



YHI

YHI INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 200007455H)

LETTER TO SHAREHOLDERS OF

YHI INTERNATIONAL LIMITED

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

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DEFINITIONS

In this Letter to Shareholders, unless otherwise stated or the context otherwise requires, the following words and expressions shall have the following meanings:

- “ACRA” : The Accounting and Corporate Regulatory Authority of Singapore
- “AGM” : The annual general meeting for the financial year ended 31 December 2019 of the Company to be held on 18 June 2020 at 2.30 p.m.
- “Annual Report 2019” : The annual report of the Company for FY2019
- “Associate” : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; or
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “associated company” : A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
- “Average Closing Price” : Has the meaning ascribed to it in Section 2.3(d) of this Letter to Shareholders
- “Board” or “Board of Directors” : The board of directors of the Company as at the date of this Letter to Shareholders or from time to time, as the case may be
- “CDP” : The Central Depository (Pte) Limited
- “Company” : YHI International Limited
- “Companies Act” or “Act” : The Companies Act, Chapter 50 of Singapore, as may be amended, modified or supplemented from time to time
- “Constitution” : The constitution of the Company, as amended or modified from time to time
- “control” : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company

DEFINITIONS

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| <i>“Controlling Shareholder”</i> | : A person who: (a) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over the Company |
| <i>“Director”</i> | : A director of the Company as at the date of this Letter to Shareholders or from time to time, as the case may be |
| <i>“EPS”</i> | : Earnings per Share |
| <i>“Financial Year”</i> | : Financial year ended or ending 31 December, as the case may be |
| <i>“FY2019”</i> | : The financial year ended 31 December 2019 |
| <i>“Group”</i> | : The Company and its subsidiaries collectively |
| <i>“Latest Practicable Date”</i> | : 13 May 2020, being the latest practicable date prior to the date of this Letter to Shareholders |
| <i>“Letter to Shareholders”</i> | : This letter to Shareholders dated 19 May 2020 in respect of the Proposed Renewal of the Share Buy-back Mandate |
| <i>“Listing Manual”</i> | : The listing manual of the SGX-ST and its relevant rule(s), as may be amended or modified from time to time |
| <i>“Market Day”</i> | : A day on which the SGX-ST is open for trading of securities |
| <i>“Maximum Price”</i> | : Has the meaning ascribed to it in Section 2.3(d) of this Letter to Shareholders |
| <i>“Notice of AGM”</i> | : The notice of AGM dated 19 May 2020 |
| <i>“NTA”</i> | : Net tangible assets |
| <i>“Off-Market Purchase”</i> | : Has the meaning ascribed to it in Section 2.3(c)(ii) of this Letter to Shareholders |
| <i>“On-Market Purchase”</i> | : Has the meaning ascribed to it in Section 2.3(c)(i) of this Letter to Shareholders |
| <i>“Ordinary Resolution”</i> | : The ordinary resolutions as set out in the Notice of AGM |
| <i>“Other Exchange”</i> | : Has the meaning ascribed to it in Section 2.3(c)(i) of this Letter to Shareholders |
| <i>“Proposed Renewal of the Share Buy-back Mandate”</i> | : Has the meaning ascribed to it in Section 1.1 of this Letter to Shareholders |
| <i>“Relevant Intermediary”</i> | : Has the meaning ascribed to it under the Companies Act |
| <i>“Relevant Period”</i> | : Has the meaning ascribed to it in Section 2.3(b) of this Letter to Shareholders |

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| “ <i>Securities Accounts</i> ” | : | The securities accounts maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent |
| “ <i>SFA</i> ” | : | The Securities and Futures Act, Cap. 289, of Singapore, as may be amended or modified from time to time |
| “ <i>SGX-ST</i> ” | : | Singapore Exchange Securities Trading Limited |
| “ <i>Share Purchase</i> ” or “ <i>Share Buy-back</i> ” | : | The purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate |
| “ <i>Shareholders</i> ” | : | The registered holders of Shares, except that where the registered holder is CDP, the term “ <i>Shareholders</i> ” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited |
| “ <i>Share Buy-Back Mandate</i> ” | : | The general mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire Shares in accordance with the rules and regulations set forth in the Act and the Listing Manual |
| “ <i>Share Buy-Back Guidance Note</i> ” | : | The share buy-back guidance note as set out in Appendix 2 to the Take-over Code |
| “ <i>Shares</i> ” | : | Ordinary shares in the capital of the Company |
| “ <i>SIC</i> ” | : | The Securities Industry Council of Singapore |
| “ <i>subsidiary holdings</i> ” | : | Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act |
| “ <i>Substantial Shareholder</i> ” | : | A person who has an interest or interests in voting Shares in the Company representing not less than 5% of all the voting Shares |
| “ <i>Take-over Code</i> ” | : | The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time |
| “ <i>Treasury Shares</i> ” | : | Has the meaning ascribed to it in Section 4 of the Companies Act |
| “ <i>%</i> ” | : | Per centum or percentage |
| “ <i>S\$</i> ” and “ <i>cents</i> ” | : | Singapore dollars and cents respectively, the lawful currency of Singapore |

