
**RESPONSE TO QUERIES FROM SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
ON THE ANNUAL REPORT**

The Board of Directors (the “**Board**” or “**Directors**”) of OTS Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by Shareholders of the Company and Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Group’s Annual Report for the financial year ended 30 June 2023 (“**FY2023**”). The Company’s responses to the collective questions from Shareholders and SIAS are as follows:

Question 1

Please refer to page 11 of the Group’s Annual report for FY2023 (“**AR2023**”) - The Malaysia market is the biggest drag on the FY2023 results. Is this due to the wrong product mix? Are our products halal certified? The strong SGD against the Malaysian RM meant that it is cheaper to get raw materials, labour, etc there; therefore, cost of production there is lower; why did the revenue still drop drastically (36%) in the Malaysia market?

Company’s response

We have a multi-brand, multi-product portfolio, which consists of halal-certified and non-halal products. Majority of our brands have a premium positioning, particularly our flagship brands, “Golden Bridge” and “Kelly’s”, which are established household names in Singapore and Malaysia.

Our food products are manufactured mainly in Singapore, hence our cost of production is not lowered when the Singapore dollar is stronger than Malaysia ringgit.

In Malaysia, we observe that there is weakening consumer spending power and higher market competition. With majority of our brands having a premium positioning, demand for our retail products were affected as Malaysian consumers switched to lower-priced products.

To navigate the challenging market conditions in Malaysia, the Company has formulated a strategy which involves the distribution of lower-priced products, partnering with OEM suppliers in Malaysia; and expanding our presence in the food service sector within Malaysia.

Question 2

Is the competition very steep in the Malaysia market? How long have we been doing business in Malaysia? How is our market share there?



Company's response

In Malaysia, we face strong market competition from a number of brands of products which are similar to our ready-to-eat and ready-to-cook meat products that are manufactured in and/or imported into Malaysia for sale.

In 2017, the Group established GB Global (Malaysia) Sdn Bhd ("**GB Malaysia**") as a wholly-owned subsidiary of Golden Bridge Foods Manufacturing Pte Ltd ("**Golden Bridge**"), with the aim of expanding our non-halal food distribution business in Malaysia and the region.

To the best of the Company's knowledge, there are no published statistics or official sources of information relating to industry statistics that can be used to accurately measure the total market share of our business in Malaysia.

Question 3

Please refer to page 132 of AR2023 – With the Group's net cash balance stable at around S\$9 million, why is there no final dividend declared? If the Board's view is that the Company had a loss of S\$1.9 million and therefore not declaring final dividends, why are the Director fees of S\$124K not affected for the dismal performance FY2023?

Company's response

We recognise that shareholders expect a return on their investment and dividend is one of the options to reward shareholders. The issuance of dividends has always been part of the Board's agenda and discussions for rewarding shareholders. Over the past few years, we have been distributing dividends to our shareholders when the Group is profitable.

That said, we will need to balance our business priorities in view of the uncertainties arising from the inflationary environment and the need to fund growth plans, as well as to ensure adequate and steady cash flow for the Group's working capital requirements. No dividend was declared or recommended for FY2023 as the Group seeks to conserve its cash balances and ensure that the Group has adequate working capital and resources to sustain and grow.

As disclosed in the Corporate Governance Report in the AR2023, the Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Directors' fees are paid only to Independent Directors of the Group as compensation for their time, expertise, and their responsibilities in governing and overseeing the Group and are not linked to the performance of the Group.



Question 4

Can the Chairman of the Nomination Committee share on the effectiveness of the size of the Board for a small company with annual revenue of S\$30 million. Is the Board size too big? If not, why? How is it determined?

Company's response

The Board comprises five Directors, of whom three are Independent and Non-Executive Directors and the Chairman of the Board is an Independent Director. The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business.

More details can be found in the Corporate Governance Report section within the AR2023.

Question 5

For the financial year ended 30 June 2023, revenue for the group decreased by 10.2% to S\$30.7 million. By business segment, revenue from Food Services segment increased by 20.2% to S\$7.4 million while revenue from modern and general trade dropped by 10.1% and 24.1% respectively.

