JUBILEE INDUSTRIES HOLDINGS LTD.
(Company Registration No. 200904797H)
(Incorporated in the Republic of Singapore)

RESPONSE TO THE QUESTIONS FROM SIAS

The Board of Directors (the “**Board**” or “**Directors**”) of the Jubilee Industries Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) sets out the Company’s response to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to annual report of the Group for the financial year ended 31 March 2021. The Company wishes to provide its response to the queries below:

Query 1

The majority of the group’s revenue (82.7%) was derived from the Electronics Business Unit (“EBU”) segment and the remaining 17.3% was contributed by the Mechanical Business Unit (“MBU”) segment.

As noted in the company profile, the group represents internationally renowned principals with an extensive array of active, passive and electromechanical products including memory devices, radio frequency modules, power management integrated circuits, microcontrollers, transistors, crystal oscillators and connectors. In addition, the EBU segment also provides high-end industrial power solutions, design-in services and integration to meet customers’ specific requirements.

The customers are mainly Original Design Manufacturers, Original Equipment Manufacturers and Electronics Manufacturers in diverse market segments throughout the Asia-Pacific region.

(i) What is the business model for the EBU segment and how does it create and capture value for shareholders? Please identify EBU’s key value drivers.

Company’s Response

Please refer to Q1(ii) for our response.

(ii) In addition, to help shareholders better understand EBU’s operations, please disclose the major projects and services, and some of its key customers and their underlying products.

Company’s Response

The EBU acts as distributor for our suppliers (“**principals**”) to connect with our customers, which are mainly telecomputing, mobile and industrial commercial customers. Our telecomputing and mobile customers include Original Design Manufacturers (“**ODM**”), Original Equipment Manufacturers (“**OEM**”), Electronics Manufacturers **(“EM”),** and smaller engineering firms, while commercial customers are primarily OEMs.

EBU has a team of dedicated product managers, field engineers and localised sales support teams. The sales teams focus on an extensive portfolio of products and services to support customers' material management and production needs, including connecting customers to the company's field application engineers for technical support. Each sales team works a specific customer segment, particular product lines or a specific geography, and provide end-to-end product offerings and solutions with an emphasis on helping customers introduce innovative products, reduce their time to market, and enhance their overall competitiveness.

The company believes that many of the products it sells are available from other sources at competitive prices. The main driver for the company is the provision of focused support, extensive product knowledge, and customised services for customers and principals.

With our integrated supply chain system and distribution centres in Singapore and Hong Kong, we serve over 500 customers with various programmes including vendor managed inventory, third-party logistic hubs and back-to-back deliveries.

Key customer details and their underlying projects are commercially sensitive information.

(iii) What are the long-term prospects in India and Vietnam?

Company's Response

India**,** similar to China, has a vast captive market. However, local branding and manufacturing are still in the developmental stage due to lack of infrastructure, concrete government strategy and the current pandemic situation. Nevertheless, India should emerge from the pandemic with brighter long-term prospects. As of 31 March 2021, the Company successfully secured two of the largest Indian high-tech OEMs in the mobile industry. While the near-term outlook remains uncertain, EBU is focused on strengthening its relationships with customers and providing strong technical support to maintain its foothold in the Indian market.

The electronics industry in Vietnam is growing with more foreign investments and companies entering Vietnam, capitalising on the pool of young talents and low costs to build manufacturing facilities. Currently, many of the manufacturing companies in Vietnam have an overseas presence through which electronic components and materials are purchased and consigned to Vietnam. We continue to monitor the local market and anticipate significant demand from Vietnam in the next 3 years. The Company plans to step up its current presence in Vietnam by expanding its own existing Vietnam office, adding more manpower to the local team as demand picks up.

Other than achieving a gross profit margin of 7.5% in FY2019, EBU's gross profit margin ranged from 4.2% to 4.4% for FY2018, FY2020 and FY2021.

(iv) With such thin gross profit margin, what is management's strategy to better manage its costs, scale up its volume and to achieve better pricing? What are the levers available to the group given the competitiveness of the segment?

Company's Response

Pricing in the electronics market is pre-dominantly influenced by demand and supply in the market. Therefore, our strategy to increase revenue and manage the costs are:

a) Expanding our supplier relationships and product portfolio with higher distribution margins.
b) Focusing on high growth areas such as 5G and Hi-Speed Data Centres.
c) Strengthening and building strong alliances with our new and existing customers to capture more higher value business opportunities especially in countries where there is huge potential domestic demand such as China, India and Vietnam.
d) Restructuring our cost structures by de-layering supply chain processes, workflows and back-end operations and continued assessment of operating efficiencies arising from the cost containment measures put in place during the COVID-19 pandemic.