The terms “*Depositor*”, “*Depository Agent*” and “*Depository Register*” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “*subsidiary*” and “*treasury shares*” shall have the same meanings ascribed to them respectively in the Companies Act.

Any reference in this Letter to Shareholders to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Letter to Shareholders shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless the context requires otherwise.

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Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to "*persons*" shall, where applicable, include corporations.

Any reference to a time of day or date in this Letter to Shareholders shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

The headings in this Letter to Shareholders are inserted for convenience only and shall be ignored in construing this Letter to Shareholders.

LETTER TO SHAREHOLDERS

YHI INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200007455H)

Directors:

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

Registered Office:

No. 2 Pandan Road
Singapore 609254

19 May 2020

To: The Shareholders of YHI International Limited

Dear Sir / Madam,

PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

1.1 Letter to Shareholders

The Board refers to the Notice of AGM. Resolution 8 of the Notice of AGM is an Ordinary Resolution to be proposed at the AGM to seek Shareholders' approval for the proposed renewal of the Share Buy-Back mandate to be given for the purchase or acquisition by the Company of its own Shares (the "**Proposed Renewal of the Share Buy-Back Mandate**").

The purpose of this Letter to Shareholders is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the Proposed Renewal of the Share Buy-Back Mandate. Shareholders' approval will be sought at the AGM to be held on 18 June 2020 at 2.30 p.m..

The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Letter to Shareholders.

Shareholders are advised to read this Letter to Shareholders in its entirety. If any Shareholder is in any doubt as to the action he should take, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

2.1 Introduction

The adoption of a Share Buy-Back Mandate was first obtained at an extraordinary general meeting of the Company held on 27 April 2012. At an extraordinary general meeting of the Company held on 26 April 2019 (the "**2019 EGM**"), Shareholders approved the renewal of the Share Buy-Back Mandate (the "**2019 Mandate**"). The 2019 Mandate was expressed to take effect on the date of the passing of ordinary resolution approving the Share Buy-Back Mandate at the 2019 EGM, and will expire of the date of the forthcoming AGM which will be held on 18 June 2020. The Directors propose that the 2019 Mandate be renewed at the AGM to authorise the Company to purchase or acquire Shares in the capital of the Company. The Share Buy-Back Mandate is set out as an ordinary resolution in the Notice of AGM.

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares should obtain shareholders' approval to do so at a general meeting. In addition, Rule 881 of the Listing Manual states that an issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.

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Accordingly, Shareholders' approval is being sought at the AGM to be held on 18 June 2020 at 2.30 p.m. for the Proposed Renewal of the Share Buy-Back Mandate.

2.2 Rationale for the Proposed Renewal of the Share Buy-Back Mandate

The rationale for the Company to undertake Share Purchases under the Share Buy-Back Mandate are as follows:

- (a) The Share Buy-Back Mandate gives the Directors the flexibility to purchase or acquire the Shares when circumstances permit, with the objective of increasing Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A share buy-back at an appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Share purchases or acquisitions provide the Company with an easy mechanism to facilitate the return of surplus cash over and above the ordinary capital requirements in an expedient and cost efficient manner. Share purchases or acquisitions also allow the Directors to exercise control over the Company's share structure and may, depending on market conditions, lead to an enhancement of the earnings per share and/or net tangible assets per share of the Company.
- (b) The Share Buy-Back Mandate will provide the Company with an efficient mechanism to enhance return to Shareholders when circumstances permit. The Share Buy-back Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued, to help mitigate short-term market volatility and to off-set the effects of short-term speculation.

