YEO HIAP SENG LIMITED

(Incorporated in Singapore)
(Company Registration No.: 195500138Z)

RESPONSES TO QUESTIONS RECEIVED FROM A SHAREHOLDER AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING

The Board of Directors (the "**Board**") of Yeo Hiap Seng Limited ("**YHS**" or the "Company" and together with its subsidiaries, the "Group") refers to the questions received from a shareholder and Securities Investors Association (Singapore) ("**SIAS**") ahead of the Company's Annual General Meeting to be held, in a wholly physical format, at Antica I & II (Level 2), Orchard Rendezvous Hotel, 1 Tanglin Road, Singapore 247905 on 23 April 2025 at 2.00 p.m. and provides the responses below.

The Company's responses to Shareholder's questions are set out below:

1. **The Nutri Grade system was launched in December 2022 and later expanded in December 2023. This system has been in place for 1 - 2 years now. What is the impact of the Nutri Grade system to the company? Did the company see any changes in consumer preference? Did the company see a rise in sales of its drinks with Grade A and B and decrease in sales of its drinks with Grade C and D? Did the company phase out drinks that are Grade C and D and only produce drinks with Grade A and B? What is the impact of the implementation of the Nutri Grade system to the company for the past one or two years?**

   <u>Company's Response:</u>

   Since the introduction of the Nutri-Grade system, we have noticed that consumers are paying more attention to nutrition labelling.

   At Yeo's, we anticipated this early, we proactively reformulated our portfolio and phased out all Nutri-Grade C and D beverages by the end of 2022. From 2023 onwards, all Yeo's beverages in Singapore are Nutri-Grade A or B.

   The impact has been positive:

   Sales Impact: We saw stable to growing sales across our core beverages. In fact, certain products like Chrysanthemum Tea are available in both Grade B Less Sugar and Grade A No Sugar versions. Overall, we have gained more traction as health-conscious consumers seek healthier options.

   Brand Perception: The move to an all A and B beverage lineup has enhanced Yeo's brand image as a responsible and forward-thinking company, reinforcing our commitment to nourishing every home with Asian goodness.

   Overall, the implementation of the Nutri-Grade system has not only aligned us with regulatory expectations but has also strengthened our relevance with today's more mindful consumers.

2. **The government is launching the beverage container return scheme. It was supposed to be launched in April 2025 and has been postponed to April 2026. What does the company envisage the impact of this beverage container return scheme? Does the company envisage a decrease in demand for its canned drinks? What will be the implementation cost to transition its canned and bottled drinks to the new scheme? Will the company be producing less canned drinks and producing more packet drinks, i.e. change in package form of its drinks?**

   <u>Company's Response:</u>

   The Beverage Container Return Scheme (BCRS) supports Singapore's goal of increasing recycling of plastic and metal beverage containers from 150ml to 3 liters. Yeo's fully supports this NEA initiative. The impact on our business is expected to be minimal, as our beverages are significantly in paper-based cartons. Our canned and PET products are on track to comply with BCRS requirements by April 2026. As some imported brands may face challenges meeting these standards, compliant local manufacturers like Yeo's may benefit from increased shelf presence and sales opportunities.

The Company's responses to SIAS's questions are set out below:

Q1. *For the financial year ended 31 December 2024, the group reported a gross profit of $109.0 million, reflecting a gross profit margin of 33.2%. However, net profit was just $6.9 million with net profit margin at just 2.1%, based on total revenue of $328.6 million.*

	Food and beverage products $'000	Others $'000	Elimination $'000	The Group $'000
Year ended 31 December 2024				
Revenue				
– External sales	328,541	29	–	328,570
– Inter-segment sales	–	5,490	(5,490)	–
	328,541	5,519	(5,490)	328,570
Profit from operation	1,812	13,168	–	14,980
Share of profit of associated companies and a joint venture	(692)	–	–	(692)
Segment profit	1,120	13,168	–	14,288
Finance expense				(761)
Profit before income tax				13,527
Income tax expense				(6,647)
Net profit				6,880

(Source: company annual report)

Based on Note 37 Segment information, the segment profit from food and beverage products was $1.12 million out of $328.5 million, a profit margin of 0.3%. Due to the high level of cash, the group had in fact generated $10 million in interest income, exceeding the entire net profit of $6.88 million.

(i) Can management provide a clear breakdown—ideally through a waterfall chart—illustrating how the gross profit margin of 33.2% turned into a net profit margin of 2.1%? What are the primary cost drivers responsible for the low profitability?

