	1,561
Unallocated costs										–
										16,549
Finance expenses										(3,481)
Share of profit of an associated company	–	2,124	2,124	–	–	–	–	–	–	2,124
Profit before income tax										15,192
Income tax expense										(5,674)
Net profit										9,518
Segment assets	72,430	71,176	143,606	21,500	117,214	77,341	11,556	227,611	12,301	371,217
Segment assets includes:										
Investment in an associated company	–	17,896	17,896	–	–	–	–	–	–	17,896
Additions to:										
- Property, plant and equipment	643	1,534	2,177	39	845	1,836	–	2,720	–	4,897
- Intangible assets	493	–	493	–	64	525	–	589	–	1,082
Investment property transferred from property, plant and equipment	–	–	–	–	–	–	–	–	11,011	11,011
Segment liabilities	(8,643)	(4,386)	(13,029)	(2,514)	(10,604)	(10,586)	(6)	(23,710)	(1,501)	(36,739)

NOTES TO THE FINANCIAL STATEMENTS

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31. SEGMENT INFORMATION (CONTINUED)

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.

(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	
	2018	2017
	$'000	$'000
Segment assets	**370,844**	359,661
Other segment assets	**10,479**	11,556
Unallocated:		
Deferred income tax assets	**3,380**	4,243
Short-term bank deposits	**8,978**	11,861
Transferable club membership	**172**	38
Derivative financial instruments	**115**	115
	393,968	387,474

31. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations (continued)

(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	
	2018	2017
	$'000	$'000
Segment liabilities	**(42,730)**	(36,733)
Other segment liabilities	**(754)**	(6)
Unallocated:		
Income tax liabilities	**(709)**	(2,052)
Deferred income tax liabilities	**(2,149)**	(2,500)
Borrowings	**(83,507)**	(85,376)
	(129,849)	(126,667)

(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	
	2018	2017
	$'000	$'000
Distribution of automotive and industrial products	**123,335**	322,415
Manufacturing of alloy wheels	**332,258**	120,463
	455,593	442,878

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group operates in the following geographic areas:

	Sales*		Non-current assets	
	Group		Group	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Singapore	**69,643**	67,591	**45,399**	46,107
Malaysia	**105,978**	93,147	**28,826**	22,964
China/Hong Kong	**79,144**	86,393	**34,823**	37,227
Taiwan	**19,624**	18,485	**3,170**	3,047
Australia	**82,280**	78,133	**2,609**	3,693
New Zealand	**48,025**	47,343	**1,752**	1,451
Other countries	**50,899**	51,786	**1,828**	1,634
	455,593	442,878	**118,407**	116,123

* 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.

32. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

SFRS(I) 16 will take effect from financial periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of $30,767,000 [Note 27(b)] that may result in the recognition of an asset and a liability for future payments.

The Group is currently finalising the transition adjustments.

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

(b) SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

(ii) that the entity should assume a tax authority will examine, the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored

(iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment,

(iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

(v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised on the adoption of the interpretation on 1 January 2019.

33. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of YHI International Limited on 22 March 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2019

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 13 March 2019.

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	16	1.01	574	0.00
100 - 1,000	125	7.90	55,011	0.02
1,001 - 10,000	738	46.62	4,022,812	1.37
10,001 - 1,000,000	691	43.65	41,526,890	14.21
1,000,001 and above	13	0.82	246,690,524	84.40
TOTAL	**1,583**	**100.00**	**292,295,811**	**100.00**

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

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

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interest	Deemed Interest	%
YHI Holdings Pte Ltd	128,021,860	–	43.80
Tay Tian Hoe Richard (1)	–	141,958,860	48.57
Tay Tiang Guan (2)	–	45,000,353	15.40
Tay Soek Eng Margaret (3)	–	128,021,860	43.80

Notes:

