

Issuer: Jackspeed Corporation Limited

Security: Jackspeed Corporation Limited

Meeting details:

Date: 27 June 2017

Time: 10:00H

Venue: Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927

Company Description

Jackspeed Corporation Limited engages in the sale of automotive and aviation seat trim and accessories. The company operates through Accessories and Non-Accessories segments. The Accessories segment engages in the sale of leather trims and accessories to car distributors, dealers, and manufacturers in the automotive and aviation industries. The Non-Accessories segment is involved in the trading, financing, and rental of motor vehicles; and business of commission agents. It serves customers in Singapore, Europe, Malaysia, Thailand, Australia, New Zealand, and internationally. Jackspeed Corporation Limited was founded in 1993 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=J17)

Q1. As disclosed in the Operations review (page 4 of the annual report), the group has reclassified its operating businesses into the Accessories segment and the Non-Accessories segment. The accessories segment comprises sales of leather trim and accessories to car distributors, dealers and manufacturers in the automotive and aviation industries while the non-accessories segment comprises sales from trading, financing and rental of motor vehicles and business of commission agents.

As shown in Note 4C (page 60 – Geographical information), revenue from Singapore was unchanged at about \$46 million in FY2017 while revenue from Thailand and New Zealand increased from \$9.5 million to \$12.6 million and from \$0.2 million to \$1.3 million respectively.

- a) The increase performance in the Thai market was considered as sufficient evidence to reverse the impairment loss of the group's subsidiary, J.V. (Thailand) Co., Ltd.. **Can management help shareholders understand what led to the better performance from Thailand in the financial year? How sustainable is the recovery and what are the group's growth prospects in Thailand?**
- b) In addition, there was a substantial increase in revenue from New Zealand. **Can management provide better visibility into the growth and potential of the New Zealand market?**

In Note 4D (page 61 - Information about major customers), the top two customers in FY 2017 now account for \$23 million and \$10.9 million respectively. In FY 2016, the top two customers combined to account for just \$11.9 million, lower than the combined amount of \$33.9 million in in FY 2017.

- c) **What is the profile of the largest two customers? What is the nature of the sales revenue?**
- d) **With the greater concentration of the group's revenue from just two major customers, has management re-assessed the robustness of the group's credit risk policy?**

Q2. During the financial year, the Company purchased 67,000 shares, representing 13.4% of the total number of issued shares in Wenul Assets (Industrial) Pte. Ltd. ("Wenul") for a consideration of \$3.5 million. Wenul is principally engaged in the business of mixed construction activities and real estate development.

As disclosed in Note 20 (page 84 – Trade and other receivables), the company has also made loans, including:

- i. an aggregate amount of \$2,655,000 given to outside parties for real estate projects in the United States of America,
 - ii. a loan of \$1,000,000 that was made to an external party in 2016 (but since repaid before the end of the financial year),
 - iii. a loan of \$700,000 that was made to a company listed on the Singapore Stock Exchange (Vibropower Corporation).
- a) **Since the nature of these activities differ greatly from the group's core business, can the audit committee explain the impact on the risk profile of the group?**
 - b) **As these loans are not part of the group's core business, can management explain why the group has ventured into such financing activities?**
 - c) **Would the board consider seeking shareholders' approval for any diversification of the group's activities that would alter the risk profile of the group?**

In addition, the company is seeking shareholders' approval for the allotment and issue of 50,208,700 new shares to a 'Chua Keng Woon' at a subscription price of \$0.11385 per new share. This will raise an estimated net proceeds of up to approximately S\$5.68 million. The company's consolidated net asset value per share is approximately 17.85 cents before the subscription at the end of the financial year. As noted in the circular dated 12 June 2017, the company intends to use 100% of the net proceeds for general working capital purposes.

- d) **Can the board help shareholders understand how it had assessed the proposed subscription of new shares that is being carried out at a large discount to the net asset value per share?**
- e) **The group has made loans to non-strategic parties and is now raising funds for general working capital purposes which will result in large dilution for existing shareholders. What is the board's guidance to management on the capital allocation of the group?**

Q3. Mr Yap Kian Peng is the company's Executive Deputy Chairman and CEO. In the Corporate Governance Report, it is disclosed that:

As the CEO, he is involved in the day-to-day business of the Group and leads Management in setting strategies, objectives and is responsible for the development and financial performance of the Group (page 15).

In Mr Yap's profile (page 6), it is also stated that Mr Yap has been an Executive Director of Capital Equity Holdings Pte Ltd, a private equity investment company since 2005. In addition, Mr Yap also "serves on the board of M Development Ltd. and Seroja Investments Limited, which are listed on the SGX Mainboard, and Soon Lian Holdings Limited, which is listed on the Catalist".

- a) **The group has also been making investments outside of the automotive/accessories sectors. With two executive roles, and a further three roles in other listed companies, is it likely that Mr Yap will be placed in a position where he will have conflicts of interests?**
- b) **Again, given that Mr Yap has two executive roles and a further three roles as director on the boards of three other listed companies, how does Mr Yap allocate his time to the matters of the company?**