

**RESPONSES TO QUESTIONS FROM THE
SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

The Board of Directors (the “**Board**”) of Accrelist Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries from the Securities Investors Association (Singapore) (“SIAS”) received on 17 November 2022, with reference to the Company’s announcement dated 11 November 2022 on the Company’s Annual Report and Related Documents for the financial year ended 31 March 2022. The Company did not receive any queries from Shareholders as of the stipulated deadline in the notice of Annual General Meeting and accompanying announcement both 11 November 2022. The Company’s responses to SIAS’s queries are as follows:

Q1. For the financial year ended 31 March 2022, the group reported an increase in revenue of nearly 60% to \$241.2 million. However, loss attributable to equity holders of the company was \$(12.7) million (FY2021: \$(579,000)).

Equity attributable to equity holders of the company has decreased from \$27.6 million to \$16.3 million (page 60 – Balance sheets). All three segments of Electronic Business Unit (“EBU”), Mechanical Business Unit’s (“MBU”) and aesthetic services (AMS) were loss-making (page 117 – Note 28 Segment information).

(i) What are management’s plans to restore the profitability of the EBU and MBU segments?

Company’s Response

The Group’s loss for FY2022 would be lower at S\$4.7 million after excluding non-operating expenses relating to the impairment loss on intangible assets of S\$8.5 million and fair value loss on financial assets at fair value of S\$2.2 million.

The impairment loss on intangible assets of S\$8.5 million comprises impairment charges of S\$4.5 million and S\$4.0 million in relation to the EBU’s customer relationships and A.M Aesthetics’ goodwill respectively. Excluding the impairment loss on intangible assets, the EBU’s net profit would be S\$0.3 million while A.M Aesthetics would achieve a net profit of S\$1.8 million.

The EBU segment distributes and acts as a representative for a diversified range of active and passive components throughout the Asia Pacific region. Its strategy to improve profitability is to:

- Widen pool of suppliers and number of distribution rights with focus on products with higher margins.
- Focus on sales of components for high growth areas such as 5G and data centres.
- Sales team to make more visits to customers’ factories and other operational workplaces to better understand their requirements and follow up with product recommendations customised for individual customers.
- Apply data-driven analysis of Group management and operational structure to improve de-layering of EBU supply chain processes, workflows, and back-end operations.
- Continuously monitor EBU productivity with standard metrics on capital productivity, material productivity, labour productivity and Total Factor Productivity (TFP) and follow up with remedial action if required.

The MBU segment provides mould design and fabrication services for consumer electronics, household and automotive and computer peripherals, as well as precision plastic injection moulding services for their customers’ finished products. Its strategy to improve profitability is to:

- Widen range of MBU products and services to cater to new industries and capture niches in the market, such as MBU products for the Construction industry.
- Apply data-driven analysis of Group management and operational structure to improve de-layering of MBU supply chain processes, workflows, and back-end operations.
- Sales team to make more visits to customers' factories and other operational workplaces to better understand their requirements.
- Focus on building 'sticky' relationships with customers with services tailored to their specific requirements and exceptional customer service.
- Build on MBU's reputation within the plastic injection moulding industry for quality and reliability.
- Continuously monitor MBU productivity with standard metrics on capital productivity, material productivity, labour productivity and Total Factor Productivity (TFP) and follow up with remedial action if required.

(ii) What is the level of control and involvement by the company in driving the EBU and MBU businesses given that the company holds a 53.15% controlling stake in Jubilee Industries Holdings Ltd which has its own management team and board to oversee it?

Company's Response

The Company closely monitors the corporate, financial and operational developments in Jubilee Industries Holdings Ltd and regularly engages with Jubilee via weekly meetings. The agenda for these meetings include drawing up a list of actionable and/or remedial items, with deadlines for completion and reporting of results.

The Company also continues to explore potential options to maximise the value of its investment in Jubilee Industries Holdings Ltd for shareholders, while implementing Management's plans to restore the profitability of the EBU and MBU segments as detailed in our response to Q1(i) above.

(iii) When will the group be releasing the interim financial statement for the six-month ended 30 September 2022?

