



TRAVELITE HOLDINGS LTD.

(Incorporated in Singapore)

(Company Registration Number: 200511089K)

RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT 2021

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 22 July 2021 in relation to the Company’s Annual Report 2021 and appends the replies as follows:

Question 1

As noted in the corporate profile, the group’s vision is to be the leading lifestyle brand management company in Asia and key international markets. The group currently represents over 20 international brands, either as a licensee or distributor, to market their products across various parts of Southeast Asia.

The distribution channel consists of departmental stores, chain of specialty stores, third party retail outlets, gift redemption and corporate gift programmes in Singapore and Malaysia; and wholesale distribution to third party distributors in countries such as Brunei, Cambodia, Indonesia, Myanmar, Thailand, Maldives and Kuwait.

The brands carried by the group can be found on page 3 of the annual report.

- (i) Has the board reviewed if the pandemic accelerated the adoption of e-commerce and thus negatively impacted the long-term prospects of the group’s distribution channel, such as departmental stores, specialty stores and retail outlets?

The chairman, in his message, added that the group “expanded [its] online presence by setting up a new business unit to focus on digital marketing and build brand awareness online” (page 4).

- (ii) Is the group successful in keeping up with digital marketing and brand building online? It would appear that the group committed to expanding its online presence in the past year as a result of the pandemic. What are the targets for its digital marketing in the next 12-18 months?
- (iii) What is the revenue share of the group’s non-travel products?
- (iv) How has the pandemic affected the wholesale distribution business? The group listed Brunei, Cambodia, Indonesia, Myanmar, Thailand, Maldives and Kuwait as the key markets for its wholesale distribution (third party distributors). Segment revenue dropped by 77% from \$7.1 million to \$1.7 million in FY2021. Does management expect the wholesale distribution business to lag in its recovery? If so, how has the group adapted to the challenges?

Company’s response to 1(i):

- Yes, the Board is cognisant of and has reviewed the impact to the Group from the acceleration of adoption of e-commerce brought about by the COVID-19 pandemic and the long-term prospects of the Group’s traditional distribution channel.

- However, the Group has also, prior to the COVID-19 pandemic, been steadily building its online presence to increase its distribution channels, via partnering popular local online platforms to market its merchandise and embracing social media and digital marketing.

Company's response to 1(ii):

- Yes, the Group has been successful in keeping up with digital marketing and brand building online. The Group's online presence has been actively expanded by the newly set up business unit which focuses on digital marketing and building brand awareness online. Apart from building its online presence via digital marketing and other online platforms, the Group has also set up an online store on its corporate website (<http://www.etravelite.com/>).
- To improve the reach of its business platform, the Group targets to diversify its product offerings and place more emphasis on online retail. The Group is also considering improved trainings provided to its employees to make sure they are well-equipped to handle changing market requirements.

Company's response to 1(iii):

- The revenue from non-travel products makes up to approximately \$200,000 of the Group's total revenue for the financial year ended 31 March 2021 ("FY2021").

Company's response to 1(iv):

- The COVID-19 pandemic has resulted in a decline in revenue from the Group's wholesale distribution business for FY2021 as compared to the financial year ended 31 March 2020.
- Governments around the world have been rigorously rolling out vaccination programmes as part of an attempt to restore normalcy in the global economy. With vaccine deployment in many countries well under way, the Group anticipates that Singapore will strive to establish more Air Travel Corridor to facilitate travel ease between countries without quarantine restrictions. This would in turn boost recovery of the tourism and retail sectors.
- With this prospect in view, the Group will remain focused on enhancing its cost-efficiency by streamlining its operating structure. To ensure that it will be better positioned to seize any arising opportunities that present themselves in the post-pandemic economy, the Group will also persist in its efforts to build new capabilities that can help pivot its business more effectively in this era of the new economy, such as digital marketing.

Question 2

In the financial highlights (page 14), it can be seen that the group's revenue has ranged between \$40 million and \$43 million in FY2018-FY2020, before suffering a 58% decline to \$18.0 million in FY2021 due to COVID-19.

The group has reported losses in 3 of the last 5 financial years (page 14 – Financial highlights), with losses adding up to \$(7.4) million. In fact, from FY2015 to FY2021, the group was not profitable in 4 out of the 7 years with losses amounting to \$(10.8) million.

Equity attributable to owners of the company has decreased from \$28.4 million in FY2014 to \$16.8 million in FY2021. The group's net debt was \$29.2 million in FY2020, before the sale of the group's Kallang Bahru property in this financial year. As at 31 March 2021, net debt was \$24.5 million. Net debt to equity ratio remains elevated at 1.2 times.

Financial Results	FY2017 ⁽¹⁾	FY2018	FY2019	FY2020	FY2021
Revenue (\$'000)	48,859	40,262	42,781	42,571	18,040
Profit / (Loss) Before Tax (\$'000)	544	(1,316)	399	(5,895)	(1,104)
Earnings / (Loss) Per Share (cents)	0.7	(1.5)	0.4	(9.7)	(2.9)
Financial Position					
Non-Current Assets (\$'000)	24,474	24,722	24,029	30,817	29,996
Net Current Assets (\$'000)	16,388	14,793	15,040	10,440	16,689
Total Equity ⁽²⁾ (\$'000)	29,627	27,957	28,254	22,050	20,719
Net Debt (Cash) (\$'000)	19,198	17,317	14,611	29,157	24,459
Return on Equity (%)	1.4%	-3.5%	0.8%	-27.7%	-8.7%
Net Debt to Equity Ratio (times)	0.6	0.6	0.5	1.3	1.2
Net Assets Per Share (cents) (excluding treasury shares)	47.0	44.3	44.8	34.9	32.8

⁽¹⁾ Financial results and return on equity (%) presented are before applying the classification and presentation requirements of FRS 105 in respect of the business of distribution, wholesale and retail of Delsey products discontinued during FY2017.

