

Yeo Hiap Seng: A Typical Case Study of a Family Enterprise

Interpreting the Fate of Chinese Family Enterprises Through YHS

In Southeast Asia, Yeo Hiap Seng (YHS) is a well-known brand. Its products can be found everywhere in Hong Kong, Taiwan, Southeast Asia, and even the rest of the world. As a century-old family enterprise in food manufacturing, YHS (Singapore) Ltd focuses its production and sales on beverages and canned food. It also provides bottling service for Pepsi and Cadbury Schweppes. Among the company's most popular products are Asian sauces, canned food, instant noodles and soup stock. After 1995, the company diversified its business and entered the real estate industry. In 1998, the company's revenue from real estate stood at S\$74 million, accounting for 25.87% of the company's total revenues of S\$286 million.

Established in 1901 in Zhangzhou, Fujian Province by Yeo Keng Lian (Renliu), YHS traded mainly in the sauce industry. Mr. Yeo had eight children, five boys and three girls. Back in 1935, Yeo Keng Lian, because of poor health, handed over his factory to his eldest son, Yeo Thian In, who was only 22 years of age at that time. Young as he was, Thian In, under the guidance of his father, managed the business with painstaking efforts. Thian In first worked as a salesman, traversing around to sell products manufactured in his sauce factory. His hard work eventually paid off. The sauce factory enjoyed a booming business. Soon, YHS products flooded the market in Zhangzhou. Thian In

sent his younger brothers and sisters to colleges in inland China and even to Japan. Having suffered tremendously from the political turbulence of China at that time, the Yeo brothers decided to leave their hometown and settle down in Singapore. After their college education, Thian In's brothers and sisters joined the family enterprise. YHS, started from scratch, and over the period of time, witnessed rapid growth in the business. The brothers modernized their food factory through automation, gaining wide recognition from the public. At the same time, the brothers diversified their business by employing the bottled soymilk patent invented by their nephew Chen Chee De. With their success in Singapore, they set out to conquer the market in Malaysia, thus starting the YHS business venture abroad. As the business grew, the family also expanded. In 1956, the five brothers signed an agreement dividing the estate of YHS into seven parts, shared amongst the five brothers, the eldest grandson Chee Ming, and Chee Kiat (see Case 1 for the Yeo family tree). As stated in the agreement, Thian In was recommended to be the permanent chairman and general manager; Thian Soo the vice chairman; and Chee Kiat the permanent finance director. It was also agreed that the number of directors shall be five, but with the provision to add two more in the future. In addition, it was also agreed that three of Thian In's offspring and one each of Thian Soo's, Thian Kiew's and Thian Hwa's offspring shall be directors (by succession). The offspring of Thian In and Thian Soo, if they are interested in the work of the factory, shall be given priority in management positions. Offspring of the Yeo families who have no interest in the work of the factory may find other jobs, but they should never borrow the name of YHS or do anything detrimental to the company. In the agreement, it was also prescribed that the board of directors shall draw a certain portion of the company's earnings to set up a scholarship, providing the Yeo offspring with financial assistance for their college education. Upon their graduation, those offspring funded by the company's scholarship shall be encouraged to work in the company. If they should choose not to work in the company, they would be required to contribute 20% of their income to the company for the first four years of employment.

It was a well-crafted agreement, setting up guidelines for the division of family property, assignment of position to family members, cultivation and education of offspring, which indeed greatly promoted the future development of YHS.

The 1960s witnessed a golden period for YHS. As a pioneer of local companies in Singapore that ventured abroad, YHS established a business network covering Malaysia, Hong Kong and even Europe. Plans for public listing were made in 1968. In order to prevent the company from falling into the hands of others, the family members decided to establish a holding company jointly controlled by the family. In 1969, YHS was listed and YHS Holding Company held 49% of shares of the listed YHS, reinforcing YHS's strength in the industry. The company took the lead in the beverages and canned food market when it was given exclusive dealership in the region by a Pepsi. In 1971, YHS built a factory in Malaysia. Three years later, YHS (Malaysia) Ltd was established and in 1975 listed on the Malaysia Stock Exchange. The 1980s was a pivotal period for YHS, during which the company carried a series of reforms and innovations in strategy, product renovation, operation management and organizational structure. By so doing, the listed company performed well and enjoyed a leading role in the beverage market.

In the 1990s, with the third generation of the Yeo family at its helm, problems emerged in YHS. Family members were divided on investment and management decisions. Although decisions in the company had always been made by a majority vote, it became increasingly difficult for family members to come to a consensus. The relationships among family members became increasingly complicated, which adversely affected the management of the company. When the third generation of the Yeo family was at the helm of YHS, Alan Yeo, a son of the eldest brother Thian In, took the position of chairman and president of YHS Ltd. The listed limited company was controlled by YHS Holding Pte Ltd, with the seven families jointly owning the shares. As the seven families grew and multiplied, they were more concerned about the interests of their own families and were often in conflict with one other. In order to

maintain consistency in the running of the company, some family members were asked to relinquish and resign from their senior and managerial positions in the company, resulting in the breakdown of the relationships among family members, and a loss of trust and affection which they had cherished since the founding of the company. In 1992, Thian Seng and three other family members were asked to resign. Devastated, Thian Seng's family decided to sell their shares and rights issue of the holding company. At the same time, Yeo Chee Wei, having been removed from his position as executive director, also planned to sell his shares of the company. It was prescribed in the founding charter of the holding company that any withdrawal of shares of the holding company by any family member must be under the consent of other shareholders. Therefore, the holding company made plans to sell the shares at a higher price to the Keppel Group, a company was interested in acquiring shares of YHS. Part of the fund was to be reserved for the company's use. YHS Holding Company, however, could not reach an agreement on the price with the two families. Furthermore, when the two families discovered that the prospective buyer was a third party rather than a family member, they changed their mind. In the hope of upholding the position of the family as a whole in the holding company, they decided to sell only their shares but not the rights issue, thus bankrupting the share-selling program. The conflict intensified when Alan Yeo, having negotiated with the Keppel Group, communicated with the other families, except two, on the sale price. The management style of Alan Yeo was considered autocratic by other family members, as he made decisions without consulting other directors. On one occasion, he tried to purchase 140,000 shares (4.32%) for his son Timothy Yeo in the hope of obtaining more than 50% share ownership for absolute control. Alan Yeo's move greatly disappointed other family members who felt betrayed by his actions, and the rift between them deepened. In the end, Wing Tai's purchase of YHS resulted in the dissolution of the family enterprise. At that time, Wing Tai Holdings had planned to purchase 25.5% to 40% of the total shares

of YHS. The action would net them \$25 million profit from the development of a \$100 million commercial housing project on a plot of land owned by YHS at Bukit Timah Road. The opinions of family members, however, were completely contradictory. Alan Yeo, acting unilaterally, delivered an announcement in support of the purchase; but other members, jointly holding 53% of YHS shares, disagreed. Instead, they demanded to purchase the other 47% of YHS shares owned by Alan Yeo and two other family members that supported the purchase. In addition, they asked Alan Yeo to resign as chairman. Alan Yeo retaliated, saying that his family and the other two families who were in support of the purchase will not sell their shares to other shareholders, and that his resignation should be decided by the shareholders' vote. To complicate matters, the other six families had mixed feelings and did not share a common standing and view. Under such circumstances, YHS Holding Company had to be dissolved. Only by doing so could each family hold direct shares of YHS and avoid unnecessary disputes in future. The disputes among family members were finally settled in court. On July 1, 1994, the high court adjudicated YHS Holding Company Private Limited to be dissolved. Based on the understanding that the relationship of trust and dependence among the family members no longer existed, the verdict recognized that decision-making by consensus among shareholders in the holding company were impossible. If business decisions were made by vote, it meant that the pattern of a holding company similar to partnership ended and a new structure was born. Under such circumstances, the dissolution of the holding company was an inevitable choice. Sadness and disappointment were felt by the family as the properties inherited from their ancestors were soon to fall into the hands of others. The dramatic family fending over shares and ownership rights, as depicted in many movies or TV series, took place in the story of YHS.