Company's Response:

As disclosed on page 101 of the Annual Report 2024, the primary cost drivers were:

Marketing and Distribution expenses	$82.3 million
Administrative Expenses	$36.7 million
Other Losses:	$9.2 million

Details on Other Losses are in Note 6 on page 128 of the Annual Report 2024.

(ii) What guidance has the board provided to management regarding profitability? Is the group's core business fundamentally profitable? Has the group been consistently generating a return on capital that exceeds its cost of capital?

Company's Response:

The Board places strong emphasis on long-term business profitability and sustainability. For 2024, the Group's F&B business was profitable after including compensation from the Oatly exit. This was despite the F&B business being under pressure from weak consumer sentiment and intense competition.

Based on the company's announcement on SGXNet[1], there is relatively high turnover in senior leadership, with the following cessations in the key appointments during year, such as:

- *Managing director, Emerging markets (Feb 2024)*
- *Chief financial officer (Mar 2024)*
- *Managing director, China (Mar 2024)*
- *Chief research & development officer (Oct 2024)*

Some key executives served for as little as 16 months.

(iii) Has the board conducted a thorough review of the Group's hiring practices, corporate culture, and executive retention strategy? What steps are being taken to build a high-performing, stable leadership team? Does the group currently have the necessary human capital depth to successfully execute its strategic plans?

Company's Response:

The various key appointments left to pursue other opportunities. Over the course of the year, the Board worked closely with Management to review the reasons and background for each departure, and the Remuneration Committee also helped review the Group's Human Resource policies and processes to ensure we hire professionally, develop our people internally, and remunerate competitively including instituting long-term incentive for key management personnel.

As Yeo's is on the journey of transforming our businesses and upgrading our branding, operations and infrastructure, the Company is hiring those with the necessary capabilities and cultural fit to join the management team and we are also developing the next level of leaders.

Q2. *Based on the company's last announcement dated 17 October 2024, the company acquired 38,698,000 Vitasoy International Holdings Limited ('Vitasoy') shares (or approximately 3.6%) in October 2024, spending:*

- *HKD103.6 million for 17,598,000 shares, and*
- *HKD133.8 million for 21,000,000 shares.*

The company had a pre-existing 0.4% stake, bringing the total holding in Vitasoy to 4.0%. However, in the chairman's message, the group disclosed a 5.3% stake, with a total investment of $57.1 million.

(i) Can management confirm the total number of Vitasoy shares currently held? When was the additional 1.3% acquired, and at what price? Was the company required to announce the purchases under SGX Listing Rules 704(17) and 1010?

Company's Response:

After the announcement on 17 October 2024, the Company acquired an additional 13,950,000 Vitasoy shares. As at 31 December 2024, we hold a total of 56,896,000 Vitasoy shares, which represents a 5.3% stake.

The Company will issue a final announcement on the earlier of:
(i) when the investment mandate approved by the Board has been fully utilised; or
(ii) when the 12-month aggregation period ends in early October 2026.

We have complied with SGX Listing Rules 704(17) and 1010. We will keep our shareholders informed and provide updates as necessary.

[1] https://www.sgx.com/securities/company-announcements?ANNC=ANNC05&value=YEO%20HIAP%20SENG%20LTD&type=company

It was further disclosed that the investment holding company of the company's controlling shareholder, Kuang Ming Investments Pte. Limited, holds an 8.0% stake in Vitasoy. The combined holding now stands at 13.3% as at 5 February 2025.

(ii) Did the board approve this "strategic investment" and how does it fit with the investment mandate? Given that Kuang Ming Investments Pte. Limited already owned 8%, could the Group's acquisition be perceived as using corporate funds to bolster the controlling shareholder's influence over Vitasoy, or to rescue a struggling investment?

(iii) Given the clear conflict of interest, what role did the board—particularly the independent directors—play in approving this investment? What safeguards were in place to ensure it was made in the best interest of all shareholders? Beyond basic compliance, how did the independent directors assess whether this investment aligned with long-term shareholder value?

Company's Response:

In response to Question 2 (ii) and (iii), the investment was assessed by Management and approved by the Board, including all independent Directors, after a thorough review. The Board took in consideration only the objective of the Company, which is to invest in established food and beverage businesses to complement our organic growth. In particular, Vitasoy is engaged in the plant-based beverage industry and has a strong presence in Hong Kong and Southern China. This investment is also in-line with management's earlier proposal (approved by the Board in March 2020) to invest in quality global/regional food and beverage companies listed on the major global exchanges.

