



ANNOUNCEMENT ON JOINT VENTURE WITH THE YOKOHAMA RUBBER CO., LTD.

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of YHI International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that:

- (a) the Company has on 15 December 2021, through its wholly-owned subsidiary, YHI Malaysia Sdn Bhd (the “**Vendor**”), entered into a sale and purchase agreement (the “**SPA**”) with The Yokohama Rubber Co., Ltd. (“**Yokohama**”) in relation to, *inter alia*, the sale of 5,100,000 ordinary shares (“**Sale Shares**”) in the share capital of Yokohama Tyre Sales Malaysia Sdn Bhd (the “**YTSM**”), representing 51.0% of the total issued and paid-up share capital of YTSM (the “**Disposal**”). Pursuant to the SPA, the aggregate consideration for the Sale Shares amounted to S\$4,951,539 (equivalent to approximately RM15,300,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021) (“**Consideration**”) payable by Yokohama to the Vendor.
- (b) following the Disposal, Yokohama will own 51% of the total issued and paid-up share capital of YTSM while the Vendor will own the remaining 49% of the total issued and paid-up share capital of YTSM. YTSM will be utilised as the joint venture vehicle to carry out the business of distributing Yokohama brand of automotive tyres and other related parts (“**Joint Venture**”) and will be an associated company of the Company.

2. RATIONALE

The Board believes that the Joint Venture will bring together the Vendor’s broad sales network with Yokohama’s global marketing strategies and extensive tyre brand line up to further expand Yokohama’s market share and establish a foundation for further growth in the Malaysian market.

Accordingly, based on the abovementioned reasons, the Board is of the view that the Joint Venture will bring value to Shareholders, and is of the view that the Joint Venture is in the best interest of the Company and its shareholders.

The Company and Yokohama have agreed that upon and after completion of the Disposal, the Company shall be entitled to appoint up to two (2) directors to YTSM and Yokohama shall be entitled to appoint up to three (3) directors to YTSM.

3. INFORMATION ON YOKOHAMA

The information on Yokohama provided below was provided to the Company by Yokohama. In respect of such information, the Board has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The Board’s responsibility is limited to the proper extraction and reproduction herein in the context that is being disclosed in this announcement.

- 3.1 The Yokohama Rubber Co., Ltd. is a tire manufacturing company incorporated under the laws of Japan and having its registered address at 36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan.

- 3.2 Shareholders should note that Yokohama is an independent third party and is not related to any of the Directors or controlling shareholders of the Company and their respective associates. As at the date of this announcement, Yokohama is interested in 6,960,000 ordinary shares in the share capital of the Company, representing approximately 2.4% of the total issued and paid-up share capital of the Company.

4. INFORMATION ON THE JOINT VENTURE VEHICLE, YTSM

The information on YTSM provided below was provided to the Company by YTSM. In respect of such information, the Board has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The Board's responsibility is limited to the proper extraction and reproduction herein in the context that is being disclosed in this announcement.

4.1 Corporate Information

Yokohama Tyre Sales Malaysia Sdn Bhd is a private company limited by shares incorporated in Malaysia on 6 July 2021, and as at the date of this announcement, has an issued and paid-up share capital of S\$3,236,300 (equivalent to approximately RM10,000,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021) comprising 10,000,000 ordinary shares. YTSM is a wholly-owned subsidiary of the Vendor, a direct wholly-owned subsidiary of the Company. Upon completion of the Disposal, the shareholders of YTSM shall be Yokohama (51.0%) and the Vendor (49.0%).

The YTSM is principally in the business of distributing Yokohama brand of automotive tyres and other related parts.

4.2 Financial Information

Based on the management accounts of YTSM as at 14 December 2021:

- (a) the book value of the Sale Shares, representing in aggregate 51.0% of the issued and paid-up share capital of YTSM, was approximately S\$1,650,513 (equivalent to approximately RM5,100,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021) as at 14 December 2021;
- (b) the net tangible asset (“**NTA**”) value represented by the Sale Shares, representing in aggregate 51.0% of the issued and paid-up share capital of YTSM, was approximately S\$1,650,573 (equivalent to approximately RM5,100,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021) as at 14 December 2021; and
- (c) the net gain attributable to the Sale Shares, representing in aggregate 51.0% of the issued and paid-up share capital of YTSM, amounted to approximately S\$3,252,482 (equivalent to approximately RM10,050,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021) for the period from the date of incorporation of 6 July 2021 to 14 December 2021.

