



## YEO HIAP SENG LIMITED

(Registration No: 195500138Z)

(Incorporated in Singapore)

Registered Office: 3 Senoko Way, Singapore 758057

6 April 2021

To: The Shareholders of Yeo Hiap Seng Limited  
("Shareholders")

Dear Sir/Madam

### RESOLUTIONS 11, 13 AND 14 OF THE NOTICE OF SIXTY-FIFTH ANNUAL GENERAL MEETING DATED 6 APRIL 2021

#### 1. INTRODUCTION

##### 1.1 Summary. We refer to:

- (a) Ordinary Resolution 11 ("**Resolution 11**") relating to the proposed renewal of the Company's share purchase mandate (the "**Share Purchase Mandate**");
- (b) Ordinary Resolution 13 ("**Resolution 13**") relating to the proposed adoption of the Yeo Hiap Seng Limited Share Incentive Plan (the "**Plan**"); and
- (c) Ordinary Resolution 14 ("**Resolution 14**") relating to the proposed grant of options under the Plan with up to a 20% discount feature,

under the "Special Business" section of the Notice of Sixty-fifth Annual General Meeting of the Company ("**65<sup>th</sup> AGM**").

##### 1.2 **This Letter.** The purpose of this letter is to provide Shareholders with information relating to Resolution 11, Resolution 13 and Resolution 14 which will be tabled at the 65<sup>th</sup> AGM (collectively, the "**Proposals**").

##### 1.3 **Legal Adviser.** Allen & Gledhill LLP is the legal adviser to the Company in relation to the Proposals.

#### 2. THE RENEWAL OF THE SHARE PURCHASE MANDATE

##### 2.1 **Background.** At the adjourned 64<sup>th</sup> Annual General Meeting of the Company (the "**64<sup>th</sup> AGM**") held on 11 May 2020, Shareholders had approved the renewal of the Share Purchase Mandate (the "**Mandate 2020**"). The authority contained in the Mandate 2020 approved at the 64<sup>th</sup> AGM was expressed to continue in force until the next Annual General Meeting of the Company and, as such, would be expiring on 29 April 2021, being the date of the forthcoming 65<sup>th</sup> AGM. The authority and limitations of the Mandate 2020 were set out in the Company's letter to Shareholders dated 24 March 2020 and the ordinary resolution relating to the Mandate 2020 in the notice of Annual General Meeting dated 24 March 2020, respectively.

Although the Company has not undertaken any purchases or acquisitions of ordinary shares (“**Shares**”) in its issued share capital pursuant to the authority conferred by the Mandate 2020, it is proposed nonetheless that such authority be renewed. Accordingly, the proposal for the renewal of the Share Purchase Mandate will be tabled for Shareholders’ approval at the 65<sup>th</sup> AGM as Resolution 11.

**2.2 Rationale for the Share Purchase Mandate.** The Share Purchase Mandate will give the Company the flexibility to undertake purchases or acquisitions of its Shares at any time, subject to market conditions, during the period that the Share Purchase Mandate is in force. Share purchases or acquisitions allow the Company greater flexibility over its share capital structure with a view to improving, *inter alia*, its return on equity. The Shares which are purchased or acquired may be held as treasury shares which may be used for prescribed purposes such as selling treasury shares for cash, transferring them as consideration for the acquisition of assets or transferring them pursuant to any share scheme for employees, directors or other persons. The use of treasury shares in lieu of issuing new Shares would also mitigate the dilution impact on Shareholders.

It should be noted that the purchase or acquisition of Shares pursuant to the Share Purchase Mandate 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 or might have a material adverse effect on the financial position of the Company and its subsidiaries (collectively, the “**Group**”) and/or affect the listing status of the Company on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

**2.3 Authority and Limits of the Share Purchase Mandate.** Any purchase or acquisition by the Company of its Shares has to be made in accordance with, and in the manner prescribed by, the Companies Act, Cap. 50 (the “**Companies Act**”), the Listing Manual of the SGX-ST (the “**Listing Manual**”) and such other laws and regulations as may, for the time being, be applicable. The authority and limits placed on the Share Purchase Mandate for which renewal is sought are summarised below.

#### **2.3.1 Maximum Number of Shares**

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of issued Shares representing not more than 10% of the issued Shares (excluding any Shares held by the Company as treasury shares and any Shares held by subsidiaries of the Company in the circumstances referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act (“**subsidiary holdings**”)) as at the date on which the renewal of the Share Purchase Mandate is approved, being the date of the 65<sup>th</sup> AGM. Under the Companies Act and the Listing Manual, treasury shares and subsidiary holdings shall be disregarded for the purposes of computing the 10% limit. As at 8 March 2021 (the “**Latest Practicable Date**”), no Shares were held as treasury shares or subsidiary holdings.

Purely for illustrative purposes, on the basis of 579,911,041 issued Shares as at the Latest Practicable Date and assuming that (a) no further Shares are issued, (b) no Shares are treasury shares, and (c) no Shares are subsidiary holdings, not more than 57,991,104 Shares (representing 10% of the issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

### 2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 65<sup>th</sup> AGM, at which the Share Purchase Mandate is approved, up to:

- (a) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; and
- (c) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

### 2.3.3 Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) market purchases ("**Market Purchases**"); and/or
- (b) off-market purchases ("**Off-Market Purchases**").

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST or, as the case may be, such other stock exchange for the time being on which the Shares may be listed and quoted ("**Other Exchange**"), through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases or acquisitions of Shares by the Company made under an equal access scheme or schemes for the purchase or acquisition of Shares from Shareholders. The Directors of the Company (the "**Directors**" and each, a "**Director**") may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an Off-Market Purchase must, however, satisfy all the following conditions:

- (1) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (2) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (3) the terms of all the offers shall be the same, except that there shall be disregarded:
  - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and
  - (bb) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Additionally, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain, *inter alia*:

- (A) the terms and conditions of the offer;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed Share purchases;
- (D) the consequences, if any, of Share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”) or other applicable take-over rules;
- (E) whether the Share purchases, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (F) details of any Share purchases made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (G) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

#### **2.3.4 Purchase Price**

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. However, the maximum purchase price (the “**Maximum Price**”) to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

in either case, excluding related expenses of the purchase or acquisition. For the foregoing purposes:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five Market Days on which the Shares were transacted on the SGX-ST or (as the case may be) Other Exchange, before the date of the Market Purchase, or (as the case may be) the date of the making of the offer pursuant to an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five-day period and the date of the Market Purchase, or (as the case may be) the date of the making of the offer pursuant to an Off-Market Purchase;

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**Market Day**” means a day on which the SGX-ST (or, as the case may be, Other Exchange) is open for trading in securities.

**2.4 Status of Purchased or Acquired Shares.** Under current law, the Shares purchased or acquired by the Company shall be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares will expire on cancellation, unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are cancelled and are not held as treasury shares.

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

#### **2.5.1 Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. For this purpose, any Shares that are held by subsidiaries in the circumstances referred to in Sections 21(4B) and 21(6C) of the Companies Act shall be included in computing the 10% limit.

#### **2.5.2 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 of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment 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.

#### **2.5.3 Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares of the usage against the total number of

issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage, and the value of the treasury shares if the usage is a sale, transfer, or cancellation.

**2.6 Source of Funds.** In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Company may only apply funds legally available for such purchase or acquisition in accordance with its Constitution and applicable laws. Under the Companies Act, any payment made by the Company in consideration of the purchase or acquisition of its Shares may be made out of the Company's capital and/or profits so long as the Company is solvent. The Company intends to use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance purchases or acquisitions of its Shares. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would materially affect the working capital requirements, financial flexibility or investment ability of the Group.

**2.7 Financial Effects.** The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital and/or profits of the Company, the aggregate number of Shares purchased or acquired, and the consideration paid at the relevant time. The financial effects on the Group and the Company based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2020 are based on the assumptions as hereafter set out.

#### **2.7.1 Purchase or Acquisition out of Capital and/or Profits**

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

#### **2.7.2 Maximum Price paid for Shares Purchased or Acquired**

Based on 579,911,041 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, the exercise in full of the Share Purchase Mandate, on the Latest Practicable Date, will result in the purchase or acquisition by the Company of 57,991,104 Shares, representing 10% of the issued Shares (excluding treasury shares and subsidiary holdings). Assuming that the Company purchases or acquires the 57,991,104 Shares at the Maximum Price, the maximum amount of funds required is approximately:

- (a) in the case of Market Purchases of Shares, \$46.39 million based on \$0.80 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, \$53.35 million based on \$0.92 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date).