As at 31 December 2024, the Company recorded unrealised fair value gains of S$31.1 million in this investment.

(iv) What was the hurdle rate applied in the board's approval process? Was the investment made with clear exit or monetisation strategies in place?

Company's Response:

This is a strategic investment intended to be held for the long term. The Board retains flexibility to consider exit opportunities should they arise.

(v) Given that the company itself trades at a significant discount (price-to-book ratio of 0.6x), did the board consider a share buyback? Would a buyback have been immediately accretive to shareholders, especially when compared to investing in a competitor at a significantly higher valuation (price-to-book ratio of 3.5x)?

Company's Response:

The Board remains committed to optimising shareholder value and will continue to assess share buybacks alongside other capital management strategies to enhance the Company's valuation and liquidity. The Company has an existing Share Purchase Mandate, which is up for renewal at the coming AGM. The Company will consider buying back shares if and when we believe it will benefit shareholders. However, we are mindful that the daily trading volume of the Company's shares has been low and any share buybacks would reduce the public float, which could potentially further reduce the trading liquidity of the shares.

The decision to invest in Vitasoy took into account Vitasoy's potential to generate sustainable long-term returns. Vitasoy's price-to-book ratio and share price were among the lowest in the past five years. Given the recent stimulus package announced by the Chinese government, Vitasoy's performance has improved, and the Board believes this investment presents an opportunity to benefit from an eventual market recovery and sector growth.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2024

14. OTHER FINANCIAL ASSETS (CONTINUED)

	The Group	
	2024	**2023**
	$'000	**$'000**
Other financial assets are analysed as follows:		
Financial assets designated at FVOCI		
Listed equity securities – Hong Kong	**101,360**	5,591
Listed equity securities – USA	–	1,794
Listed equity securities – Japan	–	26
Listed equity securities – Europe	–	216
Listed real estate investment trusts and business trusts – Singapore	**6,385**	7,254
	107,745	14,881

(Source: company annual report; emphasis added)

As at 31 December 2024, the Vitasoy stake accounted for $57.1 million out of a total $101.4 million invested in Hong Kong-listed equities.

(vi) Can management disclose the other investments that make up the remaining $44.3 million? Were there any additional disclosure obligations under SGX Listing Rules 704(17) and 1010?

Company's Response:

The $101.4 million invested in Hong Kong-listed equity securities represents the fair value of the Group's investment in Vitasoy shares as at 31 December 2024. $57.1 million was the additional cost of investment in Vitasoy shares during FY2024.

(vii) Has the group's risk profile changed as a result of its substantial (but passive) investments in Hong Kong equities?

Company's Response:

The Group's risk profile has evolved with exposure to Hong Kong equities. While this introduces specific risks, including geopolitical factors and market concentration, these investments are strategically positioned to complement our organic growth as we progress through the transformation of our core business.

Q3. *According to the SGX Stock Screener, the company trades at a price-to-book ratio of 0.6x, with an enterprise value of $175 million and a market capitalisation of $359 million. This reflects company's significant excess cash holdings.*

The company's stock price is at multi-year lows, and when viewed from a historical perspective, it is still trading at its lowest levels since 1996[2].

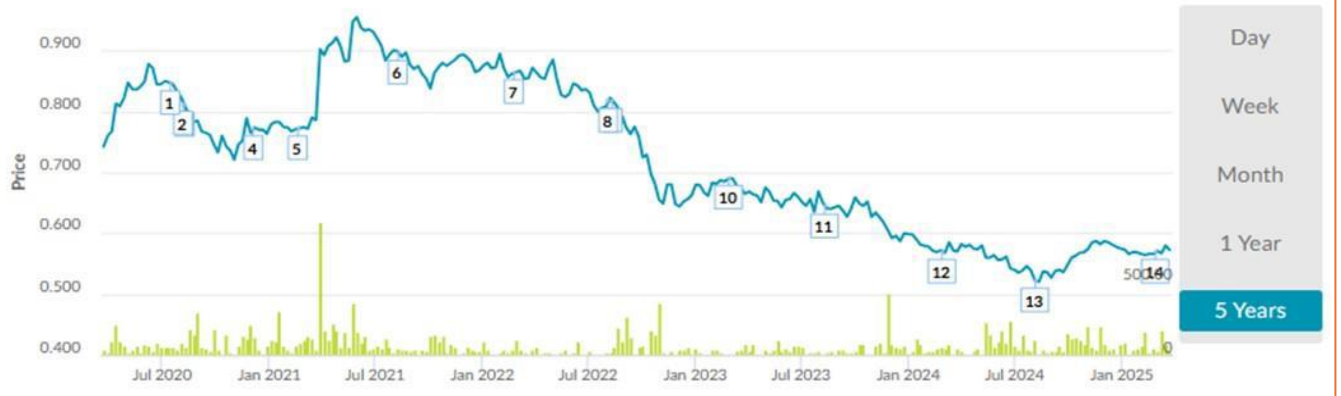
Yeo Hiap Seng (Y03) ▲ 0.575 +0.005 (0.877%)

