



RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE COMPANY'S ADJOURNED ANNUAL GENERAL MEETING

Yeo Hiap Seng Limited (the “**Company**”) refers to the questions received from shareholders ahead of the Company’s adjourned Annual General Meeting to be held on 11 May 2020 at 10.00 a.m. by way of electronic means. The Company wishes to provide its response below.

	Questions	Responses
1	In the consumer food and beverage products segment, what is the share of sales from food products such as canned food and instant noodles? What other products does the Group sell besides consumer food and beverage products?	<p>Food is a smaller business for us which includes Yeo’s canned food, noodles, sauces and condiments. Our food business is a bright spot for us during the Covid-19 situation and we are proud to be able to contribute to food sustainability during this difficult period. Currently, the food business is less than 20% of our total sales but we expect its contribution to increase in 2020 due to Covid-19.</p> <p>Other products include prepaid phone cards which we carry in our portfolio and sell to the same customers when selling our food and beverage products.</p>
2	Revenue from Malaysia has dropped by \$5.4 million from \$153.0 million in 2018 to S\$147.6 million in 2019. What has happened and what has been done to mitigate the situation?	<p>The decline in sales in 2019 is mainly due to supply chain challenges in Malaysia. In 2019, one of our key production lines broke down for a period of time and this supply disruption occurred at the timing which affected our sales for key Hari Raya period. The management has since reviewed the incident and took actions to prevent recurrence, including upskilling our maintenance teams and enhancing our maintenance schedules. Overall, the Group is improving our supply chain capabilities – in terms of both expertise and systems – to ensure a smooth and efficient supply chain operations moving forward. Besides this, we have also built up our commercial capabilities to strengthen our brand and sales execution. Taken together, this represents our coordinated approach to the Malaysia market to grow our market share.</p>
3	It was noted that there is a new role – Deputy CEO, Hong Kong and China. What is the revenue and profit outlook for Hong Kong and China in 2020?	<p>Despite the Hong Kong unrest which plagued the market for the most part of 2019, total Hong Kong and China business had grown in 2019 with careful sales and operation execution. If not for the Covid-19 situation in 2020, we would have expected Hong Kong and China to continue their growth path. Nonetheless, we have strengthened our commercial capabilities. In 2019, Hong Kong and China grew 6% on the prior year with the healthy growth in China partially offset by weakened Hong Kong results due to local unrest.</p> <p>In 2020, we expect to bring Hong Kong back to its growth path and accelerate our growth in China. China is a significant consumer market which we plan to invest in and have a more significant participation in. We have and will continue to strengthen our commercial and supply chain capabilities to leverage our core Asian Drinks range to grow in China. Overall, we expect revenue in Hong Kong and China to grow in at a faster pace in 2020. As Covid-19 outbreak has impacted efficiencies and increased costs of operations in 2020, we will be focused on growing revenue profitably while mitigating the cost pressures.</p> <p>With leadership transition and renewal, the role of Deputy CEO, Hong Kong and China has ceased in early 2020.</p>

	Questions	Responses
4	<p>What are the capex plans of the Group in the next 2 to 3 years? Why are cash outflows in relation to property, plant and equipment in the Consolidated Statement of Cash Flows higher than additions in Property, Plant and Equipment note?</p>	<p>In 2019, the Group had spent \$11.1 million in capital expenditure mainly for facilities and line improvements in our Consumer Food and Beverage (“F&B”) segment. In the next 2 to 3 years, we expect to continue to invest in the F&B segment and to increase our capital expenditure as we upgrade and expand our production lines to support business growth and reorganise our facilities for efficiencies.</p> <p>In both 2019 and 2018, cash outflows in relation to Property, Plant and Equipment (“PPE”) includes payments for purchases as well as payments for deposits for PPE. This is duly described as “Payments for purchases of and deposits for property, plant and equipment” in the Consolidated Statement of Cash Flows. This is higher than “Additions” in PPE note which captured assets which had been received.</p>
5	<p>We noted that the joint venture, Healthy Yum Beverage Sdn Berhad, had been loss-making for the past two years. What are management’s plans for the joint venture?</p>	<p>Healthy Yum Beverage Sdn Berhad is a 50:50 joint venture started with Huiyuan Juice Group Limited in 2018, to develop, manufacture, sell and distribute beverage products consisting predominantly of fruit and vegetable juices. The juice product category is very competitive in terms of offering and pricing. As we are using high quality ingredients and are building up a new brand from scratch, we were in loss positions given the cost structure and low economies of scale. We will be reviewing the future plans with our joint venture partner in due course.</p>
6	<p>I refer to page 168 of the Annual Report about “Listing of Significant Companies in the Group”. Is “Langfang Yili Dairy Products Co., Ltd” related to Inner Mongolia Yili Industrial Group?</p>	<p>Langfang Yili Dairy Products Co., Ltd is an associated company which the Group holds a 25% equity interest in, and Mongolia Yili Industry Development Co., Ltd. is the 75% substantial shareholder. The associated company is in the business of manufacturing and sale of packaged dairy milk and other related products in Inner Mongolia.</p>
7	<p>Please share some information on some near future plans for the land bank under YHS.</p>	<p>The Group has an investment property portfolio of \$52.3 million measured at fair value as at 31 December 2019. Out of this portfolio, \$16.2mil (or 31%) relates to properties located in China; and \$36.1 million (or 69%) relates to properties located in Malaysia. There is no residential land bank within the Group but we have existing properties in Malaysia which may have re-development potential in the future. We will monitor these properties closely and provide updates if there is any near future plan.</p>
8	<p>What is the status of the Group’s investment in Nissin Foods Company Limited?</p>	<p>The Group had invested in Nissin Foods Company Limited during its initial public offering and the investment had been fully divested in 2019. This divestment contributed to a gain on disposal of S\$3.3 million in the financial year 2019.</p>
9	<p>What is the product focus of the Group, time required to launch a new product and approach to non-performing products?</p>	<p>We have a strong focus on our core products, including our Soy and Chrysanthemum Tea ranges. The Group regularly reviews its new product plans with a strong focus on nutrition and taste. Time to launch a new product in the market is around six months and varies by types of products and is dependent on underlying consumer insights and product design. The Group will increase its efforts to optimize its product portfolio and remove non-performing products.</p>

