



TRAVELITE HOLDINGS LTD.

(Incorporated in Singapore)

(Company Registration Number: 200511089K)

RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT 2023

The Board of Directors (the “**Board**” or “**Directors**”) of Travelite Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) on 20 July 2023 in relation to the Company’s Annual Report 2023 and appends the replies as follows:

Query 1

With the reopening of Singapore’s border and the strong recovery in the global travel market, the group enjoyed a surge in sales and profitability following the recovery of international travel. Revenue increased 85.3% year-on-year to \$46.39 million. Gross profit margin increased from 45.6% in FY2022 to 48.6% in FY2023, mainly due to the larger contribution by the apparel division. Profit before tax for the year was \$3.54 million.

- (i) Can management provide further insight into the potential impact of new product launches, such as URS athleisure wear, Hechter Paris ties and handkerchiefs, and Moral Bags, on the overall growth trajectory of the group?
- (ii) Can management explain how promotion events and atrium sales, which appear to be somewhat ad-hoc in nature, contribute to the Group’s ability to retain its consumer base in a highly competitive business environment?
- (iii) With over 60% of the total revenue generated from department stores, how does the Board assess the long-term sustainability of this segment, considering the challenges faced by brick-and-mortar stores, particularly large-format department stores?
- (iv) What percentage of the Group’s sales is attributed to online channels? Has the Board set any specific targets for the Group’s online sales growth?
- (v) Can management provide a comprehensive list of the Group’s online presence on popular social media and e-commerce platforms, such as Instagram, TikTok, Lazada, and others, so that shareholders can easily follow and stay informed about the Group’s progress?

Response

Company’s response to 1(i):

The Group launched a few new products during the financial year ended 31 March 2023 (“**FY2023**”) to increase its product offerings to consumers, and work towards increasing its market share and widening its customer base. The URS for apparel, which focuses on athleisure wear, introduces a new concept and market positioning for the brand to reach new customers in different markets. The new selections of ties

and handkerchiefs under Hechter Paris, as well as a new backpack brand called Moral Bags, increases the variety of available designs to attract consumers and improve brand experience.

Company's response to 1(ii):

Generally, the Group will offer promotional prices or bundle deals at promotion events and atrium sales, for instance further discounts on additional items purchased, to attract customers to purchase the Group's products. Whilst *ad hoc* in nature, such promotion events and atrium sales have the potential to stimulate sales, increase the Group's reach to potential new customers in addition to existing customers, thereby widening the Group's overall customer base, and increase overall brand awareness and loyalty of the products in the market.

Company's response to 1(iii):

The Group intends to continue to work closely with the departmental stores to build a long-term and reliable working relationship, while also looking out for more opportunities for boutique stores.

The Group has also channelled resources into enhancing its online shopping platform, where rental costs or stores pose less of a constraint. The Group is also actively exploring partnerships with popular social media platforms such as TikTok to grow its online presence and increase its reach, to drive potential consumers to its website.

Company's response to 1(iv):

Online channels contributed to approximately 2% of the Group's sales during FY2023.

The Group does not disclose specific financial forecasts or targets. However, the Group intends to continue its focus on the online business, such as channelling resources into enhancing the Group's online shopping platform by improving the website functionality and streamlining the checkout process. The Group is also actively exploring partnerships with popular social media platforms such as TikTok to grow its online presence and increase its reach, to drive potential consumers to its website.

Company's response to 1(v):

As at the date of this announcement, the Group's online shopping platforms and social media platforms are as follows:

- <https://www.facebook.com/traveliteholdingsgroup>
- <https://www.instagram.com/traveliteonline/?hl=en>
- <https://www.lazada.sg/shop/travelite/>
- <https://shopee.sg/traveliteofficial>
- <https://www.lazada.sg/shop/delsey-flagship-store/>
- <https://shopee.sg/crocodilesingapore>
- <https://www.lazada.sg/shop/bradford>

Query 2

As mentioned in the chairman's message, the Company entered into a sale and purchase agreement with Funkie Monkeys Ventures Pte. Ltd. ("Funkie Monkeys") to acquire a 40% stake. If successful, the Group will expand into the business of music education and artist management.

Management has stated that this strategic move is in line with the corporate strategy to diversify its business and enhance returns for shareholders.

