Serving Up Goodness

YEO HIAP SENG LIMITED

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

RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS 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 shareholders and Securities Investors Association (Singapore) ("**SIAS**") ahead of the Company's Annual General Meeting to be held on 29 April 2022 at 3.00 p.m. by way of electronic means and provides the responses below.

<u>Questions from Shareholders</u>

Question 1: Would the Management consider share buybacks given that the share price is below the book value and the Company has cash and cash equivalents of $230 million?

Response to Question 1: Management will consider share buyback if and when it benefits the shareholders to do so.

Currently, the Company has a Share Purchase Mandate, which allows the Company to purchase up to 10% of the issued shares. The Company will balance any share buyback decisions with the following considerations:

(1) 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.

(2) The strong balance sheet will help the business navigate the current uncertain and challenging macroeconomic environment. In addition, as highlighted in the annual report, the strong balance sheet will provide the Group with financial resources to make the necessary investments to fuel Yeo's next stage of growth, as we gradually emerge from the pandemic.

Question 2: Will the Company consider investing more time into new forms of marketing methods (e.g TikTok) to reach out to a younger generation of users?

Response to Question 2: The Group has been investing more to reach out to a younger generation of consumers. We have adopted a digital-first approach to advertising since our target audience, especially the younger Gen Z and Millennials are mobile-first. We invest in "always on" digital advertising weighted towards key selling periods like Chinese New Year. We will continue to explore new forms of marketing tools to reach out to a younger consumer base.

Question 3: Will the Management be able to share some details of the strategic roadmap during the Annual General Meeting or give more details here?

Response to Question 3: Our Group CEO will touch on key aspects of the Strategic Roadmap and the transformation journey during the Annual General Meeting.

Questions from Shareholders

Question 4: In 2021, the Company had increased investment in financial assets ($2 million in 2020 to almost $16 million in 2021), what is the reason behind this? This is a whopping 8 times as compared to 2020. Will the Company seek to increase exposure to financial assets in the future or will the amount remain the same in the foreseeable future?

Response to Question 4: The increase in investment in financial assets that are listed equity securities, REIT and Business Trusts increased from $2.4 million in FY2020 to $16.8 million in FY2021. The increase was mainly attributed to an increase of $6.3 million in Hong Kong listed equity securities in the food and beverage business, and an increase of $7.9 million in REIT and Business Trusts that deliver relatively higher dividend yield, as disclosed in our annual report.

The deployment of some of Group's cash to generate higher returns will assist, to a certain extent, the Group to maintain a strong and liquid balance sheet to fund its growth and achieve its vision. The investment in listed equity securities is ring fenced and limited in nature. The Board and Management has put in place stringent frameworks that limit the Group's exposure and risks to financial assets investments.

Question 5: Chief Growth Officer, Lu Lu left the Company in December 2021. What was the reason behind her departure, considering that she only joined recently, and her role was a senior one? What is the main motivation behind her leaving? Also, who will be appointed to her role of Chief Growth Officer?

Response to Question 5: Lu Lu joined the Group on 1 May 2020 and left on 17 December 2021 to pursue external career opportunity.

Following Ms Lu's departure, the Group took the opportunity to reorganise to provide greater focus on marketing and had appointed a seasoned marketeer Mr Ang Chong Lee as Chief Marketing Officer on 10 January 2022. This reorganisation also enabled the decentralisation of the Group's commercial function from the Group Chief Growth Officer to the markets.

The role of Group Chief Growth Officer will not be replaced.

Questions from SIAS

Question 1 : On 5 April 2022, the Company announced the retrenchment of 32 staff in Singapore as part of the Group's long-term plan to transform its global business. The Company has said that this was due to changing consumer patterns and retail conditions in addition to increasing cost pressures.

(i) Other than providing the affected staff with separation packages, career guidance and placement support, has Management actively carried out reskilling and explored internal opportunities for the affected staff?

(ii) When was the review started and when does the Company expect to finalise the details of the new business model?

(iii) Who is leading the business model review? What is the level of involvement of the Board in the business model review?

(iv) Does the business model change affect the Group's operations in Malaysia, China, Vietnam and Cambodia as well?

(v) What are the strategic goals the Group hopes to achieve with the business model change? Will the Board be reviewing the legacy landbank as well?

(vi) In addition, how much focus will the Group give to sustainability issues in the new business model?