YHS, a well-established and profitable century-old family business empire, was dissolved at the hands of its third generation, as if being cursed by an inextricable fate. Is the saying that "wealth does not last for three generations" an incantation affixed on family enterprises?

Are family enterprises ultimately unable to avoid their short-lived fate? From the case of YHS, we may discover many common and typical problems in family enterprises: complicated family politics, mixed family-style management, and vital changes of power. What impact do those problems have on the development of family enterprises?

Family-Oriented Management: Reasons for Both Success and Failure

From the YHS case, we can see the necessity for an enterprise, at its initial stage, to choose the mode of family management. The first reason is that other modes of management are uneconomical. At the starting stage, family enterprises often lack human and financial resources. Most of the pioneers were driven by the motive of shaking off family poverty. Based on the close kinship among the family members and their social relationship, family enterprises could rapidly assemble committed employees who are devoted to the enterprise, even when facing difficult conditions. Furthermore, they are sometimes willing to compromise their salaries. It is due to these factors that family enterprises survive. Family management also leads to a low communication cost, because under most circumstances, the coherence of interests provides family members with a natural sensitivity to the external environment. Thus, information on the external changes, especially market changes, could be passed to every employee as soon as possible. In addition, the patriarchal leadership enhances efficiency in business decisions. With a culture of close communications and conformity to authority, family members can easily come to a consensus or reach an agreement. This helps to enforce and implement decisions. Due to kinship, there is much cohesion within the enterprise and this helps to indirectly reduce the transaction cost of management. Furthermore, family members usually tend to have a much higher level of commitment to work. As a result, the early stage of a family enterprise involves a much lower management cost than other types of enterprises.

Moreover, family culture is a tradition of Chinese culture. Many Chinese businesses prefer the mode of family enterprise when they embark on business ventures. China is a country with far-reaching family culture spanning centuries. Family forms the core of Chinese ethics, the traditions and social organizations. In the language aspect Chinese is one of the few languages in the world that integrates the state with family so closely. In the Chinese language, state is just an extended family. Individuals are members of the family. According to the traditional Chinese education, promoting family ethos is seen as the most outstanding glory for an individual, and conversely, undermining family property is the most irremissible guilt. This value, which takes family interests to be the most important end, is known as familism. Ever since the Shang and Zhou dynasties, familism has had a long history, during which the most effective rules, dealing with the relationships among family members, between family and society, and between family and state, have been stipulated. Familism was not only promoted by the rulers of every dynasty, financed by the esquires and steered by the academia, it was also propagandized by a variety of sacrifices, etiquettes and even depicted in many plays and literary works. As a result, familism was inherited by every generation of Chinese, and became the ethical standard for judging right and wrong, good and evil. Until the Ming and Qing dynasties, familism was regarded as a key element of the ancient Chinese culture, evolving into a cultural modality reflecting Chinese national values. Being edified by the special familism culture, the Chinese seem to be born with the tendency toward the value of familism. Meanwhile, the family experiences, the mindsets and the patterns of behaviors that the Chinese have accumulated in their family lives have been brought to other social organizations, resulting in family enterprises.

Undoubtedly, in the initial stage, family management is feasible and effective. Due to the high pressure brought on by competition among enterprises, family members realized that with limited capital, only by working hard together could they fight a way out to survival. Secondly, at the initial stage, family members have a deep understanding and trust among themselves; seldom are there interest

conflicts. Even if there are, they often avoid shaking the foundation of trust among family members. Furthermore, potential conflicts are often mediated and resolved by the patriarchs. Thirdly, the management radius and relations are comparatively small and simple. Decision-makers can easily get relevant information, and the experiences and capabilities of the managers can generally meet the demands of the enterprise's development. Fourthly, although the property distribution is based on family at the early stage, in every family there is a core person who might be chosen by the patriarchal clan system or who wins the position by his own capability exhibited during the development of enterprise. Generally speaking, the highest prestige of the core person helps him to establish the basis of people and relationship management. The desire of other members for capital and interests of the enterprise is not enough to negate this kind of reverence of patriarch. At least, the interest conflicts among family members could not challenge the authority of the patriarchal prestige. Fifthly, managers and their subordinates can get symmetrical information. And usually those in higher positions can seize much more information than the subordinates. This applies not only to information within the enterprise, but also external information about market changes, product development, and the relationship with government and other social entities. Holding more information channels than the others, the managers can thus protect themselves from being cheated and can exert better and economical supervision. As for the forgoing business proprietors, only the proprietors of the family-managed enterprises could be called the real owners. As property rights are mainly controlled by a few people, the owners are undoubtedly deeply involved in the production and management activities. Owners have enough initiatives and conditions to ensure that the enterprise is operating for its real interests. Therefore, as a form of management system, family-oriented management could meet the demands of the early phase of family enterprises, and also would contribute greatly to the rapid development of private businesses.

For the above reasons, Mr. Yeo Keng Lian had created the embryo YHS with his two eldest sons. Subsequently, he asked his children to manage the company. With the endeavor of the whole family, the company operated and expanded at the bequeathal of their father. Consequently, YHS developed remarkably, due hard work of the whole family.

However, when enterprises reach a certain phase, the mode of family-oriented management would restrict their progress. The reason lies in that with the expansion of the enterprise, requirements for specialty, advanced technology and management techniques become much higher. And with the expansion of the enterprise and the increase in management complexity, weaknesses of family-oriented management are gradually revealed. The management radius becomes much wider and it becomes more and more difficult to supervise the enterprise only by individuals or family members. Moreover, the environment is undergoing tremendous changes. The experiences and knowledge of managers or family members on technology products, markets and finance are insufficient. The management know-how of individual managers starts to fall behind the growing pace of the enterprise. The growth and expansion of family enterprise would inevitably lead to the infusion of many outsiders, especially professionals. The efficiency of the management could be raised, but at the same time, the original patriarchal clan system among the family members would be challenged. Relations among the management become more complicated. Hence, information asymmetry begins to emerge, which makes it difficult for managers to rapidly grasp necessary information to make right decisions.

With the development of family enterprises, the respect for the key players would gradually reduce, especially in fast-developing enterprises. The courage, insight, and the spirit of adventure of the key players would fade. Particularly, after obtaining some social credit and achieving a series of successes, they would become overconfident and arbitrary, which would destroy the cohesion of the enterprise. But what is the most important is that when the enterprise had accumulated much wealth and dividends, the conflicts of interest within the

family would be intensified. In the face of temptation, family members would tend to take more care of their own property, other than the property of the enterprises, which would lead to conflict of interests, and this often results in disorganized management. This phenomenon constitutes one of the most important factors that led to the dissolution of YHS.

Both the pros and cons of family-oriented management in family enterprises are so peculiar. It is like a double-edged sword, requiring its master to have a brilliant mind and techniques. Thus, when wielding it in a fight, he must also avoid hurting himself. But whenever unbalanced, that famous saying would come to mind: the key to their success is also their undoing.

