



TSH Corporation Limited

(Company Registration No. 200003865N)

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS RAISED BY SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) FOR ANNUAL GENERAL MEETING ON 29 APRIL 2022

The Board of Directors (the “**Board**”) of TSH Corporation Limited (the “**Company**”) would like to thank all shareholders and the Securities Investors Association (Singapore) who submitted their questions in advance of our annual general meeting to be held virtually via live webcast and live audio feed at 3.00 p.m. on 29 April 2022.

The substantial questions that are similar have been summarised below with the Company’s responses.

1. How is the performance of the Group since the relaxation of COVID-19 safe management measures with effect from 29 March 2022 and 19 April 2022?

Company’s response:

Since the further relaxation of COVID-19 safe management measures, especially on the removal of restriction on alcohol consumption after 10.30pm, we have resumed operations till late night and have seen an increase in sales from 29 March 2022. The resumption of nightlife on 19 April 2022 has also given us a long-awaited boost. However, it is still at an early stage, and we are looking forward to an improvement in sales level once all the other restrictions, such as social distancing in mask-off settings, are lifted.

Meanwhile, we are also coping with the increasing costs which include freight, whisky, rental, utilities and manpower costs, etc, but we are still maintaining the selling prices of our core range for the time being due to the business climate for the industry during this period. At this moment, we do not expect to receive further wage and rental supports in the foreseeable future, and all these will affect our margin and bottom line.

Currently, we are not significantly affected by the global supply chain disruptions despite constant delays of stock supplies due mainly to the stockpiles that we have built up. We are also not affected by the Russia/Ukraine conflict that is on-going.

2. Why do we propose higher directors’ fees when the Company was loss-making, net assets value declined, and no dividends were declared to shareholders?

Company’s response:

The independent directors (“**IDs**”) had volunteered to reduce their fees for the financial year ended 31 December 2020, and we feel that it is reasonable to reinstate the fees to that of the financial year ended 31 December 2019 to retain our experienced directors despite continued loss in the financial year ended 31 December 2021 (“**FY2021**”). We believe that the fees proposed are reasonable and justifiable for the expectations of the works and responsibilities of the IDs of a listed company.

3. What was the revenue of online retail and wholesale sales in 2021?

Company’s response:

The revenue from online retail and wholesale sales to third party outlets was negligible with combined contribution of less than 10% of the Group revenue in FY2021.

4. What were the reasons for the “slow progress” in advancing the objectives of the non-binding memorandum of understanding (“MOU”) with China Liquor Limited (“CLL”)?

Company’s response:

CLL was introduced to the Company through a business contact. Both whisky and baijiu are increasing in prices over the years. Whisky is the national spirit of Scotland while Baijiu is the national spirit of China. We saw that our expertise and experience in whisky could be used in promoting and selling Baijiu, and we could expand our whisky foothold into China with the collaborations.

The MOU covered a few collaborations, and many circumstances have caused the slow progress to finalise the terms and conditions of definitive agreements in relation to the MOU, one of which was the COVID-19 control measures in China. The terms and conditions of the collaborations, such as the importation and sale of whisky in China and the joint organisation of events to promote the spirits both in China and Singapore, were made more difficult than expected to finalise during this period. As a result, the MOU was terminated on amicable terms.

5. What is the market value of the stocks as compared to their book value now?

Company’s response:

Based on available whisky indexes and studies, the growth of aged whisky value for the past years have appreciated significantly. The total market value of the stocks is also higher than the carrying value in the Group’s books. The Group would like to clarify that the stocks are not for investment purposes but to be sold and consumed in our businesses. Therefore, we are not focusing on the appreciation in value, but to benchmark the selling prices of our aged whiskies to the market prices when we sell them.

6. What are the plans of the Company going forward?

Company’s response:

The uncertain climate due to COVID-19 and the increasing costs including new rental rate implemented by the landlord led to the closure of Copper in September 2021 upon the expiry of its lease. Consumers’ consumption patterns were forced to change as a result to the mandated restrictions during the past 2 years, which led to more whisky retail sales. However, the increase in retail sales could not make up for the loss in revenue of the outlets, where our customers usually socialise and enjoy their whiskies.

As we see the need for growth, we will continue to explore ways to increase the number of outlets cautiously, like our strategies during pre-COVID period, to ride on the recovery phase.

Depending on the objective, concept, arrangement, location, among other factors, of the new outlet, the period required to break even differs from one to another. Similarly, the capital expenditure required for each new outlet will vary and is dependent on the opportunities available to the Group.

In addition, we are also constantly evaluating the opportunities upstream. One of the activities upstream is to purchase whisky casks and bottle them on our own to reduce costs. This upstream expansion is not expected to change the risk profile of the Group as they are purchased for bottled sales and not for investment purposes. In general, we expect an improvement of bottle sales and value with longer aging of the whisky casks.

The risk of buying casks and bottling them lies in the quality of the casks, as they are not all of the same quality. We mitigate the risk by engaging renowned whisky masters in Scotland to taste the whisky before the purchases, and to endorse the product after bottling. In addition, they are also engaged to support the establishment of appropriate infrastructure for the current scale, and these include the sourcing and physical inspection of the warehouses and bottling plants, and market intelligence research.

We plan to carry out the above initiatives using both internal resources as well as borrowings.

Manpower is currently our biggest challenge, as with all other nightlife outlets. The Group experienced high staff turnover rate in 2021, attributed mainly to employees who left during the probation period and some staffs who chose to pursue other interests during the pandemic when they were assigned with new tasks. Nevertheless, our core staff remained strong and committed to improving the business. As at 31 December 2021, more than 30% of the workforce have been with the Group for more than 3 years. Therefore, we plan to restart our incentive and training programs for our staff to better engage them.

The Group will continue to be a reliable platform for customers to purchase and consume boutique whiskies at reasonable prices and equipped with well-trained staff who are professionals in the field to introduce the spirits to the customers.

The established name and reputation of our outlets and stores, focus on continuing staff training, and strong relationships with the distilleries, which enable us to purchase notable casks including Laphroaig 1992 and Bunnahabhain 1989 that are rare and are not often available in auctions but purchased through connections mostly, have created strong competitiveness of the Group over a regular outlet, and we will continue to strengthen these areas.

By Order of the Board

Chua Khoon Hui
Chief Executive Officer and Executive Director

21 April 2022

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 (the "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.

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