Response to Question 1 :

1(i) Yes. The Group has been actively carrying out skills upgrade through training and development for the Company as a whole. Wherever possible, internal opportunities for the affected staff have been prioritised. The Group is also working closely with the Food, Drinks and Allied Workers Union (FDAWU) and the National Trades Union Congress' (NTUC) Employment and Employability Institute (e2i) to extend training to affected staff.

1(ii) The review of our Singapore business model started in the 2nd half of 2021. Specific to the retrenchment exercise of the 32 staff in Singapore, the decision was made in 2022 after the business model was designed. Given the dynamic nature of the operating environment as well as the Management's commitment to continuously improve our business, Management will continue to review our business service model.

1(iii) The Management team led the review and have conducted external benchmarking. Throughout the process, inputs and guidance from the Board were sought at key milestones.

1(iv) The business model change in Singapore market does not affect the Group's operations in Malaysia, China, Vietnam and Cambodia. The Group continues to review and study opportunities to improve its business performance outside Singapore.

1(v) In the Singapore market business model change, the strategic goal is to create a more efficient business service model to become best in class in the industry. The business model change will also result in reduction in on-going operating costs in Singapore.

The Group's core business remains to be our food and beverage business. The legacy landbank that the Group owns has remained unchanged during 2021. The Board and Management will continue to review the landbank and look out for any potential opportunities to enhance shareholders value.

1(vi) The Group regards sustainability to be a key strategic imperative in the course of carrying out our business.

As disclosed in our FY2021 Annual Report, we have achieved a number of milestones in the sustainability areas including building a wastewater treatment plant in collaboration with Singapore's Public Utilities Board ("PUB") and Nanyang Technological University ("NTU") as a research partner, to recycle wastewater collected from our production processes, which is in turn used for cooling, steam generation, washing and other industrial non-production processes. We completed the optimisation studies and testing on the wastewater treatment plant in mid-2021, and the plant started full operations in 2nd half of 2021. As a result, the percentage of water recycled in our Singapore operations rose significantly from 13% in 2020 to 32% in 2021.

Furthermore, 100% of okara, the soya pulp residue by-production generated from the production of our soymilk from our Singapore and Malaysia factories is recycled for use as animal feed or fertiliser.

Looking ahead, the Group also plans to accelerate the installation of solar panels across our global facilities to reduce our carbon footprint and use greener energy.

We will continue to update the market of our sustainability efforts via the disclosures in our Sustainability Report.

Question 2 : Would the Board/Management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **Supply chain facilities rejuvenation**: The Chairman, in his message to shareholders, highlighted the need for the Group to invest in supply chain facilities rejuvenation, business digitalisation and brand investment. What is the projected scale of the Group's investments into supply chain facilities? Has the Group been keeping up with its investments in its supply chain and kept them reasonably modern?

(ii) **Business digitalisation and brand investment**: What is the Group's digital strategy? How successful have the brands been in leveraging social media, especially to capture the younger consumers?

(iii) **Strategic roadmap**: Would the CEO be giving shareholders a presentation to highlight the main pillars of the new "Strategic Roadmap" during the Annual General Meeting?

(iv) **Oatly**: What are some of the milestones achieved by the Group in the tie-up with Oatly? Since the first batch of oat milk began in July 2021, has the Group ramped up its production? When will the Group be supplying Oatly to more markets?

(v) **Cambodia**: In December 2021, the Company announced that it had entered into a settlement agreement with one of its distributors in Cambodia to cease the distribution activities of KCV in all the provinces of Cambodia other than Phnom Penh. The settlement amounted to US$750,000 (S$1.01 million). Can Management help shareholders understand if it has in place an established local team in Cambodia to drive its growth especially in Phnom Penh with the recent expiration of the distribution agreement on 31 March 2022?

Response to Question 2 :

2(i) The Group has been proactively investing in the past 2 years to upgrade its supply chain network. The Group is currently in the midst of a comprehensive review of its manufacturing operations to study opportunities to invest and improve our manufacturing facilities and operations over the next 3 to 5 years. It will deploy investments for its key operational processes to ensure business continuity and enhance operational efficiency. As you noted in the annual report, apart from supply chain, we are planning to invest behind business digitalisation and brand investment.

2(ii) We have achieved some success in leveraging digital media to capture the younger consumers. We have adopted a digital-first approach to advertising since our target audience, especially the younger Gen Z and Millennials are mobile-first. We invest in "always on" digital advertising weighted towards key selling periods like Chinese New Year. We will continue to explore new forms of marketing tools to reach out to a younger consumer base.