As and when circumstances permit, the Directors will decide whether to carry out the Share Buy-Back via On-Market Purchases or Off-Market Purchases, after taking into consideration relevant factors such as the amount of surplus cash available, working capital requirements, prevailing market conditions and the most cost effective and efficient approach.

The Share Buy-Back will only be undertaken as and when the Directors consider it to be in the best interests of the Company and its Shareholders. The Directors do not propose to carry out Share Purchases to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial condition of the Group.

Shareholders should note that the Share Buy-Back pursuant to the Share Buy-Back Mandate may not be carried out to the full extent mandated. The Share Buy-Back will not cause illiquidity or affect orderly trading of the Shares.

2.3 Authority and limits of the Share Buy-back Mandate

The authority and limits placed on Share Buy-Back by the Company under the Share Buy-Back Mandate, if renewed at the AGM, are summarised below:

- (a) Maximum number of Shares

Only Shares that are issued and fully paid-up may be purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate.

Pursuant to Rule 882 of the Listing Manual, the maximum number of Shares which can be purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate during the Relevant Period (as defined herein) is limited to that number of issued Shares representing not more than 10% of the total number of issued Shares as at date of the passing of the Ordinary Resolution relating to the Proposed Renewal of the Share Buy-Back Mandate (excluding any treasury shares and subsidiary holdings as at that date). For the purposes of computing the 10% limit, any of the Shares which are held as treasury shares or subsidiary holdings will be disregarded.

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Purely for illustration purposes only, based on the total number of issued Shares as at the Latest Practicable Date, comprising 292,295,811 Shares (excluding nil treasury shares and subsidiary holdings), and assuming no further Shares are issued, or purchased or otherwise acquired and held as treasury shares, and no Share is held as subsidiary holdings on or prior to the AGM, not more than 29,229,581 Shares (representing not more than 10% of the total number of issued Shares excluding nil treasury shares and subsidiary holdings as at that date) may be purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate.

(b) Duration of authority

If the proposed renewal of the Share Buy-Back Mandate is approved by Shareholders at the AGM, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of the Ordinary Resolution relating to the Proposed Renewal of the Share Buy-Back Mandate and expiring on the earliest of:

- (i) the date of the next annual general meeting of the Company;
- (ii) the date by which the next annual general meeting of the Company is required by law to be held;
- (iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied; or
- (iv) the date on which the Share Purchases are carried out to the full extent mandated.

(the “**Relevant Period**”)

(c) Manner of Share Purchases

A Share Purchase may be made by way of:

- (i) on-market purchases on the SGX-ST or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose (“**Other Exchange**”) (“**On-Market Purchases**”); and/or
- (ii) off-market purchases (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by Section 76C of the Companies Act (“**Off-Market Purchases**”).

The Directors may impose such terms and conditions, which are not inconsistent with the Companies Act, the Listing Manual and the Share Buy-Back Mandate, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme(s).

Under Section 76C(6) of the Companies Act, an Off-Market Purchase must satisfy all the following conditions:

- (i) offers for Share Buy-Back shall be made to every person who holds Shares, to purchase or otherwise acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offer made to them; and

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- (iii) the terms of all the offers are the same, except that there shall be disregarded:
 - a. differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
 - b. differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - c. differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, Rule 885 of the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (i) the terms and conditions of the offer;
 - (ii) the period and procedures for acceptances;
 - (iii) the reasons for the proposed Share Buy-Back;
 - (iv) the consequences, if any, of Share Buy-Back by the Company that will arise under the Take-over Code or other applicable take-over rules;
 - (v) whether the Share Buy-Back, if made, would have any effect on the listing of the Company's equity securities on the SGX-ST;
 - (vi) details of any Share Buy-Back made by the Company in the previous twelve (12) months (whether an On-Market Purchase or an Off-Market Purchase), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and
 - (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.
- (d) Price Restrictions

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid by the Company for Shares will be determined by the Directors and must not exceed:

- (i) in the case of an On-Market Purchase, 105.0% of the average closing price of the Shares. For this purpose, the average closing market price is:
 - a. the average of the closing market prices of the Shares over the last five (5) Market Days (on which transactions in the Shares were recorded) immediately before the date of the Share Purchase by the Company; and
 - b. deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Day period and the day on which the purchases are made (the "**Average Closing Price**"); and
- (ii) in the case of an Off-Market Purchase, 105.0% of the highest price at which a Share is transacted on the SGX-ST on the Market Day (when transactions in the Shares are recorded) immediately preceding the date on which the

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Company announces an Off-Market Purchase offer stating the purchase price and the relevant terms of the equal access scheme;

(the “**Maximum Price**”) in either case, excluding related expenses of the Share Buy-Back.