Power Transfer: To Be or Not to Be

The transfer of power from generation to generation within the family is inevitable for family businesses. It is of great importance to the development of family enterprises, for it can be a crucial dividing point between prosperity and decline. Power handover is not a simple process of the new replacing the old. It has significant impact and implication on the ownership and strategic development of the enterprise and could even be a life-and-death decision for a family business. Succession planning in family business is uniquely complicated and impactful. There is no exception for any family enterprises in the world. Currently, a majority of family businesses in China are still in the hands of the first generation. Some of them have entered the transitional period from the first generation to the next. As time passes, succession and power transfer of family enterprises will become a major challenge for many family enterprises in China.

In the case of YHS, the power handover from Yeo Keng Lian (first generation) to Yeo Thian In (second generation) was quite successful. With his own efforts, Yeo Thian In established his authority and prestige within the family and among the employees, and thus laid a foundation for YHS to take great strides during his period. When it came to the third generation, the family fell apart into three factions, due to differing management viewpoints and mindsets. Unlike the two

predecessors, Alan Yeo, the board chairman at that time was unable to gain absolute authority and consensus within the family. Internal conflicts deteriorated and a total dissolution was inevitable. In the process of power transfer, both generations were faced with big challenges. The older generation had to face problems such as: How to hand over power? How to keep the family together? How to position family members in the enterprise? How to differentiate and balance family role and business role? How to ensure the competitiveness of future leadership? How to instill a sense of family obligation and responsibility among family members? How to keep non-family members in the core positions of the enterprise?

The younger generation has to mull over questions such as: How to exert control over the enterprise? How to grow business? How to acquire support from family members? How to balance conflicting interests if the older generation chooses to divide evenly the inheritance among offspring (a customary practice in China)? Will the successor of the father — the eldest son, for example — enjoy greater privilege and authority? If so, how can we protect our own interests? For the older generation, business handover could mean a loss of power and control. If they cannot adjust themselves to changes and are unwilling to step down from leading positions, obstacles are posed to a smooth power transition. Senior leaders, who have been used to giving orders, may not feel contented being an observer. They may inevitably interfere with the management, thus repressing the performance of the successor. The possible consequences will be: difficulty for successor in establishing authority; political dynamics among employees; difficulty in policy implementation; and decreasing efficiency in organizational operation. Another potential problem in the power transfer process comes from senior employees. They can be the siblings of the former power controller (that is, the elders of the new successor), or the pioneer employees who have made remarkable contributions to the enterprise. A smooth transfer of power cannot be achieved without support from these people. Furthermore, they will exert strong influence on the future development of the business management. This was certainly the case in YHS. Nevertheless, reforms are often necessary for new leaders to advance business

development. Successors need to form their new management team and develop new style and culture, which will consequently alter the former organization and power structure. And such alterations may cause certain instability to the enterprise. Under such circumstance, some senior employees may step out to oppose or even destroy the reform especially when their interests are being threatened. Failure to handle such power struggles poses threats to the implementation of new strategies and sustainability of the reform, which may also create disturbances in management, or even more severe consequences in business performance.

Now, let us look at another key issue in family business — the distribution of ownership (or property) during the process of power transfer. In Chinese family businesses, power derives from ownership. Being out of ownership implies being deprived of authority. In the case of YHS, ownership was evenly divided into seven portions. In the Chinese family, it is customary to divide property in similar fashion. While it appears to be reasonable and impartial, it poses a potential threat to the future development of the enterprise. For the new successor, an even distribution of ownership fails to ensure actual control over the enterprise during the initial period. Succession provides nothing more than an opportunity. Actual control is to be gained gradually through managing the business, or even from power struggles. Consequently, redistribution of interests and power causes conflicts and frictions or even dissolution of the enterprise. Nevertheless, equal distribution of property does not necessarily lead to a split in family business, which mainly depends on the dynamic relations among different branches within the extended family. Apart from inheritance of ownership and management, there is another factor playing a role in the process of power transfer — social relations, a non-capital inheritance. If the successor can make full use of the network of social relationship established by the predecessor, the enterprise will suffer a lesser degree of disorder generated by management handover. Therefore, the legal identity of the enterprise can be kept intact in spite of a split in property and stock shares, for which many existent family businesses serve as good examples. What should be done to maintain the integrity of the family enterprise under constant

impairment of property and stock shares is an interesting question worth addressing.

In fact, a power transfer process is another pioneering period — a process full of risk and challenge. For any family enterprise, this is a difficult period of adjustment and adaptation with the clash of old and new conceptions and underlying values. It is no exaggeration to refer to power transfer process as a “to be or not to be” issue, which often becomes a crucial dividing line between prosperity and decline.

Internal Conflicts in Family Enterprises: Emotional or Rational

Although we cannot pin the deterioration and dissolution of YHS totally down to family politics, the conflicts within the family can be regarded as an important igniting point. Since the 1990s, opinions of Yeo’s family members on matters of investment and management had begun to diverge. YHS had been adopting the decision-making mode of minority subordinating to the majority, but with the number of the family members increasing, the relationship among the same generation, and the relationship between the younger generation and the older generation became more complicated. This had prohibited them from reaching consensus, which undoubtedly had a negative impact on the operation of the enterprise.

The origins of conflicts within family enterprises vary. Some are due to the change in management, which we have briefly discussed in the previous session. In some family enterprises, the old family patriarch has come to the age of retirement, and the younger generation are ready to take over. But being infatuated with power and position, the old patriarch refused to retire, holding the power tightly in his own hands. Therefore, the younger generation would either rely too much on him or feel oppressed. When they find that they cannot take over the management, the younger generation would be extremely discontented and indignant and if not properly addressed, this may affect the stability and development of the enterprise. Of course, the source of conflicts can be the other way round, from the younger generation. If the younger generation lacks the capability and experience

of leadership, the older generation would not have trust and confidence in them, and would be unwilling to delegate more power and responsibility. As a result, it would reduce the learning opportunities for the younger generation. The younger generation may become more self-contemptuous, or they would probably go to the other extreme of rushing and making quick fixes; leading the enterprise to vulnerability and possible loss. The conflicts between the two generations would be intensified if this happens.

Conflicts within the same generation would also affect family enterprises. In traditional Chinese families, the elder brothers are usually superior to the younger ones. The distribution of wealth would impact on the relationships among siblings and cousins. Over time, the brothers would become presumed enemies, and the discontent and indignation among the members of the same generation would emerge. As the children grow up, get married and settle down, more parties are involved, and thus the conflicts would become much more complicated across families and generations, which could directly threaten the management, operation and survival of family enterprises. Furthermore, this conflict would become apparent with the passing away of the patriarch. With the number of the family branches increasing and the educational levels widening, the divergences and conflicts within the family would also be intensified. If the conflicts cannot be resolved at an early stage with or without intervention from some objective outsiders, the severity and complexity of internal conflicts would be aggravated. Sometimes, there is even the possibility of ending up in court (which was the case with YHS). The final and worst ending would be the dissolution of both the family and the enterprise.

The main reason why minor and benign divergences can lead to severe conflicts lies in the fact that the intimacy and interdependence among the family members no longer exist. Instead, they become suspicious and jealous. As a result, even some minor differences would turn into ugly conflicts, which would ultimately hurt the solidarity of the family and the operation of the enterprise.

