
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 2021 (“**FY2021**”). The Company’s responses to the collective questions from Shareholders and SIAS are as follows:

Question 1

Please refer to page 9 of the Annual Report about “Financial review”. Under “Malaysia segment”, it was stated that “Revenue surged by approximately S\$4.69 million or 63.0% to approximately S\$12.12 million in FY2021 from approximately S\$7.43 million in FY2020, mainly due to an increase in product sales to new and existing customers.” Can Management help Shareholders understand the underlying reasons for the strong performance in Malaysia? How sustainable is the growth?

Company’s response

The increase in sales to new and existing customers is likely due to observed increased brand awareness and general confidence in Singapore branded products. It is also likely due to the decrease in stockpiling activities in Singapore, which had allowed the Group to build up inventory to meet the demands from Malaysia. The Group will continue to focus on growing its Malaysian operations and will keep Shareholders apprised of any significant developments via announcements on the SGXNet where appropriate.

Question 2

Please refer to page 8 of the Annual Report about “Message from Managing Director”. In the 14th paragraph, it was stated that “To further expand our business presence in the region, we incorporated a subsidiary in the Philippines in April 2021 and we plan to import our food products into the Philippines to build our branding presence and expand our product offerings to the Philippines market.” When will the Group likely start seeing revenue coming in from Philippines?

Company’s response

The Group plans to commence operations in Philippines during the first half of the financial year ended 30 June 2022 and envisages revenue from the Philippines to be received after operations have started.

Question 3

Please refer to page 79 of the Annual Report about “Investment in joint venture”. The “Share of loss” from Delta Bridge Pte Ltd has increased by 57.5% from -\$73,000 in FY2020 to -\$115,000 in FY2021, resulting from “the slow market penetration in Indonesia, due to the COVID-19 pandemic”. What have the Board and Management planned to do in Indonesia?

Company’s response

Through its joint venture company in Indonesia, the Group is currently manufacturing non-halal Chinese sausages for distribution. There are plans to expand the product range offered by PT Delta Bridge

Foods to include canned meat products by early 2022, and the management is reassessing these plans taking into consideration the COVID-19 situation in Indonesia.

Question 4

Please refer to page 8 of the Annual Report about “Message from Managing Director”. In the 11th paragraph, it was stated that “We are currently in the process of developing our own plant-based food products, such as plant-based canned luncheon meat, to cater to a growing demand for plant-based food products. We intend to launch our new plant-based food products by early 2022.”

- (i) How large is the in-house research and development team? Does the team have any experience with plant-based food products? How many new plant-based products does the Group intend to launch in early 2022?
- (ii) So far, has the development of plant-based canned luncheon meat been completed? Which month in 2022 is OTS going to launch them?

Company’s response

The Group’s in-house research and development team comprises 4 employees with the relevant experience and is headed by Madam Ong Chew Yong, the Company’s Executive Director.

At this juncture, the Group is still in the midst of developing the taste profile and texture of the plant-based canned luncheon meat. The Group remains on track to launch its plant-based products in early 2022 and will keep Shareholders apprised on developments via announcements on the SGXNet where appropriate.

Question 5

Please refer to page 66 of the Annual Report about “Revenue by segment”. For General Trade segment, while its total segment revenue increased by 34.1% from S\$14.09 million in FY2020 to S\$18.90 million in FY2021 due to “an increase in product sales in Malaysia”, its segment recurring EBITDA margin decline from 17.3% in FY2020 to 11.7%. What is the reason for the decrease?

Company’s response

The decrease included one-off IPO expenses incurred during FY2021 of S\$1.06 million. Excluding the one-off IPO expenses, the General Trade segment would record an EBITDA of S\$2.73 million and an EBITDA margin of 14.4%, which represents a decline of 2.9% from 17.3% in FY2020. The decrease was mainly attributed to a larger proportion of sales derived from Malaysia (where the margin is lower) and higher administrative cost.