	Questions	Responses
10	<p>What are the plans for substantial cash balances in the Group? How has management considered the trade-offs between holding cash balances and optimising profitability measures such as return on capital? If there is no immediate plan for use, how are these balances invested? Will the Group be considering share buybacks or special dividends?</p>	<p>As at 31 December 2019, the Group has cash and cash equivalents of \$295.8 million. With a healthy cash balance and no borrowings, the Group is able to weather the current downturn, invest in our brands and business infrastructure as well as explore M&A and other investment opportunities to maximise shareholders' return. We noted that from the angle of financial ratios, the cash balances in excess of normal operating needs can be used to improve return on capital via additional dividend distribution or share buybacks. In evaluating alternative uses for the substantial cash balances, management has weighed in the benefits of ensuring business stability with a strong balance sheet during unprecedented times, such as the current pandemic, and providing flexibility to pursue non-organic growth opportunities.</p> <p>The Group has announced that for FY2019, we are paying an additional special dividend of SGD0.01 in addition to an earlier payment on 30 August 2019 of a special dividend of SGD0.01 for FY2019, and currently invests a substantial portion of our cash and cash equivalents in short term fixed deposits to improve yield.</p> <p>We will continue to evaluate our capital structure and options for growth and consider various uses for our cash balances.</p>
11	<p>Cambodia was highlighted as a market for growth in the Chairman's statement. What is the revenue contribution of the market in 2019 and what is the competitive advantage the Group has in Cambodia?</p>	<p>The Group has been in the Cambodia market for more than 20 years. We have a strong consumer following and expect to grow more as we expand distribution beyond Phnom Penh into the provinces. In 2019, the revenue contribution from Cambodia continued to grow on 2018 both in absolute terms and as a percentage of the Group's total revenue. As we have also commenced commercial production in our local factory in 2020, we will be in a position to launch products to cater to the local market preferences swiftly.</p>
12	<p>What is the Group's vision? With the new leadership, how will the Group be fine-tuning its strategic direction to leverage its rich history so as to improve and sustain its profitability in its core F&B business? The Group has also shared about new collaborations with Kickapoo and American brand, Dutch Lady and Oatly. How will these collaborations affect the strategy and business results?</p>	<p>We have smoothly transitioned into the new leadership of Mr. Ng Win Kong Daryl as board chairman and Mr. Samuel Koh Chee Boon as Group CEO.</p> <p>The vision of YHS is to be a leading Asian Food & Beverage company with a portfolio of brands and products loved by our consumers. And our purpose is to bring great tasting and nutritious food and beverage products, through deep Asian insights, to consumers around the world.</p> <p>From a category standpoint, there are tailwinds which the Group should be able to leverage on. 1) Trends towards healthier and more functional beverages. 2) Growth in Tea and Plant Protein segments. 3) Continued growth in economy and household income in Asia. That said, the Group will need to refocus back on growing its core of Soy (Plant Protein) and Chrysanthemum Tea (Asian Drink/ Tea) ranges. Our smaller food business also offers us opportunity to grow through geographical expansion and premiumization. Importantly, we need to drive margin expansion through productivity and relentless optimisation of product and brand portfolio. Collectively, these will bring the Group back to a virtuous growth and margin improvement cycle over time.</p> <p>We will add value to the business through collaborations with Kickapoo and other strategic partners. Importantly, we will focus on and excel in our core products to achieve sustainable and profitable growth for the Group.</p>

	Questions	Responses
13	<p>At the 64th annual general meeting of the company scheduled to be held on 11 May 2020, the company is proposing the payment of \$1,054,692 as directors' fees for the financial year ended 31 December 2019. The fee structure of non-executive directors is shown on page 26 of the annual report while the actual fees paid to each director is shown on page 28. It is noted that Mr. Ng, as the non-executive chairman, has waived his right to receive any Director's fees due to him effective from the date of his appointment and for subsequent financial years while holding office as a Director of the Company. Can the board help shareholders understand the roles and responsibilities of the Deputy Chairman?</p>	<p>The Deputy Chairman supports the Chairman and deputises for him when necessary. A case in point is the AGM where the Deputy Chairman is chairing on behalf of the Chairman who is not able to travel because of the COVID-19 restrictions. The Deputy Chairman also acts as the Chairman of YHS (Singapore) Pte Ltd on behalf of the Chairman to provide independent overview of its operations. Not least, the Deputy Chairman has served with distinction in our Company, in various roles from time to time, such as (Lead) Independent Director, Chairman of Nominating Committee / Remuneration Committee, etc. In addition, the Board and the Group have been able to leverage his extensive experience and commercial insight in key business decisions.</p>