**HOSEN GROUP LTD.**
(Incorporated in the Republic of Singapore)
Company Registration Number: 200403029E

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**RESPONSE TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

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Hosen Group Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") refer to the questions received from Securities Investors Association (Singapore) ("**SIAS**"), in relation to the Company's Annual Report for the financial year ended 31 December 2024 ("**FY2024**"). By way of an update, the Company has not received any questions from shareholders as at the stipulated cut-off time. The Company's responses (in blue) to the questions from SIAS are set out below:

**Q1**. For the financial year ended 31 December 2024, revenue for the group increased by 8.1% to $72.8 million with gross profit increasing by 14.1% to $17.1 million. Net profit improved to $2.28 million in 2024 from $0.97 million in 2023.

The $5.45 million revenue growth was driven by higher sales demand and volume for canned food and chocolate products, with particularly strong performance in Malaysia and from the group's house brands.

(i) **What were the main underlying drivers behind the stronger revenue growth from Malaysian customers? Is it volume-led, margin-led, or price/mix improvements?**

*(i) The main underlying driver behind stronger revenue growth from Malaysian customers was largely volume-led, supported by sustained consumer demand, effective distribution efforts, and growing acceptance of our brands through the years of effective sales and marketing activities.*

The group's revenue of $72.8 million is 2% lower than the high of $74.1 million in FY2022 during the pandemic.

(ii) **Has the board articulated a clear long-term growth roadmap with phased targets (e.g. $85 million → $100 million → $150 million and beyond)? What are the key operational bottlenecks or market constraints that must be addressed to achieve scale?**

*(ii) The Board's focus on developing long term growth has been emphasize on strategic direction, operational capabilities, market development and product innovation, and did not set or endorsed specific numerical revenue targets. Several challenges include supply chain vulnerabilities, sourcing disruptions, shifting consumer preferences, sensitivity towards price in both domestic and regional markets post significant hurdles. Addressing these issues is crucial for scaling sustainably, protecting margins and staying relevant in an evolving consumption landscape.*

(iii) **What is the current utilisation rate of the Pandan Loop facility, and does it have the capacity to support significant growth without requiring additional investments or expansion?**

*(iii) The building in Pandan Loop is mainly used for warehousing, storage and rental purposes. While a specific utilisation rate is not disclosed, the building is currently not operating at full capacity. There is some flexibility within the existing footprint to accommodate for future needs, if required.*

(iv) **What is the group's strategic intent for the food service division? Can this become a significant revenue contributor? What specific steps have been taken to scale this segment?**

*(iv) The Group sees the food service channel as an important area of opportunity that complements its retail business segment. It has grown into a integral part of overall business and continue to offer potential for further expansion as eating-out trends and consumers' lifestyle evolve. More resources have been allocated to support the growth of this segment, for example human capital, logistics infrastructure and product customisation, to broaden our market reach and product offerings thereby deepening our engagement with our F&B customer partners.*

**Q2.** On 6 September 2024, the company announced that the group would be acquiring a piece of freehold industrial land in Pulai, Johor, Malaysia for RM17.18 million (approximately S$5.7 million). The land will be used for the construction of a new factory to support the group's chocolate manufacturing operations.

(i) **Can management elaborate on the group's expansion roadmap for the chocolate business, including the expected capital expenditure and timeline for the new factory's fit-out and commissioning?**

*(i) As announced on 6 September 2024, the Group would be acquiring a piece of land amounting to RM7.55 million and construction cost of the Building is expected to be RM9.63 million. As the Group's current manufacturing facility has limited manufacturing capabilities, the Group has been sourcing for avenues to enhance and expand its floor space and operational workflows, in order to meet growing customer demands effectively. Subsequent to the receipt of State Authority's Approval as announced on 15 April 2025, the Company is working towards completing the Acquisition within 90 days from 9 April 2025, and of which Building Construction would commence after the completion of the S&P or the approval of the Building Plans, whichever occurs later. The current estimate for the commissioning of the new factory is expected to be the 1st Quarter of 2027.*

(ii) **What hurdle rate was used in evaluating this investment? How does the board assess the project's return relative to the group's overall cost of capital?**

*(ii) The Group does not disclose specific internal benchmark used in evaluating capital investments, as these vary depending on the nature of the project. For the investment, the Board undertook an assessment of the project's expected returns, strategic value and alignment with the Group's long-term growth priorities.*

(iii) **What key risks—operational, market, regulatory, and financing—has the board identified in relation to this factory expansion, and how does management plan to mitigate them?**

*(iii) The Board has identified key risks for the factory expansion, including operational and regulatory risks (such as construction delays and compliance challenges), market risks (related to demand fluctuations and competition), and financing risks. To mitigate these, the Group is working with a reputable developer and consultants to ensure smooth execution and regulatory compliance, engaging customers early, and diversifying risk by marketing both own brands and exploring contract manufacturing opportunities. Financing is managed through capital planning, with flexibility to use internal resources and external facilities.*