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

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

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

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

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2019

TWENTY LARGEST SHAREHOLDERS AS AT 13 MARCH 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	YHI HOLDINGS PTE LTD	128,021,860	43.80
2	CITIBANK NOMINEES SINGAPORE PTE LTD	73,151,653	25.03
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	9,954,500	3.41
4	DBS NOMINEES PTE LTD	9,682,050	3.31
5	TAN KIM KOON	7,500,000	2.57
6	DB NOMINEES (SINGAPORE) PTE LTD	7,200,500	2.46
7	RAFFLES NOMINEES (PTE) LTD	2,979,200	1.02
8	PHILLIP SECURITIES PTE LTD	1,635,700	0.56
9	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,550,361	0.53
10	LIM MEE HWA	1,500,000	0.51
11	LEE WOON KIAT	1,258,000	0.43
12	TAN YONG CHIANG OR TAN HUI LIANG	1,256,000	0.43
13	TAN KIA SIONG @ TAN AH KOW	1,000,700	0.34
14	KOO CHOON POI @ KOH CHOON PUI	960,000	0.33
15	LEE LING LING	917,500	0.31
16	LAM LAI CHENG	750,000	0.26
17	KOH PUAY YAN (XU PEIYAN)	693,500	0.24
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	661,300	0.23
19	ABN AMRO CLEARING BANK N.V.	618,200	0.21
20	OCBC SECURITIES PRIVATE LTD	604,600	0.21
	Total	**251,895,624**	**86.19**

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of YHI International Limited (the "**Company**") will be held at 2 Pandan Road, Singapore 609254 on Friday, 26 April 2019 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of 2.35 Singapore cents per ordinary share for the financial year ended 31 December 2018 (2017: 1.50 Singapore cents). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Regulation 89 of the Company's Constitution:

   Mr Tay Tiang Guan* **(Resolution 3)**
   Mr Yuen Sou Wai* **(Resolution 4)**

   Mr Tay Tiang Guan will, upon re-election as a Director of the Company, remain as Executive Director of the Company.

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

   * Detailed information on the Directors who are proposed to be re-appointed can be found under the sections entitled "Board of Directors", "Corporate Governance" and "Additional Information on Directors Seeking Re-appointment" in the 2018 Annual Report of the Company

4. To approve the payment of Directors' fees of S$145,000 for the financial year ended 31 December 2018 (2017: S$192,500). **(Resolution 5)**

5. To re-appoint PricewaterhouseCoopers LLP, Certified Public Accounts as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

AS SPECIAL BUSINESS

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares 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);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares 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 outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

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

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

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

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 11 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

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

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **No. 2 Pandan Road, Singapore 609254**, or the registered office of the Company's share registrar, **Tricor Barbinder Share Registration Services** (as the case may be) at **80 Robinson Road #11-02, Singapore 068898**, not less than **72 hours** before the time set for the AGM.

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

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

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

7. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	MR TAY TIANG GUAN EXECUTIVE DIRECTOR	MR YUEN SOU WAI INDEPENDENT DIRECTOR
Date of Appointment	26 August 2000	22 May 2003
Date of last re-appointment (if applicable)	28 April 2016	26 April 2017
Age	66	65
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Tay Tiang Guan has been appointed as Executive Director since 26 August 2000. He has extensive knowledge in the automotive and industrial products industry and his re-appointment will continue to benefit YHI Group.	Mr. Yuen Sou Wai has been appointed as an Independent Director since February 2014. The Board has considered the recommendation of the Nominating Committee and is of the view that Mr Yuen Sou Wai has the requisite experience, qualifications and capabilities as required by the Board as an Independent Director.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Tay Tiang Guan is responsible for the Group's operations in ASEAN and overseeing the development and operational management of tyre and industrial product distribution business.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director (Sales and Business Development)	Independent Director and Chairman of Remuneration Committee and a member of the Audit and Nominating Committee.
Professional qualifications	• Diploma in Mechanical Engineering (Singapore Polytechnic) • Member of the Singapore Institute of Directors	• Master in Business Administration (University of Leicester, United Kingdom) • Fellow of the Chartered Institute of Management Accountants of the United Kingdom • Fellow of the Institute of Singapore Chartered Accountants • Member of the Singapore Institute of Directors

