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Issuer: OTS Holdings Limited

Stock code: OTS

Meeting details:

Date: 24 Oct 2023

Time: 2.30 p.m.

Venue: 30 Senoko South Road, Singapore 758088

Q1. For the financial year ended 30 June 2023, revenue for the group decreased by 10.2% to \$30.7 million. By business segment, revenue from food services increased by 20.2% to \$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?**

In the chairman’s letter to shareholders, it was disclosed that 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.

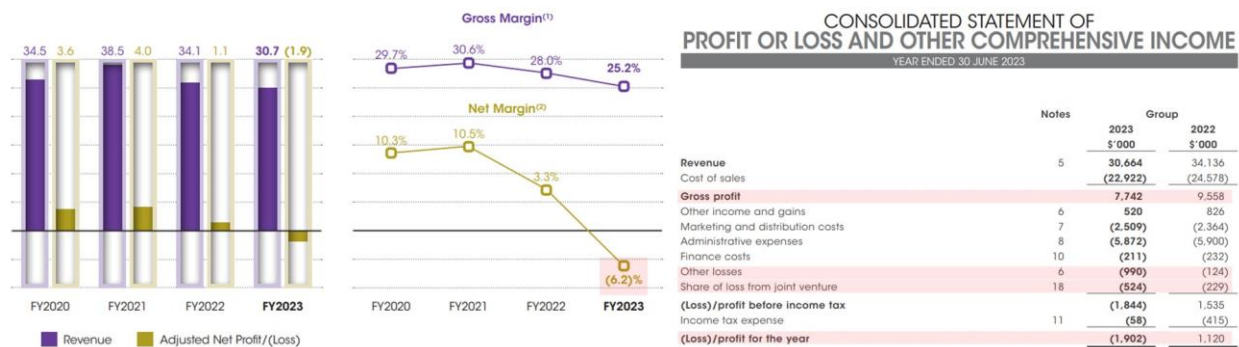
- (ii) **Has the board assessed the size and growth rate of the market for premium ready-to-eat and ready-to-cook meat products? Has management observed any indications of consumers permanently gravitating towards mass-market brands in these categories, possibly due to the inherent nature of such products 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?**

The group also has over 1,100 SKUs across 13 main product types under its 7 house brands.

- (iii) **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?**

Q2. The group's gross profit decreased by around \$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 ending on 30 June 2023, the loss after tax amounted to \$(1.9) million.



(Adapted from company annual report)

Out of the \$2.51 million attributed to marketing and distribution costs, delivery and transportation expenses amounted to \$1.43 million (2022: \$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?**

Advertising and promotion costs increased from \$743,000 to \$913,000 in FY2023.

- (ii) **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?**

Other losses increased from \$(124,000) to \$(990,000) in 2023. This was mainly due to impairment of trade and other receivables of approximately \$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 \$0.43 million.

- (iii) **Could management provide clarification regarding the nature of the other receivables totaling \$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 \$(229,000) and \$(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 \$(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?**

Q3. 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 served in the role from 1 October 2020 to 31 August 2022.

Mr Ho Chor Yau 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 nominating committee 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&ANN=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?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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