Question 6

Please refer to page 65 of the Annual Report about “Revenue by segment”. Revenue from Food Services segment has declined by 3.0% from S\$6.10 million in FY2020 to S\$5.92 million in FY2021. With the expanded Vaccinated Travel Lanes, what kind of recovery is the Group experiencing recently in its Food Services segment’s sales to hotels, airlines, etc?

Company’s response

As the expanded Vaccinated Travel Lanes were effective during early October 2021, the Group is unable to comment on the impact to its Food Services segment at this juncture. Shareholders are encouraged to refer to the Group’s financial results announcements made on SGXNet on a half yearly basis.

Question 7

Please refer to page 65 of the Annual Report about “Revenue by segment”. While the revenue from Others segment has increased by 13.5% from S\$3.38 million in FY2020 to S\$3.84 million in FY2021, how has the recent global supply chain disruption affected Others segment’s export sales to Hong Kong/ Brunei/ Myanmar/ etc so far?

Company’s response

There were minimal impact to the Group’s export sales for FY2021. Going forward, the Management will closely monitor developments on the global supply chain to minimise any impact on its export sales.

Question 8

Please refer to page 66 of the Annual Report about “Revenue by segment”. For Others segment, why the segment recurring EBITDA margin declined by 2.0% from 33.4% in 2020 to 31.4% in 2021?

Company’s response

The decrease was mainly due to one-off IPO expenses incurred during FY2021 of S\$1.06 million. Excluding the one-off IPO expenses, the Others segment would record an EBITDA of S\$1.30 million and an EBITDA margin of 33.9%, which is relatively stable compared to FY2020.

Question 9

Please refer to page 68 of the Annual Report about “Information on major customers”. It seems that Customer A is our largest customer. Any reason(s) why revenue from Customer A has declined by as much as 30.4% from S\$6.38 million in FY2020 to S\$4.44 million in FY2021?

Company’s response

Revenue from Customer A declined mainly due to the absence of stockpiling activities by major supermarkets as part of Singapore Government’s effort to manage food supply disruptions during the initial stage of the pandemic, offset by a change in product mix by our Group to focus on higher margin products.

Question 10

Please refer to page 90 of the Annual Report about “Capital commitments”. How will the “capital commitments” trend be like over the next 2-3 years? How will they be funded?

Company’s response

The capital commitments are in line with the Group’s expansion plans as stated in the Company’s offer document dated 8 June 2021 and will be funded from the Group’s IPO net proceeds. The Company will provide an update via SGXNet in due course.

Question 11

May I know the reasons for the increase in finished goods from S\$2.83 million in FY2020 to S\$4.47 million in FY2021? Are there risk of expiry?

Company’s response

For FY2020, the Group recorded a lower value of finished goods due mainly to increased demand for the Group’s products as a result of stockpiling activities by major supermarkets as part of Singapore Government’s effort to manage food supply disruptions during the initial stages of the COVID-19 pandemic. For FY2021, such stockpiling had eased and the Group continued to build up its inventory for its Malaysian operations. The Group has in place a comprehensive set of production and inventory

management process and procedures to monitor the validity periods of its products and to manage the risk of expiry of its finished goods.

Question 12

For the financial year ended 30 June 2021, revenue for the Group continued its upwards trajectory and hit S\$38.5 million. The 34.1% increase in revenue (or S\$4.8 million) from the General Trade segment more than offset the 10.2% decrease in revenue (S\$1.1 million) from the Modern Trade segment (page 9 – Financial review; page 65 – Financial information by operating segments).

- (i) Can Management help Shareholders understand the reasons for the difference in profit margin between the two segments? Segment profit before tax (page 66) from the Modern Trade and General Trade segments amounted to S\$585,000 (~5.9%) and S\$1,525,000 (~8.1%).
- (ii) With the easing of stockpiling by major supermarkets, what are the normalised growth rates of the two segments going forward? Would it be reasonable to expect that two segments grow approximately the same pace? If not, please help Shareholders understand the reasons for the difference in growth rates (e.g. increasing penetration of convenience stores and provision shops)?
- (iii) How much of the Group's revenue could be attributed to halal food products?