As per our digitalisation journey, the Company has upgraded some of our IT infrastructure, software and applications to enhance productivity of our staff and improve collaboration. We recognise that we have significant opportunities as to progress further in this journey.

2(iii) Our Group CEO will touch on key aspects of the Strategic Roadmap and the transformation journey during the Annual General Meeting.

2(iv) The joint production facility investment with Oatly commenced commercial production in July 2021. The Group has achieved BRC certification for our Oatly operations in Singapore at the end of 2021 and is in the process of being qualified for some new Oatly's key customer accounts.

Most of products produced for Oatly at our Singapore facilities is slated for the China market, which this year, has been impacted by the Covid-19 situation and lockdowns. This has affected our production volume but we are working with Oatly closely to overcome the ongoing challenges.

2(v) As disclosed in our SGX announcement, following the commercialisation of the Group's manufacturing plant in Cambodia in 2020, the Group has been working to restructure its route-to-market model in Cambodia to enhance market execution.

With the expiry of the distribution agreements with our local distributors in Cambodia on 31 March 2022, we have strengthened our local Cambodia commercial team to improve our market execution and accelerate growth in the market.

Question 3 : In Note 14 (page 132 – Other financial assets), Management disclosed that financial assets (designated at FVOCI and FVPL) increased substantially to $20.4 million as at 31 December 2021 from $2.43 million a year ago.

The breakdown of the financial assets is as follows:

	The Group	
	2021 $'000	2020 $'000
Financial assets designated at FVOCI		
Listed equity securities – Hong Kong	**6,851**	507
Listed equity securities – USA	**1,864**	1,631
Listed equity securities – Japan	**32**	40
Listed equity securities – Europe	**212**	220
Listed real estate investment trusts and business trusts – Singapore	**7,886**	–
	16,845	2,398
Financial assets designated at FVPL		
Listed equity securities – Singapore	**-**	28
Unquoted equity securities – Singapore	**3,557**	–
	3,557	28
	20,402	2,426

(Source: company annual report)

(i) Can the Board help shareholders better understand the rationale of the Group investing into listed equity securities, including real estate investment trusts and business trusts?

(ii) Is this in line with the Group's vision to be the leading Asian company in bringing innovative food and beverages products to the consumers?

(iii) Will investing/trading of listed equity securities distract Management from the core business of F&B? The Group may be well-placed to make private equity investments in F&B start-ups, such as the investment the Group made in Next Gen Foods Pte. Ltd. Would Management be looking to invest more in F&B-related start-ups? If so, will the Board be setting a limit to the Group's exposure/risk?

(iv) Did the Board approve the Group's investments in listed equity securities? Are there robust risk management frameworks in place? What is the mandate for the Group's investments?

As at 31 December 2021, the Group has cash and cash equivalents of $230.9 million.

(v) Upon the conclusion of the business model change, would the Board, especially the independent directors, be reviewing the Group's capital structure and carry out an exercise to right-size the balance sheet with the declaration of a special dividend/capital distribution?

Response to Question 3 :

3(i) The Group deployed some of its cash to investment securities to generate higher returns. The allocation accounted for less than 10% of the Group's cash and cash equivalent balances as at 31 December 2021.

3(ii) The deployment of some of Group's cash to generate higher returns will assist, to a certain extent, the Group to maintain a strong and liquid balance sheet to fund its growth and achieve its vision.

3(iii) The Group's primary investment area is in our core food and beverage business. Hence, we have invested in new production lines in Malaysia and Singapore in 2021 and commissioned a new manufacturing plant in Cambodia in 2020.

The investment in listed equity securities is ring fenced and limited in nature. It does not distract management from the core business of F&B.

The Group is open to strategic investments in the F&B space where it benefits our business strategically. Next Gen Foods was a strategic investment made alongside other blue-chip investors, including Temasek Holdings.

The Board and Management has put in place stringent frameworks that limit the Group's exposure and risks to financial assets investments.

3(iv) Yes, the Group's investments in equity securities were performed in adherence to the Group's delegation of authority framework, which was approved by the Board.

3(v) The business model change pertains to the Singapore market and it is being executed. As shared, our strong balance sheet enables us to weather through economically uncertain and challenging periods (e.g. Covid-19, current inflationary environment) and provide the Company with the necessary resources to fund investments in our manufacturing network, digitalisation and brand. The Board together with the Management team review the capital structure from time to time.

By Order of the Board
Tan Pek Bhee
Company Secretary
22 April 2022