The emergence of these conflicts can be traced back to the family members themselves, to the interior regime of family enterprises and to enterprise culture. If the older generation could accept, with an enlightened and open attitude, the different ideas and reform measures by the younger generation, and at the same time entrust them with important tasks, then many potential divergences would disappear. If family members have the courage to face the divergences, and could carry out discussions with an open attitude and objective views, then many conflicts and disputes could be resolved in constructive ways. With respect to the regime, if work division within family enterprises is not clear, and if there exists overlapping conflicts between rights and obligations, this can easily lead to dissension, estrangement and tension. In addition, the unprofessional, unfair, and non-transparent management system and measures would give way to a sense of distrust among family members and non-family employees. As a result, different power factions would come into being, hence ruining the relationship and morale within the enterprise. If there is no effective channel or regime to alleviate or resolve existing divergence, these minor differences would probably degenerate into ugly conflicts. Therefore, an effective communication channel is crucial.

Distrust and conflict within family enterprises are sometimes caused by informational asymmetry and a lack of communication among family members. To push forward the development of interdependent relations, it is necessary to build up an effective communication system to eliminate misunderstandings and informational obstacles. This communication, formal or informal, face-to-face or conducted by a third party, may help improve the quality of the communication in family enterprise.

In fact, not all divergences and conflicts within family enterprises are negative. Some conflicts can even propel the enterprise to move forward. Conflict can lead to an in-depth understanding and spur profound thinking. Therefore, some win-win solutions can be found to promote better interaction and competition. And the development of the enterprise will also become more healthy and mature. Sometimes, disputes can boost communications among

family members, and subsequently eliminate accumulated misunderstanding and prevent the destruction brought on by conflicts. Moreover, some insignificant conflicts can be easily resolved within the family, which would definitely eliminate or suppress potentially overwhelming conflicts. Sometimes, conflicts are just like viruses. Although harmful in nature, they could also stimulate our bodies' immune system at times. But if not effectively controlled, they could turn into cancer cells, and ultimately spread to every inch of our bodies. By that time, it would be too late to seek help.

With as long as 95 years of operation, YHS also could not escape the curse of the old Chinese saying that "wealth does not sustain beyond three generations". It was dissolved in the hands of the third generation. The key to their success was also their undoing. The family solidarity once helped it to thrive and boom, but the family conflicts also plunged it into a dilemma. The complicated relationships between families, and between younger generation and older generation have not only influenced the objectivity of the enterprise management, but also influenced rationality of the enterprise decision making. What is most important and tragic is that the long-term and sustainable development of the enterprise was prohibited.

Can Chinese family enterprises be evergreen, transcending one generation to another? Will they be able to develop from small- or medium-sized enterprises to larger ones, even become world-class enterprises? The answer is yet to be revealed.

Case 1: Yeo Hiap Seng: The Collapse of a Family Enterprise over Three Generations

Introduction

Published on the finance front page of *Lian He Zao Bao* on May 2, 1998, a news article described the current situation of Singapore YHS Co Ltd after it was purchased at a high price by Ng Teng Fong, a real estate mogul.

Ng Teng Fong purchased YHS, a beverage and food manufacturer in 1995. At that time, market analysts could not believe that Ng Teng Fong would be interested in the food and beverage industry. Orchard Parade under Ng Teng Fong's control of Far East Organization announced the day before that it sold 12.45% of YHS shares at \$100 million to Danone Group, a French food company. This move lent credence to past market speculation.

Through painstaking and fierce competition with his rivals in 1995 Ng Teng Fong purchased 86% of YHS shares at a high price. With 12.45% sold and 73.55% remaining, this left the market wondering if Mr Ng would continue to sell the shares of the century-old company.

Danone was granted share option. If it increased its YHS shares to 51%, it would gain control of the family enterprise. It seemed that Mr Ng intended to fade out of the company. In reality, his goal had been accomplished after he obtained the plot owned by YHS to develop his private real estate business.

In 1995, Ng Teng Fong seized control of YHS from a Malaysian businessman by the name of Quek Leng Chan (Kwek Leng Chang) at a high cost, from which many members of the Yeo's family made their fortune. Then, he sold part of the shares at \$5.65 each, a price higher than the purchasing price in that year, bringing \$11 million profit for Orchard Parade.

Danone had its own calculated plan to become a shareholder of YHS, which is still a widely known brand in the region. Years ago, YHS suffered significant loss when it purchased Chun King Group,

an American food company. Both Chun King Group and YHS sell oriental-style food. The French-food company stood ready to employ the business reputation of YHS and its marketing network.

One of the conditions proposed by Danone was that YHS should focus on food and beverage, and be separated from the real estate business developed by Ng Teng Fong. Failure to do so would result in the sale of shares back to Orchard Parade at the original price.

For YHS, business restructuring was nothing new. YHS had experienced business restructuring after new shareholders stepped in. Far East Organization had planned to reduce the shares of YHS, that were controlled by Orchard Parade, to eventually 22%. Thereafter, Orchard Parade would not be a large shareholder, but it might depend on Danone Group to explore a wider market, making it a worthwhile deal.

It was indeed a worthy deal to find a good buyer for part of YHS shares. But with the depression of the real estate market at that time, Far East Organization had more problems to tackle with: Orchard Parade had to settle the developmental housing project of YHS by investing more funds to expand the real estate department of YHS into a listed company.

The family enterprise YHS, which had started from scratch developed into a holding company and finally evolved into a non-family enterprise. The evolutionary history of the family enterprise is an exemplary case study to explore the multiplication of a family, participation of family members in business, and influence of ownership changes on the lifespan of family enterprises.

History of YHS

Yeo Hiap Seng, an enterprise dealing with sauce industry, was established by Yeo Renliu (Keng Lian) in Zhangzhou, Fujian Province in 1901. Born in Quanzhou, Fujian in 1860, Mr. Yeo followed his father to Zhangzhou, where he converted to

Christianity at the age of 31. He established YHS when he was 41. Mr. Yeo named his sauce factory Yeo Hiap Seng, which has a profound meaning. In Chinese characters, Hiap consists of a “+” which stands for a crucifix, and of three 力 (power). It was Mr. Yeo’s wish that the whole family, with the blessing of Jesus, to be of the same mind to achieve great success in their business.

Yeo Renliu has eight children: five boys and three girls. Tian In is his eldest son and Tian Soo, Tian Kiew, Tian Seng and Tian Hwa are the four younger brothers.

In 1935, Yeo Renliu, because of poor health, began to consider the possibility of transferring control right of the factory to the next generation. In the same year, at the celebration of his 60th birthday, Mr. Yeo announced to hand over control of the sauce factory to his eldest son Tian In for management. Tian In was only 22 years old then.

Young as he was, Tian In managed the business with painstaking endeavors under the guidance of his father. And all the efforts paid off. Great progress had been made in the business of his sauce factory. Besides, he sent his younger brothers and sisters to colleges in inland China.

Having suffered greatly from the turbulence of political situations in China then, the brothers decided to move to Singapore for further development. The reason for moving to Singapore was its cultural background and weather. Since most of the Chinese in Singapore came from Fujian, they could communicate with each other freely. The hot weather in Singapore made it easier for soybean to ferment. The low price of salt was another favorable condition to develop the business of sauce making. In February 1937, Tian In, together with his wife and children, moved to Singapore. In autumn of the same year, the two younger brothers, Tian Kiew and Tian Seng arrived in the city in succession. The brothers were determined to start their business from scratch again. They settled down and soon rented a plot of land at Outram Road to build YHS sauce factory in Singapore.

At the beginning, the brothers could hardly adjust themselves to the operational style of sauce-making in Singapore, partly because most of the residents were more accustomed to sauces of the Guangdong style. Besides, factories producing Guangdong-styled sauces were generally equipped with tricycles to hawk around large barrels of sauce. YHS was established for a short period of time and there were only a few helping hands. In addition, they had gotten used to consigning their bottled products to retail stores for sale, as they had done in their hometown.