For illustrative purposes only, on the basis of the assumptions set out above as well as the following:

- (1) the Share Purchase Mandate had been effective on 1 January 2020;
- (2) the purchase or acquisition of Shares took place at the beginning of the financial year on 1 January 2020;
- (3) the Share purchases or acquisitions were funded entirely by external borrowings; and
- (4) the purchase or acquisition of Shares was made fully out of capital and held as treasury shares,

the financial effects on the audited financial statements of the Group and the Company for the financial year ended 31 December 2020 would have been as hereafter set out.

## MARKET PURCHASE

	GROUP		COMPANY	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
As at 31 December 2020	S\$'000	S\$'000	S\$'000	S\$'000
Share Capital	228,245	228,245	228,245	228,245
Treasury Shares	–	(46,393)	–	(46,393)
Capital Reserve	6,066	6,066	–	–
Other Reserves	(46,405)	(46,405)	–	–
Retained Profits	400,256	399,888	283,220	282,852
Equity Attributable to Equity Holders of the Company and Total Equity	588,162	541,401	511,465	464,704
Current Assets	376,030	375,662	78,661	78,293
Current Liabilities	69,245	115,638	7,244	53,637
Borrowings <sup>(1)</sup>	18,452	64,845	14,068	60,461
Cash and Cash Equivalents	264,164	263,796	14,388	14,020
NTA <sup>(2)</sup>	583,189	536,428	511,465	464,704
Net (Loss)/Profit After Tax <sup>(3)</sup>	(10,032)	(10,400)	79,588	79,220
(Loss)/Profit attributable to Equity Holders of the Company <sup>(3)</sup>	(10,032)	(10,400)	79,588	79,220
Number of Shares ('000)	579,911	521,920 <sup>(4)</sup>	579,911	521,920 <sup>(4)</sup>
Weighted Average Number of Shares ('000)	579,911	521,920 <sup>(4)</sup>	579,911	521,920 <sup>(4)</sup>
<b>Financial Ratios</b>				
NTA per Share (cents)	100.57	102.78	88.20	89.04
Gearing (%) <sup>(5)</sup> (Net Borrowings/Equity)	N/A	N/A	N/A	9.99%
Current Ratio (times) <sup>(6)</sup>	5.43	3.25	10.86	1.46
EPS (cents) <sup>(7)</sup>	(1.73)	(1.99)	13.72	15.18

## OFF-MARKET PURCHASE

	GROUP		COMPANY	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b>As at 31 December 2020</b>				
Share Capital	228,245	228,245	228,245	228,245
Treasury Shares	–	(53,352)	–	(53,352)
Capital Reserve	6,066	6,066	–	–
Other Reserves	(46,405)	(46,405)	–	–
Retained Profits	400,256	399,832	283,220	282,796
Equity Attributable to Equity Holders of the Company and Total Equity	588,162	534,386	511,465	457,689
Current Assets	376,030	375,606	78,661	78,237
Current Liabilities	69,245	122,597	7,244	60,596
Borrowings <sup>(1)</sup>	18,452	71,804	14,068	67,420
Cash and Cash Equivalents	264,164	263,740	14,388	13,964
NTA <sup>(2)</sup>	583,189	529,413	511,465	457,689
Net (Loss)/Profit After Tax <sup>(3)</sup>	(10,032)	(10,456)	79,588	79,164
(Loss)/Profit attributable to Equity Holders of the Company <sup>(3)</sup>	(10,032)	(10,456)	79,588	79,164
Number of Shares ('000)	579,911	521,920 <sup>(4)</sup>	579,911	521,920 <sup>(4)</sup>
Weighted Average Number of Shares ('000)	579,911	521,920 <sup>(4)</sup>	579,911	521,920 <sup>(4)</sup>
<b>Financial Ratios</b>				
NTA per Share (cents)	100.57	101.44	88.20	87.69
Gearing (%) <sup>(5)</sup> (Net Borrowings/Equity)	N/A	N/A	N/A	11.68%
Current Ratio (times) <sup>(6)</sup>	5.43	3.06	10.86	1.29
EPS (cents) <sup>(7)</sup>	(1.73)	(2.00)	13.72	15.17

### Notes to the foregoing tables:

- (1) Include lease liabilities.
- (2) NTA equals to Total Equity less Intangible Assets.
- (3) Exclude discontinuing operations.
- (4) Exclude 57,991,104 Shares that are held as treasury shares.
- (5) Gearing is defined as Borrowings (net of cash) divided by Equity Attributable to Equity Holders of the Company. Where cash exceeds borrowings, there is no gearing.
- (6) Current Ratio equals Current Assets divided by Current Liabilities.
- (7) EPS equals Net (Loss)/Profit After Tax divided by weighted average number of ordinary shares in issue during the financial year.

**SHAREHOLDERS SHOULD NOTE THAT THE FOREGOING FINANCIAL EFFECTS ARE BASED ON THE AUDITED FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 AND ARE FOR ILLUSTRATION ONLY. THE RESULTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 MAY NOT BE REPRESENTATIVE OF FUTURE PERFORMANCE.**

It should be noted that the Company may not necessarily purchase or acquire or be able to purchase or acquire issued Shares pursuant to the Share Purchase Mandate to the full extent mandated. In addition, the Company may cancel or hold in treasury all or part of the Shares purchased or acquired. The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

**2.8 Taxation.** Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

**2.9 Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least 10% of the total number of its issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is held by public shareholders at all times. As at the Latest Practicable Date, approximately 21.55% of the issued Shares are held by public shareholders. The Company is of the view that as of that date, the number of Shares held in public hands would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without adversely affecting the listing status of the Shares on the SGX-ST. The Company will consider investor interests when maintaining a liquid market in its securities, and will ensure that there is a sufficient float for an orderly market in its securities when purchasing its Shares.

**2.10 Listing Rules.** The Listing Manual restricts a listed company from purchasing shares by way of market purchases at a price per share which is more than 5% above the “average closing price”, being the average of the closing market prices of the shares over the last five Market Days on which transactions in the shares were recorded, before the day on which the purchases are made, and deemed to be adjusted for any corporate action that occurs during the relevant five-day period and the day on which the purchases are made. The Maximum Price for a Share in relation to Market Purchases referred to in Paragraph 2.3 above complies with this requirement. Although the Listing Manual does not prescribe a maximum price in relation to purchases of shares by way of off-market purchases, the Company has set a cap of 20% above the average closing price of a Share as the Maximum Price for a Share to be purchased or acquired by way of an Off-Market Purchase.

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after any matter or development of a price or trade sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board of Directors of the Company (the “**Board**”) until such price or trade sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing one month immediately preceding, and up to the time of announcement of, the Company’s results for the half-year and the full financial year.

**2.11 Reporting Requirements.** The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a market purchase, on the Market Day following the day of purchase or acquisition of any of its shares, and (b) in the case of an off-market purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form prescribed by the Listing Manual) must include details such as the date of the purchase, the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares.

**2.12 Take-over Implications.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

#### **2.12.1 Obligation to make a Take-over Offer**

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

#### **2.12.2 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. Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights; and

- (b) 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).

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### **2.12.3 Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or, in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

The interests, if any, of the Directors and Substantial Shareholders as at the Latest Practicable Date are disclosed in Paragraph 4 below. As at the Latest Practicable Date, Far East Organization Pte. Ltd., together with persons acting in concert with it, has an aggregate interest in 454,867,654 Shares, representing approximately 78.44% of the issued Shares. As Far East Organization Pte. Ltd. and any Directors presumed to be acting in concert with it collectively already hold more than 50% of the issued Shares, purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate will not result in the Directors (or any of them) and/or Far East Organization Pte. Ltd., including persons acting in concert with it and/or them, incurring an obligation to make a mandatory take-over offer under Rule 14 read with Appendix 2 of the Take-over Code.

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as parties acting in concert such that their respective interests in the issued voting shares of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate.

**SHAREHOLDERS WHO ARE IN DOUBT AS TO THEIR OBLIGATIONS, IF ANY, TO MAKE A MANDATORY TAKE-OVER OFFER UNDER THE TAKE-OVER CODE AS A RESULT OF ANY PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY SHOULD CONSULT THE SECURITIES INDUSTRY COUNCIL AND/OR THEIR PROFESSIONAL ADVISERS AT THE EARLIEST OPPORTUNITY.**

### 3. THE PROPOSED YEO HIAP SENG LIMITED SHARE INCENTIVE PLAN

- 3.1 Background.** The Company previously had in place a share plan known as the “YHS Share Incentive Plan” (the “SIP”) which was adopted at an Extraordinary General Meeting of the Company held on 26 April 2010. Details of the SIP were set out in the Company’s Circular to Shareholders dated 8 April 2010.

