



Joe Holding Berhad (493897-V)
 Lot 5031 – 5032,
 Jalan Teratai, Off Jalan Meru,
 41050 Klang, Selangor
 Tel : +603 3392 7180

13 September 2022

Minority Shareholders Watch Group
 Level 23, Unit 23-2, Menara AIA Sentral
 No.30, Jalan Sultan Ismail,
 50250 Kuala Lumpur

Attn: Mr Devanesan Evanson

Dear Sirs,

**JOE HOLDING BERHAD (FORMERLY KNOWN AS GPA HOLDINGS BERHAD) (“JOE” OR “THE GROUP”)
 RE: 23rd Annual General Meeting (“AGM”) of JOE to be held on Thursday, 22 September 2022**

We refer to the questions raised by the Minority Shareholders Watch Group’s letter dated 13 September 2022. We set out below our replies to the questions raised.

<u>Operational and Financial Matters</u>	
1.	<p>In FY2022, the Group recorded a significant loss before tax of RM32.6 million (FY2021: RM0.98 million). The current year performance was affected by adjustments on fair value loss on investment securities of RM32.12 million (FY2021: RM0.41 million) (pages 9 & 53 of AR2022).</p> <p>What are the securities that have contributed to the significant amount of fair value loss on investment securities? How does the Board manage the risks associated with investing in these investment securities?</p>
	<p>The fair value loss on investment securities is from PNE PCB and Pasukhas Group. The Board is able to manage the risks associated from these investments through its constant monitoring of their financial performance and business development via some of our directors who also sit on their respective boards, and this allows the Group to manage its investments to a certain extent.</p>
2.	<p>On 27 May 2022, JOE Holding (M) Investment Limited, a wholly-owned subsidiary company of the Company had acquired a total of 150 million ordinary shares in Bioalpha Holdings Berhad (“Bioalpha”) for a total purchase consideration of RM45 million fully satisfied by cash which representing 12.40% of the existing total number of issued shares in Bioalpha via off market transaction. (Note 38, page 116 of AR2022).</p>



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	<p>(a) Based on JOE's Bursa announcement dated 1 June 2022, the purchase consideration of RM0.30 was arrived based on the willing seller willing buyer basis. Share price of Bioalpha was as follows:</p> <table border="1" data-bbox="304 416 1378 667"> <thead> <tr> <th></th> <th>Market Price</th> <th>Premium to the purchase consideration of RM0.30</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>As at 27 May 2022, the day JOE acquired Bioalpha shares</td> <td>RM0.155</td> <td>RM0.145</td> <td>93.5%</td> </tr> </tbody> </table> <p>(Source: Share prices were taken from Bursa Malaysia website) The share price of Bioalpha on the date of acquisition and for past 12-months period ended 27 May 2022 (28 May 2021 to 27 May 2022) has not traded above RM0.30. As at 12 September 2022, the share price has fallen even further to RM0.105 (Source: Refer to Bioalpha's share price chart on Bursa Malaysia website). Why didn't the Company buy Bioalpha shares from the open market when the share price was trading lower than the purchase consideration price?</p> <p>(b) Given that Bioalpha is a loss-making company with audited net loss of RM1.52 million for financial year ended 31 December 2021, and its 3-months unaudited 31 March 2022 recorded net loss of RM4.23 million which was announced on 31 May 2022, what was the level of due diligence carried out by the Company for this investment in Bioalpha?</p> <p>(c) Subsequently, Bioalpha recorded a net loss of RM11.94 million for its 6-months unaudited 30 June 2022 results, please explain to the shareholders why the acquisition of Bioalpha at a high premium price to market is in the best interest of the Company and its shareholders.</p> <p>(d) What was the level of oversight provided by the independent directors in approving the acquisition of Bioalpha?</p>		Market Price	Premium to the purchase consideration of RM0.30	%	As at 27 May 2022, the day JOE acquired Bioalpha shares	RM0.155	RM0.145	93.5%
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As at 27 May 2022, the day JOE acquired Bioalpha shares	RM0.155	RM0.145	93.5%						
	<p>(a) As this is a sizable block of approximately 12%, it is highly impractical and risky to accumulate such a big block without triggering a huge volatility in the price should the Group need to make all the required announcements during the acquisitions.</p> <p>(b) As Bioalpha is a listed entity, the Group can study its previous audited financial reports and has not come across any negative opinion from the auditors for the past 3 years. In addition, the board of Bioalpha is also represented by representatives from MTDC/PNB, quasi government bodies which to a certain extent would provide the necessary check and balance to the board of Bioalpha. Based on this, the Board is fairly satisfied with the business and management of Bioalpha.</p> <p>(c) The Group is of the view that this is an opportunity time to invest in a strategic asset with exposure to the oldest pharmacy in Malaysia as well as the expected recovery of earnings from China once the lockdown in China is lifted. In addition, the Group has not factored in the potential business synergy to be derived from the various plants of Bioalpha which may provide potential in developing our Groups' warehouse facility of which the Group is currently actively pursuing. As such, the price is arrived at after taking into consideration the above factors.</p> <p>(d) As explained in (b) and (c) above, the independent directors had considered the views presented by the management to be consistent when approving the transaction.</p>								
<p>3.</p>	<p>Inventories write-down amounted to RM1.37 million (FY2021: RM0.34 million) (page 53 of AR2022).</p>								



