Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Jubilee Industries Holdings Ltd.

Stock code: NHD

Meeting details:
Date: 11 Oct 2023
Time: 10.00 a.m.
Venue: 10 Ubi Crescent, #02-07 Ubi Techpark Lobby A, Singapore 408564

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Q1. The group divested its electronics business unit in August 2023 and shareholders have also approved the sale of a 37.1% stake in Honfoong Plastic Industries Pte Ltd ("HF") to Optium Gains International Limited on 6 September 2023.

(i) **Can the company clarify if the sale of the 37.1% stake in HF has been completed? If not, what are the remaining conditions precedent that have yet to be satisfied or waived? When does management expect to complete the transaction?**

Should the sale be completed, the group will retain a 40% interest in HF, with Optium Gains holding a 37.1% interest.

(ii) **What is the expected level of management control following the sale given that the group will retain a 40% interest? Will there be changes made to the management team of HF?**

(iii) **In addition, what is the expected level of participation and contribution by Optium Gains and what are the potential synergies between HF and Optium Gains?**

For FY2023, the group reported revenue of $22.4 million from its continuing operations in the Mechanical Business Unit ("MBU"). This represented a 26.3% reduction compared to $30.4 million recorded in FY2022. The decline has been attributed to diminished demand in the field of plastic injection, stemming from intense competition posed by alternative materials, and softened demand in the key market of China.

(iv) **Can management provide clarification on the "alternative materials" and help shareholders better understand the demand and usage trends associated with them? What are management's strategies to navigate this industry paradigm shift?**

(v) **Has HF/MBU maintained its technical competence in face of emerging technologies and innovation?**

In addition, in the valuation letter contained in the company's circular dated 22 August 2023, the valuer stated that "management continues to forecast losses for the next three to five years" due to the war in Ukraine[1].

(vi) **What is the direct impact of the Ukraine war on HF? How has the industry adapted to the current situation and what are the challenges faced by HF in adjusting to this new reality?**

(vii) **Can management state its priorities for MBU in FY2024?**

[1] https://links.sgx.com/FileOpen/Jubilee%20-%20Circular.ashx?App=Announcement&FileID=771710

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Q2. The company has stated that it intends to return "a portion of the proceeds" to shareholders in an effective and cost efficient manner. The total proceeds from the sales of EG Industries Berhad in February 2023 and WE Components Pte Ltd in August 2023 were $8.6 million and $24.4 million respectively.

(i) **What key factors will the board consider when determining the amount to be returned to shareholders? Are there any plans for major capital expenditure to support the group's growth strategies?**

(ii) **With the major disposals completed in February and August 2023, has the board been able to finalise the amount to be returned to shareholders?**

(iii) **Will the distribution to shareholders take the form of capital reduction, along with a write-off of the accumulated losses?**

(iv) **Has the board engaged with the controlling shareholder to obtain their undertaking to vote in favour of the corporate action?**

(v) **Are there any challenges that the company may encounter in implementing the capital return? Can the board provide shareholders with a clearer timeline for the capital return?**

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Q3. The company's independent auditor has issued a disclaimer of opinion in their independent auditor's report dated 26 September 2023 in relation to the consolidated financial statements of the group and the company for the financial year ended 31 March 2023.

As stated in the basis for disclaimer of opinion, the financial statements of We Total Engineering Sdn Bhd and its subsidiaries, Honfoong Plastic Industries Pte Ltd and PT Honfoong Plastic Industries ("We Total sub-group") were included in the group's consolidated financial statements based on ***unaudited management accounts*** [emphasis added] for the current financial year ended 31 March 2023.

As at the date of the auditor's report, the auditors have been unable to carry out their audit procedures or alternative procedures as auditors of the company on the financial statements of the We Total sub-group for the purpose of providing an opinion on the group's consolidated financial statements. Consequently, the auditors were unable to determine what adjustments, if any, may be required to the group's consolidated financial statements.

The audit committee (AC) comprises Mr Cheong Keng Chuan, Alfred (chairman), Mr Ng Siew Hoong, Linus and Mr Levin Lee Keng Weng. It is further noted that the chairman of the AC is the deputy managing partner of Crowe Horwath First Trust LLP, a local firm of certified public accountants and a member of Crowe Global, the 9th largest accounting network in the world.

(i) **Can the directors in the AC help shareholders better understand the (individual and collective) roles played by each AC member (and especially the AC chairman) in the preparation and audit of the financial statements?**

(ii) **What are the challenges faced by management in providing the auditors with sufficient appropriate audit evidence for the We Total sub-group?**

(iii) **Were the independent auditors given access to the management and documents of the We Total sub-group?**

The company also announced material variances between the unaudited and audited accounts in each of the past three years (from FY2021 to FY2023). For FY2023, the group under-recognised sales and interest income by $1.3 million and by more than 100% respectively. It had also under-recognised and under-accrued several expenses. The unaudited profit before income tax of $44,000 turned into a loss before income tax of $(2.59) million following the finalisation of audit by the auditors[2].

[2] https://links.sgx.com/FileOpen/Jubilee%20Announcement%20-%20Material%20Differences%20FY2023.ashx?App=Announcement&FileID=773153

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(iv) **Did the AC deem the use of unaudited management accounts for the We Total sub-group to be appropriate, and if so, could the AC provide its justifications for this decision?**

(v) **Has the AC explored measures to enhance the group's financial reporting for the purpose of upholding the integrity of the financial statements? What improvements have been implemented in the past year?**

As stated in the directors' statement, in the opinion of the directors, the consolidated financial statements of the group and the statement of financial position of the company are drawn up so as to give a true and fair view of the consolidated financial position of the group and the financial statement of the company as at 31 March 2023, and of the consolidated financial performance, consolidated changes in equity and cash flows of the group for the year ended on that date (page 37).