The SIP has lapsed as it expired at the end of its 10-year duration on 25 April 2020. There were 42 participants over the duration of the SIP, all of whom were senior executive employees of the Group (including an executive director of the Company) at the relevant time. An aggregate of 5,990,602 Shares, representing approximately 1.03% of the issued Shares excluding treasury shares and subsidiary holdings, have been allotted and issued pursuant to the vesting of awards granted under the SIP. Save for certain performance conditions, and vesting periods attached to the awards granted under the SIP, there were no material conditions to which the awards were subject. As at the date of expiry of the SIP on 25 April 2020, there were no outstanding awards under the SIP. There were no options granted under the SIP. Controlling shareholders of the Company or associates of such controlling shareholders were not eligible to participate in the SIP. None of the existing Directors was a participant of the SIP.

The Company proposes to adopt the Plan as its new share incentive plan to succeed the expired SIP. The Plan, which is similar in terms to the expired SIP, is to be known as the “Yeo Hiap Seng Limited Share Incentive Plan”.

Details of the Plan are set out in Paragraphs 3.4 to 3.12 below.

- 3.2 SGX-ST’s Approval.** The SGX-ST has granted in-principle approval for the listing and quotation of the new Shares to be allotted and issued pursuant to the Plan, subject to (*inter alia*) Shareholders’ approval for the Plan being obtained and the Company’s compliance with the SGX-ST’s listing requirements and guidelines.

The SGX-ST’s in-principle approval is not to be taken as an indication of the merits of the Plan, the new Shares, the Company and/or its subsidiaries.

- 3.3 Definitions.** For the purposes of Paragraphs 3.4 to 3.14 below and in relation to the Plan, the following expressions shall have the following meanings:

“**Associated Company**” means a company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control;

“**Associated Company Employee**” means any employee of an Associated Company (including any Associated Company Executive Director) selected by the Committee to participate in the Plan;

“**Associated Company Executive Director**” means a director of an Associated Company who performs an executive function;

“**Award**” means an award of Shares granted under the Plan;

“**Committee**” means a committee<sup>1</sup> comprising Directors duly authorised and appointed by the Board to administer the Plan;

<sup>1</sup> The Remuneration Committee will be designated with the responsibility for the administration of the Plan. Please refer to Paragraph 3.12 for more details.

**“Grant Date”** means the date on which an Option (or as the case may be) an Award is granted pursuant to the Plan;

**“Group”** means the Company and/or its subsidiaries, as applicable;

**“Group Employee”** means any employee of the Group (including any Group Executive Director) selected by the Committee to participate in the Plan;

**“Group Executive Director”** means a director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function;

**“Market Day”** means a day on which the Singapore Exchange is open for trading in securities;

**“Non-Executive Director”** means a director of:

- (a) the Company and/or any of its subsidiaries, other than a Group Executive Director; or
- (b) an Associated Company, other than an Associated Company Executive Director;

**“Option”** means a right to acquire Shares comprised in an option granted under the Plan;

**“Participant”** means a Group Employee, a Non-Executive Director or an Associated Company Employee who has been granted an Option or an Award (including, where applicable, the executor or personal representative of such grantee);

**“Singapore Exchange”** means the SGX-ST or Singapore Exchange Regulation Pte. Ltd. (as applicable); and

**“Trading Day”** means a day on which the Shares are traded on the Singapore Exchange.

**3.4 Rationale.** Following upon the expiry of the SIP on 25 April 2020, the Company does not currently operate any share-based incentives for employees of the Group. The Plan is therefore intended as a successor share-based incentive plan to the expired SIP and in order to facilitate the Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. In particular, the Plan will strengthen the Company’s competitiveness in attracting and retaining talented key senior management and executives. As with the SIP, the Plan is an omnibus share incentive scheme.

The Plan amalgamates a share option plan (“**SOP**”) component and a performance and restricted share awards plan (“**PSP and RSP**”) component. The rationale for the Plan are as follows:

- (a) The SOP component of the Plan is proposed on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of the Group, made by Group Employees and Associated Company Employees. Options granted under the SOP component of the Plan will provide an opportunity for Group Employees to participate in the equity of the Company so as to encourage them to greater dedication, loyalty and higher standards of performance, and provide a means for the Company to give recognition to Associated Company Employees who have contributed to the success and development of the Company and/or the Group.

- (b) The PSP and RSP component of the Plan is proposed with the aim to reward, retain and motivate Participants, such as Group Employees, to achieve superior performance or to recognise and reward past contributions and services and motivate Participants, including Non-Executive Directors and Associated Company Employees whose contributions are important to the Group, to continue to strive for the Group's long-term prosperity.

#### Main Objectives of the Plan

Through the Plan, the Company will have additional incentive tools to enhance its continuing efforts to reward, retain and motivate Participants to greater dedication and loyalty, and to excel in their performance. The SOP component and the PSP and RSP component complement each other, and operate together and respectively to provide the Company with the flexibility to structure overall compensation packages to suit relevant circumstances, as discussed below.

The types of Options that may be granted under the SOP component of the Plan, including the factors which the Committee may take into consideration when granting an Option to a specific Participant, are set out in Paragraph 3.6.2 below. While the SOP component requires Participants to pay for the acquisition of the optioned Shares, the PSP and RSP component contemplates the award to Participants, at no cost to them, of fully paid Shares. Under the PSP and RSP component, Awards may be granted subject to conditions which are related to performance or service. Performance-related Awards will generally be targeted at individuals who are able to drive the growth of the Company through superior performance, and are based on the principle of pay for performance. Such Awards will employ fairly common methods used by many successful multinational companies to incentivise and motivate executives to achieve pre-determined targets over stretched periods (such as two or three year cycles) which create and enhance economic value for Shareholders. Service-related (or time-based) Awards would typically be granted to encourage an individual to continue to serve with the Group or an Associated Company. In addition, the Plan will also enable grants of fully paid Shares to be made to Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash.

The Company believes that the ability to grant Options alone or in combination with the grant of Awards and *vice versa* under the Plan will be more effective than short-term rewards such as cash bonuses when motivating executives to work towards stretched goals. For example, an individual Participant in a key management position may be granted a performance-related Award under the PSP and RSP component based on specified medium-term critical target objectives (for example, targets relating to market position and Company profitability and growth) over the next three years which vests at the end of the performance period. Concurrently, the individual could also be granted an Incentive Price Option (described in Paragraph 3.6.2 below) based on different performance targets (for example, ensuring that a particular project is successfully completed on time) or a time-based Award with service conditions over a longer vesting period.

In considering whether to grant a particular Participant an Option and/or an Award under the Plan, and the proportion of Shares or the type of Option or Award to be granted to him, the Committee may take into account, *inter alia*, factors such as the Participant's capability, scope of responsibility, skills set, entrepreneurship, and (where applicable) vulnerability to leaving the employment of the Group or, as the case may be, the relevant Associated Company, and the objective desired to be achieved by Company in making that grant or those grants. When deciding on the number of Shares to be awarded under the Plan to a Participant at any one point in time, the Committee will also take into consideration the number of Shares, if any, to be optioned to that Participant under the SOP component of the Plan at that time, and *vice versa*.

The Plan will also serve to enhance the Group's competitiveness and strengthen the Group's ability to attract and retain key talents. For instance, potential executive hires may have to forego substantial share options and/or share incentives when they leave their positions to join the Group. Through the Plan, the Company will be able to compensate such new hires for share options/share incentives that they may have had to forego when they join the Group.

#### Categories of Participants

While the Plan will cater principally to Group Employees, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationships with the Group, even though they are not employed within the Group. Such persons include non-executive members of the Board and employees and directors of Associated Companies. These persons are also eligible for selection, at the absolute discretion of the Committee, to participate in the Plan. The manner and bases by which the contributions of such persons are to be measured over the longer term may include a performance framework which incorporates financial and/or non-financial performance measurement criteria, save that as the roles and responsibilities of Non-Executive Directors are different from that of executive directors (whose remuneration would typically incorporate pay-for-performance elements), consistent with such differentiation in the compensation framework and additionally from a governance perspective in relation to non-executive and independent directors (viz., that their independence should not be compromised), no Options or performance-related Awards may be granted to Non-Executive Directors under the Plan.