In the MBU segment, revenue increased marginally to $25.1 million for FY2021, due to higher sales of consumer and medical products as well as customers who are shifting their source of purchase to the ASEAN region amidst US-China trade tensions. The performance was impacted by the subdued sales for automotive and construction products.

(v) Similarly, can management help shareholders understand the main products/classes of products in the MBU segment? What are the profiles of the major MBU customers?

Company's Response

MBU has two manufacturing operations managed by our subsidiaries, We Total Engineering ("**WETE**") in Malaysia and PT HonFoong Plastic ("**PTHF**") in Indonesia.

Each subsidiary has its own set of customers and suppliers in the different market segments for risk diversification and has remained resilient during unforeseen and volatile economy.

Key customer details and their underlying projects are commercially sensitive information.

The management remains cautious in evaluating the market trends and will focus on products with longer life cycles and higher growth potential. The Company also continues to seek new business opportunities in line with the Company's objectives.

(vi) How is the group positioning itself to tap on the trend of the global supply chain shifting out of China to South East Asia?

Company's Response

The global supply chain has shifted from China to South East Asia partially due to the on-going trade war between China and the US. WETE and PTHF have benefitted from this shift and continue to receive enquiries and orders from customers affected by the China-US trade war, despite the challenging times amidst the COVID-19 pandemic.

Our readiness and flexibility coupled with our extensive capacity distinguishes us from our competitors and allows us to adapt very quickly to shift towards customers' demands. In addition, we have established long-term partnerships with our diversified customers.

The management continues to seek and embrace technology in the Company's business processes, while sharpening competitiveness through better tooling costs and plastic product pricings. On top of its core expertise in precision tool designing/fabrication and injection moulding, MBU also offers comprehensive capabilities which include secondary processes such as silk screen printing, ultrasonic welding, heat staking, spray painting as well as sub-assembly.

(vii) What is the group's strategy to acquire new customers?

Company's Response

MBU's strategy lies on our strong belief in building a beneficial and exclusive relationship with our customers. We seek to expand our customers through our existing network of customers. Our superior service has resulted in a positive reputation for reliability within the plastic injection moulding industry, which is very helpful in acquiring new partnerships as we have proven to be a trustworthy partner.

MBU's philosophy is always to be a step ahead of the markets by inventing new technology. As at this very moment, MBU is at the stage of assessing a new technology in 5-axis CNC. The new technology shortens the R&D process cycle and supports faster time to market environment. Furthermore, the moulding division is developing its so-called "no man operation" to improve efficiency, and provide a more sustainable and better-quality product with minimum supervision on control orders.

As at 31 March 2015, the group was in an accumulated loss position of $(9.45) million. For the financial year ended 31 March 2021, the accumulated losses have increased to $(42.6) million.

(viii) Would the board consider it opportune to carry out a strategic review of the group's core strengths and capabilities, management depth, its strategy, cost structure and the competitive landscape in the core businesses so as to safeguard shareholders' interest and to refocus and reposition the group for long-term value creation? Mr Tea was first appointed as executive director & chief executive officer of the company on 30 June 2014, and appointed as managing director on 29 May 2015. He was then redesignated as the executive chairman (and CEO) on 6 August 2019. Has the board reviewed the performance of management? Is the board satisfied with the long-term performance of management at creating shareholder value?

Company's Response

Under Mr Tea's leadership, the Company has weathered significant challenges and positioned itself for growth. The Group's revenue has steadily grown from S$84.6 million for the financial year ended 31 March 2016 ("**FY2016**") to S$145.0 million for the financial year ended 31 March 2021 ("**FY2021**").

In 2015, the Company acquired WE Components, an electronic components distributor, to enable us to provide one-stop solutions for the electronics manufacturing industry. This has grown into what is now the Group's EBU which accounts for the majority of the Group's revenue, at 82.7% for FY2021.

The Company's management also successfully identified and completed the strategic acquisition of Honfoong Plastics Industries Pte Ltd. in 2018 to grow its MBU segment. Following the acquisition, MBU revenue more than doubled for the financial year ended 31 March 2019 ("**FY2019**").