Thian In decided to return to China in 1941 and asked Thian Kiew to end the sauce business in Singapore. Unwilling to abandon the cause that was established with painstaking efforts, Thian Kiew asked a salt store He Yuan for help. Although YHS had owed a large sum of money to He Yuan, the boss, Zheng Tianyuan, still trusted Thian Kiew. He promised to keep supporting YHS. Soon after Thian In returned from China, the Japanese army invaded Singapore.

17th January 1942 was an unforgettable day for all family members. A bomb was dropped on the YHS sauce workshop and many sauce jars were ruined. Fortunately, some finished sauce products remained intact. Unexpectedly, YHS, through this catastrophe, made unexpected profits. The Japanese army shut down the rest of the sauce factories and forcibly seized their sauce for military use. YHS was not seized because it was bombed. People began to rush for the YHS sauce. It was a turning point for the enterprise. From then on, its business flourished day after day.

After the end of the Second World War, YHS further developed its business and ambitiously planned to enter the Malaysian market. In 1946, in order to facilitate its business, a friend of Thian Kiew who was working in HSBC (Hong Kong Shanghai Banking Corporation) recommended him to buy a plot of land at Bukit Timah Road. With loans from HSBC and Mr Ng Yudai, his father-in-law, YHS possessed its own factory.

In 1951, YHS factory modernized its manufacturing equipments. The use of bottled soymilk patent was invented by their nephew Chen Chee De, this was another major milestone for YHS. It began to produce bottled soymilk and other canned food, marking a new age of product diversification.

Chen Chee De, son of the eldest sister, invented bottled soymilk, the most well-known product of YHS. The products manufactured by the YHS factory in China also included bean curd and soymilk. To keep fresh, soymilk must be specially processed. Soon after Chee De, who had majored in biology and chemistry in college, arrived in Singapore and invented the bottled asepsis soymilk, making YHS the first company to introduce bottled soymilk.

Establishment of YHS Canned Sauce Factory Company Limited

In 1956, with the exponential growth in the Yeo's business, the family decided to develop YHS Sauce Factory into YHS Canned Sauce Factory Pte Ltd. In the same year, Thian Soo, who was previously staying in Hong Kong, arrived in Singapore. In order to reconstruct YHS Sauce Factory, Thian In divided the estate of YHS into seven portions, one for each of the five brothers, the eldest grandson Chee Ming, and Chee Kiat. Chee Ming had his entitlement because of his status as the eldest grandson of the family, a Chinese traditional way of endowment. Chee Kiat was given a share because of his remarkable contribution toward the development of the factory. The signing ceremony of the agreed division of the estate amongst the seven family members was witnessed by a priest and the seniors.

In accordance with the agreement, Thian In was made the permanent chairman and concurrently the general manager, Thian Soo the vice chairman, and Chee Kiat the permanent finance director. The agreement also stipulated that there shall be five directors, with an additional two directors in the future

when numbers increase. Moreover, three of Thian In's children and one of Thian Soo's, Thian Kiew's and Thian Hwa's offsprings shall be the successor directors. Should the offsprings of Thian In and Thian Soo be interested in working in the factory, they would be given priority in management positions.

Agreement by Yeo's Family Members in 1956

Extract of a contract between Yeo Thian In and the other members (the contractors) reads as follows:

It was with God's blessing that the Yeo family multiplies in large and thriving numbers. The division and apportion of the family property to each household, was done in the hope that there would be permanent ownership of the family asset.

I. Our father Yeo Renliu, moved from Quanzhou to the city of Zhangzhou to run the sauce business when he was a teenager. It was at Zhangzhou that he converted to Christianity, established a sauce workshop and established a family. As the business of the workshop continued to prosper day after day, Thian In and Thian Soo were asked to quit school to help out in the business. Sadly our beloved father died after suffering from a disease, so Thian In and Thian Soo inherited the business. It was under the guidance and support of Thian In and Thian Soo that the younger brothers and sisters could continue with their college education.

II. Our mother decided to hand the control of YHS sauce workshop in Zhangzhou to Thian Soo and Thian Hwa, and urged Thian In to seek business opportunities abroad. Unfortunately, our mother died before the plans materialized and Thian In returned to Zhangzhou to host the funeral. In February 1937, Thian In, accompanied by his wife and children, arrived in Singapore to scale up the business. In autumn of the same year, Thian Kiew went over to help. Under the well-established brand of Yeo Hiap Seng, the brothers tirelessly

ran the business and gradually the products became widely recognized by the Chinese immigrants. Thian Seng quit his job in 1940 and Thian Hwa emigrated from China in 1950 to help run the growing business. It was with hard work and cooperation among the brothers and sisters that the business could prosper.

III. In order to improve the organization, we made plans to restructure YHS sauce workshop into YHS Canned Sauce Factory Co Ltd. It was also an appropriate time to divide all the family assets, including houses, plots, buildings, funds and goods, into seven portions to be shared among the five brothers, the first grandson Chee Ming, and Chee Kiat. Chee Ming received a share because he was the eldest grandson of the family. Chee Kiat received a share because he made the remarkable contribution to the development of the factory. The shares are not to be transferred to people other than the families and never to be divided. The brothers shall support and cooperate with each other to maintain the everlasting cause established by our father.

IV. To honor the contributions of the elder brothers, we hereby recommend Thian In to be permanent chairman and concurrently general manager; Thian Soo to be vice chairman, and Chee Kiat to be permanent finance director. The number of directors shall temporarily be five, and may add two in the future. In addition, three of Thian In's children and one of Thian Soo, Thian Kiew and Thian Hwa's offspring shall be successor director. The offspring of Thian In and Thian Soo, if interested in the work of the factory, shall be given priority in management positions.

V. Offsprings of the Yeo's with different interest may find other jobs but they should never borrow the name or the company or do anything to the detriment of the company's interest. The brand of YHS may be used in establishing a branch company.

VI. In order to groom the Yeo offspring for succession planning, the board of directors shall contribute a certain portion from the bonus towards setting up a scholarship fund with the

aim to provide the children with a college education. If needed, the younger members funded by the company shall be encouraged to work in the company after their graduation. If they choose not to work in the company, they would be obliged to contribute 20% of their income to the company during the first four years of their outside employment.

VII. Each family member, of the same flesh and blood, shall work in unity and cooperation with each other and adhere to the Christian faith. All members should carry on the family business with hard work and thrift. Those who may fall into poverty should be assisted and supported by the rest of the family members. The board of directors shall review the outflow of funds in the finances of the company.

VIII. All the facts mentioned above and the division of the shares are made with the consent of Thian In, Thian Kiew, Thian Seng, Thian Hwa and Chee Kiat. Chee Hong represented Thian Soo, who was still a minor then. Thian Kiew should keep the share for Chee Hong and return to him when he grows up. Chee Ming is represented by Chee Heng, who is pursuing his studies. Thian In should temporarily keep his share and return to Chee Heng when he is back.

The contract is hereby executed in seven copies with each member having one copy.

Witness: Fang Han Jing, Gao Jing Ting

Contractors: Yeo Thian In
Yeo Thian Kiew
Yeo Thian Seng
Yeo Thian Hwa
Yeo Chee Kiat

August 1, 1956

Alan Yeo, who was pursuing his education in Britain, returned to Singapore and joined his father and uncles in growing and expanding the company business.

The 1960s marked the golden period for the development of YHS. Being the pioneer in venturing internationally, YHS established a network with western Malaysia, eastern Malaysia, Hong Kong, America and European countries.