Non-Executive Directors of the Group are generally persons from different professions and working backgrounds. The Company regards this category of persons as an important resource pool from which the Group is able to tap for business contacts and networking, and for the benefit of their experiences and insights. As it may not always be possible to compensate such persons fully or appropriately by way of extra directors' fees or other forms of cash payments, the Plan provides the Company with a means to give recognition to them for their special assistance or extra efforts expended in furthering the Company's and/or the Group's interests, such as in introducing or facilitating business opportunities for the Group, or expending additional time on significant corporate exercises or projects that may be undertaken by the Company or the Group from time to time. The Plan will also enable grants of fully paid Shares to be made to Non-Executive Directors as part of their remuneration. It is anticipated that any Awards granted to Non-Executive Directors as part of their remuneration in lieu of cash for a particular financial year would consist of fully paid Shares outright, with no performance conditions and no vesting periods imposed. Further, and if thought fit at the relevant time, a retention period during which the Shares awarded may not be transferred or otherwise disposed of (except to the extent set out in the relevant award letter or with the prior approval of the Committee) may be imposed in respect of Shares awarded to Non-Executive Directors under the Plan as a means to encourage the alignment of the interests of Non-Executive Directors with the interests of Shareholders. Grants would not, however, be made to independent Non-Executive Directors to such an extent that their independence may be compromised.

Employees and directors of Associated Companies are persons who are in a position to provide valuable support and inputs to the Company through their close working relationship and/or business association with the Group. They provide assistance and support to the Company on a continuing basis in the development and implementation of business strategies, investments and projects in which the Company and/or the Group has interests. The Company recognises that the continued support of these persons is important to the growth and development of the Group, its well-being and stability. The ability to include such persons under the Plan would provide the Company with the flexibility to explore and determine the most appropriate method to acknowledge contributions or special efforts made by them over periods of time.

**3.5 Eligibility.** The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the Plan at the absolute discretion of the Committee:

- (a) Group Employees who hold such rank as may be designated by the Committee from time to time;
- (b) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group; and
- (c) Associated Company Employees who hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

Persons who are also controlling shareholders or their associates will not be eligible to participate in the Plan.

**3.6 The SOP Component.** The following is a summary of the principal rules of the SOP component of the Plan:

#### **3.6.1 Options**

An Option granted pursuant to the SOP component of the Plan represents a right to acquire the Shares which are the subject of such Option at the acquisition price per Share ("**Exercise Price**") applicable to the Option.

The Committee may grant Options at any time in the year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price or trade sensitive information is imminent, Options may only be granted on or after the third Market Day from the date on which the aforesaid announcement is released. An Option may be granted subject to such conditions as may be determined by the Committee, in its absolute discretion, on the Grant Date of that Option.

The offer of the grant of an Option must be accepted within 30 days from its Grant Date, accompanied by payment of \$1.00 as consideration. If the grant is not accepted by 5.00 p.m. on the thirtieth day from such Grant Date and in the manner as provided, it will automatically lapse and become null, void and of no effect.

An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

Samples of the letter of offer for the grant of an Option, the acceptance form in relation thereto and the exercise notice in respect of the exercise of an Option, are appended to the rules of the Plan for reference only, and are subject in each case to such modification as the Committee may from time to time determine.

The Plan also provides for Options to be adjusted in the circumstances described in Paragraph 3.8 below.

No Options may be granted to Non-Executive Directors under the Plan.

### 3.6.2 Exercise Price

The Exercise Price payable for each of the Shares which is the subject of an Option may be fixed:

- (a) at the prevailing market price ("**Market Price**") of a Share ("**Market Price Option**");
- (b) at a premium to the Market Price of a Share ("**Premium Price Option**");
- (c) at the Market Price of a Share, but which may be adjusted (after the expiry of an incentive period) by a discount of up to 20% of the Market Price of a Share ("**Incentive Price Option**"); or
- (d) at a discount (up-front) of up to 20% of the Market Price of a Share ("**Discount Price Option**").

Under the Listing Manual, while a listed company is not permitted to grant a discount of more than 20% to the Market Price of the shares at the time of the grant of the option, there is no restriction however on the grant of options with exercise prices that are set at a premium to the Market Price of the shares. By adopting a discount quantum to the fullest extent permitted by current listing rules of the SGX-ST, and with a discretion to grant Options at a premium to the Market Price, in addition to or in combination with the grant of Options at the Market Price, the Company believes that it will have much greater flexibility to structure the Group's incentive and rewards system in a constructive manner by combining immediate or short-term cash-based rewards (such as bonuses and annual wage supplements) with longer term cash-linked rewards which do not entail any immediate direct cash expenditure for the Group. Based on the last transacted price of \$0.77 per Share on the Latest Practicable Date, a maximum discount of 20% would amount to \$0.15.

As the Market Price of the Shares is a benchmark for determination of the Exercise Price when Options are proposed to be granted, the methodology that will be used by the Company for determining the Market Price of a Share will also cater for the absence of recent market trades in the Shares. Specifically, if, in the first instance, there are no trades in the Shares over the three Trading Days before the Grant Date, then a stretched price determination period of 100 Market Days before the Grant Date will be used. Failing any recent trades in the Shares during such extended price determination period, then market proxies will be used to determine the Market Price. By adopting this methodology, even when market trades in the Shares are infrequent or sporadic, Options may continue to be granted pursuant to the Plan at a price which is equivalent to the Market Price of the Shares and in a manner that would not be prejudicial to the interests of Shareholders.

Accordingly, the Market Price will be determined by the Committee at its absolute discretion, and fixed by the Committee at a price equal to:

- (1) the average of the last dealt prices for a Share for the three consecutive Trading Days immediately preceding the Grant Date of that Option, rounded up (in the case of cents) to the nearest three decimal places;

- (2) (if there were no transactions in the Shares during the period referred to in sub-paragraph (1) above) the volume-weighted average price of a Share over the most recent three Trading Days preceding the Grant Date of that Option during a period of 100 Market Days preceding the Grant Date of that Option, rounded up (in the case of cents) to the nearest three decimal places; or
- (3) (if transactions in the Shares were for less than three Trading Days during the period referred to in sub-paragraph (2) above) the result of **E** multiplied by **P**, rounded up (in the case of cents) to the nearest three decimal places, where:

**E** is the highest EBIT (that is, Earnings before Interest and Taxes) multiple<sup>2</sup> of the following three indicators on the Market Day before the Grant Date of that Option:

- (aa) the average EBIT multiple of all the constituent stocks of the FTSE Straits Times Index or other then prevailing primary index of stocks listed on the Mainboard of the Singapore Exchange;
- (bb) the average EBIT multiple of all the stocks listed on the Mainboard of the Singapore Exchange; and
- (cc) the average EBIT multiple of all the Food & Beverage stocks listed on the Mainboard of the Singapore Exchange; and

**P** is the Group's last audited full year Earnings before Interest, Taxes and Impairment losses charged to the income statement, as reported in the most recent published audited consolidated financial statements of the Company preceding the Grant Date of the relevant Option, divided by the total number of issued Shares as at the close of the financial year reported on in those audited financial statements.

For the foregoing purposes:

- (A) the last dealt prices for a Share will be ascertained by reference to the daily official list or any other publication published by the Singapore Exchange; and
- (B) the EBIT multiples of the relevant stocks will be taken from published and publicly available sources in Singapore or market data providers such as Bloomberg.

The following describes the Exercise Price applicable to the Options that may be granted pursuant to the SOP component of the Plan:

(i) Market Price Option

The Exercise Price for each Share comprised in a Market Price Option is equal to the Market Price of the Shares at the time of the grant of the Option.

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<sup>2</sup> EBIT Multiple = Enterprise Value / EBIT.  
Enterprise Value = Market Capitalisation + Total Debt - Cash and Cash Equivalents.  
EBIT = Earnings Before Interest and Taxes.

(ii) Premium Price Option

The Exercise Price for each Share in respect of which a Premium Price Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at a price which is set at a premium to the Market Price.

(iii) Incentive Price Option

The Exercise Price for each Share comprised in an Incentive Price Option is initially set at the Market Price at the time of grant, and is subject to such discount, if any, as may be determined by the Committee in its absolute discretion, provided that:

- (aa) the maximum discount which may be given in respect of that Option shall not exceed 20% of the Exercise Price in respect of that Option (or such other percentage or amount as may be prescribed or permitted for the time being by the Singapore Exchange); and
- (bb) the Committee shall, as soon as practicable after the end of the incentive period relating to that Option, determine whether or not a discount should be given in respect of that Option and, if so, the quantum of such discount.