Industry: Consumer Defensive, Packaged Foods

This company reports in this currency: SGD

For latest update, please refer to Company Announcements.

Prices & Chart | Company Information | Financial Statements | Company Announcements | GTI



Overview | Valuation | Financials | Dividends | Ownership

Price/Book Value	0.596	Enterprise Value	175.13M
Price/Sales	1.088	Price/CF	16.103
Dividend Yield	3.48	P/E Ratio	51.80
Dividend Yield 5-yr avg	2.840	Net Debt	-
5 Years PE Ratio	-		

(Source: https://investors.sgx.com/securities/stocks?security=Y03)

Stock exchanges and regulators worldwide, including Tokyo Stock Exchange (TSE) and Korea's Financial Services Commission (FSC), have been pushing for improved corporate valuations.

- *TSE now requires companies trading consistently below book value (P/B < 1x) to disclose policies and initiatives aimed at enhancing valuation.*
- *The Monetary Authority of Singapore (MAS) has formed a review group to strengthen the equity market, focusing on improving liquidity and fair valuation for listed companies.*

(i) What has been the company's total shareholder return (TSR) over the past 5, 10, 20, and 25 years?

Company's Response:

Share price movements and trading liquidity are influenced by market dynamics that are beyond our control. Our primary focus is on strengthening the Group's business foundations and growing our business to deliver long term TSR to our shareholders.

[2] https://bigcharts.marketwatch.com/advchart/frames/frames.asp?symb=SG%3AY03&insttype=Stock&time=20&freq=2

(ii) Could the board, particularly the independent directors, explain the company's efforts to increase corporate value and improve capital efficiency?

The incoming chairman, Mr Na Wu Beng, has been described by the current chairman as a "seasoned senior banker".

(iii) Would the director share his insights on how, as the new chairman, he intends to lead the board in overseeing the group which is primarily engaged in the manufacturing and sale of beverages, food and other products? What are his priorities, and how does he intend to address the issues of underperformance, and low or negative shareholder returns?

As at 31 December 2023, the group held $240.1 million in cash and other liquid financial assets, consisting of:

- *$176 million in fixed deposits (maturity >3 months)*
- *$64.1 million in cash and cash equivalents*

By 31 December 2024, cash and liquid financial assets had decreased by $39 million to $201 million, partly due to investments in Hong Kong-listed equities. Specifically:

- *fixed deposits declined by $97 million to $79 million*
- *cash & equivalents increased by $58 million to $122 million*

(iv) Would the new chairman commit to reviewing capital allocation policies, including potential capital returns (special dividends, buybacks) rather than further passive/minority investments in equities?

(v) Would the board also consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?

Company's Response:

In response to Question 3 (ii), (iii), (iv) and (v):

The Board is fully committed to driving long-term value creation and enhancing business profitability. This commitment is reflected in several key initiatives, including undertaking strategic investments such as the acquisition of Vitasoy shares, cost optimisation efforts to improve operational efficiency, and a strong focus on performance measurement and tracking. In addition, the Board has been strengthened with directors possessing diverse skill sets and expertise. There is also a continued emphasis on corporate governance, which we believe will serve as a solid foundation for sustainable long-term value creation.

The focus going forward is to build on the current foundation and drive performance. This involves a journey of transformation, from product strategy to top line growth, operational efficiency to structural cost management and people resources to make all these happen. In the short-term, the Company would need to invest in people, systems, production facilities and business promotion in order to achieve the above stated objectives. Trade-offs between long-term and short-term profitability will always be a balance we need to manage. Capital allocation will therefore be guided by the principle of maximising long-term shareholder value.

By Order of the Board
Yeo Hiap Seng Limited

Lai Kah Shen
Chief Financial Officer
17 April 2025