Company's Response

As disclosed in the Company's announcement dated 27 September 2022, the Group will be releasing the interim financial statement for the six-month ended 30 September 2022 by 13 January 2023.

On 27 November 2021, the company announced that the group had entered into a non-binding memorandum of understanding ("MOU") with 杭州宇晔科技有限公司 in relation to a disposal of 100% interest in WE Components Pte Ltd ("WEC") for US\$4 million and a further US\$7 million for WEC's inventories. The MOU lapsed and the company announced on 21 June 2022 that the group had entered into a sale and purchase agreement with UPC Electronics Pte Limited for the disposal of 14% interest in WE Components Pte. Ltd. ("WEC") for US\$2.1 million. The group had also entered into two options relating to the sale of the balance 86% of WEC to UPC (page 127).

Separately, the group has also entered into a sale and purchase agreement for the disposal of 30% interest in Honfoong Plastic Industries Pte. Ltd. ("Honfoong") for \$1.5 million.

On page 2 of the annual report, it was stated that the group's EBU and MBU businesses have "long-term fundamental value" as they stand to benefit from ASEAN's and China's rapid growth in trade and manufacturing.

(iv) Can the board help to reconcile the proposed sale of WEC and Honfoong with the strategic value of the manufacturing and distribution businesses?

Company's Response

To accelerate the realisation of the long-term fundamental value of the Group's EBU and MBU businesses, the Board believes that it is in the best interest of the Company to welcome new strategic investors through the proposed partial sale of WEC and Honfoong. The Purchasers' principal operations are closely aligned with WEC and Honfoong, with established operations in the key market of China.

Post-acquisition, WEC and Honfoong stand to benefit from access to new customers, deeper expertise and stronger financial resources through new synergies, in pursuit of returning to profitability.

(v) Can the board/company also confirm that it has entered into two put options with UPC for the sale of 86% of WEC?

Company's Response

Shareholders are advised to refer to the Company's announcement, Entry into Shareholders' Agreement between Jubilee Industries Holdings Ltd and UPC Electronics Pte Limited, dated 12 October 2022 for further information on the Call and Put options granted.

(vi) Will the board be considering a return of capital to shareholders should the sale go through?

Company's Response

The Board will consider all options that are in the best interest of shareholders should the sale go through.

(vii) In addition, what is the impact on the ban of sales of advanced computer chips to China by the United States on the group's businesses?

Company's Response

The ban of sales of advanced computer chips imposed on China by the United States may lead to heightened geopolitical tensions in the region, greater trade tensions and further economic decoupling between the United States and China, causing greater economic uncertainty and external headwinds globally. To mitigate the potential imposition of high tariffs or outright bans on certain products, more companies are adopting a China+1 strategy where they relocate part of their production to countries within the ASEAN region. This presents potential opportunities for the Group's business to capitalise on production shifts from China to ASEAN.

(viii) Please also provide an update on operational and financial performance of EG Industries Berhad. What is the level of influence and the strategic value of EG Industries?

Company's Response

Electronics Manufacturing Services ("EMS") provider EG Industries remained in the black for the financial year ended 30 June 2022 with revenue of RM1.1 billion. EG Industries has kickstarted the construction of its second fully automated facility to enhance overall operations. EG Industries has also ventured into 5G module manufacturing to support a US-based customer.

The Company continues to closely monitor the developments in EG Industries and engages with its management when the need arises.

As shown in the director's biography, the executive chairman and managing director is responsible for the overall growth of the group and his main role is to determine the strategic direction of the group (page 6). The director was first appointed on 11 March 2013. As at 31 March 2013, the accumulated losses of the group amounted to US\$(10.2) million. As at 31 March 2022, accumulated losses have increased to \$(60.2) million (FY2021: \$(47.4) million).

(ix) Would the board help shareholders understand if it has evaluated the performance of management, and if so, is the board satisfied with the performance of management in creating value for shareholders, especially minority shareholders?

Company's Response

Under Dr Terence Tea's leadership, the Company's management has strived to create value for shareholders, achieving numerous milestones. Please refer to page 11 of the Company's Annual Report for more information.

(x) Has the board evaluated the benefits of having two separate individuals as the board chairman and the chief executive officer/managing director to improve accountability and performance of the group?