Under the Listing Manual as in force at the Latest Practicable Date, the maximum discount that may be given under sub-paragraph (aa) above in respect of an Incentive Price Option, or sub-paragraph (iv) below in respect of a Discount Price Option, cannot exceed 20% of the Market Price of the Shares at the time of the grant of the Option. Pursuant to Rule 845(5) of the Listing Manual, the discount must be approved by Shareholders in a separate resolution. Accordingly, Shareholders' approval will be sought at the 65<sup>th</sup> AGM (as stated in Paragraph 3.14 below) for the discount feature of up to 20% in the SOP component of the Plan. Should the Listing Manual be amended in the future to raise the discount limit beyond 20%, the Company will consider whether to similarly raise the discount limit in the SOP component of the Plan to correspond with the then listing rules, and if it is determined to be in the interests of the Company to do so, will (if it should then be required by the Listing Manual) revert to Shareholders to seek their specific approval to raise the discount limit accordingly.

For the purposes of determining whether to grant any discount and the quantum of such discount, if any, the Committee shall, in relation to an Incentive Price Option, take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate including but not limited to:

- (aa) the performance of the Company and the Group over the incentive period, taking into account financial parameters such as return on equity, and/or earnings growth, and the performance targets set by the Committee for the Company and Group;
- (bb) the individual performance of the Participant over the incentive period; and
- (cc) the contribution of the Participant over the incentive period to the success and development of the Company and/or the Group.

As soon as practicable after the Committee has determined whether a discount should be given (and if applicable, the quantum of the discount), the Committee shall inform the Participant as to whether it has granted a discount and, if so, the quantum of the discount on the Exercise Price, and, if relevant, the adjusted Exercise Price, for that Option.

(iv) Discount Price Option

The Exercise Price for each Share in respect of which a Discount Price Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at a price, which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted for the time being by the Singapore Exchange).

In making any determination on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate, including but not limited to:

- (aa) the performance of the Group or the Associated Company, as the case may be;
- (bb) the years of service and individual performance of the Participant;
- (cc) the contribution of the Participant to the success and development of the Company and/or the Group; and
- (dd) the prevailing market conditions.

In determining whether the Exercise Price to be applied (in respect of an Option to be granted) is to be set at the Market Price, or at a premium to the Market Price and the quantum of the premium, or a discount to the Market Price and the quantum of the discount, the Committee will decide on a case by case basis, taking into account the individual merits and factors described below pertaining to the specific Participant and the objective that is desired to be achieved by the Company through the grant of the Option.

For instance, Premium Price Options may be deployed to incentivise Participants individually or in a specific business unit to achieve long term performance goals that add value to the Company and the Group. Such Participants will have greater incentive to take on responsibility for the performance of the Group and contribute to the appreciation in value of the Company in the long term. In turn, this will provide more compelling motivation for individual Participants or the specific business units to improve their performance by aligning their interests more closely with those of Shareholders.

In contrast, Incentive Price Options may be useful for other performance oriented targets, whereby internal guidelines will be established to include a performance framework which, *inter alia*, benchmarks performance criteria against a graduating scale of discounts according to the extent to which such criteria are achieved by the Participants, the Company and/or the Group, and the value of the discounts versus cash bonuses. As any adjustment to the Exercise Price of the Incentive Price Options would be made only after the end of the incentive period when the Participant has already delivered on the performance targets set for him at the

time of grant of such option, the difference between the aggregate acquisition price payable by the Participant on the exercise of such option and the Market Price for the Shares prevailing at the time of exercise, would translate into a form of cashless bonus earned by the Participant.

It is anticipated that Discount Price Options would be granted primarily in an instance where it is more relevant, as a component of employment remuneration, to reward and retain talented employees by way of options with up-front discounts to the Market Price at the time of grant (rather than at the Market Price, at a premium, or with a deferred discount) or necessary in order to attract new talents into the Group.

### **3.6.3 Participation**

The selection of a Participant and the number of Shares comprised in (as the case may be) Market Price Options, Premium Price Options, Incentive Price Options, or Discount Price Options to be offered to any Group Employee or Associated Company Employee in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of the Group.

### **3.6.4 Events Prior to Exercise**

Special provisions for the vesting and lapse of Options apply in certain circumstances, including the following:

#### **(a) Immediate Lapse of Options**

An Option held by a Participant shall, as provided in the rules of the Plan and to the extent unexercised, immediately lapse without any claim whatsoever against the Company in any of the following events:

- (i) the Participant, being a Group Employee or an Associated Company Employee, ceases to be in the employment of the Group or the relevant Associated Company, as the case may be (other than as specified in sub-paragraphs (b) or (c) below); or
- (ii) an order being made or a resolution being passed for the winding-up of the Company on the basis, or by reason, of its insolvency.

#### **(b) Continuation of Options**

Where a Participant, being a Group Employee or an Associated Company Employee, ceases at any time to be in the employment of the Group or the relevant Associated Company by reason of:

- (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death; or
- (ii) retirement at or after the legal retirement age,

an Option then held by the Participant shall, to the extent unexercised, continue to be exercisable by the Participant in the manner and at the times provided in the Plan.

(c) Committee's Discretion to Preserve or Lapse Options

If any of the following events occur, an Option then held by a Participant shall, to the extent unexercised, lapse unless the Committee in its absolute discretion, determines otherwise. In making its determination, the Committee may decide to preserve all or any part of any Option then held by the Participant and decide either to vest some or all of the Shares which are the subject of the Option or to preserve all or part of any Option until the end of the relevant Exercise Period (as defined below) and subject to the provisions of the Plan. In exercising such discretion, the Committee may allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, at the Exercise Price applicable to that Option at the time of exercise), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Exercise Period in respect of such Option. The events are:

- (i) any misconduct on the part of the Participant (as determined by the Committee in its absolute discretion);
- (ii) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Option;
- (iii) where the Participant, being a Group Employee or an Associated Company Employee, ceases at any time to be in the employment of the Group or an Associated Company by reason of:
  - (aa) redundancy (as defined by the Committee);
  - (bb) retirement before the legal retirement age with the consent of the Committee; or
  - (cc) the company by which he is employed ceasing to be a company within the Group or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company;
- (iv) (where applicable) the transfer of the Participant's employment from the Group to an Associated Company or *vice versa*: or
- (v) any other reason approved by the Committee other than as specified in sub-paragraphs (a)(ii) or (b) above or sub-paragraph (d) below.

(d) Immediate Vesting of Options

If any of the following events occur, a Participant shall be entitled to exercise any Options then held by him and as yet unexercised, during the relevant periods prescribed in the Plan. To the extent that an Option is not exercised within such prescribed periods, the Option shall lapse and become null and void. The events are:

- (i) a take-over, reconstruction or amalgamation of the Company or an order is made or a resolution is passed for the winding-up of the Company (other than as provided in sub-paragraph (a)(ii) above or for reconstruction or amalgamation); or

- (ii) a change of control of the Company (other than a take-over, reconstruction or amalgamation as provided in sub-paragraph (d)(i) above).

For the above purpose, a change of control of the Company (“**Change of Control**”) occurs if any person or persons acting together acquires or controls, directly or indirectly, 20% or more of the voting rights of the issued share capital of the Company (and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise) but does not include Far East Organization Pte. Ltd. or persons who are its concert parties (as defined in the Take-over Code).

### 3.6.5 Operation of the SOP Component

In general, an Option may be exercised by a Participant, in whole or in part, during the exercise period applicable to such Option (“**Exercise Period**”) subject to any conditions (including any vesting schedule) that may be imposed by the Committee in relation to the vesting of any Shares comprised in that Option, and to the events discussed in Paragraph 3.6.4 above.

The Exercise Period applicable to an Option is as follows:

- (a) in the case of a Market Price Option or a Premium Price Option granted to a Group Employee, a period (as may be determined by the Committee in its absolute discretion on the Grant Date of that Option) commencing after the 1<sup>st</sup> anniversary of the Grant Date of the relevant Option and expiring on or before the 10<sup>th</sup> anniversary of such Grant Date;
- (b) in the case of a Market Price Option or a Premium Price Option granted to an Associated Company Employee, a period (as may be determined by the Committee in its absolute discretion on the Grant Date of that Option) commencing after the 1<sup>st</sup> anniversary of the Grant Date of the relevant Option and expiring on or before the 5<sup>th</sup> anniversary of such Grant Date;
- (c) in the case of an Incentive Price Option or a Discount Price Option granted to a Group Employee, a period (as may be determined by the Committee in its absolute discretion on the Grant Date of that Option) commencing after the 2<sup>nd</sup> anniversary of the Grant Date of the relevant Option and expiring on or before the 10<sup>th</sup> anniversary of such Grant Date; and
- (d) in the case of an Incentive Price Option or a Discount Price Option granted to an Associated Company Employee, a period (as may be determined by the Committee in its absolute discretion on the Grant Date of that Option) commencing after the 2<sup>nd</sup> anniversary of the Grant Date of the relevant Option and expiring on or before the 5<sup>th</sup> anniversary of such Grant Date.