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	<p>(a) What were the reasons for the increase in write-down of inventories?</p> <p>(b) How much of the written down inventories are still saleable?</p>
	<p>(a) We provide for stocks impairment with policy of 100% full provision for stocks that are above 12 months old.</p> <p>(b) These stocks are still saleable at approximate 30-50% of its value without any warranty being given.</p>
4.	<p>Impairment losses of trade receivables written off amount to RM1.90 million (FY2021: Nil) (Note 12, page 83 of AR2022).</p> <p>(a) How long have the impairment losses on trade receivables been overdue?</p> <p>(b) What actions have been taken to recover the said amount prior to writing off?</p>
	<p>(a) Impairment for debts with policy of 50% for debts above 180 days and 100 % for debts more than 360 days.</p> <p>(b) Actions include legal action against the debtors with enforcement of personal guarantee against the guarantor.</p>
5.	<p>As at 31 March 2022, the Group placed an amount of RM0.084 million (FY2021: RM20 million), being the cash deposit placed in a securities account opened with a stock broking firm in Hong Kong for investment purposes. (Note 13, page 85 of AR2022).</p> <p>What is the reason for the huge decrease in the cash deposits placed in the securities account? Has the money been used to purchase securities in Hong Kong? If yes, please provide brief details of the investment.</p>
	<p>The huge decrease in the cash deposit place in the securities account is because of share acquisition for PNE PCB & Pasukhas. The group did not make any purchase of securities in Hong Kong.</p>
6.	<p>Down payment for construction of glove production line amount to RM19.49 million (FY2021: RM34.39 million). During to relocate the glove production line to Chepor, Ipoh. Therefore, Company A had agreed to refund the deposit to the Group's subsidiary company. The Group had received a refund of RM29.31 million up to the date of report. (Note 13, page 85 of AR2022)</p> <p>(a) Will Company A be providing a full refund of RM34.39 million to the Group? Or to what extent will the refund be?</p> <p>(b) Are there any penalties imposed by Company A in relation to the Group's decision to relocate the glove production line to Chepor, Ipoh?</p> <p>(c) To-date, has the Group received all the refunded deposit monies?</p> <p>(d) What were the roles played by the Audit and Risk Management Committee to ensure that the Board is vigilant in executing its strategies for investment in the glove business without incurring wastages and penalties to the Group?</p>
	<p>(a) Yes. Company A will fully refund RM34.9m to the Group.</p>