5. CONSIDERATION

- 5.1 Pursuant to the terms and conditions of the SPA, the Consideration of S\$4,951,539 (equivalent to approximately RM15,300,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021) shall be paid in cash to the Vendor by way of telegraphic transfer or such other payment method as Vendor and Yokohama may agree in writing.
- 5.2 The Consideration was arrived at arm's length and on a willing-buyer-willing-seller basis, after taking into account, *inter alia*, the following:

- (a) the book value of the Sale Shares, representing 51.0% of the total issued and paid-up share capital of YTSM;
- (b) prevailing economic conditions; and
- (c) potential growth outlook of YTSM.

6. INTENDED USE OF PROCEEDS

- 6.1 The proceeds arising from the Disposal is approximately S\$3,301,026. After deducting estimated cost and expenses of approximately S\$48,544, the net proceeds from the Disposal is approximately S\$3,252,482 (the "**Net Proceeds**"). The Company intends to use the Net Proceeds for general working capital and/or for any strategic investments or acquisitions which are more likely to enhance shareholder value.
- 6.2 The Company will make periodic announcements on the use of Net Proceeds from the Disposal as and when funds are materially disbursed, as well as provide status reports on the use of Net Proceeds and where such proceeds have been used for working capital, a breakdown with specific details on how the proceeds have been applied from the Disposal in the Company's annual reports as well as the interim and full-year financial statements until such time the Net Proceeds have been fully utilised.

7. PRINCIPAL TERMS OF THE SPA

According to the SPA:

(a) Conditions Precedent

- (i) Completion shall be conditional on those matters listed in schedule 2 of the SPA being satisfied to the satisfaction of Yokohama, or, waived by Yokohama in writing, in accordance with the SPA;
- (ii) The Vendor undertakes to use all reasonable endeavours to ensure that the conditions are fulfilled to the satisfaction of Yokohama as soon as reasonably practicable and in any event by 31st December 2021 or such longer period as the parties may agree in writing ("**Long Stop Date**"); and
- (iii) In the event that any of the conditions shall not have been fulfilled or waived by the Long Stop Date, then Yokohama shall not be bound to proceed with completion and shall be entitled to terminate the SPA without liability on its part and without prejudice to its rights under the SPA, at law and/or in equity. Upon such termination, clause 3.2 of the SPA shall apply and the SPA shall cease to be of any effect save for those clauses intended to survive termination and save in respect of any claims arising out of any antecedent breach of the SPA.

(b) Completion

Subject to the fulfilment of the conditions, completion shall take place on 1 January 2022.

(c) Indemnity

The Company and the Vendor shall, jointly and severally, defend, indemnify and hold harmless Yokohama, for themselves and as agent and trustee for each member of the Yokohama group, from and against any losses, which Yokohama or YTSM incurs, and resulting from or arising out of:

- (i) any contracts with any employees or independent contractors that YTSM has engaged in the past or is currently engaging;

- (ii) any insufficiency in any insurance coverage required to meet the requirements by customers and suppliers of YTSM;
- (iii) all guarantees and indemnities given by YTSM in favour of any of the vendors and/or their affiliates not having been released and discharged in full without penalty to YTSM;
- (iv) any potential penalty, compound and exposure on the non-compliance with the Companies Act, the Employees Provident Fund Act 1991, the Employees' Social Security Act 1969, the Employment Insurance System Act 2017, the Employment Act 1955, the National Wages Consultative Council Act 2011, the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990, the Employment (Restriction) Act 1968 and their related regulations and orders;
- (v) any potential penalty, compound and exposure on the non-compliance with any land title conditions imposed on any of the properties; and
- (vi) any complaint or claim made against YTSM relation to unfair dismissal of the employees of YTSM.

(d) Costs

Each of the parties shall be responsible for its own legal, accountancy and other costs, charges and expenses incurred in connection with the negotiation, preparation and implementation of the SPA and any other agreement or document incidental to or referred to in the SPA.

(e) Governing Law and Jurisdiction

The construction, validity and performance of the SPA and all non-contractual obligations arising from or connected with the SPA shall be governed by the laws of Malaysia.

