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Issuer: A-Smart Holdings Ltd.

Security: A-Smart Holdings Ltd.

Meeting details:

Date: 30 November 2018

Time: 10.00 a.m.

Venue: 61 Tai Seng Avenue, #05-14 Print Media Hub @ Paya Lebar iPark Singapore 534167

Company Description

A-Smart Holdings Ltd., an investment holding company, provides a range of print management services in Singapore and internationally. The company operates through Print Media, Corporate and Others, and Smart Technologies segments. The Print Media segment is involved in the printing of financial research reports, annual reports, asset management reports, initial public offering prospectuses, corporate brochures, yearbooks, trade directories, magazines, and other commercial publications and collaterals. The Corporate and Others segment operates in media and event management activities. The Smart Technologies segment develops, sells, and redistributes smart IT solutions, gadgets, and software and hardware products. It also engages in publishing; selling, leasing, servicing, and maintaining technology systems; and property investment activities. 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)

[The following question on the composition of the board and the independence of the “independent director” was posted to the company following the review of the 2017 annual report. As the company has not addressed the issue or provided any clarification in the 2018 annual report, the question is updated to reflect the additional requirements under the new 2018 Code of Corporate Governance.]

1. Guideline 2.2 of the 2012 Code of Corporate Governance (2012 CG Code) recommends that independent directors to make up at least half of the Board where the chairman is not an independent director. As Mr Ma Weidong is the non-executive non-independent chairman, under Guideline 2.2 of the 2012 CG Code, independent directors should make up at least half of the board.

As disclosed in Principle 2 of the Corporate Governance Report (page 12), of the six directors on the board, the company has deemed Mr Sam Chong Keen and Ms Chu Hongtao independent and thus the independent directors make up one-third of the board.

- (i) Would the board, the nominating committee (NC) and the lead independent director help shareholders understand if they are familiar with Guideline 2.2 of the 2012 CG Code?**
- (ii) What deliberations did the board have regarding Guideline 2.2?**

In addition, in August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which will come into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (iii) Has the company evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?**
- (iv) What are the board’s near term plans to reconstitute the board to meet the recommendations of Guideline 2.2 and the 2018 CG Code that will come into effect in 2022?**

As noted in the profile of directors (pages 6 and 7 of the annual report), Mr. Sam has been associated with the group since 2001. Mr. Sam Chong Keen is retiring at the conclusion of the annual general meeting pursuant to Regulation 94(2) of the Constitution of the company and will be seeking re-election.

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 an 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”.

On page 12, in the Corporate Governance Report, the company has stated 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 2012 CG Code 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 (emphasis added).

- (v) Would the board confirm that it is familiar with Guideline 2.4 of the 2012 CG Code and that it is cognisant that the independence of any director who has served on the board for more than nine years from the date of his first appointment should be subject to particularly rigorous review?**
- (vi) Would Mr Sam help shareholders understand if Guideline 2.4 would apply to him?**
- (vii) Would the NC elaborate further on the deliberations it had, if any, on how it had determined Mr. Sam’s independence?**
- (viii) Has the company subjected Mr. Sam Chong Keen to a particularly rigorous review of his independence as stated in Guideline 2.4?**
- (ix) Under the 2018 CG Code, Mr. Sam’s independence would be subject to a two-tier vote by shareholders when the new rules come into effect. **What are the board’s near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?****

2. On 9 July 2015, in the appointment announcement of Mr Ma Weidong, the company stated that Mr Ma has no prior experience as a director of a listed company and it will arrange training for Mr Ma to familiarise himself with the roles and responsibilities of a director of a listed company. In the company’s corporate governance report, the company has also stated that all directors who have no prior experience as director of a listed company will undergo intensive training and briefing on the roles and responsibilities as director of a listed company.

- (i) Would the company and Mr Ma help shareholders understand the training he has received since his appointment as a director of the company on 9 July 2015?**

- (ii) **Can the company also disclose the training that Ms Chu Hongtao has received since her appointment as an independent director on 9 July 2015?**

3. The group reported its first segment revenue from the Smart Technologies segment of \$107,000 in 2018. The segment loss was \$(119,000).

- (i) **What are some of the significant/high-profile projects that the group has delivered or is working on?**
- (ii) **What is the strategy to grow the Smart Technologies segment? What is the group's value proposition in the Smart Technologies segment since the industry is highly competitive? Who is driving the group's efforts in the segment?**
- (iii) **What are the key priorities for management in the next 12-24 months?**
- (iv) **Can management also elaborate on the "partnership" with Google on Google Home following the launch?**

In addition, for the group's Print segment, revenue slipped 9.8% to \$6.9 million even as the group *"continue[s] to expand our client base and enhance our product offerings through acquisition of modern machines with special features (page 5)"*. **Can management elaborate further on how the company is adapting to the declining demand (especially from clients in the financial sector) while maintaining its profitability? How sustainable is the segment in the long term (3-5 years)?**

The group has also invested into Sheng Siong (China) Supermarket Co., Ltd to operate a supermarket chain in Kunming, China. As disclosed in Note 5 (page 34 – Investments in an associated company), the group has a 10% interest in Sheng Siong (China) Supermarket Co., Ltd but recognises this investment as an associated company due to management's assessment that "it has significant influence of the investment through its representation on the board of directors".

- (v) **Can management elaborate further on the "significant influence" the group has over Sheng Siong (China)? What is the group's representation on the board of directors of Sheng Siong (China)? Does the group have the right to appoint directors to the board? Do major decisions relating to financing and strategic issues require the unanimous support of the board?**
- (vi) **Other than the representation on the board of Sheng Siong (China), what is management's level of oversight on the operational, financial and strategic matters on a more day-to-day basis? Would management consider this investment into the China supermarket to be a passive one?**
- (vii) **What is the total investment that the group has earmarked for Sheng Siong (China)?**

4. The group has carried out two share placements in October 2016 and January 2018, raising \$3.95 million and \$4.94 million respectively. The net proceeds from the January 2018 placement have not been utilised while a balance of \$1.42 million remains from the October 2016 share placement.

Cash flows used in operating activities were \$(627,000) in 2018 and \$(1,602,000) in 2017.

The group has cash and cash equivalents of \$7.20 million as at 31 July 2018, up from \$3.67 million a year ago primarily due to the proceeds received from the share placement.

- (i) Has the board re-evaluated the optimal capital structure for the group, taking into account the performance and growth prospects of the various business segments, namely print, smart technologies and real estate development?**
- (ii) Does the group have sufficient capital to fund the property development project in Timor-Leste?**
- (iii) Has management evaluated how it could improve the cash generative ability of the core Print segment so that it could generate higher level of cash flow to support the growth of the other business segments?**

A copy of the questions for the Annual Report for the financial year ended 31 July 2017 and 31 July 2016 could be found here:

[https://sias.org.sg/qa-on-annual-reports/?company=A-Smart%20Holdings%20Ltd%20\(formerly%20known%20as%20Xpress%20Holdings%20Ltd\)](https://sias.org.sg/qa-on-annual-reports/?company=A-Smart%20Holdings%20Ltd%20(formerly%20known%20as%20Xpress%20Holdings%20Ltd))

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