YHS planned to be listed in 1968. In order to prevent the company from falling into the hands of others, the family members, after some negotiations, decided to establish a holding company jointly controlled by the family members. In 1969, YHS was listed and YHS Holdings owned 49% of share rights of the listed company.

In July 1975, YHS was granted exclusive dealership by Pepsi for the region. YHS was authorized to be Pepsi's bottling manufacturer in Singapore, with the exclusive right to bottle, sell and distribute all beverages under the Pepsi brand.

In 1971, YHS invested in Malaysia to build a factory. Three years later, YHS (Malaysia) Public Company was established and was listed in the Malaysia Stock Exchange in 1975.

Development of the Family Cause

The 1980s was a peak period for the cause of the family, when the company implemented a series of reform and innovations in strategies, product innovation, operation management and organizational structure. By doing so, the listed company performed well and took a leading role in the beverage market.

Products: YHS invested on a lot of scientific research to promote the variety and packaging of beverages. The company developed many popular Asian style products such as iced tea, sugarcane juice and mixed juice. Its profit from beverage production and sale accounted for 70% of the total profit of the company.

In addition to its agreement on bottling and distribution with Pepsi, YHS also reached an agreement with Beecham (Production) Singapore Co Ltd to package and distribute Ribena to retail stores through the direct sales network of YHS.

In 1985, YHS got in touch with Gatorade, a famous American brand, and was licensed the right to produce and distribute of 7-Up, its beverage product.

The right to be the general agent of Evian mineral water in Singapore and Malaysia was also granted to YHS in February 1990, and so was the right of Moo milk a year later.

YHS was also granted the distribution right of two kinds of French wines and Budweiser beer. Significant progress was made in food production. Chili sauce and ketchup made by YHS became daily food for almost every household; canned beef, chicken and curry mutton also found their way into the market.

Focusing on the food and beverage market, YHS became a leader in the market of non-carbonated soft drinks in Singapore. It was also one of the leaders in the condiments and canned food market.

Operational management: To enhance the growth of products and market, the company signed a software contract for S\$1.6 million, aimed to foster a computer-assisted management environment for manufacturing.

In addition, the company introduced a bottling production line with a production capability of 1,000 bottles per minute, making it the fastest production speed in Southeast Asia.

The company never stopped in the research and innovation of beverage packaging technology. As early as the 1970s, YHS introduced packaging technology with plastic bottles for Pepsi and Minolta products, becoming the first in Asia to bottle soft drinks with pull-tab cans. The innovations in its product packaging technology had remarkably expanded its beverage and food market.

Strategic planning: The enterprise began to diversify its industry as a growth strategy. In 1987, YHS tried to diversity its business into the prawn-breeding industry, by joining forces with

Flowell in high-tech prawn ponds. However, the pond was forced to shut down in 1992 due to the significant losses it suffered, which culminated to US\$10 million.

In 1988, YHS purchased 25.5% of the total shares of Zeng Yu Wang Securities Company, marking its entry into the industry of securities.

YHS began its campaign of exploring overseas markets in the same year. It set up a subsidiary company in Canada and invested \$15 million to expand its storage and factory in North America, hoping to increase its production of beverages.

In 1989, the company, in association with Temasek Holdings, purchased the Chun King Group at US\$52 million, each owning half of the shares of the affiliated company. YHS suffered investment losses in the Group for successive years. For the first time, a financial deficit of \$1.4 million was incurred in 1991.

Organizational structure: As the company business increased and the size expanded, it became an urgent task to adjust the organizational structure. At the beginning of 1994, YHS underwent a major reorganization. The core business was allocated to four exclusive investment subsidiary companies, with YHS still retaining its functions in finance, promotion, technical service, strategic planning and HR, playing a role of an investment holding company.

The four newly established subsidiary companies had their own independent business focus. YHS Manufacturing Pte Ltd focused on food and sauce; YHS Canning Pte Ltd on beverage business; YHS Sales Pte Ltd on sales and distribution; and YHS Exports Pte Ltd on exports.

After the company's reorganization, the main assets of YHS Ltd included the brand and its investment in each subsidiary company.

As Alan Yeo, chairman of YHS Ltd, put it, the internal reorganization and restructuring would surely improve the company in its

surveillance and management of the business, affording each subsidiary company its independent finance and operation. In addition, the plan would also consolidate the focus of different business entities, expand import and export trade and intensify its operation and distribution capability.

Internal Family Conflicts

By the 1990s, the Yeo family members were divided in their opinions regarding investment decisions and management. After 1993, although decisions were still made by the majority, it became increasingly difficult to reach a consensus, as the relationship among family members grew increasingly complicated. YHS had an abysmal performance in 1993.

On April 22, 1994, Wing Tai Holding Ltd, a company in real estate and garment manufacturing, proposed to purchase a huge number of ordinary shares of YHS through Citicorp Investment Bank (Singapore). The sum of the shares accounted for 25.5% to 40% of the total issued shares of YHS. Analysts estimated that if Citicorp were to develop the plot of land owned by YHS at Bukit Timah Road, which was worth \$100 million, into a commercial or housing project, it could reap \$25 million in net profit. Alan Yeo, one of the controlling shareholders of YHS, delivered an announcement in his personal capacity through Citicorp to support the purchase of YHS by Wing Tai Holdings. However, other members of the family, jointly holding 53% of the total shares, did not agree with the purchase. Instead, they demanded a buy-back of the 47% of YHS shares owned by the three family members, including Yeo's. In addition, they asked Alan Yeo, chairman of the company, to resign. The opposing side held the opinion that the listed YHS Ltd should be run by professional managers instead of YHS Holdings. Alan Yeo, in his personal capacity, announced that the three families in support of the purchase would not sell their shares to other shareholders.

It was the right of shareholders, not others, who should decide he stays or resigns. In his opinion, the other six families did not share a common understanding and point of view. Under such condition, the holding company should be dissolved instead of being retained. Only by so doing could each family hold direct shares of YHS and avoid unnecessary dispute in the future. A shareholders' meeting was held the following day and a decision was made to deny the purchase option as proposed by Wing Tai. On May 16, Alan Yeo explained his original intention and position with regard to the Wing Tai's intended purchase of the company to YHS employees the pointed out that he was in support of selling part of the shares to settle the disputes within the family.

On May 17, 1994, Alan Yeo made an application to the court to dissolve YHS Holdings. Once dissolved, all shareholders of the Yeo family will directly hold shares of the listed YHS Company. At the same time, Alan Yeo sought the court's order to prevent YHS Holding Pte Ltd from raising any demand to change the structure of the Board of Directors in the YHS listed company.

YHS Holdings comprised six Yeo families which were then divided into two factions: Alan Yeo, Yeo Chee Heng and Yeo Thian Hwa were in one faction, and Yeo Wei Li, Yeo Chee Wei and another uncle Yeo Thian Seng were in another.