8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

8.1 The relative figures for the Disposal and the Joint Venture computed on the bases set out in Rule 1006 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2020 ("**FY2020**") are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets. ⁽¹⁾	0.58% ⁽²⁾
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits. ⁽³⁾	12.8% ⁽⁴⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	3.3% ⁽⁵⁾

(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable ⁽⁶⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the SGX-ST may permit valuations to be used instead of volume or amount.	Not Applicable ⁽⁷⁾

Notes:

- (1) "Net assets" means total assets less total liabilities.
- (2) Based on the latest audited consolidated financial statements of the Group for FY2020, the net asset value represented by the Sale Shares was approximately S\$1,650,513 as at 14 December 2021 which represents approximately 0.58% of the Group's net asset value of approximately S\$283,576,548 as at 31 December 2020.
- (3) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (4) Based on the audited consolidated financial statements of the Group for FY2020, the net gain attributable to the Sale Shares was approximately S\$3,252,482 as at 14 December 2021 which represents approximately 12.8% of the Group's net profit of approximately S\$19,565,886 as at 31 December 2020.
- (5) The consideration is S\$4,951,539. The Company's market capitalisation of approximately S\$148,103,904, computed based on the issued share capital of the Company as at the date of the announcement of 290,399,811 Shares and the weighted average price of S\$0.51 per Share on 14 December 2021, being the full trading day preceding the date of the SPA.
- (6) No equity securities will be issued by the Company in connection with the Disposal and Joint Venture.
- (7) Listing Rule 1006(e) is not applicable as the Company is not a mineral, oil and gas company.

8.2 Based on the above figures, the relative figure computed under Listing Rules 1006(b) of the Listing Manual is more than 5% but less than 20%. The Disposal and Joint Venture therefore constitutes a "discloseable transaction" under Rule 1010 of the Listing Rules and is not subject to Shareholders' approval under the Listing Rules.

9. FINANCIAL EFFECTS

The financial effects of the Disposal are presented for illustrative purposes only and are not intended to reflect the actual future financial performance and position of the Company or the Group after the completion of the Disposal.

9.1 The financial effects set out below have been computed based on the latest audited consolidated financial statements of the Group for FY2020 and the latest management accounts of YTSM for the period from 6 July 2021 (being the date of incorporation) to 14 December 2021, as well as on the following bases and key assumptions:

- (a) the financial effects on the NTA per Share of the Group are computed assuming that the Disposal was completed on 31 December 2020; and

(b) the financial effects on the earnings per Share (“**EPS/LPS**”) of the Group are computed assuming that the Disposal was completed on 1 January 2020.

9.2 Share Capital

	Before the Disposal	After the Disposal
Issued and paid-up share capital of the Company (S\$'000)	77,001	77,001
Total number of Shares ('000) *Excluding Treasury Shares	290,400	290,400

9.3 NTA per Share

	Before the Disposal	After the Disposal
NTA as at 31 December 2020 (S\$'000)	275,381	278,633
Total number of Shares ('000) *Excluding Treasury Shares	290,400	290,400
NTA per Share (Singapore cents)	94.83	95.95

9.4 EPS

	Before the Disposal	After the Disposal
Net gain attributable to shareholders (S\$'000)	19,155	22,407
Weighted average number of Shares ('000)	291,750	291,750
EPS (Singapore cents)	6.57	7.68

9.5 Based on the book value of the Sale Shares, representing in aggregate 51.0% of the issued and paid-up share capital of TYSM, as at 14 December 2021 of approximately S\$1,650,513 (equivalent to approximately RM5,100,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021), the Consideration represents an excess of approximately S\$3,301,026 (equivalent to approximately RM10,200,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021) over such book value of the Sale Shares, and the Disposal is expected to result in an estimated gain of approximately S\$3,252,482 (equivalent to approximately RM10,050,000 based on an exchange rate of RM1 : S\$0.32363 as at 14 December 2021).

10. **SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Disposal and Joint Venture and no service contracts in relation thereto is proposed to be entered into by the Company.

11. **INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in this announcement, none of the Directors and/or the substantial shareholders of the Company have any interest, direct or indirect, in the Disposal and the Joint Venture, other than through their respective shareholdings in the Company, if any.

12. DOCUMENTS AVAILABLE FOR INSPECTION

- 12.1 A copy of the SPA will be made available for inspection at the registered office of the Company located at 2 Pandan Road Singapore 609254 during normal business hours for three months from the date of this announcement.
- 12.2 In light of the COVID-19 advisories issued by the relevant authorities in Singapore, shareholders who wish to inspect these documents at the registered office of the Company are required to send an email request to yhigroup@yhi.com.sg to make an appointment in advance. The Company will arrange a date when each shareholder can come to the registered office to inspect accordingly. The inspection of document will be arranged with each shareholder to limit the number of people who are present at the registered office at any one point in time and such arrangements are subject to the prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities in Singapore from time to time.

13. CAUTIONARY STATEMENT

- 13.1 **Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Disposal will be completed. In particular, the SPA is subject to conditions which may or may not be fulfilled.**
- 13.2 **Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.**

By Order of the Board
YHI International Limited

Tay Tian Hoe Richard
Executive Chairman and Group Managing Director

15 December 2021