Revenue by Business segment	FY2023 S\$'000	FY2022 S\$'000	FY2023 vs FY2022 Increase/(decrease)	
			S\$'000	%
Modern Trade	8,108	9,018	(910)	(10.1)
General Trade	11,683	15,396	(3,713)	(24.1)
Food Services	7,422	6,175	1,247	20.2
Others	3,451	3,547	(96)	(2.7)
Total	30,664	34,136	(3,472)	(10.2)

(Source: company annual report)

In the financial review (page 11 of the annual report), it was disclosed that the 10.1% decrease in revenue from the Modern Trade segment could be attributed to "*muted consumer demand amidst increased product varieties in the market*". In the General Trade segment, the 24.1% decrease was mainly due to "*fierce market competition and weaker consumers' spending power in Malaysia*".

- (i) Could the management offer shareholders insights into the extent of brand loyalty within its customer base? In light of the substantial decrease in revenue, does management see the enhancement of brand loyalty as a critical necessity to ensure the business's long-term sustainability? What are the strategies the group employs to cultivate stronger brand loyalty, ensuring resilience against competition from low-cost alternatives?



- (ii) Has the board assessed the size and growth rate of the market for premium ready-to-eat and ready-to-cook meat products? Has management observed any indications of consumers permanently gravitating towards mass-market brands in these categories, possibly due to the inherent nature of such products which are more budget-friendly, no frill, easy-to-prepare, fast convenience foods? In other words, is it possible that the market for premium ready-to-eat/cook meat products is limited?
- (iii) The group also has over 1,100 SKUs across 13 main product types under its 7 house brands. Has the board also considered the benefits of streamlining its product portfolio to concentrate on products with the greatest growth potential and high margins while eliminating those with lower margins?

Company's response:

- (i) With an established track record of over 30 years in the F&B manufacturing industry, we recognise the importance of branding to differentiate our products from others. As a brand builder, part of the Group's core business strategy is to build branding and reputational value for our brand portfolio. By placing strong emphasis on the branding and positioning of our Group's flagship brands, "Golden Bridge" and "Kelly's" have become established household names within the ready-to-eat and ready-to-cook meat products market in Singapore and Malaysia.

Under recent economic situations and rising inflation, consumers have become increasingly sensitive to price increases. While demand may be affected in the short term, we believe that brand, food quality and taste are also important factors when consumers make their purchases.

For FY2023, the Singapore market remained relatively stable with revenue of approximately S\$23.0 million, as compared to revenue of S\$23.7 million for FY2022. In Malaysia, we observe that there is weakening consumer spending power and higher market competition. With majority of our brands having a premium positioning, demand for our retail products were affected as Malaysian consumers switched to lower-priced products.

Despite the headwinds faced in FY2023, we strongly believe that brand loyalty is vital for the Group's long-term sustainability.

To cultivate stronger brand loyalty within our targeted markets, we will continue to allocate resources in our branding and marketing activities, such as partnerships and collaborations with distributors and retailers to expand our reach, introduce our brand to new audiences, as well as to continue building top of mind awareness with existing



customers. We also utilize our social media platforms to share marketing and branding content, solicit feedbacks, and create a community around our brand portfolio.

As stated in the Chairman's letter to shareholders in AR2023, the Group will continue to re-assess its business model and further fine-tune its multi-brand, multi-product portfolio across its operating markets to reposition the Group for greater business resilience and growth.

- (ii) Singapore has been the Group's key market and in FY2023, sales from the Singapore market remained relatively stable in FY2023 with revenue of approximately S\$23.0 million, as compared to revenue of S\$23.7 million for FY2022.

Whilst increasing competition in the premium ready-to-eat/cook meat products and consumers' sensitivity to pricing may affect demand in the short term, we believe that our strong and consistent branding, innovative products, food quality and taste are critical factors for us to retain existing customers and gain new ones. The Group continues to invest in these areas to build long term business sustainability.

In addition, the Group is also exploring plans to expand its overseas presence and product portfolio, e.g. expanding to new customers in Australia, Indonesia and UAE.

- (iii) With our multi-category, multi-brand product portfolio, the Group is able to produce numerous product variants to cater to different customer tastes and preferences. The Group also produce seasonal food products (such as roast meats, hams and pork knuckles) during festive periods such as Chinese New Year and Christmas.

Our diverse product portfolio allows us to target a wider customer base and provides broader avenues for growth, both within and across our key product categories. In addition, we believe that this also reduces our dependence on any single product category or brand, and makes us more resilient to changes in the competitive landscape or price fluctuations in raw materials that may impact one product category more than another.