Mr Tea has also been instrumental in the Company's efforts to secure financing. In 2016, the Company secured a convertible loan from strategic shareholder Accrelist Ltd. to support its growth. He has also led the Company's fundraising efforts to enable us to capitalise on growth opportunities for long-term value creation.

Mr Tea's efforts to turn the Group around was successful in the financial year ended 31 March 2018 ("**FY2018**") as the Company returned to black and the turnaround was further sustained in FY2019 when the Company's net profit tripled.

While the impact of COVID-19 was a temporary setback in the financial year ended 31 March 2020 ("**FY2020**"), the Company has since bounced back from the initial impact of COVID-19 to achieve higher revenue and gross profit following the efforts of the Company's management to mitigate the impact of the pandemic. This includes the Company's successful expansion in regional markets like India and Vietnam.

Based on the milestones achieved amidst external headwinds, the Board is satisfied with the long-term performance of the management at creating shareholder value. In addition, Mr Tea, as Chief Executive Officer and a substantial shareholder of Company, remains committed to improving the Group's performance.

Query 2

As disclosed in Note 19 (page 97), management has assessed that the group has lost its significant influence over EG Industries as the group no longer has representation on the board of EG Industries. Accordingly, the investment in EG Industries was derecognised as an associated company and it has been re-classified as a financial asset and measured at fair value through profit or loss.

(i) Can management elaborate further on the strategic value of EG Industries Berhad in the group's long-term plans?

Company's Response

The Company believes that there is significant strategic and synergistic value in its ties with EG Industries Berhad ("**EG Industries**") as EG Industries' industry focus is aligned with Group's, enabling collaborative efforts to build long-term shareholder value.

The scale of EG Industries' operations is significantly larger, recording more than RM1.0 billion in revenue for four consecutive years (approximately S$321.6 million). EG Industries has also made significant progress in embracing Industry 4.0 with the launch of its smart manufacturing plant. Group's stake in EG Industries can lead to greater synergies between both businesses, as we leverage EG Industries' economies of scale and expertise through collaboration.

(ii) How is the group safeguarding its investments in EG Industries now that the group has lost significant influence?

Company's Response

Although the Group has lost significance influence in EG Industries, the Group continues to closely monitor the developments in EG Industries and cordially engages with its management. The Company also continues to explore potential options to maximise the value of its investment in EG Industries for shareholders.

(iii) Has the board been monitoring the developments in EG and deliberated on the options available to the group to protect its interests?

Company's Response

Please refer to Q2(ii) for our response.

(iv) Can the board clarify if the non-executive director, Dato' Alex Kang Pang Kiang, represents the group in EG Industries?

Company's Response

No, the Board is of the view that Dato' Alex Kang Pang Kiang does not represent the Group in EG Industries.

Query 3

On 15 July 2021, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 March 2021 following the finalisation of audit.

The announcement on unaudited financial results for the financial year ended 31 March 2021 was first released via SGXNet on 30 May 2021. The announcement on material variance came 1.5 months after the company first announced the unaudited financial statements.

Some of the changes that were made following the finalisation of audit include:
- **unrecorded purchases (cost of sales: $516,000)**
- **reclassification of gain on disposal of property, plant and equipment from Other Income to Other Losses**
- **reclassification of bank overdraft balance to borrowing of $409,000**
- **reclassification of standby letter of credit of $304,000 to trade and other payables**
- **impact of SFRS (I) 16 Leases on repayment of lease liabilities of $440,000 not taken up" and short term bank deposits pledged of $1,133,000**
- **adjustment of proceeds on the disposal of investment in associated company, EG Industries Bhd of $625,000**
- **purchase of property, plant and equipment of $343,000**
- **proceeds from disposal of assets of $381,000**

The announcement by the company did not clearly explain why some of these accounting entries were excluded or were wrongly classified. For instance, there were errors such as unrecorded purchases of up to $516,000 and lease liabilities of $440,000 "not taken up".

(i) Can the audit committee (AC)/management elaborate further on the underlying reasons for the material changes following the finalisation of audit? For instance, shareholders would be concerned that there were unrecorded purchases as high as $516,000 and that the cash balance as at balance sheet date was under-reported by as much as $713,000.

Company's Response

The material changes were mainly from overseas subsidiaries in Malaysia and Indonesia. The unrecorded liabilities were mainly due to delay in receiving billings from vendors due to the prevailing COVID-19 situation in these countries by year-end. The purchases were recorded after the year but were reclassified to the year during audit.