2.4 Status of Purchased Shares

The Shares purchased or otherwise acquired by the Company under the Share Purchase Mandate may be:

- (i) held by the Company; or
- (ii) dealt with, at any time, in accordance with Section 76K of the Companies Act, as treasury shares.

2.5 Treasury shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with by the Company as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum holdings

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares at that time. In the event that the Company exceeds the 10% threshold, the Company must dispose of or cancel these excess treasury shares within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies appointed under the Companies Act may allow.

(b) Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings, and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company’s assets (including any distribution of assets to members on a winding up) may be made, to the Company in respect of treasury shares. However, the allotment and issue of Shares as fully paid bonus Shares in respect of treasury shares is allowed.

A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before, as the case may be.

(c) Disposal and cancellation

Pursuant to Section 76K of the Companies Act, where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares (or any of them) for cash;
- (ii) transfer the treasury shares (or any of them) for the purpose of or pursuant to any share scheme, performance share plan or share incentive scheme of the Company then in force, whether for its employees, directors or other persons;

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- (iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares (or any of them); or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister under the Companies Act.

In addition, under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such Treasury Shares, the purpose of such sale, transfer, cancellation and/or use of such Treasury Shares, the number of Treasury Shares sold, transferred, cancelled and/or used, the number of Treasury Shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of Treasury Shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use and the value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

2.6 Source of funds

In undertaking Share Purchases, the Company may only apply funds legally available for such Share Purchases in accordance with the Constitution of the Company and the applicable laws and regulations enacted or prescribed by the relevant competent authorities in Singapore. The Company may not purchase its Shares for a consideration other than cash or, in the case of an On-Market Purchase, for settlement other than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, the Company may purchase or otherwise acquire its own Shares out of profits and/or capital so long as the Company is solvent. It is an offence for a Director or an officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to Section 76F(4) of the Companies Act, a Company is solvent if:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if:
 - (i) it is intended to commence winding up of the Company within the period of twelve (12) months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of twelve (12) months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of Shares become less than the value of its liabilities (including contingent liabilities).

If the Company intends to use internal resources and/or external borrowings to finance the Company's purchase or acquisition of Shares, the purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial condition, liquidity (for example, share trading volume) and working capital of the Company.

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2.7 Financial effects of the Share Buy-Back Mandate

The financial effects on the Company and the Group arising from its purchase or acquisition of issued Shares pursuant to the Share Buy-Back Mandate will depend on, *inter alia*, whether the Shares purchased or acquired is an On-Market Purchase or an Off-Market Purchase, whether the Shares are purchased or acquired out of capital and/or profits of the Company, the number of issued Shares purchased or acquired, the consideration paid for such Shares and whether the issued Shares purchased or acquired are held as treasury shares or cancelled.

For illustrative purposes only, the financial effects on the Company and the Group arising from its purchase or acquisition of issued Shares pursuant to the Share Buy-Back Mandate have been prepared based on the audited consolidated financial statements of the Company and the Group for FY2019, and are subject to, *inter alia*, the following assumptions:

- (a) the Share Purchases comprised 29,229,581 Shares (representing 10.0% of 292,295,811 issued Shares being the total number of issued Shares excluding nil treasury shares and subsidiary holdings as at the Latest Practicable Date, and assuming no further Shares are issued, or purchased or otherwise acquired and held as treasury shares, and no Shares are held as subsidiary holdings on or prior to the AGM);
- (b) in the case of On-Market Purchases, the Maximum Price was S\$0.32 per Share (being 105.0% of the Average Closing Price of the Shares over the last five (5) Market Days on which the Shares are transacted on the SGX-ST immediately preceding the Latest Practicable Date) and accordingly the maximum amount of funds required for effecting such On-Market Purchases (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses), would amount to approximately S\$9.4 million;
- (c) in the case of Off-Market Purchases, the Maximum Price was S\$0.32 per Share (being 105.0% of the Average Closing Price of the Shares over the last five (5) Market Days on which the Shares are transacted on the SGX-ST immediately preceding the Latest Practicable Date) and accordingly the maximum amount of funds required for effecting such Off-Market Purchases (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses), would amount to approximately S\$9.4 million;
- (d) there were no expenses (including brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) incurred in relation to the Share Purchases;
- (e) the Share Purchases pursuant to the Share Buy-Back Mandate were completed on 1 January 2019; and
- (f) the nil treasury shares as at the Latest Practicable Date are not cancelled and continues to be held by the Company as treasury shares.

