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Issuer: Jubilee Industries Holdings Ltd.

Stock code: NHD

Meeting details:

Date: 30 July 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. 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.**
- (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.**
- (iii) **What are the long-term prospects in India and Vietnam?**

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?**

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?**
- (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?**

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

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?

Q2. 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?**
- (ii) How is the group safeguarding its investments in EG Industries now that the group has lost significant influence?**
- (iii) Has the board been monitoring the developments in EG and deliberated on the options available to the group to protect its interests?**
- (iv) Can the board clarify if the non-executive director, Dato' Alex Kang Pang Kiang, represents the group in EG Industries?**

Q3. 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”.

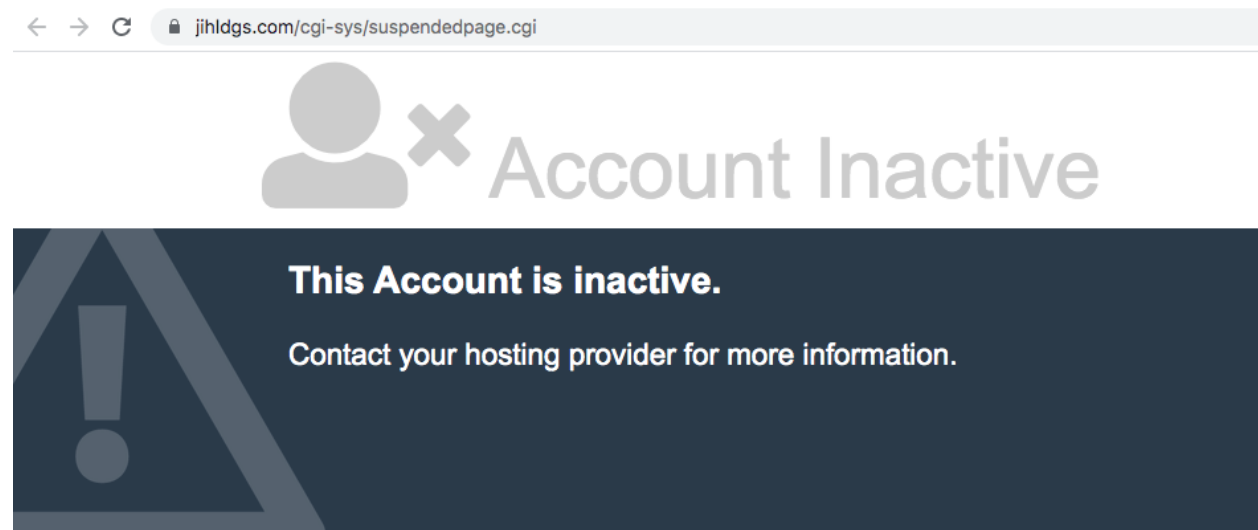
- (i) **Can the audit committee (AC)/management elaborate further on the underlying reasons for the material changes following the finalisation of audit?** For instance, shareholders would be concerned that there were unrecorded purchases as high as \$516,000 and that the cash balance as at balance sheet date was under-reported by as much as \$713,000.
- (ii) **Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?**
- (iii) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (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?**
- (v) **What changes have been made/will be made to the group’s financial reporting systems and processes?**

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?

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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