Our products offered under our seven house brands, namely "Golden Bridge", "Kelly's", "El-Dina", "ANEW", "Kizmiq", "Golden Lion" and "Orchid" have differentiated packaging and pricing strategies. Such segmentation allows us to target consumers in different regions with different demographics in a strategic approach, as well as react quickly and opportunistically to changes in consumer preferences and market trends.



We will continue to evaluate and optimise our brand and product portfolio that can potentially provide diversity and strength to our financial performance.

Question 6

The group's gross profit decreased by around S\$1.8 million due to reduced turnover and a lower gross profit margin of 25.2% (in contrast to 28.0% in the previous year). This decrease resulted from higher costs related to raw materials, labour, energy, etc.

For the financial year ended on 30 June 2023, the loss after tax amounted to S\$(1.9) million.



(Adapted from company annual report)

Out of the S\$2.51 million attributed to marketing and distribution costs, delivery and transportation expenses amounted to S\$1.43 million (2022: S\$1.43 million) even as revenue decreased by 10.2% (Note 7 Marketing and distribution costs; page 118).

- (i) What factors contributed to the same level of delivery and transportation expenses despite a 10.2% decrease in revenue? Could management outline the strategies in place to more effectively control these costs?
- (ii) Advertising and promotion costs increased from S\$743,000 to S\$913,000 in FY2023. How is the Group allocating its advertising and promotion budget? Is the Group harnessing the potential of social media for marketing purposes? In addition, how does management gauge the efficacy of its advertising campaigns?
- (iii) Other losses increased from S\$(124,000) to S\$(990,000) in 2023. This was mainly due to impairment of trade and other receivables of approximately S\$0.49 million, which was largely in relation to the joint-venture company, and translation loss on foreign exchange



as a result of the weakening of the Malaysian Ringgit against the Singapore Dollar of approximately S\$0.43 million. Could management provide clarification regarding the nature of the other receivables totaling S\$300,000 due from the joint-venture company, which was impaired in FY2023? It appears that the Company settled liabilities on behalf of the joint-venture company and impaired this amount within the same financial year, as indicated on pages 111 and 130.

As shown in Note 18 Investment in joint venture, the group's share of loss was S\$(229,000) and S\$(524,000) in 2022 and 2023 respectively. The cost of investment in the joint venture has been fully impaired in reporting year ended 30 June 2023. The joint venture is now in a net liabilities position of S\$(157,000) as at 30 June 2023.

- (iv) What is the current operating status of Delta Bridge Pte Ltd and has the Board or management reevaluated the strategic value of the joint-venture company?
- (v) Is there a need for additional capital injection into Delta Bridge Pte Ltd, and if so, has management engaged in discussions with the other shareholder of Delta Bridge Pte Ltd regarding the recapitalisation of the joint-venture company?
- (vi) Has the Board established a cap on the amount of capital designated for investment in the joint-venture company?

Company's response:

- (i) Due to an inflationary environment, delivery and transportation expenses increased in FY2023 despite lower business activities. We continuously monitor the logistical aspect of our operations and we aim to drive more cost efficiency in our supply chain activities.
- (ii) Allocation of our advertising and promotion budget is aligned with our business strategy, in terms of market priority, market entry activities, and new product launches. For example, as we venture into a new market (such as the Philippines market), there will be higher listing fees for new product listings, trade shows, and brand building activities, which may result in higher advertising and promotion costs incurred during the period.

In addition, we adopt a hybrid marketing strategy of digital marketing, influencer marketing, and in-store marketing. We typically gauge the efficacy of our marketing and advertising campaigns via sales targets but we also recognise that branding and marketing is a process that unfolds and matures over time.



- (iii) The other receivables of S\$300,000 that was impaired relate to a shareholders' loan extended to Delta Bridge Pte. Ltd., as shown in Note 3D Other receivables from and other payables to related parties.
- (iv) The Group's manufacturing facility on Bulan Island, Indonesia, which is operated by our joint-venture company Delta Bridge Pte. Ltd., was temporarily shut down due to a shortage of raw material caused by the African Swine Fever ("ASF") detected in pigs on the island. We continue to work closely with our joint venture partner, to observe the stability of raw material supply for our use. We hope to restart our operations around mid-2024 once the raw material supply stabilizes and ASF situation is resolved.

Delta Bridge Pte. Ltd. manufactures non-halal Chinese sausages in its production facility in Bulan Island, for distribution in Indonesia. The products are marketed and sold under the "Orchid" brand.