Pursuant to Section 76G of the Companies Act, where issued Shares are purchased or acquired, and cancelled under Section 76B(5) of the Companies Act, the Company shall:

- (i) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (ii) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (iii) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

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by the total amount of the purchase price paid by the Company for the issued Shares cancelled.

For the avoidance of doubt, the total amount of the purchase price paid by the Company for the Shares cancelled shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of such Shares which is paid out of the Company's capital or profits under Section 76F(1) of the Companies Act.

On the other hand, where Shares are purchased or acquired, and not cancelled under Section 76B(5) of the Companies Act, but held as treasury shares, there will be no change in the Company's share capital.

In both cases, the Shareholders' equity is reduced by the total amount of the purchase price paid by the Company for the issued Shares purchased or acquired.

Scenario 1 – Assuming the Use of Internal Resources to Purchase the Shares

| | Group | | Company | |
|--|------------------------------|--|------------------------------|--|
| | Before Share Purchases | After Share Purchases On-Market Purchase and Off-Market Purchase | Before Share Purchases | After Share Purchases On-Market Purchase and Off-Market Purchase |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <u>As at 31 December 2019</u> | | | | |
| Current assets (A) | 259,694 | 250,341 | 35,551 | 26,198 |
| Current liabilities (B) | 108,276 | 108,276 | 1,368 | 1,368 |
| Working capital | 151,418 | 142,065 | 34,183 | 24,830 |
| Shareholders' funds excluding goodwill and intangible assets (C) | 251,864 | 242,511 | 134,510 | 125,157 |
| Total borrowings (D) | 70,716 | 70,716 | - | - |
| Profit attributable to equity holders of the Company (E) | 12,956 | 12,956 | 3,315 | 3,315 |
| Number of Shares (excluding Treasury Shares) ('000) (F) | 292,296 | 263,066 | 292,296 | 263,066 |
| Weighted average number of Shares (excluding Treasury Shares) ('000) (G) | 292,296 | 263,066 | 292,296 | 263,066 |
| <u>Financial ratios</u> | | | | |
| NTA per Share ⁽¹⁾ (S\$ cents) (C)/(F) | 86.17 | 92.19 | 46.02 | 47.58 |
| EPS ⁽²⁾ (S\$ cents) (E)/(G) | 4.43 | 4.92 | 1.13 | 1.26 |
| Gearing (times) ⁽³⁾ (C)/(D) | 3.56 | 3.43 | - | - |
| Current ratio (times) ⁽⁴⁾ (A)/(B) | 2.40 | 2.31 | 25.99 | 19.15 |

Notes:

- (1) "NTA per Share" represents NTA divided by the weighted average number of Shares.
- (2) "EPS" represents profit attributable to equity holders of the Company divided by the weighted average number of Shares
- (3) "Gearing" represents total borrowings divided by Shareholders' funds.
- (4) "Current ratio" represents current assets divided by current liabilities.

As at 31 December 2019, the Group and the Company had cash and bank balances of approximately S\$56.4 million and S\$5.7 million respectively. In order to effect a purchase of up to 29,229,581 Shares

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at the Maximum Price computed as at the Latest Practicable Date, cash reserves from the Group of approximately S\$9.4 million will be required.