(iv) **Has the chocolate segment, with brands such as The Sincero®, Calbuco® and Cocoa Grande®, demonstrated sufficient scale and profitability to justify this investment? How does this expansion align with the group's broader strategic vision?**

*(iv) The chocolate segment is in the process of establishing brand recognition. While building a reputable brand takes time, the segment has demonstrated promising growth and profitability. This factory expansion aligns with the Group's strategic vision by enhancing production capabilities and supporting future growth. Additionally, the investment opens more opportunities for contract manufacturing, allowing the Group to diversify revenue streams and better serve both existing and new customers, ultimately driving long-term value.*

**Q3.** According to the SGX Stock Screener, the company trades at a price-to-book ratio of 0.37 times and has a market capitalisation of $13.0 million. As at 31 December 2024, the reported net asset value (NAV) per share stood at 10.91 cents.

Hosen (5EV) ▾ 0.040 -0.003 (-6.977%)

Industry: Consumer Defensive, Food Distribution

This company reports in this currency: SGD

For latest update, please refer to Company Announcements.

Cum Dividend/ Distribution

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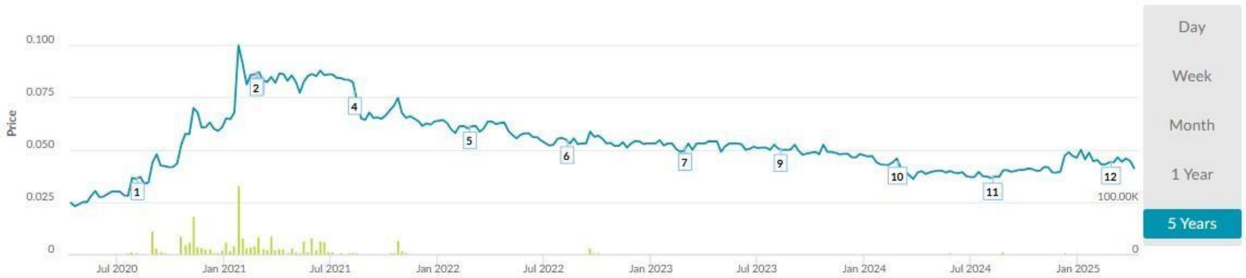


Overview | Valuation | Financials | Dividends | Ownership

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|---|---|---|---|
| Price/Book Value | 0.367 | Enterprise Value | 17.88M |
| Price/Sales | 0.179 | Price/CF | 6.868 |
| Dividend Yield | 5.00 | P/E Ratio | 6.56 |
| Dividend Yield 5-yr avg | - | Net Debt | 2.07M |
| 5 Years PE Ratio | 8.89 | | |

(Source: https://investors.sgx.com/securities/stocks?security=5EV)

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 total shareholder return (TSR) over the past 5, 10 and 15 years?**

*(i) The Company recognises that TSR can be a useful reference, but as shareholders invest at different times and prices, it might not be a meaningful reflection for every stakeholder. Rather than provide a single figure that may not represent all stakeholders accurately, the Company prefer to focus on delivering consistent business performance and appropriate sustainable dividend returns over the long term.*

(ii) **How is the board, particularly the independent directors, addressing the company's persistent undervaluation? What strategic measures are being considered to improve capital efficiency and shareholder returns?**

*(ii) Independent directors provide objective oversight on strategic matters, help manage key risks, and ensure stakeholder interests are well considered. Their role strengthens board effectiveness and transparency, with the ultimate aim of supporting long-term value creation and helping to narrow the valuation gap.*

For FY2024, the board has recommended a tax-exempt one-tier first and final dividend of 0.20 Singapore cents per ordinary share, against a backdrop of earnings per share of 0.61 cents.

(iii) **Apart from the chocolate factory, what major capital expenditures are expected over the next 18–24 months?**

*(iii) The Group does not currently have any other major capital expenditures. Should any significant investment arise, the Company will make the appropriate announcements.*

(iv) **What considerations guided the board's recommendation of a final dividend of 0.20 Singapore cents per share (a 33% payout ratio)? Does the company have the financial flexibility to increase dividend payments while adequately funding its strategic initiatives?**

*(iv) The Board's recommendation of a final dividend of 0.20 Singapore cents per share reflects the Group's intention to reward shareholders while preserving financial flexibility to support ongoing strategic initiatives. While the Company does not have a fixed dividend policy, it strives to provide dividends where appropriate, taking into account performance, cash flow, and future business needs.*

Issued by
**HOSEN GROUP LTD**

24 April 2025

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