

**OSSIA INTERNATIONAL LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No: 199004330K)

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**RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND THE SECURITIES  
INVESTORS ASSOCIATION (SINGAPORE) ON THE COMPANY'S ANNUAL  
REPORT FOR FINANCIAL YEAR ENDED 31 MARCH 2022**

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The Board of Directors (the “**Board**”) of Ossia International Limited (the “**Company**”) together with its subsidiaries, the “**Group**”) refers to its announcement dated 14 July 2022 and Notice of Annual General Meeting (“AGM”) dated 14 July 2022.

The Company would like to thank shareholders who submitted their questions in advance of the Company’s AGM which will be held by way of electronic means on 29 July 2022 (Friday) at 09:30 am (Singapore time). In addition, the Securities Investors Association (Singapore), with the support of Singapore Exchange Securities Trading Limited (“SGX”), had also submitted questions for the AGM and where relevant, we have responded to them.

The Board is pleased to present both the relevant and significant questions submitted for the AGM and the Company’s responses in advance of the AGM. Due to the high business and commercial sensitivity of some questions and/or to comply with the Listing Manual of the Mainboard of SGX, the Company has not responded to every question that had been posed. Where there are overlaps in questions, the Company has grouped related and similar questions and responded.

The questions raised by shareholders and the Company’s corresponding responses are set out below:

**Question 1**

With the cessation of the Malaysian operations, the group’s remaining operation is its distribution business in Taiwan. In addition, the group holds an effective 19.8% stake in Pertama Holdings Pte. Ltd., a leading retailer of consumer electronics and home furnishings trading under Harvey Norman retail stores in Singapore and Malaysia.

For the financial year ended 31 March 2022, revenue for the group decreased by 6.5% to \$23.67 million. Management has attributed the decrease to the disruption from COVID-19. The COVID-19 situation worsened in the middle of April 2022 and the current wave has been ongoing for the past 3 months (as shown in the official statistics below). (Source: <https://nidss.cdc.gov.tw/en/nndss/disease?id=19CoV>)

## Question 1 (continued)

- (i) Can management help shareholders better understand the situation on the ground in Taiwan? How badly affected are the group's operations?

### **Response from company**

The government raised the alert level 3 from May to July 2021 last year. There was another new wave of Covid-19 outbreaks in May 2022 and Taiwan has the highest number of confirmed cases and death.

As of the current situation, Taiwan is still maintaining travel restrictions and the country has yet to be open to tourists after more than 2 years.

- (ii) How successful is the group's omni-channel strategy?

### **Response from company**

Sales from retail stores declined substantially during the pandemic. Given the pandemic situation, consumers turned to online shopping instead of department stores. We set up an e-commerce team to manage this business division. The sales generated from E-Commerce is 13% in FY2022 and we target an average of 10% to 15% increase in the next financial year.

- (iii) Does management see any silver lining during the pandemic? What are the key growth drivers for the group going forward?

### **Response from company**

The COVID-19 epidemic in Taiwan is gradually slowing down and the vaccination rate is increasing. To promote economic and social activities and necessary international communication, Taiwan's border control measures have been reduced. Local consumers can travel, malls and department stores are operating as per pre covid arrangement.

With such arrangement, our sales performance was also getting stable and better. We are optimistic about our sales performance. We will continue to provide effective promotions to consumers, enhance the Customer Relationship Management ("CRM") line system, increase more E-Commerce product assortments and make efforts on our official website, and focus on past season stock clearance.

The key growth driver will be the removal of the travelers' quarantine requirement in Taiwan. Foreign tourists will then be able to travel freely to Taiwan without any travel restrictions. With the country opening to tourists, this will help to enhance the sales for the business.

## Question 1 (continued)

- (iv) The valuation of inventories is a key audit matter (KAM) highlighted in the independent auditor's report. As noted in the KAM, the group's inventories amounted to \$10.5 million and an amount of \$0.7 million has been provided for inventory write-downs. The group's total inventory balance represents a significant portion of the group's total assets and inventory write-downs require significant management judgement to estimate the inventories' net realisable value. Has the group experienced any significant changes in consumer demands and fashion trends as consumer adapt to COVID-related restrictions?