Company's Response

The Board has evaluated the benefits of separate individuals as Board Chairman and Managing Director. It believes that at this stage in the Company's development, the arrangement whereby the Board Chairman and Managing Director are the same individual is appropriate due to the experience and expertise of the individual performing the dual role.

Although the roles of the Chairman and Managing Director are not separated, the AC, RC and NC are chaired by an Independent Director and Dr Terence Tea's performance and remuneration are reviewed periodically by the NC and RC.

Q2. The group recognised impairment loss of \$(3.95) million in relation to the goodwill of its aesthetics business. An impairment of \$(1.94) million was recognised in prior years. As at 31 March 2022, the goodwill of \$5.89 million related to the aesthetics business has been totally written off.

(i) Can the company elaborate further on the underlying reasons for the impairment of goodwill?

Company's Response

Please see the Company's response to Q2(iii)

(ii) Why was the impairment of goodwill omitted from the unaudited financial statements?

Company's Response

Please see the Company's response to Q4(i)

(iii) What are the reasons that the group has continued to invest in the aesthetics business given the impairment? What is the hurdle rate for new investment in the board approval process? What is the expected payback period for a typical new clinic?

Company's Response

The Group first acquired a chain of four local aesthetic clinics in October 2018, from which goodwill arose as the Group maintained the existing doctors, Chief Executive Officer, suppliers, and brand name.

The Group has since rebranded all four clinics and built the A.M Aesthetics brand across nine clinics island wide, complete with new doctors, management and suppliers. As the conditions on deriving the goodwill no longer exist, these were impaired.

The impairment does not relate to current operations and therefore, the Group continues to invest in the aesthetics business as it remains confident in the segment's long-term prospects to create value for shareholders.

The hurdle rate for new investment in the board approval process is commercially sensitive information. The expected payback period for a typical new clinic is approximately 12-24 months.

In addition, on A.M Aesthetics' website, under the "Doctors" tab, the company has featured "Dr." Terence Tea" as the founder of the medical aesthetics group. On the main page of the website, "Dr. Terence Tea" is placed next to the aesthetic doctors of the group. The business has also used the face of "Dr Terence Tea" at the branches, featuring him as "Dr. Terence Tea", the founder of A.M Aesthetics.

(iv) Has the board reviewed the marketing methods of A.M Aesthetics? Are these in line with Ministry of Health's guidelines and regulations, such as Private Hospitals And Medical Clinics (PHMC) Advertisement Regulations, Healthcare Service (Advertisement) Regulations?

Company's Response

The Board has reviewed the marketing methods of A.M Aesthetics and note that improved marketing was identified as one of the factors contributing to A.M Aesthetics' increase in revenue for FY2022.

The Board has received assurance from the Executive Chairman and Managing Director that every effort is made to ensure A.M Aesthetics complies with the relevant guidelines and regulations in consultation with the relevant authorities.

(v) Is there a risk that customers might be misled into thinking that "Dr. Terence Tea" is a medical/aesthetics doctor? Would the group be liable and be at risk of misleading its customers/misrepresentation?

Company's Response

The Company believes that there is no risk that customers might be misled into thinking that Dr. Terence Tea is a medical/aesthetics doctor as his PhD qualification, Business Administration (Honorary) from Honolulu University, is made clear on the Company's Annual Report as well as marketing materials of A.M Aesthetics.

In addition, the managing director signs off as "Dr. Terence Tea" in Accrelist but signs off as "Dato' Terence Tea Yeok Kian" for Jubilee Industries Holdings Ltd.

(vi) Would the board help shareholders better understand why the director signs off as Dato' Terence Tea in the subsidiary (Jubilee Industries) but signs off as Dr Terence Tea for Accrelist Ltd? Similarly, given that the company owns a medical aesthetics business, would this lead to confusion over status and qualification of Dr./Dato'/Mr. Terence Tea?

Company's Response

Dr. Terence Tea previously served as Executive Chairman of EG Industries Berhad, a Malaysia Bursa-listed company. In addition, Jubilee Industries maintains a sizeable manufacturing operation in Malaysia. His preference to sign off as Dato' Terence Tea in the subsidiary (Jubilee Industries) reflects his appreciation of the honorary title conferred to him in recognition of his services and contributions.