Scenario 2 – Assuming the Use of External Borrowings to Purchase the Shares

| | Group | | Company | |
|---|------------------------|---|------------------------|---|
| | Before Share Purchases | After Share Purchases | Before Share Purchases | After Share Purchases |
| | S\$'000 | On-Market Purchase and Off-Market Purchase S\$'000 | S\$'000 | On-Market Purchase and Off-Market Purchase S\$'000 |
| <u>As at 31 December 2019</u> | | | | |
| Current assets (A) | 259,694 | 259,694 | 35,551 | 35,551 |
| Current liabilities (B) | 108,276 | 110,147 | 1,368 | 3,239 |
| Working capital | 151,418 | 149,547 | 34,183 | 32,312 |
| Shareholders' funds excluding goodwill and intangible assets (C) | 251,864 | 242,511 | 134,510 | 125,157 |
| Total borrowings (D) | 70,716 | 80,069 | - | 9,353 |
| Profit attributable to equity holders of the Company (E) | 12,956 | 12,582 | 3,315 | 2,941 |
| Number of Shares (excluding Treasury Shares) ('000) (F) | 292,296 | 263,066 | 292,296 | 263,066 |
| Weighted average number of Shares (excluding Treasury Shares) ('000) (G) | 292,296 | 263,066 | 292,296 | 263,066 |
| <u>Financial ratios</u> | | | | |
| NTA per Share (S\$ cents) ⁽¹⁾ (C)/(F) | 86.17 | 92.19 | 46.02 | 47.58 |
| EPS (S\$ cents) ⁽²⁾ (E)/(G) | 4.43 | 4.78 | 1.13 | 1.12 |
| Gearing (times) ⁽³⁾ (C)/(D) | 3.56 | 3.03 | - | 13.38 |
| Current ratio (times) ⁽⁴⁾ (A)/(B) | 2.40 | 2.36 | 25.99 | 10.98 |

Notes:

- (1) "NTA per Share" represents NTA divided by the weighted average number of Shares.
- (2) "EPS" represents profit attributable to equity holders of the Company divided by the weighted average number of Shares.
- (3) "Gearing" represents total borrowings divided by Shareholders' funds.
- (4) "Current ratio" represents current assets divided by current liabilities.

As illustrated above, the Share Buy-Back will have the effect of reducing the working capital and the Shareholders' funds (excluding goodwill and intangible assets) of the Group and Company by the purchase price of the Shares purchased. The NTA per Share as at 31 December 2019 will increase from 86.17 cents to 92.19 cents for the Group and increase from 46.02 cents to 47.58 cents for the Company respectively.

Assuming that the Share Buy-Back had taken place on 31 December 2019 using internal resources, the basic EPS of the Group for FY2019 will increase from 4.43 cents to 4.92 cents for the Group and increase from 1.13 cents to 1.26 cents for the Company respectively as a result of the reduction in the number of issued Shares.

Assuming that the Share Buy-Back had taken place on 31 December 2019 using external borrowings, the basic EPS of the Group for FY2019 will increase from 4.43 cents to 4.78 cents for the Group and

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decrease from 1.13 cents to 1.12 cents for the Company respectively as a result of the reduction in the number of issued Shares.

Shareholders should note that the financial effects set out above are based on the respective aforementioned assumptions, and are for illustration purposes only. In particular, Shareholders should note that the financial effects set out above are based on the audited consolidated financial statements of the Company and the Group for FY2019, and are not necessarily representative of the future financial performance of the Company and the Group.

Although the Share Buy-Back Mandate authorises the Company to purchase or acquire up to 10.0% of the total number of issued Shares (excluding any treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire issued Shares, or be able to carry out purchases or acquisitions of issued Shares to the full extent mandated.

The Share Purchases will only be undertaken as and when the Directors consider it to be in the best interests of the Company and its Shareholders. The Directors do not propose to carry out Share Purchases to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial condition of the Group.

The Company will take into account both financial factors (for example, cash surplus, debt position and working capital requirements) and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a Share Buy-Back before execution.

2.8 Listing Manual

Rule 886 of the Listing Manual states that an issuer must notify the SGX-ST of any Share Purchase as follows:

- (a) in the case of an On-Market Purchase, by 9.00 a.m. on the Market Day following the day on which it purchased shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer.

Such notification must be made in the form of Appendix 8.3.1 to the Listing Manual and must include, *inter alia*, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as treasury shares, the price paid per Share or the highest price per Share and lowest price per Share, and the total consideration (including stamp duties, clearing charges, etc.) paid or payable for the Shares.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the Company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buy-Back Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price sensitive information has been publicly announced. In particular, in compliance with Rule 1207(19)(c) of the Listing Manual, the Company will not deal in Shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one (1) month before the announcement of the Company's half-year and full year financial statements (if the Company does not announce its quarterly financial statements).