### **Response from company**

The Company did not expect the Covid-19 pandemic to result in a lockdown for more than 2 years in Taiwan and the country, as of to-date, is still not open to international travelers, this has substantially affected the inventory. Local consumers were also restricted to travel abroad hence the sales decline of Tumi suitcases and Columbia winter coats and boots.

On the contrary, outdoor products and anti-virus products were getting more popular. Consumers like online shopping thus we enhance our website and work with 3rd party E-Commerce platforms. In addition, we set up a Customer Relationship Management (CRM) line system, to introduce our product information and receive payment through line pay and apple pay. We hope to receive more VIPs and members through the CRM line system.

- (v) Similarly, the recoverability of amounts due from related parties is also a KAM highlighted by the independent auditors. As of 31 March 2022, the group has amounts due from related parties of \$1.6 million (FY2021: \$2.5 million; FY2020: \$3.6 million) and an allowance for expected credit losses of \$0.1 million has been provided for the doubtful recovery of long outstanding receivables. Can the audit committee (AC) help shareholders better understand the nature of the long-term trade receivables from related parties with final repayment in 2025? Who are the related parties? What was the basis of the allowance of \$0.1 million? In Note 12, the company stated that trade receivables due from related parties are unsecured, non-interest bearing and are expected to be settled in cash. Certain directors of the company who are also directors of the related parties have agreed to provide continuing financial support to these related parties to enable them to meet their financial obligations as and when they fall due. If so, why has the group recognised the impairment of \$0.1 million?

## Question 1 (continued)

### **Response from company**

The Group estimates the allowance for expected credit losses (“ECLs”) for the amounts due from related parties by incorporating various factors such as their assessment of the related parties’ credit worthiness based on the aging of the receivables, available credit enhancements, historical repayments, refinancing and credit loss patterns and the current and forward-looking factors specific to the related parties and the economic environments where they operate in.

The assessment of the correlation between historical repayments, refinancing and credit loss patterns, current and forward-looking factors, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical repayments, refinancing and credit loss experience, and forecast of economic conditions may also not be representative of the related parties’ actual default in the future.

Trade receivables due from related parties are trade in nature, unsecured, non-interest bearing, and are expected to be settled in cash. The current portion is repayable in monthly installments with final repayment in 2025. Certain directors of the Company who are also directors of the related parties have agreed to provide continuing financial support to these related parties to enable them to meet their financial obligations as and when they fall due.

The Group provides for lifetime expected credit losses for its amounts due from related parties by incorporating various factors such as professional judgement, their assessment of the related parties’ credit worthiness based on the aging of the receivables, available credit enhancements, historical repayment, credit loss patterns, and the current and forward-looking factors specific to the related parties and the economic environments where they operate in. The management is confident that the ECL will fully recovered as per the repayment term.

## Question 2

On 26 May 2022, the company provided an update on the future direction of the group pursuant to Rule 1313(1)(2) of the SGX-ST Listing manual.

The company was placed on the watch-list with effect from 5 December 2017. The initial 36-month cure period ended on 4 December 2020. While the company has been profitable since FY2018, it has not met the market capitalisation requirement (of \$40 million or more over the last 6 months).

In the announcement on 8 December 2021, the company confirmed that SGX-ST had no objections to the company's application for a further 12 months extension of time to 4 December 2022 with regard to compliance with Rule 1315 of the Listing manual.

While the financial performance has improved in the past 4 years since the company was watch-listed, it has not been able to meet the market capitalisation criteria.

- (i) With less than 5 months to the end of the extended cure period (i.e., 4 December 2022), what are the options available to the company to achieve the market capitalisation requirement (of at least \$40 million)?

### **Response from company**

The Group has been very profitable from FY2018 to FY2022 and has declared and paid dividends every year. Liquidity of shares in the market is not within the Company's control. Given the Company's financial results and our average annual dividend yield of 7.5% based on the indicative share price at S\$0.125 per share, the Company hopes to attract current shareholders to increase their share portfolio and the public investors in our shares.

- (ii) In addition, with the clock already ticking, the current market capitalisation of the company is just \$31.8 million. Has the board, especially the independent directors, assessed the risks/likelihood that the company may fall short of the \$40 million minimum average market capitalisation size at the end of the cure period? What is the board's contingency plan in the event the company fails to meet the \$40 million average market capitalisation requirement?