The material variances were mainly reclassifications subsequent to the release of the FY2021 unaudited financial results after further discussions between the external auditors and the Management. In particular, the cash balances previously included letters of credit and bank overdrafts which were subsequently reclassified to payables and borrowings to better reflect their nature.

(ii) Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?

Company's Response

Please refer to Q3(iv) for our response.

(iii) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?

Company's Response

The Company's published financial statements are required to be kept in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and are audited by Nexia TS Public Accounting Corporation. In the auditor's opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the Act and SFRS(I)s.

(iv) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?

Company's Response

The Audit Committee has reviewed the adequacy of the Group's financial and management reporting system including the effectiveness of material internal financial controls, operational and compliance controls and risk management policies.

The Board has received assurance from the Executive Chairman and Chief Executive Officer and Group Financial Controller that:

(1) The financial records for financial year have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

(2) There is adequacy and effectiveness of the Company's risk management and internal control systems led by an experience and qualified Group Financial Officer who is a long serving member of staff.

(3) Most of the heads of finance and accounting in the Group's business units possess university accounting degree and/or professional accounting qualifications.

(4) The Group remains committed to its efforts in continuing to develop accounting and finance staff by providing relevant training to ensure that the team is well-equipped with up-to-date knowledge to handle evolving financial reporting standards; and

(5) The Group has adapted to the COVID-19 situation in Malaysia and Indonesia where its two manufacturing subsidiaries are located, implementing new measures that can be done remotely to overcome the difficulty of carrying out random check on site. This includes weekly discussions with the local finance teams as well as random checks on transactions to ensure correctness and controls remain in place. Prior to the pandemic, our representatives from the Singapore Head Office visited these offices in-person weekly, and performed checks on both transactions and control.

(v) What changes have been made/will be made to the group's financial reporting systems and processes?

Company's Response

The AC and the Board continue to closely monitor the effectiveness of the Group's financial reporting system and processes and will take remedial action, should it be necessary. The AC ensures that a review of the effectiveness of the Company's internal control is done at least once a year. Since the last AC meeting, AC has commenced to convene quarterly reviews with external auditors and management for progress updates to ensure outstanding issues have been properly addressed.

The Company is planning to implement a fully integrated end-to-end manufacturing software that covers all business aspects for its overseas subsidiaries to manage its day-to-day business activities and provide seamless integration across accounting, procurement, sales and project management, manufacturing, and supply chain operations. The new software will provide real-time data reporting and analysis as well reduce the risk of human errors. This is especially helpful for the finance and accounting teams in their financial reporting.

Query 4

Additional comments: In the corporate governance report, the company has stated that it maintains a corporate website at https://www.jihldgs.com to communicate and engage with stakeholders.

The company also stated that the sustainability report is accessible on the corporate website: http://www.jihldgs.com/investor-relations-2/annual-report/ and that it welcomes and value feedback from stakeholders who can contact the company via http://www.jihldgs.com/contact-us/.

The company also engages RHT Communications and Investor Relations Pte. Ltd. as its dedicated investor relation team to handle investors' queries and assist on all matters related to investor relations. However, the website appears to be non-functioning (see below).

Would the board ensure that the corporate website is functional? What is the role of its investor relation team?

Company's Response

Website
The Company recognises the importance of its corporate website which is currently managed by a 3rd party web host ("service provider"). Maintenance works have been underway, including diagnostic tests and the optimisation of server space. The corporate website is now functioning while it is progressively updated. We are in discussion with the service provider to further upgrade the current hosting plan for more server space and faster response time to ensure the website functions as expected.

Investor Relations team
The company engages RHT Communications and Investor Relations Pte. Ltd. ("**RHTCIR**") to support its investor relations ("**IR**") and public relations ("**PR**") activities to communicate and connect with the Company's stakeholders, as well as raise the Company's profile within the financial and investment communities.

RHTCIR assists the Company in preparing press releases and certain sections of its annual reports, and as and when needed, responding to media and shareholder queries, coordinating results briefings, and advising on issues management, providing investors and shareholders with an accurate account of the Company's progress. It is to be noted that the Company's website is not managed by RHTCIR.

BY ORDER OF THE BOARD

Terence Tea Yeok Kian
Executive Chairman and Chief Executive Officer

29 July 2021

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*This Announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this Announcement.*

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The contact person for the Sponsor is Mr Shervyn Essex - Registered Professional, 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtgoc.com