In determining the appropriate Exercise Period to be applied to an Option to be granted pursuant to the Plan (including whether to impose a vesting schedule), the Committee will take into consideration, *inter alia*, the individual merits and factors described in Paragraph 3.6.2 above pertaining to the specific Participant and the objective that is desired to be achieved by the Company through the grant of the relevant Option to him.

For instance, by the very nature of an Incentive Price Option, the Exercise Period for such an Option would commence only at or after the end of the incentive period applicable to it or after the 2<sup>nd</sup> anniversary of the Grant Date, whichever is later. Hence, at the earliest, such an Option would vest and be exercisable by the Participant to whom it is granted, only at the end of the relevant incentive period or after the 2<sup>nd</sup> anniversary of the Grant Date, whichever is later and provided that the specified performance targets have been met. However, such considerations may not necessarily be relevant to the grant of a Premium Price Option to the Participant since such an Option would not be in-the-money from the outset and hence, could be granted on the basis that it automatically vests and is exercisable after the 1<sup>st</sup> anniversary of the Grant Date.

To exercise an Option, the Participant must deliver to the Company a duly completed exercise notice, accompanied by payment of the total amount payable for the Shares to be acquired on the exercise of an Option in respect of the Shares for which that Option is exercised and any other documentation which the Committee may require, failing which the Option shall not be treated as validly exercised.

**3.7 The PSP and RSP Component.** The following is a summary of the principal rules of the PSP and RSP component of the Plan:

**3.7.1 Awards**

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, provided that prescribed performance conditions (if any) are met and upon expiry of the prescribed vesting periods (where applicable).

An Award or released Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee.

Participants are not required to pay for the grant of Awards.

No performance-related Awards may be granted to Non-Executive Directors under the Plan.

**3.7.2 Participation**

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Group Employee or an Associated Company Employee in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and, in the case of a performance-related Award, the extent of effort with which the performance condition(s) may be achieved within the performance period.

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Non-Executive Director in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his board and committee (if any) appointment and attendance, and his contribution to the success and development of the Group.

### **3.7.3 Details of Awards**

The Committee shall decide, in relation to each Award to be granted to a Participant:

- (a) the Grant Date;
- (b) the number of Shares which are the subject of the Award;
- (c) in relation to a performance-related Award:
  - (i) the prescribed performance condition(s);
  - (ii) the performance period during which the prescribed performance condition(s) are to be satisfied; and
  - (iii) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (d) the vesting period(s), if any;
- (e) the vesting date(s), if any;
- (f) the release schedule (if any) to which Shares, which are the subject of that Award, shall be released at the end of each prescribed vesting period;
- (g) the retention period in relation to any or all of the Shares comprised in the Award, if any; and
- (h) any other condition which the Committee may determine in relation to that Award.

The Plan also provides for the Awards to be adjusted in the circumstances described in Paragraph 3.8 below.

### **3.7.4 Timing**

The Committee has the absolute discretion to grant Awards at any time in the year while the Plan is in force. An Award letter confirming the Award and specifying, *inter alia*, the vesting period(s), the vesting date(s), the retention period (if any) and, in relation to a performance-related Award, the prescribed performance condition(s), the performance period during which the prescribed performance conditions(s) are to be satisfied, the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance condition(s), the retention period in relation to any or all of the Shares comprised in the Award, as applicable, will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

### 3.7.5 Events Prior to Release

Special provisions for the vesting and lapse of Awards apply in certain circumstances, including the following:

(a) Immediate Lapse of Awards

An Award held by a Participant to the extent not yet released, will immediately lapse without any claim whatsoever against the Company in any of the following events:

- (i) the Participant, being a Group Employee or an Associated Company Employee, ceases to be in the employment of the Group or the relevant Associated Company, as the case may be (other than as specified in sub-paragraphs (b) or (c) below); or
- (ii) an order being made or a resolution being passed for the winding-up of the Company on the basis, or by reason, of its insolvency.

(b) Continuation of Awards

In any of the following events, an Award then held by a Participant, to the extent not yet released, shall be preserved and continue in effect until the end of the performance period (if any) and/or each vesting period (if any), subject to the provisions of the Plan. The events are:

- (i) the Participant, being a Group Employee or an Associated Company Employee, ceases at any time to be in the employment of the Group or the relevant Associated Company by reason of:
  - (aa) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death; or
  - (bb) retirement at or after the legal retirement age; or
- (ii) the Participant, being a Non-Executive Director, ceases at any time to be a director of any company within the Group or (as the case may be) of the relevant Associated Company, for any reason whatsoever.

(c) Committee's Discretion to Preserve or Lapse Awards

If any of the following events occur, an Award then held by a Participant, to the extent not yet released, shall lapse unless otherwise determined by the Committee in its absolute discretion. In making its determination, the Committee may decide to preserve all or any part of any Award then held by the Participant and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant vesting period and subject to the provisions of the Plan. In exercising its absolute discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and, in the case of performance-related Awards, the extent to which the applicable performance conditions have been satisfied. The events are:

- (i) any misconduct on the part of the Participant (as determined by the Committee in its absolute discretion);

- (ii) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
  - (iii) where the Participant, being a Group Employee or an Associated Company Employee, ceases at any time to be in the employment of the Group or an Associated Company by reason of:
    - (aa) redundancy (as defined by the Committee);
    - (bb) retirement before the legal retirement age with the consent of the Committee; or
    - (cc) the company by which he is employed ceasing to be a company within the Group or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company;
  - (iv) (where applicable) the transfer of the Participant's employment from the Group to an Associated Company or *vice versa*: or
  - (v) any other reason approved by the Committee other than as specified in sub-paragraphs (a)(ii) or (b) above or sub-paragraph (d) below.
- (d) Immediate Release and Vesting of Awards

If any of the following events occur, all Awards shall be deemed to be released and shall vest immediately. The events are:

- (i) a take-over, reconstruction or amalgamation of the Company or an order is made or a resolution is passed for the winding-up of the Company (other than as provided in sub-paragraph (a)(ii) above or for reconstruction or amalgamation); or
- (ii) a Change of Control (other than a take-over, reconstruction or amalgamation as provided in sub-paragraph (d)(i) above).

A Change of Control has the meaning in Paragraph 3.6.4 above.

### **3.7.6 Operation of the PSP and RSP Component**

In relation to performance-related Awards, the Committee shall have absolute discretion to determine whether any performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company, the Group or an Associated Company, as the case may be, to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend any performance condition if the Committee decides that an amended performance condition would be a fairer measure of performance. If the Committee determines, in its absolute discretion, that any performance condition and/or any other condition applicable to that Award has not been satisfied (whether fully or partially) or if the Participant has not continued to be a Group Employee or an Associated Company Employee, as the case may be, from the Grant Date up to the end of the relevant performance period, the Award shall lapse and be of no value.

In relation to an Award which is subject to a vesting period or vesting periods, and provided that the Participant is a Group Employee, an Associated Company Employee or a Non-Executive Director, as the case may be, from the Grant Date up to the end of the relevant vesting period and provided further that, in the opinion of the Committee, the performance of the relevant Participant has been satisfactory, upon the expiry of each vesting period in relation to the Award, the Committee shall release to the Participant the relevant number of Shares in accordance with the release schedule specified in respect of his Award.

**3.8 Adjustment Events.** If a variation in the share capital or reserves of the Company (whether by way of a bonus or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if the Company shall make a capital distribution or a declaration of a special dividend (whether in cash or *in specie*), then the Committee may in its absolute discretion determine whether:

- (a) the Exercise Price of the Shares, the class and/or number of Shares comprised in an Option to the extent unexercised;
- (b) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (c) the class and/or number of Shares in respect of which future Options or Awards may be granted under the Plan,

shall be adjusted and, if so, the manner in which such adjustments shall be made. Any adjustment shall be made in a way that a Participant will not receive a benefit that a holder of Shares does not receive.

Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or upon the exercise of any options (including any Options granted under the Plan) or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the Singapore Exchange during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a bonus issue) must be confirmed in writing by the auditors of the Company (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

**3.9 Size and Duration of the Plan.** Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon exercise of their Options or, as the case may be, the vesting of their Awards by way of an issue of new Shares and/or the delivery of existing Shares (which may, to the extent permitted by law, including any Shares held by the Company in treasury). Additionally, the Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

The aggregate number of new Shares which may be issued pursuant to Options and/or Awards to be granted under the Plan on any date, when added to the number of new Shares issued and issuable in respect of all Options and Awards granted under the Plan, shall not exceed 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date. The overall maximum limit of 10% will provide sufficient Shares to support the use of Options and/or Awards in the Company's overall long-term incentive and compensation strategy. It will also provide the Company the means

and flexibility to grant Options and/or Awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders.

The Company may deliver existing Shares in the form of Shares purchased from the market or, to the extent permitted by law, from Shares held in treasury. Such methods will not be subject to any limit as they do not involve the issuance of any new Shares.

In determining whether to issue new Shares or to deliver existing Shares to Participants upon the exercise of their Options or release of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the Market Price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares.

The financial effects of the above methods are discussed in Paragraph 3.13 below.

New Shares, and existing Shares procured by the Company for delivery, on the exercise of an Option or the vesting of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant date of exercise of the Option or (as the case may be) the relevant vesting date of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

Subject to Shareholders' approval being received at the 65<sup>th</sup> AGM for the adoption of the Plan, the Plan will continue in effect, at the absolute discretion of the Committee, subject to a maximum period of 10 years commencing on the date of the 65<sup>th</sup> AGM, provided always that the Plan may continue beyond the aforesaid stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required. Any such extension in the duration of the Plan would also be subject to any applicable laws and regulations then prevailing.

Notwithstanding the expiry or termination of the Plan, any Options granted and/or Awards made to Participants prior to such expiry or termination will continue to remain valid.

**3.10 Modifications or Alterations to the Plan.** The Plan may be modified and/or altered at any time and from time to time by a resolution of the Committee subject to the prior approval of the Singapore Exchange and such other regulatory authorities as may be necessary. However:

- (a) no modification or alteration shall:
  - (i) alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in number of all the Shares which would fall to be acquired upon exercise in full of all outstanding Options; or
  - (ii) alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were released to them upon the expiry of all the vesting periods applicable to their Awards, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all outstanding Awards upon the expiry of all the vesting periods applicable to all such outstanding Awards; and
- (b) no alteration shall be made to particular rules of the Plan to the advantage of the Participants except with the prior approval of Shareholders in general meeting.

**3.11 Disclosures in Annual Report.** The Company will make such disclosures or appropriate negative statements (as applicable) in its annual report for so long as the Plan continues in operation as from time to time required by the Listing Manual including the following (where applicable):

- (a) the names of the members of the Committee administering the Plan;
- (b) in respect of the following Participants of the Plan:
  - (i) Directors; and
  - (ii) Participants (other than those in sub-paragraph (i) above) who have received Shares pursuant to the release of Awards granted under the Plan and/or who have been granted Options under the Plan which, in aggregate, represent 5% or more of the aggregate of:
    - (1) the total number of new Shares available under the Plan; and
    - (2) the total number of existing Shares delivered pursuant to Awards released under the Plan and Options exercised under the Plan collectively,

the following information:

- (aa) the name of the Participant;
- (bb) the following particulars relating to Options granted under the Plan:
  - (i) Options granted during the financial year under review (including terms);
  - (ii) the aggregate number of Shares comprised in Options granted since the commencement of the Plan to the end of the financial year under review;
  - (iii) the aggregate number of Shares arising from Options exercised since the commencement of the Plan to the end of the financial year under review;
  - (iv) the aggregate number of Shares comprised in Options outstanding as at the end of the financial year under review;
  - (v) the number of new Shares issued to such Participant during the financial year under review; and
  - (vi) the number of existing Shares transferred to such Participant during the financial year under review;
- (cc) the following particulars relating to Shares delivered pursuant to Awards released under the Plan:
  - (i) the number of new Shares issued to such Participant during the financial year under review; and
  - (ii) the number of existing Shares transferred to such Participant during the financial year under review;

- (c) in relation to Options, the number and proportion of Shares comprised in Options granted under the Plan during the financial year under review:
  - (i) at a discount of 10% or less of the Market Price in respect of the relevant option; and
  - (ii) at a discount of more than 10% of the Market Price in respect of the relevant option; and
- (d) in relation to Awards, the following particulars:
  - (i) the aggregate number of Shares comprised in Awards granted under the Plan since the commencement of the Plan to the end of the financial year under review;
  - (ii) the aggregate number of Shares comprised in Awards which have been released under the Plan during the financial year under review and in respect thereof, the proportion of:
    - (1) new Shares issued; and
    - (2) existing Shares transferred and, where existing Shares were purchased for delivery, the range of prices at which such Shares have been purchased, upon the release of the vested Awards granted under the Plan; and
  - (iii) the aggregate number of Shares comprised in Awards granted under the Plan which have not been released, as at the end of the financial year under review.

**3.12 Role and Composition of the Committee.** The Remuneration Committee, whose function includes assisting the Board in overseeing matters such as executive compensation and succession planning, will be designated as the Committee responsible for the administration of the Plan. The Committee will consist of Directors, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options and/or Awards to be granted to him or held by him.

**3.13 Financial Effects of the Plan.** The financial effects of the Plan are discussed below:

#### **3.13.1 Cost of Options and Awards**

The Singapore Financial Reporting Standards (International) 2 (“**SFRS(I) 2**”) is effective for the financial statements of the Company for the financial year beginning 1 January 2018. Option exercises are wholly settled in Shares upon the exercise of such Options by Participants against payment of the Exercise Price. In the case of Awards, they may be settled in a combination of Shares and cash. In the event that the Participants receive Shares, the Awards as with the case of the Options, would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of the Options or Awards granted in exchange of the employee services received would be recognised as a charge to the income statement over the vesting period of an Option or an Award with a corresponding credit to reserve account. The total amount of the charge over the vesting period is determined by reference to the fair value of each Option or Award at the Grant Date of the Option or Award.

The amount charged to the income statement also depends on whether or not the performance target or condition attached to an Option or Award is measured by reference to the Market Price of the Shares. This is known as a “market condition”, that is, a condition which is related to the Market Price of the Shares.

The fair value of the equity instruments granted is determined after taking into consideration, amongst other things, the performance target or condition which are market conditions. Where there are non-market or vesting conditions attached, the number of Shares vested at the vesting date may differ from the estimates determined during the vesting period. Before the end of the vesting period, at each accounting year end, the estimate of the number of Options or Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to the income statement is made. This accounting treatment has been referred to as the “modified grant date method”, because the number of Shares included in the determination of the expense relating to employee services is adjusted to reflect the actual number of Shares that eventually vest but no adjustment is made to changes in the fair value of the Shares since the grant date.

The amount charged to the income statement would be the same whether the Company settles the Options or Awards using new Shares or existing Shares.

If the performance target or condition is a market condition, the probability of the performance target or condition being met is taken into consideration in estimating the fair value of the Shares granted at the grant date, and no adjustments to the amounts charged to the income statement are made whether or not the market condition is met.

However, if the performance target or condition is not a market condition, the fair value of the Shares granted at the Grant Date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment at that date of whether the non-market conditions would be met to enable the Option or Awards to vest.

In the event that the Participants receive cash (“**cash settlement**”) on vesting of their Awards, the Company has to measure the fair value of the liability at grant date. Until the liability is settled, the Company has to re-measure the fair value of the liability at each accounting date and at the date of such cash settlement, with changes in the fair value recognised in the income statement.

Under the SFRS(I) 2, for a share-based payment transaction in which the terms of the arrangement provide a company with the choice of whether to settle in cash or by issuing equity instruments, the company must determine whether it has a present obligation to settle in cash and account for the share-based payment transaction accordingly. The company has a present obligation to settle in cash if the choice of settlement in equity instruments has no commercial substance (e.g. because the entity is legally prohibited from issuing shares), or the company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement.

Accordingly, if the Company has a present obligation to settle in cash, it must account for the transaction in accordance with the requirements applying to cash-settled share-based payment transaction. If no such obligation exists, the Company must account for the transaction in accordance with the requirements applying to equity-settled share-based payment transactions.