Company's response

- (i) The difference in margins between the Group's Modern Trade and General Trade segments is largely due to the incurrence of, *inter alia*, advertisement and promotion expenses, product listing fees, and rebates for the Modern Trade segment which are absent in the General Trade segment.
- (ii) The Group is closely monitoring the two segments' growth given the evolving market situation and the Government's approach to the pandemic and will keep Shareholders apprised of significant developments via announcements on SGXNet.
- (iii) Halal segment accounts for approximately 23.3% or S\$8.96 million of the total Group's revenue.

Question 13

The Group successfully raised net IPO proceeds of approximately S\$6.56 million and S\$2.5 million has been earmarked to fund the expansion into the Philippines.

- (i) What is the market research done by the Board and by Management before entry into Philippines? How similar are the consumers in the Philippines to consumers from its key markets of Singapore and Malaysia? What is the level of understanding of the taste and preference of the consumers in the Philippines?
- (ii) Can Management elaborate further on its market entry strategy? It does not appear that the Management team has experience running any business in the Philippines. Would the Group be introducing new products targeted at its consumers in the Philippines?
- (iii) Does the Group intend to enter China in the near term?

Company's response

- (i) The Group conducted consumer taste tests and qualitative interviews with consumers in the Philippines to validate their needs and taste preferences for luncheon meats prior to the Group's entry into the said markets. More details on the prospects, business strategies and future plans of the Group in respect of its Philippines operations can be found on in our Offer Document dated 8 June 2021 on pages 186 to 195.
- (ii) The Group intends to continue to expand its presence overseas and will apply and tap into the knowledge and know-hows, proven business model and operational experience from the Group's expansion into Malaysia to its operations in the Philippines. The Group has engaged an experienced local country manager for its operations in the Philippines who is supported by the Management team in Singapore.
- (iii) The Group remains open to opportunities in the China market as well as other overseas markets.

Question 14

The Group holds an effective 45% stake in PT Delta Bridge Foods through its 50% owned joint venture company Delta Bridge Pte. Ltd. (page 16 – Corporate structure; reproduced below).

In the footnote, the Company stated that the Group does not have control over, including control over the board of directors of, both Delta Bridge Pte Ltd. and PT Delta Bridge Foods.

- (i) Can the Board clarify the Group's level of influence and control over the Indonesian associated company? How are operational and strategic decisions made by PT Delta Bridge Foods?
- (ii) What is the size of the Management team in PT Delta Bridge Foods?
- (iii) How does the Group value-add to PT Delta Bridge Foods?
- (iv) Can the audit and risk management committee confirm if PT Delta Bridge Foods is included in the Company's internal audit?

Company's response

- (i) The Group jointly controls PT Delta Bridge Foods with other partners under the contractual agreements that require unanimous consent or more than half of board of directors' consent for all major decisions over the relevant activities as well as operational and strategic decisions of PT Delta Bridge Foods. As decisions are made jointly between the Group and its joint venture partners, neither the Group nor its joint venture partners have control over the affairs and board of PT Delta Bridge Foods.
- (ii) The Group has engaged an experienced local country manager for its operations in Indonesia who is supported by the Management team in Singapore.
- (iii) The Group provides the expertise, knowledge and know-how in respect of the manufacturing operations as well as supports the marketing activities while the joint venture partner mainly assists with the provision of, amongst others, raw materials and infrastructure, supports the logistical and administrative functions and assists PT Delta Bridge Foods with the relevant business permits and licenses.
- (iv) Internal audit of PT Delta Bridge Foods is included in the internal audit rotation plan as approved by the Audit and Risk Committee.

By order of the Board

Ong Bee Chip
Managing Director
28 October 2021

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 Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Charmian Lim (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.