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	<p>(b) There are no any penalties imposed by Company A in relation to the Group's decision to relocate the glove production line to Chepor, Ipoh.</p> <p>(c) The Group has not received all the refunded deposit monies from company A. The Group has received refunded deposit RM29.3mil as at to date.</p> <p>(d) The audit and risk committee has been providing the relevant check and balance in ensuing the Group to be cautious in its investment in glove business and as at to date, the Group has not suffered any losses /penalties despite the ongoing challenging times in glove sector.</p>
7.	<p>The Company had on 16 November 2020, obtained Shareholders approval for the diversification into Glove Business. The Group has contracted a company to construct glove production line in the previous financial year. The construction work has yet to be commenced at the end of the previous financial year. During the financial year, the Group had decided to relocate the glove production line to Chepor, Ipoh. (Note 37(a), page 115 of AR2022).</p> <p>(a) Based on JOE's Bursa announcement dated 5 August 2022, as at the date of the announcement, the acquisition of the two (2) NBR/NR Powder Free Double Former Dipping Lines ("Machineries") from Fintec Glove Sdn Bhd for RM14.47 million was fully completed. Has the two (2) NBR/NR Powder Free Double Former Dipping Lines commenced operations? If not, when will it commence operation?</p> <p>(b) The Group had through various capital raising exercises such as private placements and rights issues raised a total of RM142.8 million to venture into the glove business (page 11 of AR2022). Please briefly update shareholders on the progress of the Group's investment in the glove business?</p>
	<p>(a) As of to date the two production lines not yet commenced operations as we are still waiting TNB to supply us with the electricity.</p> <p>(b) As explained in (a) above, we are still waiting electricity supply from TNB. However, supply of water and gas is ready, and management is in process of applying relevant certificates and looking forward to conduct pre-commercialization production.</p>
	<p><u>Corporate Governance Matters</u></p>
8.	<p>Practice 5.9 of the Malaysian Code of Corporate Governance states that the board should comprise at least 30% women directors. Pursuant to the Company's explanation, the Board currently does not have any female director. The Board acknowledges the importance of gender diversity in the Board. (page 27 of CG Report 2022)</p> <p>The Company newly appointed a male director on 28 September 2021 (page 5 of AR2022).</p> <p>(a) Did the Nomination Committee consider any female candidate as potential director, prior to appointing a male director?</p> <p>(b) Please note that all public listed companies on Bursa Malaysia should have at least one-woman director by June 2023.</p>
	<p>(a) The Group is in the process of identifying the right candidate and will comply with this requirement by June 2023</p> <p>(b) Noted that all public listed companies on Bursa Malaysia should have at least one-woman director by June 2023.</p>
9.	<p>The total cost incurred for the Internal Audit function of the Group in respect of the FY2022 amounted to RM10,000 (FY2021: RM30,075). (page 31 of AR2022)</p> <p>(a) What is the reason for the huge decrease in internal audit fee?</p>



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	<p>(b) Given that the fee is rather small (approximately RM833 per month), how many internal audit reports were issued for FYE 2022? What areas did the internal audit reports cover?</p> <p>(c) How does the audit committee assure itself that there is adequate coverage and an effective audit function?</p>
	<p>(a) Lower fee is corresponding to a remarkably lower business volume, operations and revenue generated during the said financial period due to Covid pandemic. Also, the IA fees was recognised on accrual basis thus the out-of-pocket expenses not yet fully expense.</p> <p>(b) The IA plan approved by Audit and Risk Management Committee was crafted adequately well to cover the key spectrum of IA vis-a-vis the current state-of-affairs of the business and in maintaining the effectiveness of IA as all the identified due diligence processes were dully processed as per the IA scope.</p> <p>(c) Besides outsourcing the internal control function to an independent professional third party advisor, the Audit and Risk Management Committee will meet at least once in every quarter where in the meeting the management will brief the committee members on the latest development of the Group. The Audit and Risk Management Committee members have a free hand to ask, request, challenge and make necessary enquiries to any of the matters pertaining to the Group, from the operation to the welfare of the employees. The Audit and Risk Management Committee will also follow up with the management in the event there are matters to be clarified and to be reported back to the committee. The Audit and Risk Management Committee also met privately with the internal and external auditors to receive their reports and their findings on the reviewing and auditing the Group. Matters highlighted and suggestions for improvement from the auditors have been taken seriously to ensure the deficiencies identified, if any, have been rectified accordingly. With these and coupled with the whistle blower policy that has been put in place, the Audit and Risk Management Committee believes that it will be able to discharge its duty and be able to perform its function effectively.</p>

We trust the above answers address all your questions. Should you require any further information or clarification, please do not hesitate to write to us.

We will present the questions and answers to the shareholders at the forthcoming AGM.

Yours sincerely

For and behalf of the Board of Directors

JOE Holding Berhad (Formerly known as GPA Holding Berhad)

KOO KIEN YOON
Executive Director