The court hearing started on May 23. Two days later, it ordered YHS Ltd to convene a special shareholders' meeting and put forward the proposal to recall Alan Yeo from the office of chairman and director in the listed company. The high court also pronounced that before the official hearing on the the case concerning Alan Yeo's application for the dissolution of YHS Holding Pte Ltd could begin, YHS Holdings could not employ any action to recall Alan Yeo from his office of chairman and director of the listed YHS Ltd. On June 3, Alan Yeo once again made an application to the high court to dissolve

YHS Holding Pte Ltd. On June 20, the high court began legal proceedings of the case. As Alan Yeo disclosed, at the special shareholders' meeting held in February 1992, Yeo Chee Wei, the ex-director of the company, raised a suggestion to divide the Holding company into six private companies. The suggestion, however, was not accepted as it was prescribed in the agreement made by the brothers that any withdrawal of the shares of the holding company by any family members must first obtain the consent of other shareholders. Alan Yeo also said that YHS Hong Kong had been suffering losses since 1992, and the licensed company with Pepsi suffered deficit at the end of 1991. However, Yeo Wei Yi, manager and concurrently director of the company, left the company which was based in Hong Kong. Family member Yeo Wei Li had always been responsible for two projects of investment and operation in North America, including Chun King Company and a soymilk factory in Canada. In the next few days, Alan Yeo confessed in the high court that the families once discussed how to settle disputes among family members before Wing Tai Holdings raised its proposal for purchase.

In 1992, when the family of Yeo Thian Seng and the family of Yeo Chee Wei decided to sell their parts of shares and right issue of YHS Holdings, Alan Yeo had a word with Keppel Group, urging it to buy the shares held by the two families. After the talks with Keppel, he did not inform the two families of the price, but informed the other families. YHS Holdings decided to sell to Keppel at a high price, making Keppel a shareholder of YHS Holdings after the purchase. The share price paid by the Keppel Group would be used in four areas: YHS Holdings would pay the two families for the shares they sold; repay part of \$12 million of bank loan; pay other shareholders as compensation; and the remnant would be kept in YHS Holdings. Although in possession of 46.5 million shares of YHS Ltd, the Holding Company could never make an agreement with the two

families in terms of price. Later, Yeo Wei Li expressed his desire to sell his part of shares and right issue. In June of the same year, when the two families got to know that Keppel, the purchaser, was a third party, they gave up their plan to sell both the shares and the right issue. Instead, they decided to sell only the shares in the hope of upholding the position of the whole family in the Holding Company. With the adherence to the decision of the two families and the unacceptable price of \$27.2 per share, the plan of selling shares to Keppel fell through. When the plan failed, Alan Yeo lost support from another family member, Yeo Wei Heng.

Yeo Chee Heng's son, Yeo Wei Yi, one of the four family members in support of Alan Yeo, said that business decisions were made in YHS with consensus of shareholders in the years before 1991. Since then, decisions were made by the majorities. The joint testimony of the family members opposing Alan Yeo declared that Timothy Yeo, son of Alan Yeo, was once denied of his proposal to purchase the 140 thousand shares (4.32%) owned by Yeo Wei Heng at \$6 million at the end of January 1994. If the purchase had succeeded, Alan Yeo would have increased his share from 47% to 51.5%. His intended move completely disappointed other family members who felt that Alan Yeo had betrayed them. Yeo Chee Chao claimed that Alan Yeo ran the company in an arbitrary way, making a lot of decisions all by himself without asking for opinions of the other directors.

When Yeo Thian Hwa, one of the directors of YHS, was required to testify in court, he confessed that the dissolution of the Holding Company might be the only choice left for the family members since they could not get along well with each other. The 82-year-old Yeo Thian Hwa admitted that the family members of the third generation had grown up and needed their own space for development. He recalled that the shareholders were always in unity while making business decisions during the years

from 1969 to 1985 when the deceased Yeo Thian In was the chairman of YHS. In his memory, the directors would get together to discuss business at 5 p.m. every Monday and were free to put forward their own opinion on major issues. Sometimes they might chat with each other in a relaxed atmosphere. To Thian Hwa, that was the appropriate approach to run YHS. As he disclosed, he was once asked to take the office of chairman after Thian In died in 1985, but he declined because of his poor English. Alan Yeo then was appointed chairman of the company.

On the sixth day of hearing, Yeo Chee Feng, daughter of Thian Seng and accounting manager of YHS Holding Company, confessed that her family decided to sell their part of shares of YHS Holdings together with the family of Yeo Chee Wei mainly because her father was asked to resign from director of YHS. What's more, Alan Yeo, the man in real power, was then dissatisfied with her family members, most of whom had quit their jobs in YHS Holdings. She also pointed out that the business of YHS became worse and suffered losses in 1991. Suggestions put forward by her family members were generally not accepted by Alan Yeo. For example, her family, in association with the family of Yeo Chee Wei, once raised a motion for the establishment of an executive committee, but was denied by Alan Yeo. In Chee Feng's understanding, the denial of the suggestion constituted one of the reasons for the family of Yeo Chee Wei to sell their shares. Although Alan Yeo finally compromised and promised to establish the executive committee, the plan was not implemented until February 1992. She was totally disappointed with the delay.

The case of YHS Holding Company entered the stage of court debate on June 29, 1994. The defense lawyer argued that Alan Yeo had discussed with the Keppel Group and Wing Tai Holdings on the purchase of YHS shares, which could jeopardize the control right of the Yeo's family in YHS. Alan Yeo

betrayed his family members by trying to sell the shares on two attempts. In addition, the company had been performing poorly. For this reason, family members who opposed him were entitled to dismiss him from his position. Representatives of Alan Yeo argued that when they demanded to dismiss Alan Yeo, the family members of the opposition had interest other than that of the company's. The family of Yeo Wei Li, was asked to quit from the Holding Company because he knew that he would not be able to become a director once Keppel became a major shareholder. The reason for the family of Yeo Thian Seng to quit did not lie in the poor performance of YHS. As Yeo Chee Feng confessed, her family decided to sell the shares because her father and the other three members were asked to leave their positions. As for the family of Yeo Chee Wei, he made the decision to sell his part of the shares because he was dismissed from the position of Executive Director in 1992. It was the break-up of family relations that resulted in the application to dissolve the YHS Holding Company.

Lim Teong Qwee, the judiciary commissioner of the high court hearing the case of YHS, declared on July 1, 1994 that the collective management approach of YHS had no longer adapt to the structure of the listed company. In accordance with the provisions of Justice and Fairness, Article 254 in the Company Ordinance, he adjudicated YHS Holding Pte Ltd to be dissolved. The high court also announced to authorize three accountants from KPMG as liquidators for the Holding Company.

The high court judge, Lim Teong Qwee, agreed with the statements by Alan Yeo's lawyer that the Holding Company was actually run in a manner similar to a partnership. He pointed out that the problem originated from the demand of Yeo Chee Wei to liquidate the Holding Company in February 1992, showing that a new arrangement must be adopted. Decisions of the Holding Company were made with the consensus of shareholders in the years before 1991, which was a unique arrangement;

but since then, the company began to make its decisions by vote, for the shareholders differed in their opinions, which meant the emergence of a new structure.

At the same time, he figured that the break-up of the partnership stemmed from the demands of family members such as Yeo Wei Li to dismiss Alan Yeo from his position in YHS. If the other side of the family members were not satisfied with the performance of Alan Yeo, they could settle the problem by other means. However, the family members of the opposition chose to decide the fate of Alan Yeo by a cast of vote, showing proof that the arrangement in the past had been abandoned. The judge did not believe that the only reason for the opposing family members to dismiss Alan Yeo was because of the poor performance of YHS. He was quoted as saying that family members of the other side should have been fairer in the case. Based on the abovementioned reasons, he agreed that the relationship of trust and dependence among family members was already damaged.

The applicant Alan Yeo, however, was not pleased with the dissolution of YHS Private Holding Limited. It was a sad day. The Yeo family was broken up and 39% of the share control right had to be surrendered. Alan Yeo told his family members that “we won, but all of us should feel sorry about it”. Calmly, he told the journalists: anyway this was a good decision. No more family disputes, no more quarrels in the future.