Upon settlement:

- (a) if the Company elects to settle in cash, the cash payment shall be accounted for as the repurchase of an equity interest, i.e., as a deduction from equity, except as noted in sub-paragraph (c) below;
- (b) if the Company elects to settle by issuing equity instruments, no further accounting is required (other than a transfer from one component of equity to another, if necessary) except as noted in sub-paragraph (c) below; or
- (c) if the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company shall recognise an additional expense for the excess value given, i.e., the difference between the cash paid and the fair value of the equity instruments that would otherwise have been issued, or the difference between the fair value of the equity instruments issued and the amount of cash that would otherwise have been paid, whichever is applicable.

### **3.13.2 Share Capital**

The Plan will result in an increase in the Company's issued ordinary share capital only if new Shares are issued to Participants. The number of new Shares arising will depend on, *inter alia*, the size of the Options and Awards granted under the Plan. In any case, the Plan provides that the number of new Shares to be issued under the Plan will be subject to the maximum limit of 10% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings). If, instead of issuing new Shares to Participants, existing Shares are purchased or Shares held in treasury are used for delivery to Participants, the Plan will have no impact on the number of issued Shares.

### **3.13.3 NTA**

As described in Paragraph 3.13.4 below on EPS, the Plan is likely to result in a charge to the Company's income statement over the period from the Grant Date to the vesting date of the Options or the Awards. The amount of the charge will be computed in accordance with the modified grant date method under SFRS(I) 2. If new Shares are issued under the Plan, there would be no effect on the NTA. However, if instead of issuing new Shares to Participants, existing Shares are purchased or Shares held in treasury are used for delivery to Participants or the Company pays the equivalent cash value, the NTA would be impacted by the cost of the Shares purchased or Shares in treasury used or the cash payment, respectively.

It should be noted that, other than in the case of Awards granted to Non-Executive Directors, the delivery of Shares to Participants under the Plan will generally be contingent upon the eligible Participants meeting prescribed performance targets and conditions.

### **3.13.4 EPS**

The Plan is likely to result in a charge to earnings over the period from the Grant Date to the vesting date, computed in accordance with the modified grant date method under SFRS(I) 2. It should again be noted that, other than in the case of Awards granted to Non-Executive Directors, the delivery of Shares to Participants of the Plan will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

### 3.13.5 Dilutive Impact

The Plan provides that the aggregate number of new Shares to be issued under the Plan will be subject to the maximum limit of 10% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings). Unless extended with the approval of Shareholders and such other regulatory approvals as may then be required and subject to any applicable laws and regulations governing such extension, the Plan has a 10-year duration from its date of adoption, and Options and/or Awards may only be granted during such term. Shareholders' shareholding percentages will be diluted accordingly as a result of the issue of new Shares for delivery of Shares under the Plan.

**3.14 Shareholders' Approvals.** Under the Listing Manual, the proposals to adopt the Plan and the discretion to grant Options with a discount feature, are respectively subject to the approval of Shareholders. Accordingly, Resolution 13 relating to the proposed adoption of the Plan and Resolution 14 relating to the proposed grant of options under the Plan with up to a 20% discount feature, will each be tabled as Ordinary Resolutions for Shareholders' approval at the 65<sup>th</sup> AGM.

**Shareholders' attention is also drawn to the voting restrictions in Paragraph 6 below.**

## 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

**4.1 Interests of Directors.** As at the Latest Practicable Date, based on the Company's Register of Directors' Shareholdings, none of the Directors has any interest, direct or indirect, in the issued Shares.

**4.2 Interests of Substantial Shareholders.** As at the Latest Practicable Date, the interests of the Substantial Shareholders in issued Shares, based on the Company's Register of Substantial Shareholders, were as follows:

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Far East Organization Pte. Ltd. ("FEO")	309,973,933	53.45	–	–	309,973,933	53.45
Far East Spring Pte. Ltd. ("FES")	63,888,889	11.02	–	–	63,888,889	11.02
Transurban Properties Pte. Ltd. ("TPPL")	56,342,854	9.72	–	–	56,342,854	9.72
Ng Chee Tat Philip ("PN") <sup>(2)</sup>	–	–	454,867,654	78.44	454,867,654	78.44
The Estate of Mr. Ng Teng Fong (Deceased) (the "Estate") <sup>(3)</sup>	–	–	390,978,765	67.42	390,978,765	67.42
Ng Chee Siong ("RN") <sup>(4)</sup>	–	–	390,978,765	67.42	390,978,765	67.42
Madam Tan Kim Choo @ Teng Kim Chow ("Madam Tan") <sup>(5)</sup>	49,618	0.01	373,862,822	64.47	373,912,440	64.48
Glory Realty Co. Private Ltd. ("Glory") <sup>(6)</sup>	–	–	56,342,854	9.72	56,342,854	9.72

#### Notes:

- (1) Based on 579,911,041 issued Shares as at the Latest Practicable Date.
- (2) PN, in his capacity as a beneficiary of the Estate, is deemed to have an interest in shares in the Company in which the Estate is deemed to have an interest and, through his interest in FES, is deemed to be interested FES' shareholding in the Company.
- (3) The Estate's deemed interest in shares in the Company include its interests through FEO, Glory and Sino Land Company Limited.
- (4) RN, in his capacity as a beneficiary of the Estate, is deemed to have an interest in shares in the Company in which the Estate is deemed to have an interest.
- (5) Madam Tan's deemed interest in shares in the Company arises through her interests in FEO and FES.
- (6) Glory, through its interest in TPPL, is deemed to have an interest in TPPL's shareholding in the Company.

## 5. DIRECTORS' RECOMMENDATIONS

**5.1 Renewal of the Share Purchase Mandate.** The Directors are of the view, for the reasons set out in Paragraph 2.2 above, that the renewal of the Share Purchase Mandate is in the interests of the Company. They accordingly recommend that Shareholders vote in favour of Resolution 11, being the Ordinary Resolution relating to the renewal of the Share Purchase Mandate, at the forthcoming 65<sup>th</sup> AGM.

**5.2 Adoption of the Plan and Grant of Options with a Discount Feature under the Plan.** With the exception of Mr Ng Win Kong Daryl, the Chairman of the Board, and Mr Jonathan James Yong Ze Ng, a Non-Executive Director, all the other Directors (the “**Eligible Directors**”) would be eligible to participate in the Plan. Mr Ng Win Kong Daryl and Mr Jonathan James Yong Ze Ng are of the view, for the reasons set out in Paragraph 3.4 above, that the Plan is in the interests of the Company and accordingly recommend that Shareholders vote in favour of Resolution 13 (being the Ordinary Resolution relating to the adoption of the Plan) and Resolution 14 (being the Ordinary Resolution relating to the grant of options with a discount feature pursuant to the Plan), at the forthcoming 65<sup>th</sup> AGM.

Being potential participants of the Plan, the Eligible Directors have refrained from making any recommendation to Shareholders in relation to Resolution 13 and Resolution 14.

## 6. VOTING RESTRICTIONS

Any Shareholder who is eligible to participate in the Plan must abstain from voting his Shares on Resolution 13 (being the Ordinary Resolution relating to the adoption of the Plan) and Resolution 14 (being the Ordinary Resolution relating to the grant of options with a discount feature pursuant to the Plan), and the Company will disregard any votes cast by such Shareholder in respect of his Shares on Resolution 13 and Resolution 14. The Chairman of the 65<sup>th</sup> AGM will accept appointment as proxy for any other Shareholder to vote in respect of Resolution 13 and Resolution 14, where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of Resolution 13 and Resolution 14.

## 7. RESPONSIBILITY STATEMENT

**7.1 Directors' Responsibility.** The Directors collectively and individually accept full responsibility for the accuracy of the information given in this letter and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, this letter constitutes full and true disclosure of all material facts about the Proposals, and about the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this letter misleading. Where information in this letter 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 in its proper form and context.

**7.2 Disclaimer.** The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this letter. Shareholders who are in any doubt as to the action they should take should consult their stockbrokers or other professional advisers immediately.

## **8. INSPECTION OF DOCUMENTS**

Subject to any safe management or other measures which may be implemented in light of the COVID-19 situation at the relevant time, a copy of the rules of the Plan is available for inspection at the registered office of the Company during normal business hours from the date of this letter up to and including the date of the 65<sup>th</sup> AGM.

The rules of the Plan are also available for inspection on the Company's website at the URL [https://www.yeos.com.sg/investor-relations/Yeo Hiap Seng Limited Share Incentive Plan/](https://www.yeos.com.sg/investor-relations/Yeo_Hiap_Seng_Limited_Share_Incentive_Plan/) from the date of this letter up to the date of the 65<sup>th</sup> AGM.

Yours faithfully

For and on behalf of the Board of Directors of  
**YEO HIAP SENG LIMITED**

Ng Win Kong Daryl  
Chairman