- (i) How was the Group introduced to the target?
- (ii) In addition, can the Board (re)state the Company's corporate strategy of diversifying its business and provide shareholders with a holistic overview of the strategy, especially the focus on lifestyle and entertainment industry? Specifically, has the Board narrowed its diversification down to certain industries, geographical areas, deal structures and/or ticket size?
- (iii) Are there any potential synergies between the Group's existing operations and the fields of music education and artist management? If not, would this proposed investment be passive in nature, considering that management does not seem to possess the necessary expertise or network to add value in these areas?

The Company initially disclosed that the unaudited pro forma net tangible asset of the Target Group was \$166,274. However, after 2.5 weeks, the company clarified that the Target Group actually had net tangible liability of \$(170,529). It should be noted that the \$166,274 figure referred to the unaudited pro forma net asset value.

- (iv) Did the Board carefully consider the net tangible liability position of the Target Group during their assessment of the proposed acquisition?
- (v) Furthermore, in light of the "unintentional and inadvertent error," could the Board provide shareholders with a clearer understanding of the Board and management's experience and expertise in acquisitions, accounting, corporate finance, and deal structuring?
- (vi) What was the level of involvement by the Directors in the acquisition and how much due diligence has been carried out?

Response

Company's response to 2(i):

Mr Thang Teck Jong, the Executive Chairman of the Company, was acquainted with Mr Eric Ng Tien Lin, one of the Vendors, at a business network event about a year ago.

Company's response to 2(ii):

The Group is looking beyond organic growth and seeks to expand its business through diversification into new areas via strategic acquisitions and investments. The Group has considered opportunities in the lifestyle and entertainment industry to diversify its business and broaden its stream of income and revenue.

The Group intends to venture into the lifestyle and entertainment industry prudently, with a view of enhancing shareholders' value over the long-term and achieving long-term growth. The proposed diversification of business is part of the corporate strategy of the Group to provide shareholders with diversified returns and long-term growth. The proposed diversification may provide the Group with

additional funds, which can be channelled towards the enhancement of shareholders' value over the long-term.

Company's response to 2(iii):

Both the Group's existing operations and the fields of music education and artist management are lifestyle-related businesses. The proposed diversification of business to include music education and artist management ("**New Business**") will allow the Group to venture into the lifestyle and entertainment business, and indirectly complements and offers potential synergies between the Group's existing operations and the New Business. The Company believes that the proposed diversification can offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance shareholder value for the Company.

Please refer to the Company's announcements dated 24 March 2023, 11 April 2023, 13 April 2023, 16 May 2023, 29 May 2023 and 19 July 2023 for further information relating to the proposed diversification of business and the Proposed Acquisition, and further information on the achievements of the vendors.

Company's response to 2(iv):

Yes, the Board has carefully considered the net tangible liability position of the Target Group (as defined in the Company's announcement dated 24 March 2023) during its assessment of the Proposed Acquisition.

Company's response to 2(v):

The Group is looking beyond organic growth and seeks to expand its business through diversification into new areas via strategic acquisitions and investments. The Group has considered opportunities in the lifestyle and entertainment industry to diversify its business and broaden its stream of income and revenue, and to reduce the Group's reliance on its existing core business for revenue streams.

Since the Company's listing on the Mainboard of the Singapore Exchange Securities Trading Limited in 2007, the Group has acquired or invested in more than 7 lifestyle-related businesses. In addition, the Board and Management possess sufficient and adequate experience and expertise in acquisitions.

The Board has an appropriate mix of skills, expertise and experience to enable the management to benefit from a diverse perspective in reviewing the issues that are brought before the Board:

- Mr Thang Teck Jong, the Executive Chairman of the Company, has been instrumental in the growth and development of the Group since its inception in 1986. He was conferred a Master's Degree of Business Administration (EMBA) by University of Hull, and was named as one of the Entrepreneur of the Year 2005 by ASME and the Rotary Club of Singapore.
- Mr Foong Daw Ching, the Lead Independent Director and Chairman of the Audit Committee of the Company, has more than 30 years of audit experience and was previously the managing partner of Baker Tilly TFW LLP and the Regional Chairman of Baker Tilly International Asia Pacific Region. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Institute of Singapore Chartered Accountants and a Fellow of CPA Australia.
- Dr Clemen Chiang Wen Yuan, the Independent Director and Chairman of Remuneration and Nominating Committee of the Company, has been the Chief Executive Officer of a fintech company, Aly Pte. Ltd., since 2016. He is a Chartered Fellow of the Chartered Management Institute in the United Kingdom and a Chartered Marketer and a Fellow of the Chartered Institute of Marketing in the United Kingdom. He obtained a Bachelor of Engineering (Civil) from the NTU, a Master of Business Administration from the University of Louisville, United States and a Doctor of Philosophy from the University of Canberra, Australia.