DIRECTORS' STATEMENT

The directors present their statement to the members of Jubilee Industries Holdings Ltd. (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2023, and the statement of financial position of the Company as at 31 March 2023.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial statement of the Company as at 31 March 2023, and of the consolidated financial performance, consolidated changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Dato' Terence Tea Yeok Kian	Executive Chairman and Chief Executive Officer
Cheong Keng Chuan Alfred	Lead Independent Director
Ng Siew Hoong Linus	Independent Director
Levin Lee Keng Weng	Independent Non-Executive Director

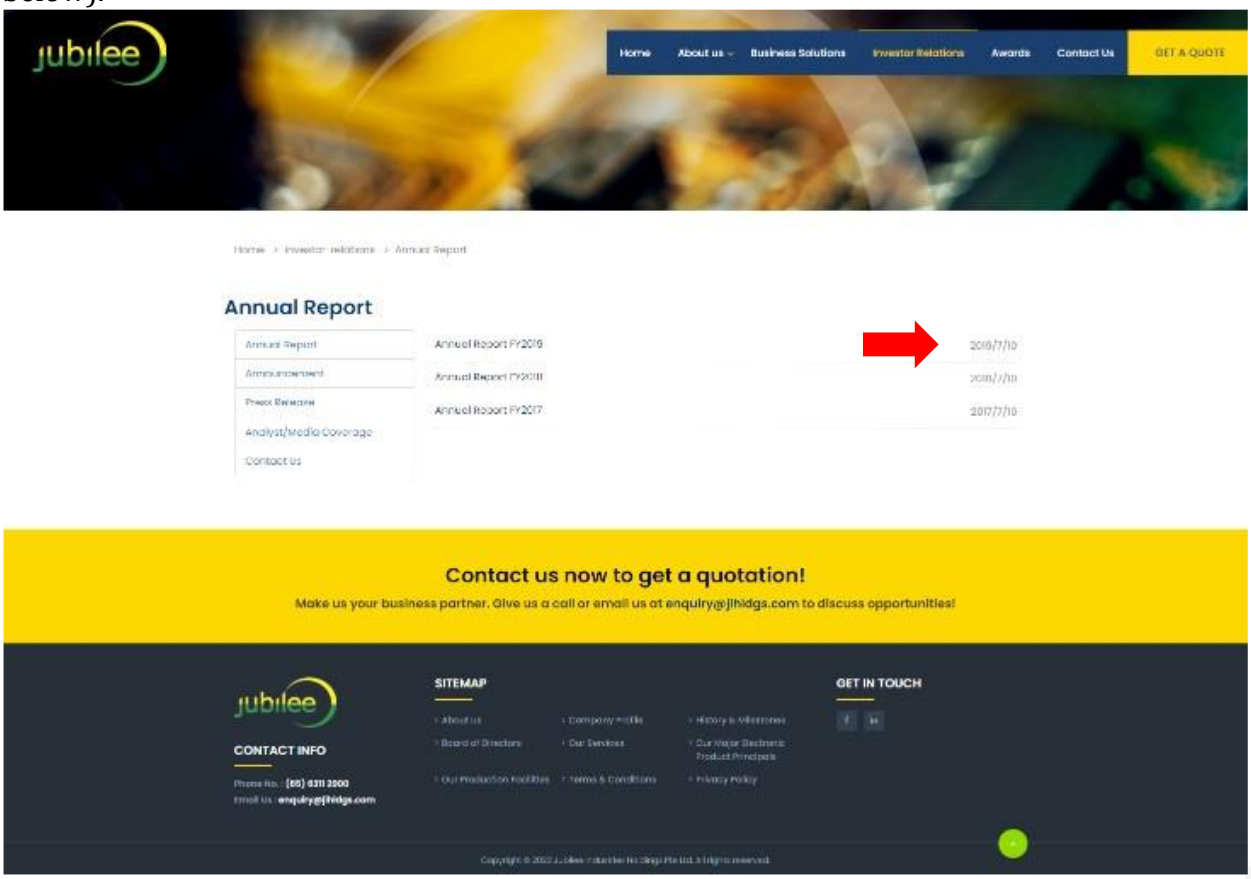
(Source: company annual report; emphasis added)

(vi) **Would the directors, especially the independent directors who are also AC members, help shareholders understand the basis of their opinion (page 37 of the annual report; reproduced above) given the disclaimer of opinion (pages 40) by the independent auditor?**

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Additional comments: Principle 13 (Managing stakeholders relationships: Engagement with stakeholders) of the 2018 Code of corporate governance issued by the Monetary Authority of Singapore requires the board to adopt an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served. In particular, Provision 13.3 requires the company to maintain a current corporate website to communicate and engage with stakeholders.

The corporate website (https://www.jihldgs.com/) still shows the EBU as a core business of the group. In fact, the website does not appear to have been updated in four years (snapshot below).



(Source: https://www.jihldgs.com/investor-relations-2/annual-report/ retrieved on 3 October 2023)

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(Source: https://www.jihldgs.com/contact-us/ retrieved on 3 October 2023)

Calls made to the numbers listed on the website and annual report could not be completed as the numbers do not appear to be working.

(i) **Has the board reviewed and ensured the effectiveness of the communication channels with the group's stakeholders? Has the board viewed the corporate website and are there challenges to updating the website and manning the phone lines?**

(ii) **What is the scope of Waterbrooks Consultant Pte. Ltd who has been appointed as the company's dedicated investor relation team?**

(iii) **What guidance has the sponsor given to the company on effective stakeholders engagement as required by the Code of corporate governance? Are there avenues for shareholders to contact the sponsor to provide feedback on the company?** It does not appear that the sponsor's offline landline and corporate mobile number are manned as well.

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

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