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2.9 Tax implications

Shareholders who are in any doubt as to their respective tax positions or the tax implications of the Share Purchases by the Company or who may be subject to tax, whether in or outside Singapore, should consult their own professional advisers.

2.10 Application of the Take-over Code

Appendix 2 to the Take-over Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition of issued Shares by the Company are set out below.

(a) Obligation to make a take-over offer

Paragraph 1 of the Share Buy-back Guidance Note states that when a company buys back its shares, any resulting increase in the percentage of voting rights held by a shareholder and persons acting in concert with him will be treated as an acquisition for the purpose of Rule 14 of the Take-over Code. Consequently, a shareholder or group of shareholders acting in concert could obtain or consolidate effective control of the company and become obliged to make an offer under Rule 14 of the Take-over Code.

(b) Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Without prejudice to the general application of the definition above, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (i) the following companies:
 - (A) a company;
 - (B) the parent company of (A);
 - (C) the subsidiaries of (A);
 - (D) the fellow subsidiaries of (A);
 - (E) the associated companies of any of (A), (B), (C) or (D);
 - (F) companies whose associated companies include any of (A), (B), (C), (D) or (E); and
 - (G) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.
- (ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (iii) a company with any of its pension funds and employee share schemes;

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- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser;
- (vi) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and
- (viii) the following persons and entities:
 - (A) an individual;
 - (B) the close relatives of (A);
 - (C) the related trusts of (A);
 - (D) any person who is accustomed to act in accordance with the instructions of (A);
 - (E) companies controlled by any of (A), (B), (C) or (D); and
 - (F) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

In this Section 2.10(b) of this Letter to Shareholders:

- (I) “**associated company**” means a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company; and
 - (II) “**close relatives**” include immediate family (i.e. parents, siblings, spouse and children), siblings of parents (i.e. uncles and aunts) as well as their children (i.e. cousins), and children of siblings (i.e. nephews and nieces).
- (c) Effect of Rule 14 of the Take-over Code and the Share Buy-Back Guidance Note

Rule 14.1 of the Take-over Code states that except with the SIC’s consent, where:

- (i) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or
- (ii) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

such person must extend offers immediately, on the basis set out in Rule 14 of the Take-over Code, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold

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shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In addition, paragraph 2 of the Share Buy-Back Guidance Note states that a shareholder, who is not acting in concert with the directors, will not be required to make an offer under Rule 14 of the Take-over Code if, as a result of a company buying back its own shares, the voting rights of the shareholder in the company would increase to 30.0% or more, or, if the shareholder holds between 30.0% and 50.0% of the company's voting rights, would increase by more than 1.0% in any period of six (6) months, as a result of the company buying back its shares. Such a shareholder need not abstain from voting on the resolution to authorise the share buy-back, unless so required under the Companies Act.

As Tay Tian Hoe Richard and persons presumed to be acting in concert with him under the Take-over Code have an aggregate shareholding interest of more than 50.0% in the Company, the increase in the shareholding, in the event that the Company purchases the maximum number of Shares permissible under the Share Buy-Back Mandate, will not require a general offer to be made under Rule 14 of the Take-over Code.

The statements in this Section 2.11 of this Letter to Shareholders do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their own professional advisers and/or the SIC at the earliest opportunity as to whether an obligation to make an offer would arise as a result of the Company purchasing or acquiring issued Shares pursuant to the Share Buy-Back Mandate.

Save as disclosed above, to the best of the Directors' knowledge, there are no other persons who may incur an obligation to make a take-over offer as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate. Members are advised to consult their professional advisers and/or the SIC and/or the relevant authorities at the earliest opportunity as to whether they would incur any obligation to make a take-over offer as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate as the case may be.

2.11 Share Purchases in the previous 12 months

No purchases of Shares have been made by the Company in the twelve (12) months preceding the Latest Practicable Date.

2.12 Reporting Requirements

Within thirty (30) days of the passing of the Shareholders' resolution in relation to the Proposed Renewal of the Share Purchase Mandate, the Directors shall lodge a copy of the Shareholders' resolution with ACRA.

The Directors shall lodge with ACRA a notice of share purchase within thirty (30) days of a Share Purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Treasury Shares held, the Company's issued share capital before and after the Share Purchase, the amount of consideration paid by the Company for the Share Purchase, whether the Shares were purchased out of the profits or the capital of the company and such other particulars as may be required in the prescribed form.