Please also see our response to Q2(v).

(vii) Can the board clarify the role of the executive chairman in the day-to-day operations of the aesthetics clinics?

Company's Response

Under the leadership of Dr Terence Tea, A.M Aesthetics has grown into a network of nine clinics across Singapore with plans for further expansion. He first began receiving aesthetic treatments in 2016, developing deep interest in the medical aesthetics industry as his results improved. He is deeply familiar with the customer journey and leverages his many years of experience as a business leader and entrepreneur to drive the growth of A.M Aesthetics' business, overseeing the continued expansion of A.M Aesthetics' network of clinics and customer base.

Q3. The company has deviated from Provision 2.2 of Code of corporate governance 2018 which requires independent directors to make up a majority of the board if the chairman is not independent.

The company has provided the following explanation:

"The board wishes to highlight that it is of the view that the appointment of lead independent director ensures a sufficient balance of power and authority in the board."

The current board composition is as follows:

Name of Directors	Designation	AC	RC	NC
Mr Terence Tea Yeok Kian	Executive Chairman and Managing Director	-	-	Member
Mr Ng Li Yong	Lead Independent Director	Member	Chairman	Chairman
Mr Lim Yeow Hua @ Lim You Qin	Independent and Non-Executive Director	Chairman	Member	Member
Mr Kang Pang Kiang	Non-Independent and Non-Executive Director	Member	Member	-

(i) Can the company help shareholders better understand the underlying reasons for its deviation from Provision 2.2 of the CG Code 2018?

Company's Response

Please refer to Q3(ii) for our response.

(ii) What is the basis of the board's opinion that the appointment of a lead independent director allows the company to deviate from Provision 2.2 of the CG Code 2018 which requires a majority of independent director on the board if the chairman is not independent?

Company's Response

The Board noted that the Independent Directors are experienced professionals with diverse expertise and skills, including strategic planning, management, legal, finance and accounting experience. Accordingly, the combined wealth and diversity of expertise and skills of all the Directors enable them to contribute effectively to the strategic growth and governance of the Group. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the board and all major decisions are made collectively.

Notwithstanding the above, the Board may consider appointing one additional Independent Director when a suitable candidate is identified in the interest of embracing recommended best practices.

Mr Ng Li Yong the lead independent director is also chairman of the nominating committee. Mr Ng Li Yong was first appointed on 11 June 2013. On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning. On 13 September 2022, SGX RegCo further announced that it will consult on hard-coding the 9-year limit for independent directors.

(iii) Has the board/nominating committee (NC) deliberated on the guidance by SGX RegCo on the selective use of the two-tier rule to promote board renewal?

Company's Response

Please see our response to Q3(iv)

(iv) Should Mr Ng Li Yong, the NC chairman and the lead independent director, lead by example by setting the tone with regard to capping the tenure of independent directors?

Company's Response

The board/nominating committee (NC) has deliberated on the guidance by SGX RegCo on the selective use of the two-tier rule to promote board renewal.

Although Mr Ng Li Yong has served on the Board for more than nine years from the date of his first appointment, the NC had rigorously reviewed his past contributions to the Company and considered that he is independent in character and judgement and there was no circumstance which would likely affect or appear to affect his independent judgement.

The opinion was arrived at after careful assessment by the NC and the Board and the rigorous review comprised a review of, but not limited to, the following factors:

- The length of services of Mr Ng Li Yong has not compromised the objectivity of Independent Director and his commitments and abilities to discharge his duties as Independent Director.
- The abilities of Independent Director to continue exercising independent judgements in the best interests of the Company.
- The abilities of Independent Director to express his objectives and independent views during Board and Board Committee meetings.
- Through his years of involvements with the Company, Mr Ng Li Yong has gained valuable insights and understandings of the Company's business and together with his diverse experience and expertise, has contributed and will continue to contribute effectively as Independent Director by providing impartial and autonomous views at all times.

The Company would continue to build on the acquired experience and expertise by preserving continuity and stability through orderly succession.

