

Issuer: Jubilee Industries Holdings Ltd.

Security: Jubilee Industries Holdings Ltd.

Meeting details:

Date: 28 July 2017

Time: 10:00 a.m.

Venue: 10 Ubi Crescent, #02-07 Ubi Techpark Lobby A, Singapore 408564

Company Description

Jubilee Industries Holdings Ltd., an investment holding company, provides precision plastic injection molding (PPIM), precision plastic injection mould design and fabrication (MDF), and value-added services. It operates through PPIM, MDF, and Electronic Components Distribution segments. The PPIM segment offers single-shot, double-shot, vertical, insert, and gas-assisted molding services; and value-added services for plastic decorative purposes, such as laser etching, ultrasonic welding, heat staking, printing, polishing, and sub-assembly services. The MDF segment produces plastic injection moulds for consumer electronics, household appliances, automotive, and computer peripherals, as well as designs and fabricates intricate precision plastic injection moulds. This segment also builds complex engineering tools for customers in the medical and automotive industry. The Electronic Components Distribution segment distributes memory devices, radio frequency modules, power management integrated circuits, microcontrollers, transistors, mosfets, capacitors, inductors, resistors, crystals, oscillators, and connectors, as well as provides high end industrial power solutions and design-in services. This segment serves original design manufacturers, original equipment manufacturers, and electronics manufacturers. Jubilee Industries Holdings Ltd. sells its products in the United States, Malaysia, Singapore, China, Europe, Indonesia, Thailand, Vietnam, and internationally. The company was formerly known as JLI Holdings Limited and changed its name to Jubilee Industries Holdings Ltd. in April 2012. Jubilee Industries Holdings Ltd. was founded in 1993 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5OS)

Q1. The group's revenue past the \$100 million mark to hit \$108.8 million for the financial year ended 31 March 2017. Bulk of the revenue (\$100.4 million) was derived from the group's Electronic Components Distribution segment. The two other segments, namely precision plastic injection moulding ("PPIM") and mould design and fabrication ("MDF"), accounted for revenue of \$6.7 million and \$2.2 million respectively in 2017.

The historical performance of the two segments is shown in the table below.

		2013^ \$'000	2015* \$'000	2016 \$'000	2017 \$'000
Precision plastic injection moulding ("PPIM")	Revenue	19,381	15,830	9,854	6,664
	Sales to external parties	17,751	13,845	9,854	6,664
	Gross (loss)/profit	644	(935)	(625)	(546)
Mould design and fabrication ("MDF")	Revenue	7,610	10,394	3,380	2,243
	Sales to external parties	7,567	10,344	2,899	1,698
	Gross (loss)/profit	(696)	(1,420)	(319)	(1,009)

(Source: Company annual reports)

*2015 refers to the financial period ended from 1 January 2014 to 31 March 2015

^ 2013 refers to the financial year ended from 1 January 2013 to 31 December 2013

The revenue from PPIM has decreased by about two-thirds since 2013 and the accumulated gross losses in the past three years exceeded \$(2.1) million in the past three years.

a) Given the recent performance of PPIM, can management provide visibility into the long term viability of PPIM?

In the MDF segment, both revenue and losses have suffered in recent years.

b) How competitive are the services provided by the group? Given the shorter technological cycles (including disruptive and advanced manufacturing techniques), is the group looking to grow MDF into a sustainable and profitable segment of the group?

Q2. As stated in Note 19 (page 71 - Investment in associated company), EG Industries Berhad (EG Industries) used to be a 32.38% associated company of the group but during the last financial year, the company did not participate in the rights and warrants exercise of EG Industries and had its interest in EG Industries diluted from 32.38% to 11.80%.

EG Industries' revenue grew to RM 713 million in 2016 and reported profits attributable to owners of the company of RM 44 million in the last two financial years. EG Industries seem to be performing well.

a) Can management provide the justification for not participating in the rights and warrants exercise?

b) What is the group's capital allocation policy? How are investment decisions evaluated and analysed?

c) What were the deliberations by the board on the group's decision to not participate in EG Industries' growth?

Q3. On 7 July 2017, in the announcement titled “Material difference between unaudited financial statements and audited financial statements”, the company disclosed that it had made certain material adjustments and reclassifications to the Unaudited Results (first announced on 30 May 2017), following the finalisation of the audit.

Loss before income tax increased by \$(2.1) million to \$(7.5) million and total equity decreased by \$(1.6) million to \$(12.8) million.

Reasons provided include:

- Interest income initially classified as Other losses – net
 - Reclassification of staff cost from Distribution and marketing expenses to Administration expenses
 - Reclassification of interest income
 - Reclassification of S\$ 1.1 million from Other current assets to Trade and other receivables
 - Reclassification of normal operational banking charges from Finance expenses to Administration expenses of S\$0.1 million
 - Provision for restructuring costs of S\$0.7 million being omitted
 - Increase in inventories of S\$0.3 million due to recognition of inventories in transit that was initially classified as Trade and other payables
 - Reclassification of convertible loan of S\$10.7 million to current liabilities
- a) **As management is responsible for the preparation of financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs, how can shareholders get the assurance from management that the financial statements are prepared in accordance with the provisions of the Act and FRSs?**
- b) **As directors’ responsibilities include overseeing the group’s financial reporting process, can the board help shareholders understand how it has helped management to improve its financial reporting?**

Specifically, the audit committee (comprising Mr Cheong Keng Chuan Alfred (as chairman), Mr Terence Tea Yeok and Mr Ng Siew Hoong) has the responsibility to “review the financial statements and statement of financial position and comprehensive income including reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company’s financial performance, before submission to the Board for approval.” (page 24)

- c) **Can the members of the audit committee explain their involvement in the preparation of the financial statements?**
- d) **What are the board’s recommendations to management to prevent such material restatements from happening again?**