⁽²⁾ Includes non-controlling interests.

(Source: Company's Annual Report 2021)

- (i) How sustainable is the current business model, especially given the challenges in the brick-and-mortar?
- (ii) Has the group considered any appropriate diversification that leverages on the group's strengths? What are the joint ventures being explored or being considered?
- (iii) Has the board/RC reviewed the level and structure of remuneration to better motivate and incentivise the executive director and to further align his interests with shareholders? The executive director received ~\$405,000 in FY2018, \$442,000 in FY2019, \$385,000 in FY2020 and \$220,000 in FY2021 all as salary and benefits, with no bonus earned. During the time, the group's loss before tax added up to \$(7.9) million.

Company's response to 2(i) and (ii):

- In response to the shifting consumer demands and the impact of the COVID-19 pandemic, the Group has been reducing its reliance on brick and mortar operations and retailers, and pivoting its business towards the online retail trend to ensure sustainability. To support this strategic shift, the Group is also placing greater focus and invested in efforts to strengthen its digital capabilities. The Group is also leveraging on its experience in distribution, wholesale and retail, and making a conscious effort to improve the reach of its business platform through diversifying product offerings.
- The Group has been exploring joint venture opportunities and will make the necessary announcements via SGXNET as and when there are material developments.

Company's response to 2(iii):

- The Remuneration Committee ("RC") and Board has reviewed the level and structure of remuneration to better motivate and incentivise the executive Director and to further align his interests with shareholders.

Question 3

The board currently comprises three members, two of whom are deemed independent. Mr Thang Teck Jong is executive chairman while Mr Foong Daw Ching and Dr Clemen Chiang Wen Yuan are the independent directors.

As such, the executive chairman is also a member of all three board committees, namely the Nominating Committee (“**NC**”), the RC and the Audit Committee (AC).

Despite the company stating its commitment to maintaining a high standard of corporate governance to ensure greater transparency and to protect the interests of the company’s shareholders, the company deviated from several provisions of the Code of Corporate Governance 2018. In particular, the Code requires only non-executive directors/independent directors to constitute the RC and the AC. The board had “justified” the executive chairman’s membership in the RC and in the AC based on his “understanding of the group’s operations” and his “experience and expertise” in its deviation from Provisions 6.2 and 10.2 respectively.

All executive chairmen are reasonably expected to have a good understanding of the group’s operations and have experience and expertise in the core business. These “qualities” should not be the justification for an executive chairman’s membership in the board committees – which is an explicit deviation from the provisions of the Code.

- (i) How did the board carry out its evaluation to assess the appropriate board size and the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity?
- (ii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?

In particular, Dr Clemen Chiang Wen Yuan was re-appointed to the board on 4 November 2019. Dr Clemen Chiang Wen Yuan had served as an independent director, the chairman of the nominating committee and a member of the audit committee and remuneration committee of the company in the past from 15 February 2007 to 24 April 2009.

- (iii) What is the search and nomination process for directors, especially independent director?

Mr Foong Daw Ching was first appointed on 15 February 2007 and has served on the board for approximately 14.5 years. At the annual general meeting scheduled to be held on 30 July 2021, Mr Foong Daw Ching is retiring pursuant to Regulation 107 of the company’s constitution and would be seeking his re-election. Mr Foong Daw Ching would also be seeking a two-tier vote for his continued appointment as independent director.

- (iv) As the lead independent director, would Mr Foong Daw Ching be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?
- (v) What are the company’s plans for the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?

Company’s response to 3(i):

- The Board has implemented a process to be carried out by the NC for assessing, *inter alia*, the effectiveness of the Board as a whole and the Board committees. Assessment checklists which include evaluation factors such as Board composition and structure, are disseminated to each Director for completion and the assessment results are discussed at the NC meeting.

Company's response to 3(ii):

- The NC has reviewed the overall desired competency matrix of the Board. The Board is of the view that there is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in accounting, finance, business management and strategic planning.

Company's response to 3(iii):

- In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the social and business network of the Board. The NC will generally assess suitable candidates for appointment to the Board based on the requisite qualifications, expertise and experience. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion.

Company's response to 3(iv):

- The independence of each independent Director is reviewed annually by the NC based on the guidelines set forth in the Code of Corporate Governance 2018 and the listing manual of the Singapore Exchange Securities Trading Limited.
- The Board is of the view that the independence of the independent Directors must be based on the substance of their professionalism, integrity and objectivity, and not merely based on form such as the number of years which they have served on the Board. The Board conducted rigorous review of the independence of Mr Foong Daw Ching by examining any conflicts of interest, his review and scrutiny of matters and proposals put before the Board, his exercise of independent judgement, the effectiveness of his oversight role as a check and balance on the acts of the executive Chairman and the management as well as his role in enhancing and safeguarding the interests of the Company and its shareholders. Upon review, the Board considers Mr Foong Daw Ching to remain independent.

Company's response to 3(v):

- Board renewal is a continuous process. The Board recognises that independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. Accordingly, the NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

By Order of the Board

Thang Teck Jong
Executive Chairman
28 July 2021