

Issuer: A-Smart Holdings Ltd.

Security: A-Smart Holdings Ltd.

Meeting details:

Date: 30 November 2016

Time: 10:00H

Venue: 25 Tai Seng Avenue, #01-01 KOP Building, Singapore 534104

Company Description

A-Smart Holdings Ltd., an investment holding company, provides a range of print management services in Singapore, Malaysia, China, and internationally. Its print management services include conceptualization, design, copywriting, translations, typesetting, and color proofing; printing; post-press packaging; and distribution and delivery. The company provides a suite of pre-press services, such as digital photography, digital enhancement, scanning and retouching, graphic design, and book design. It is also involved in printing financial research reports, annual reports, calendars, diaries, posters, initial public offering prospectuses, corporate brochures, yearbooks, trade directories, calendars, diaries, posters, magazines, and other commercial publications and collaterals. In addition, the company offers a range of post-press services, including binding, coatings, UV, varnish, satin die-casting, hot foil stamping, embossing, engraving, direct mail advertising, mailing lists, and warehouse fulfilment. Further, it provides perfect-binding, paperback books, hardcover books, booklets, paper stationery, business cards, envelopes, labels, stickers, posters, banners, binders, index tabs, and mounting products. Additionally, the company operates 8 to 8 Biz Butler outlets, which offer business and lifestyle products and customized services to corporate and retail customers in Singapore, China, and Malaysia. The company was formerly known as Xpress Holdings Ltd and changed its name to A-Smart Holdings Ltd. in October 2016. A-Smart Holdings Ltd. was founded in 1986 and is headquartered in Singapore

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BQC)

Q1. Following the disposal of the subsidiaries in China, Hong Kong and Malaysia, the group will maintain its core business of print management services in Singapore. Revenue for the “Continuing operations” (page F-10 of the annual report) dropped from \$10.4 million in 2015 to \$7.74 million in 2016. With the shift towards more digitalisation and less of printed material, **how is the board preparing the group to face this structural change in how users receive and consume information? How does management expect the print segment to perform in the next few years? Is there sufficient economy of scale for the Singapore operations to be profitable?**

Also, it was disclosed that the group will add “publishing services” to diversify its revenue streams. **Can shareholders get a better understanding of this new segment of “publishing services”? Who would be the potential customers? How synergistic is it to the current printing business? What are the major risks factors in “publishing services”?**

Q2. With the change in name and the transformation to a “Smart” business model, the company has made investments to forge a new growth path for the group. Shareholders would like to ask for more clarity on the newly acquired/invested businesses, specifically:

- (a)** Sheng Siong-Kunming LuChen Supermarket JV: The group will subscribe for 10% of the equity interest in the Joint Venture company for a cash consideration of US\$1.0 million. **What is the total investment amount that the group is prepared to commit to the JV? What are the projected returns for this investment? What is the projected gestation period before the JV can be self-funded? How does the group expect to monetise this investment in the future?**
- (b)** Amplify Me Pte Ltd (“AMPL”): “AMPL has been creating customised software for other businesses/industries and overseas markets since 2015” (page 11). **Can shareholders get visibility into the total revenue from AMPL and a detailed breakdown of the revenue and profits by the type of services/goods provided, and by geographical regions? The purchase consideration of S\$1.0 million was arrived at on a willing buyer willing seller basis, taking into account the operating track record and future potential of the AMPL. Could the company quantify the said track record and share the revenue and profit projections of AMPL used to justify the purchase price?**

Q3. Mr. Sam Chong Keen has been associated with the group since 2001. In the notes to Principle 2 of the Corporate Governance Code (page 15), it was disclosed that Mr. Sam Chong Keen was:

First appointed as Independent and Non-Executive Director on 5 December 2001 and re-designated as Executive Director and CEO on 16 February 2006. Mr. Sam Chong Keen was re-appointed as Non-Executive and Non-Independent Director on 2008 and re-designated as Independent and Non-Executive Director on 30 November 2012. He was appointed as the Lead Independent Director and Non-Executive Chairman on 29 November 2013 and 19 September 2014 respectively and relinquished as Non-Executive Chairman on 9 July 2015.

It was also mentioned on page 16 that: “There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.”

Guideline 2.4 of the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore states that:

The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

- (a) Can the board explain why it does not consider Mr. Sam Chong Keen as having served on the board for more than nine years from the date of his first appointment?**

- (b) Would Mr. Sam Chong Keen be subjected to particularly rigorous review of his independence as stated in Guideline 2.4 of the Code of Corporate Governance?**