Within thirty (30) days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form.

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2.13 Listing status on the Mainboard of the SGX-ST

Rule 723 of the Listing Manual states that an issuer must ensure that at least 10.0% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. The Directors of the Company will ensure that any Shares purchased by the Company will not result in a fall in the percentage of Shares held by the public to below 10.0% of the total number of issued Shares.

As at the Latest Practicable Date, approximately 36.04% of issued Shares (excluding nil treasury shares and subsidiary holdings) are held in the hands of the public. Assuming that the Company carries out purchases or acquisitions of issued Shares to the full extent mandated i.e. up to 10.0% of the total number of issued Shares (excluding nil treasury shares and subsidiary holdings) as at the Latest Practicable Date from members of the public, the percentage of issued Shares (excluding any treasury shares and subsidiary holdings) held in the hands of the public would be approximately 28.93%.

The Directors will use their best efforts to ensure that the requirements of Rule 723 of the Listing Manual are complied with and that the Company does not effect a purchase of Shares which would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the orderly trade of the Shares of the listing status of the Company.

As at the Latest Practicable Date, the Company has no securities apart from its Shares listed on the SGX-ST.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Shares as recorded in the Company's Register of Directors' Shareholdings and the Company's Register of Substantial Shareholders respectively as at the Latest Practicable Date are set out below:

| | Direct Interest | | Deemed Interest | |
|---|------------------|------------------|------------------|------------------|
| | Number of Shares | % ⁽¹⁾ | Number of Shares | % ⁽¹⁾ |
| <u>Directors</u> | | | | |
| Tay Tian Hoe Richard ⁽²⁾ | - | - | 141,958,860 | 48.57 |
| Tay Tiang Guan ⁽³⁾ | - | - | 45,000,353 | 15.40 |
| Yuen Sou Wai | 120,000 | 0.04 | - | - |
| Henry Tan Song Kok | 20,000 | 0.01 | - | - |
| Phua Tin How | 55,000 | 0.02 | - | - |
| <u>Substantial Shareholders (other than Directors)</u> | | | | |
| YHI Holdings Pte Ltd | 128,021,860 | 43.80 | - | - |
| Tay Soek Eng Margaret ⁽⁴⁾ | - | - | 128,021,860 | 43.80 |

Notes:

- (1) Based on 292,295,811 issued Shares (excluding nil treasury shares and subsidiary holdings) of the Company as at the Latest Practicable Date.
- (2) Mr Tay Tian Hoe Richard is deemed to have an interest in the following Shares by virtue of Section 7 of the Companies Act.

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

- (3) Mr Tay Tiang Guan is deemed to have an interest in the 45,000,353 Shares held in the name of his nominees by virtue of Section 7 of the Companies Act.
- (4) Mdm Tay Soek Margaret is the sister of our executive Directors, Mr Tay Tian Hoe Richard and Mr Tay Tiang Guan. She is deemed to have an interest in the 128,021,860 Shares held in the name of YHI Holdings Pte Ltd by virtue of Section 7 of the Companies Act.

The Company does not have any limits on the shareholding of any Shareholder.

Save as disclosed in this Letter to Shareholders, none of the Directors and the Controlling Shareholders have any interest, direct or indirect, in the Proposed Renewal of the Share Buy-Back Mandate, other than through their respective shareholdings in the Company.

4. DIRECTORS' RECOMMENDATIONS

The Directors, having considered, *inter alia*, the rationale and information relating to the Proposed Renewal of the Share Buy-Back Mandate, are of the opinion that the Proposed Renewal of the Share Buy-Back Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution relating to the Proposed Renewal of the Share Buy-Back Mandate at the AGM.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter to Shareholders and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter to Shareholders constitutes full and true disclosure of all material facts about the Proposed Renewal of the Share Buy-Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter to Shareholders misleading. Where information in this Letter to Shareholders has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter to Shareholders in its proper form and context.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at No. 2 Pandan Road Singapore 609254, during normal business hours from the date of this Letter to Shareholders up to and including the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report 2019.

Yours faithfully

Tay Tian Hoe Richard
Executive Chairman & Group Managing Director

For and on behalf of
the Board of Directors of
YHI INTERNATIONAL LIMITED

19 May 2020