Please refer to the Company's Annual Report 2023 for further information on the Board and key management of the Company.

Company's response to 2(vi):

The Board has reviewed and considered the terms and conditions of the definitive agreements relating to the Proposed Acquisition, and approved the Proposed Acquisition. During the deliberation process, the Board has raised various queries relating to the Proposed Acquisition which were addressed by the management of the Company. The management also provides the Board with periodic updates on the development of the Proposed Acquisition.

Subsequent to the entry into the sale and purchase agreement relating to the Proposed Acquisition, the Company has appointed a professional firm to conduct a valuation on the Target Group. It has also appointed financial professionals to conduct financial due diligence investigations on the Target Group.

Please refer to the Company's announcements dated 24 March 2023, 11 April 2023, 13 April 2023, 16 May 2023, 29 May 2023 and 19 July 2023 for further information relating to the Proposed Acquisition.

Query 3

The ageing analysis of trade receivables, past due but not impaired; and impaired, is shown below:

- (a) Ageing analysis of the age of gross trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2023 \$'000	2022 \$'000
Trade receivables:		
Less than 60 days	3,919	2,721
61 - 90 days	666	944
91 - 120 days	211	45
Over 120 days	520	2,475
Total	<u>5,316</u>	<u>6,185</u>

- (b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2023 \$'000	2022 \$'000
Trade receivables:		
Over 120 days	<u>5,408</u>	<u>4,854</u>

- (i) **How does management ensure the prompt collection of outstanding debts to improve working capital management?**

As noted in the section on key audit matter (KAM) by the independent auditor, the gross amount of trade receivables past due over 90 days amounted to \$6,139,000 (2022: \$7,374,000). The amount of allowance for impairment loss on these customers is \$5,408,000 (2022: \$4,854,000). Management is of the view that the remaining amounts are recoverable based on their knowledge of the customers' payment history and creditworthiness.

- (ii) What are the profiles of customers with impaired trade receivables?
- (iii) Can management provide a detailed breakdown of trade receivables by aging for each customer with impaired receivables, including the upper limit on the aging?
- (iv) Did the Group still have transactions with customers that have impaired trade receivables? If so, what measures has management implemented to protect the Group's interests?
- (v) How did management determine the allowance of \$5.4 million?
- (vi) What are management's efforts to collect on the impaired trade receivables?
- (vii) Will the audit committee be reviewing the Group's credit risk framework and monitoring the Group's compliance to the policies?

Response

Company's response to 3(i):

The Management reviews trade receivables aging report on a monthly basis. The Group's sales team will follow-up on the agreed action plans for the collection of outstanding debts and update the Management on the status thereof accordingly. If there are any issues or disputes, the Management will immediately engage the customer in further discussion on the collection of outstanding debts.

Company's response to 3(ii) and 3(iii):

The profiles of the customers and the detailed breakdown of the impaired trade receivables are as follows:

Jurisdiction	Financial Year	Amount	Aged
Myanmar	FY2019	S\$0.2 million	More than 4 years
Indonesia	FY2019	S\$2.2 million	More than 4 years
	FY2020	S\$2.8 million	More than 3 years
Total		S\$5.2 million	-

Financial Year	Amount	Aged
FY2019	S\$2.4 million	More than 4 years
FY2020	S\$2.8 million	More than 3 years
Total	S\$5.2 million	-

Company's response to 3(iv):

The Group's customer based in Indonesia, which has impaired trade receivables, is the Group's sole distributor of luggage, bags and travel accessories in the Indonesia region. It has established a strong presence in most of the major departmental stores in Jakarta. The Group is thus continuing to transact with the aforementioned customer to cater to the Indonesian market.

For Myanmar customer, the Group has no more trade transactions.

Company's response to 3(v):

One of the guidelines for consideration of allowance to be made is if the credit term exceeds 15 months. Hence, the allowance of impairment loss was made as the amount aged for more than 15 months.

Company's response to 3(vi):

The Group has collateralised some of the abovementioned Indonesian customer's assets including 3 landed properties in Indonesia. The Group has also implemented a policy to ensure the latest invoices have been paid before issuing new stocks to such customer.

Company's response to 3(vii):

The Board has analysed the trade receivables aging and reviewed the recoverability for major customers. The Board is of the view that the Group's impairment policy is reasonable and aligns appropriately with the turnaround time of the travelling and fashion industry.

By Order of the Board

Thang Teck Jong
Executive Chairman
26 July 2023