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Issuer: Jackspeed Corporation Limited

Security: Jackspeed Corporation Limited

Meeting details:

Date: 28 Jun 2019

Time: 10.00 a.m.

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

Company Description

Jackspeed Corporation Limited is engaged in investment holding and provision of management services. The Company manufactures custom-fitted leather trim for automotive seats, and supplies leather wrapping for interior parts, such as steering wheels, consoles and shift knobs. The Company operates through three segments: Leather, Accessories and Automotive. The Leather segment includes the sale of leather trim to car distributors, dealers and manufacturers in the automotive and aviation industries. The Accessories segment includes the sale of accessories to car distributors, dealers and Original Equipment Manufacturers in the automotive industry. The Automotive segment includes the sale from trading, financing and rental of motor vehicles and business of commission agents. It has manufacturing facilities in Malaysia and Thailand. Its subsidiaries include Jackspeed Leather Special Manufacturer (M) Sdn. Bhd., Jackson Vehicle Holdings Pte. Ltd. and Jackspeed Singapore Pte. Ltd.

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

Q1. On 27 May 2019, the company announced that it had entered into a letter of intent with Yap Kian Peng (“Mr Yap”), a director and chief executive officer of the company, for the proposed disposal by the company of the entirety of its business in the accessories and non-accessories segments (“Jackspeed Business”) as a going concern and all assets and liabilities existing on the company’s balance sheet pertaining to the Jackspeed Business (including intercompany balances) and the company’s entire legal and beneficial interests in all of its directly held subsidiaries (“Jackspeed Business Assets”) free from all encumbrances and together with all rights, benefits and entitlements attached to the Jackspeed Business Assets to a special purpose vehicle to be incorporated and controlled by Mr Yap, for a consideration of S\$48,000,000.

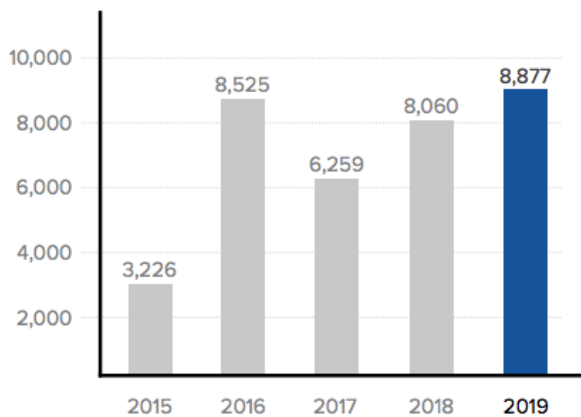
The company has also granted an exclusivity period of 60 business days to Mr. Yap.

- (i) Can the board, especially the independent directors, help shareholders understand the discussion it has had with purchaser on the proposed sale of business?**
- (ii) How was the proposed consideration sum of \$48 million arrived at?**
- (iii) What is the justification for the board to enter into the letter of intent with the purchaser given that the group’s net equity of \$58.0 million is substantially above the purchase consideration of \$48 million?**
- (iv) What were the efforts by the independent directors to seek out a better offer and to maximise the value of the business to the benefit of all shareholders?**
- (v) Why did the independent directors agree to an exclusivity period of 60 business days when the company has not received any deposit nor negotiated to receive any break-up fee from the purchaser?**
- (vi) Following the exclusivity period of 60 days, would the independent directors be actively seeking out other buyers to realise the maximum value of the business for all shareholders?**

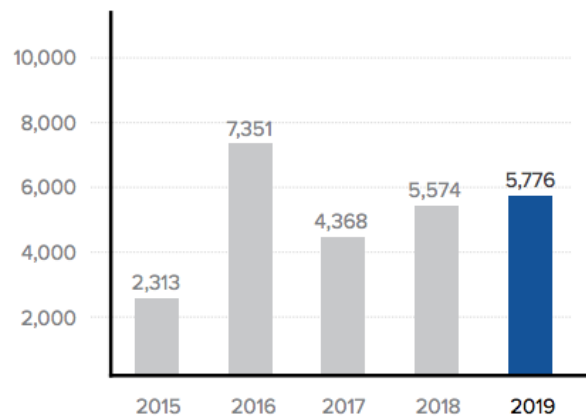
Q2. As can be seen from the Financial highlights (page 6 of the annual report), the group's profit before tax increased by more than 10% to hit \$8.88 million in FY2019 even though revenue slipped to \$46.7 million.

The following chart shows that the group has consistently reported profits in the past 5 years:

Profit Before Tax (S\$'000)



Earnings Attributable to Equity Holders of The Company (S\$'000)



(Source: Company annual report)

In the Operations review, the group has stated that it has *“maintained its healthy financial position, with an increase in cash and cash equivalents by \$6.0 million to \$24.3 million in FY2019”*.

Net cash flows from operating activities were \$8.4 million in FY2019, \$10.4 million in FY2018, \$10.3 million in FY2017, \$7.2 million in FY2016 and \$4.9 million in FY2015.

In each of the past two financial years, the company has paid 1 cent per share in dividend to shareholders.

(i) What were the deliberations by the directors on the recommendation and payment of dividends to shareholders?

Given that the group has generated healthy level of cash flow from operating activities, and that cash and cash equivalents has increased to \$24.3 million, it would appear that the company is in a strong position to continue paying dividends to shareholders.

(ii) Is there any major capital expenditure planned that may affect the company's ability to continue paying dividends to shareholders?

(iii) Would the board/management provide shareholders with better clarity on the group's strategic growth plans?

- (iv) **Would the board be reconsidering the declaration of interim dividend?**
- (v) **Can the independent directors confirm that the non-declaration of dividend is not related to the offer for the group's business by the conflicted director?**

Q3. Would the board/management provide shareholders with better clarity on the following operations and financial matters? Specifically:

- (i) **“Lucrative” European market:** On 16 March 2018, the company announced that the group has been awarded a two-year renewable contract by a European OEM supplier to car manufacturers and importers. Under the contract, Jackspeed shall supply more than 12,000 upholstery leather kits per annum to them, which will give the group a significant boost from the production level of 18,000+ upholstery leather kits per annum. **Can management provide shareholders with an update on the status of the contract with the European customer?**
- (ii) **Profit margin:** Would management disclose the trend in gross profit margin in the group's core accessories segment?
- (iii) **Wenul Assets (Industrial) Pte. Ltd.:** The group holds a 13.4% interest in Wenul which is in the business of real estate development. **Can the board provide shareholders with better clarity on the underlying assets of Wenul?**

A copy of the questions for the Annual Report for the financial year ended 28 February 2018 and 28 February 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Jackspeed%20Corporation%20Ltd&cid=6793,4657,4322>

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