Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Jackspeed Corporation Limited

Security: Jackspeed Corporation Limited

Meeting details:
Date: 26 June 2018
Time: 10.0 a.m.
Venue: Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927

Company Description

Jackspeed Corporation Limited, an investment holding company, engages in the manufacture and 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 headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=J17)

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1. Would the board/management provide shareholders with better visibility of the following matters relating to the operations of the group? Specifically:

(i) **Accessories segment:** As announced by the company on 16 March 2018, the group has been awarded a two-year renewable contract by a European OEM supplier to car manufacturers and importers for 12,000 upholstery leather kits per annum. In addition, the group was also awarded a two-year contract with an OEM automotive manufacturer in Malaysia to supply 2,300 vehicle upholstery kits per annum. In the same announcement, the group detailed the expansion plans to increase the group's capacity to 32,000 upholstery kits per annum by the third quarter of 2018. **Can management elaborate further on the status of the new Klang factory? In addition, what are the other plans to further increase the group's capacity given that the two new orders will take up all the new capacity? How is management actively managing the execution risks given that the volume is expected to nearly double from the previous year?**

(ii) **Non-Accessories segment:** Based on the disclosure in Note 4 (pages 58 to 61 - Financial information by operating segments), revenue from the Non-Accessories segment dropped from \$43.1 million to \$22.7 million for the financial year ended 28 February 2018. The segment activities include trading, financing and rental of motor vehicles and business of commission agents. **Would management provide shareholders with a clear breakdown of the revenue by segment activities? What were the reasons for the significant decrease in revenue from the Non-Accessories segment?**

2. The "Impairment of other receivables from Prestige Cars Pte. Ltd. ("PCPL")" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 34). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As disclosed in the KAM, the carrying amount of current other receivables from PCPL amounted to \$9,000,000 which accounted for approximately 7.5% of the group's total assets as at the reporting year end.

In Note 2c (page 53 - Critical judgements, assumptions and estimation uncertainties) and Note 20 (page 85 - Trade and other receivables), the following information on PCPL and the convertible loan was disclosed:

- In 2016 the company granted a convertible loan of \$10,000,000 to an external party, Prestige Cars Pte. Ltd. ("PCPL"). The loan to PCPL was for the purposes of importing BMW Alpina vehicles and distributing BMW products to the People's Republic of China ("PRC") by Prestige Cars Group Pte. Ltd. ("PCGPL").
- In the event that there is no conversion, all outstanding loan and interest shall be repaid in cash. The interest rate on the loan is 15% per annum.

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- During the reporting year ended 28 February 2018, the loan was restructured to remove the convertible option and the loan is to be fully repaid by 30 June 2018 and the interest rate shall be reduced to 6% per annum calculated on a simple basis.
- At the date of this report, $1,000,000 has been repaid on the loan.
- Management applied significant judgement in determining the recoverability of the current other receivables, considering the future business plans and financial standing of the ultimate obligor.
- No allowance for impairment has been made at the end of the reporting year.

(i) **Given that the group has extended to PCPL $10 million in the form of a convertible loan, what is the level of oversight by the group's management into the strategic direction, operations and performance of PCPL?**

(ii) In the annual report, it was disclosed that the interest rate on the loan of 15% per annum was reduced to 6%. **Can management elaborate further on the reason(s) to reduce the interest rate on the loan? Would the decrease in interest rate be retrospective?**

(iii) Following the restructuring of the loan, the loan is to be fully repaid by 30 June 2018. The company has disclosed that "[a]s the probability of receiving interest payments is uncertain at the moment, interest has not been accrued" (page 85). **Would the audit committee help shareholders understand why there is uncertainty over the payment of interest? In addition, can the audit committee further elaborate on the reasons for not impairing the outstanding loan amount of $9 million? How did management assess the recoverability of the loan?**

3. Pursuant to Regulation 107 of the Constitution of the Company, Mr Yap Kian Peng is retiring as a director of the company and is seeking re-election as a director at the company's Annual General Meeting on 26 June 2018.

As noted in Mr Yap's profile (page 8), "Mr Yap has been an Executive Director of Capital Equity Holdings Pte Ltd, a private equity investment company". In addition, Mr Yap also serves on the board of three other listed companies, namely, M Development Ltd., Seroja Investments Limited and Soon Lian Holdings Limited.

(i) **As the Executive Deputy Chairman and Chief Executive Officer of the Group, would Mr Yap let shareholders know how much time, attention and energy he devotes to the matters of the group given that he has other commitment as executive/ independent directors?**

(ii) **Would the nominating committee help shareholders understand how Mr Yap's directorships in other listed companies might benefit the group? Is there a risk that Mr Yap's multiple appointments would put him in a position where he is often conflicted?**

(iii) **As Mr Yap is seeking his re-election at the Annual General Meeting, would Mr Yap re-consider his other commitments outside of the group as the**

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group is gearing to substantially scale up its business with the new contracts?

A copy of the questions for the Annual Report for the financial year ended 26 February 2017 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=Jackspeed%20Corporation%20Ltd

The company's response could be found here: -----