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	MR TAY TIANG GUAN EXECUTIVE DIRECTOR	MR YUEN SOU WAI INDEPENDENT DIRECTOR
Working experience and occupation(s) during the past 10 years	Executive Director (Sales and Business Development) of YHI Group	February 2014 – Present • Independent Director of YHI International Limited September 2009 – February 2014 • Non-Executive Director of YHI International Limited May 2003 – August 2009 • Executive Director and Group Chief Financial Officer of YHI International Limited
Shareholding interest in the listed issuer and its subsidiaries	Mr Tay Tiang Guan is deemed to have an interest in 45,000,353 ordinary shares (or approximately 15.4% of shareholding) of YHI International Limited, held in the name of his nominees by virtue of Section 7 of the Companies Act, Chapter 50	Mr Yuen Sou Wai has direct interest in 120,000 ordinary shares of YHI International Limited.
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 Tiang Guan is brother of Mr Tay Tian Hoe Richard, Executive Chairman and Group Managing Director 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) or (in the format set out in Appendix 7H) under Catalist Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	MR TAY TIANG GUAN EXECUTIVE DIRECTOR	MR YUEN SOU WAI INDEPENDENT DIRECTOR
Past (for the last 5 years)	Director of the following Non Public Listed Companies: • YHI Holdings Pte Ltd • YHI Corporation (Singapore) Pte Ltd • YHI (Malaysia) Sdn Bhd • YHI (Australia) Pty Limited • YHI (New Zealand) Limited • Evo-Trend Corporation (Malaysia) Sdn Bhd • YHI Corporation (Thailand) Co., Ltd • YHI (Philippines) Inc • YHI Corporation (B) Sdn Bhd • YHI (China) Strategy Co., Ltd • YHI (Vietnam) Co., Ltd • YHI (America) Pte Ltd • YHI Manufacturing (Singapore) Pte Ltd • YHI Manufacturing (Malaysia) Sdn Bhd • YHI International (Taiwan) Co., Ltd • YHI Advanti Manufacturing (Malaysia) Sdn Bhd	Public Listed Companies: • Lead Independent Director of Chew's Group Limited • Lead Independent Director of Libra Group Limited
Present	Non-Public Listed Companies: • Director of PT YHI Indonesia	Public Listed Companies: • Lead Independent Director of Huationg Global Limited
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

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

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YHI INTERNATIONAL LIMITED

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

IMPORTANT

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, ______________________________ (name) ____________________ (NRIC/Passport No.)

of ____ (address)

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

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

and/or*

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

or failing him/her*, the Chairman of the Meeting (defined below), as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at 2 Pandan Road, Singapore 609254 on Friday, 26 April 2019 at 9.30 a.m. and at any adjournment thereof.

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

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

No.	**Resolutions relating to:**	**For**	**Against**
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 (Ordinary Resolution)		
2.	Payment of proposed first and final dividend of 2.35 Singapore cents per ordinary share (Ordinary Resolution)		
3.	Re-election of Mr Tay Tiang Guan as Director of the Company (Ordinary Resolution)		
4.	Re-election of Mr Yuen Sou Wai as Director of the Company (Ordinary Resolution)		
5.	Approval of Directors' fees amounting to S$145,000 for the financial year ended 31 December 2018 (2017: S$192,500) (Ordinary Resolution)		
6.	Re-appointment of PricewaterhouseCoopers LLP, Certified Public Accountants as Auditors and to authorise the Directors to fix their remuneration (Ordinary Resolution)		
7.	Authority to allot and issue shares in the capital of the Company ("Shares") - Share Issue Mandate (Ordinary Resolution)		

Dated this ________ day of ________________ 2019

Total Number of Shares Held

____
Signature of Shareholder(s)
and Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

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

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **No. 2 Pandan Road, Singapore 609254**, or the registered office of the Company's share registrar, **Tricor Barbinder Share Registration Services (as the case may be) at 80 Robinson Road #11-02, Singapore 068898**, not less than 72 hours before the time set for the AGM.

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

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

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

9. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

GENERAL:

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

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

PERSONAL DATA PRIVACY:

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

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
Tel: (65) 6264 2155 • **Fax:** (65) 6265 9927 / 6266 5368
Email: yhigroup@yhi.com.sg
Website: www.yhi.com.sg