### **Response from company**

The Group has been very profitable from FY2018 to FY2022 and has declared and paid dividends every year. Liquidity of shares in the market is not within the Company's control. Given the Company's financial results and our average annual dividend yield of 7.5% based on the indicative share price at S\$0.125 per share, the Company hopes to attract current shareholders to increase their share portfolio and the public investors in our shares.

## Question 2 (continued)

- (iii) The three independent directors were appointed in 1996, 2002 and 2010. Can the independent directors help shareholders better understand their level of involvement and their commitment to help the company to exit the SGX watch-list and thus protecting and preserving shareholders' interests?

### **Response from company**

The Independent Directors ensure governance and accountability at every Board meeting. They have and will continue to discharge their fiduciary duties accordingly.

## Question 3

The company will be holding its annual general meeting on 29 July 2022. As stated in the notice of meeting, the meeting will be held by way of electronic means and members will not be able to attend the AGM physically.

The company further added that the company "will not be addressing any questions raised by the members during the meeting" [emphasis added]. In addition, members will not be able to vote through the live webcast and voting is only through the submission of proxy forms.

The cut off for the submission of the proxy form has been set at 27 July 2022 at 9.30 a.m. whereas the company will endeavor to upload the company's responses to substantial and relevant queries from members on SGXNet by 28 July 2022.

On 16 December 2021, the Singapore Exchange Regulation ("SGX RegCo") gave guidance on the conduct of general meetings held after 1 January 2022 if the issuer does not utilise both (i)real-time remote electronic voting and (ii)real-time electronic communication at their general meetings.

The guidance includes:

- After the publication of the notice of general meeting, shareholders should be allowed at least 7 calendar days to submit their questions - All substantial and relevant questions received from shareholders prior to a general meeting, should be publicly addressed by the board of directors and/or management at least 48 hours prior to the closing date and time for the lodgment of the proxy forms, if the notice of general meeting is to be sent to shareholders at least 14 calendar days before the meeting
- After the cut-off time for the submission of questions, if there are subsequent clarifications sought, or follow-up questions, this may be addressed at the general meeting

### Question 3 (continued)

The Regulator's Column can be found here: <https://corp.sgx.com/media-centre/20211216-regulators-column-what-sgx-regco-expects-conduct-general-meetings-amid>

- (i) Will the directors, especially the independent directors, be taking guidance from the SGX RegCo on the conduct of AGMs after January 2022 as set out in the Regulator's Column?

#### **Response from company**

The Company is in compliance with the latest guidance from the SGX Regco on the conduct of Annual General Meetings issued on 22 May 2022 under the Regulator's column.

- (ii) Can the board help shareholders understand if the conduct of the company's forthcoming 2022 AGM meets the guidance set by SGX RegCo? Principles 11 and 12 of the Code of Corporate Governance 2018 require the company to treat all shareholders fairly and equitably in order to enable shareholders to exercise their rights and have the opportunity to communicate their views on matters affecting the company; and to facilitate the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

#### **Response from company**

The Company is in compliance with the latest guidance from the SGX Regco on the conduct of Annual General Meetings issued on 22 May 2022 under the Regulator's column. The conduct of the forthcoming AGM meets the guidance issued by SGX Regco. All decisions on the procedures put in place for the conduct of the Company's General Meetings are made by the Board and are in accordance with the guidance issued by SGX Regco from time to time.

- (iii) What was the level of involvement by the directors, especially the independent directors, in the planning of the general meeting to raise the level of engagement with shareholders?

#### **Response from company**

The Independent Directors ensure governance and accountability at every Board meeting. They have and will continue to discharge their fiduciary duties accordingly.

**Question 3 (continued)**

- (iv) Would the board consider making arrangements to incorporate live Q&A and live voting at the AGM on 29 July 2022?

**Response from company**

No. However, the management will be arranging for 'live' voting and 'live' communication at the next AGM in accordance with the guidance as issued by SGX Regco under the Regulators' column on 22 May 2022"

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua  
Company Secretary

27 July 2022