With Bulan Island's supply of live pigs and a sizable Chinese community in Indonesia, we believe that this joint-venture company will continue to be of strategic value to the Group.

- (v) We do not foresee a need for additional capital injection in the near future and we will undertake the relevant discussions with our joint venture partner when the need arises for significant capital injection.
- (vi) Yes, a limit on the capital designated for investment in the joint venture company has been established. However, depending on the circumstances, the amount of capital requirements may change and, we will make the relevant announcements on SGXNet where necessary.

Question 7

Since the Company was listed on 17 June 2021, there have been two turnovers in the position of Group financial controller, with both individuals stating their intention to "pursue other career opportunities".

Mr Toh Kiam Hwee ("**Mr Toh**") served in the role from 1 October 2020 to 31 August 2022.

Mr Ho Chor Yau ("**Mr Ho**") assumed the same position on 13 September 2022 and will step down from the role on 31 October 2023.

As disclosed in the announcements of cessation, there were no concerns with regard to financial reporting and there were no disagreements with regard to practices that will have an impact on



the group's financial reporting. The sponsor has also interviewed both Mr Toh and Mr Ho and is satisfied that there are no material reasons for the resignations while it was disclosed that the Nominating Committee ("NC") had carried out an exit interview with Mr Toh and ascertained that there are no material reasons in respect of the company for his resignation.

The announcements of cessations can be found here: <https://www.sgx.com/securities/company-announcements?value=OTS%20HOLDINGS%20LIMITED&type=company&pagesize=20&ANNC=ANNC04>

- (i) Could the nominating committee (NC) provide shareholders with a clearer understanding of its role in helping the Company with the selection and screening process for key management personnel, particularly in the case of the Group financial controller?
- (ii) Has the NC conducted an interview with Mr Ho Chor Yau or does it plan to do so before his last day of work?
- (iii) Considering that the two Group financial controllers held their positions for periods ranging from 13 to 22 months, will the NC and/or the audit committee reexamine the circumstances surrounding their resignations, including a detailed analysis of the challenges and contributing factors, both internal and external, and identify any potential areas for improvement within the Group, such as talent retention, succession planning, compensation, working culture etc?

Company's response:

- (i) For the selection and screening process for key management personnel, it is a two-part process, where the management will firstly assess and evaluate internal and external candidates based on their work experiences and education qualifications. There will be in-person interviews conducted by the management and the human resource department to delve deeper into the candidates' experiences, competencies, and alignment with the Group's culture and values as well as a clear understanding of the job expectations.

Potential candidates identified by the management will then be recommended to the NC for an interview. The NC interviews the recommended candidates to gain multiple perspectives and assess the suitability of the candidates based on a combination of qualifications, skills, experience, cultural fit, and alignment with our Group's long-term vision.



- (ii) Yes, the NC has conducted an exit interview with Mr Ho and ascertained that there are no material reasons in respect of Mr Ho's resignation.
- (iii) The Group places a high priority on talent attraction and retention and competency development of our employees. In FY2023, the Group conducted a total of 2,745 hours of training for our full-time employees (FY2022: 1,611 hours). Our employees received an average of 16 hours of training per employee in FY2023 (FY2022: 9 hours).

In addition, a welfare committee is in place for our employees to cater to their well-being, through employee benefits and organising recreational activities. The employee benefits include medical insurance coverage, medical reimbursement, as well as pro-family benefits to eligible employees which include maternity leave and childcare leave.

As disclosed in the announcements of cessation, there were no concerns with regard to financial reporting and there were no disagreements with regard to practices that will have an impact on the Group's financial reporting. The sponsor has also interviewed both Mr Toh and Mr Ho and is satisfied that there are no material reasons for the resignations, save for the reasons disclosed in the respective cessation announcements. As disclosed in the cessation announcements and in Q3(ii) above, the NC had carried out an exit interview with Mr Toh and Mr Ho and ascertained that there are no other material reasons in respect of the Company for their resignations. The NC is committed to ensuring the retention of key management personnel of the Company, and will review the policy in relation to talent retention and succession planning of key management personnel on a regular basis. The Company is in the midst of identifying a suitable replacement and will make the necessary announcement in due course. The Company will endeavour to ensure a proper handover and smooth transition to the successor.

By order of the Board

Ong Bee Chip

Managing Director

19 October 2023

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities





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