(v) What are the near-term plans to reconstitute the board to better meet the requirements of the CG Code 2018?

Company's Response

The Company will consider plans to reconstitute the Board to better meet the requirements of the CG Code 2018 as and when a suitable candidate becomes available for an orderly succession and continued stewardship of the Company.

Q4. On 11 November 2022, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial period ended 31 March 2022 following the finalisation of audit.

The announcement on the unaudited financial results for the financial period ended 31 March 2022 was first released via SGXNet on 30 May 2022. The announcement of material differences came nearly **5.5 months** after the company first announced the unaudited financial statements.

Loss after tax jumped from \$(3.8) million to \$(15.4) million after the finalisation of audit. Items omitted in the unaudited financial statements included impairment losses on financial assets (\$1.2 million) and on intangible assets (\$8.5 million). Total equity was presented as \$41.5 million in the unaudited financial statements although it declined to \$29.9 million after the finalisation of audit.

Reasons given for the material variances included:

- elimination of inter-company sales
- write-off of stock and inventory cost adjustment
- under-recognition of interest for lease liabilities
- additional recognition of right-of-use assets
- adjustment from accrual for direct labour bonus paid for year 2021
- incorrect entries “taken up during the financial year by its subsidiaries” for cash and cash equivalent

In fact, it has been pointed out in 2020 that the company had to make material adjustments and reclassification to the unaudited financial statements following the finalisation of audit for three of the past four financial years (FY2017, FY2018 and FY2020).

The company continued to report material variance in FY2021.

As such, the company has reported material variances after the finalisation of audit in FY2017, FY2018, FY2020, FY2021 and FY2022, five times in the past six financial years.

The audit committee comprises Mr Lim Yeow Hua @ Lim You Qin (chairman), Mr Ng Li Yong and Mr Kang Pang Kiang.

(i) What were the underlying reasons that impairments were omitted, cost and revenue items were under/over-recognised and reclassifications were necessary?

Company's Response

Please refer to the [Company's announcement dated 11 November 2022 on material differences between unaudited financial statements and audited financial statements](#) for more details.

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

Company's Response

Please refer to Q4(iii) 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 audit committee (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 Managing Director and Chief Financial Officer 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 experienced and qualified Chief 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.

(v) Can the AC help shareholders better understand if it has discharged its duties objectively (Principle 10 of the Code of corporate governance 2018)? If so, how so?

Company's Response

The AC has studied and referenced the Code of corporate governance 2018 and is of the opinion that it has discharged its duties objectively.

(vi) Can the AC chairman help shareholder better understand his level of involvement and his contributions in the audit in the past six years?

Company's Response

The AC Chairman has been involved in assessing the expertise, resources and independence of the external auditors including the effectiveness of the audit process. He has devoted his time in reviewing and monitoring management's responsiveness to the external auditor's findings and recommendations. He, together with the AC members, had engaged the external auditors in separate sessions with management to discuss key audit findings and issues. He has also provided oversight in supporting the CFO during the audit and contributed to the audit with his requisite business and financial skills and knowledge.

(vii) Given that the material variances were announced 5.5 months after the unaudited financial statements, is there a risk that the fair, orderly and transparent market for the company's share has been compromised?

Company's Response

During the 5.5-month period, there was no unusual trading activity in the Company's shares.

The Company remains committed to ensuring the integrity of the financial statements. More time was needed for additional audit procedures to be carried out by the Company's subsidiary, Jubilee. For more details, please refer to the Company's announcement on 27 September 2022 on the grant of further extension of time by the Singapore Exchange Regulation.

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

Company's Response

The AC will continue to monitor the adequacy and effectiveness of the Group's financial reporting systems and processes to ensure that the financial records have been properly maintained and the financial statements give true and fair view of the Group's operations and finances, and that the Group's risk management and internal control systems are also adequate and effective.

(ix) Will the board be reconstituting its audit committee?

The Board will continue to monitor the work of the AC to ensure that it is discharging its duties effectively and to consider reconstitution of the AC if required.

BY ORDER OF THE BOARD

Dr. Terence Tea
Executive Chairman and Managing Director

24 November 2022

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 (the "SGX-ST").

This Announcement has not been examined or approved by 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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