The other side in opposition to the dissolution of YHS Holdings felt equally sorry and disappointed. Yeo Chee Xiang believed that it was a humiliation for YHS, for the property inherited from ancestors would soon fall into the hands of others people. Since the share rights would be divided after the dissolution of YHS Holdings, it would no longer be possible for any individual family to control YHS. Yeo Wei Li said that he would never sell his part of YHS shares even if the Holding Company is dissolved, for that was what he inherited from his father, and he would save it for his son. Mr Ng Lay Hua, mother of Yeo Wei Li,

was very sorry and disappointed for not being able to maintain the cause that was painstakingly established by her deceased husband and the several uncles. Yeo Wei Li, having worked in YHS for 22 years, was the general manager from 1998 to 1992 and the senior vice president since 1994. Yeo Wei Heng, who served YHS for 15 years, even shed tears at the judgment. He lived in the US for three years and was the vice president responsible for YHS's business in America.

Epilogue

When members of the Yeo family were engaged in heated disputes, Ng Teng Fong became a major shareholder of YHS and began to play a significant role in the company by purchasing shares of YHS through Orchard Parade, Far East Organization and Sino Land Co Ltd, Hong Kong.

After the dissolution of YHS Holdings, the shares of YHS Ltd owned by members of the Yeo family gradually dispersed. Major changes also took place at the management level of YHS Ltd. Among the many family members who left YHS, Alan Yeo, on February 6, 1995, resigned from the board and from all the positions in the subsidiary companies and allied companies.

On February 8, 1995, First Capital under Quek Leng Chan in association with Sembawang Industry Pte Ltd (affiliated to Sembawang Corporation Ltd), Straits Marine Leasing Pte Ltd (affiliated to Haw Par Brothers International Ltd) and KMP Pte Ltd (under Lim Sioe Liong, a wealthy Indonesian businessman) began to participate in the campaign to buy over YHS. When the shares held by both sides increased, the competition was growing white-hot. On June 26, an extraordinary war for the dominance of share control escalated as First Capital proposed to purchase at \$4.70 per share and Ng Teng Fong delivered his plan to purchase at \$5 per share. In order to win the share control right, Ng Teng Fong increased his offer to \$5.25 and then

\$5.35 per share. By September 11, 1995, Ng Teng Fong held 45.62% of the shares of YHS. The following day, the group headed by Quek Leng Chan announced to give up the purchase of YHS and sold its shares to Ng Teng Fong, a deal which rewarded Quek with a profit of \$50 million. On September 18, some members of the Yeo family sold their shares to Ng's company.

On the first two days of October, Yeo Wei Li and Yeo Chee Xiang, the last two directors of YHS from the family, resigned from their positions in YHS in succession.

Table 1.1: The Change of Share Right of YHS

Date	Share Ratio of YHSH (%)	Ng Teng Fong's Share Ratio (%)	Quek Leng Chan's Share Ratio (%)	Closing Price of the Day (dollars)	Price of Warrant of the Day (dollars)
1994.05.13	38.90	6.56		3.68	
1994.05.18		7.85		3.90	
1994.05.19		10.48		3.90	1.41
1994.05.20		14.48		3.92	1.44
1994.05.24		15.78		4.08	1.72
1994.05.27		16.75		4.20	2.02
1994.06.03		17.08		3.85	
1994.06.14		18.08		3.94	
1994.06.20		19.00			
1994.06.28		19.81		3.94	
1994.06.30		20.00			
1994.07.04		20.73		3.88	1.33
1994.07.05		20.82		3.64	
1994.12.09	14.32				
1995.03.08			6.70	4.08	
1995.03.15			9.10	4.10	
1995.03.24			17.03	4.10	
1995.03.27		24.77		4.20	
1995.03.31			19.35	4.20	
1995.04.06	9.76				
1995.04.13			22.86		
1995.06.05	0.07				
1995.06.26			26.27	4.70	
1995.06.27		24.83		4.90	
1995.07.07		24.90			
1995.07.31		27.12	30.37	5.15	
1995.08.11		30.37		5.25	
1995.08.30		42.89		5.35	
1995.09.01		42.93		5.35	
1995.09.04		43.43		5.35	
1995.09.05		43.55		5.35	
1995.09.07		44.50		5.35	
1995.09.08		44.88		5.35	
1995.09.11		45.62		5.35	
1995.09.15		86.89		5.35	
1995.09.28		88.80		5.35	

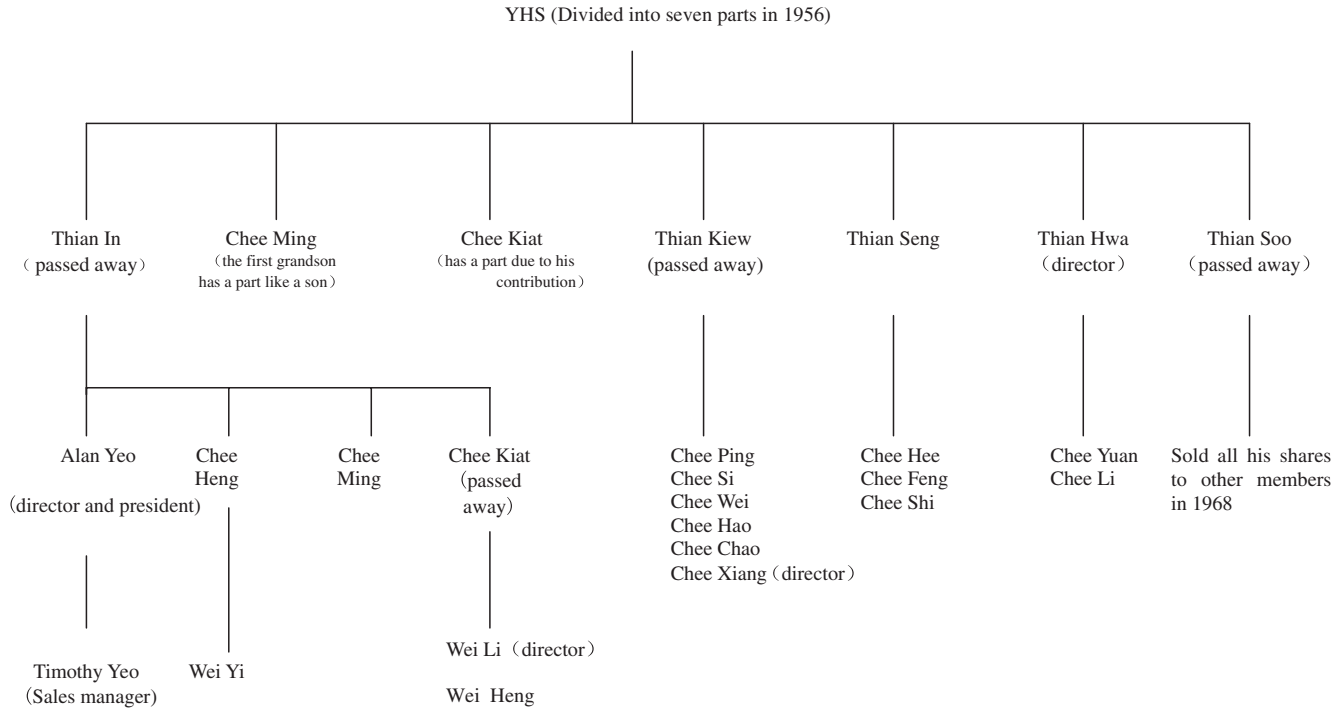


Figure 1.1: The Earliest Seven Shareholders of YHS and Their Sons and Nephews