

ASSET ACQUISITIONS AND DISPOSALS::ENTRY INTO CONDITIONAL AGREEMENT FOR THE SALE OF THE BUSINESS AND JACKSPEED BUSINESS ASSETS

Issuer & Securities

Issuer/ Manager

JACKSPEED CORPORATION LIMITED

Securities

JACKSPEED CORPORATION LIMITED - SG1075914679 - J17

Stapled Security

No

Announcement Details

Announcement Title

Asset Acquisitions and Disposals

Date &Time of Broadcast

04-Jun-2019 20:47:09

Status

New

Announcement Sub Title

ENTRY INTO CONDITIONAL AGREEMENT FOR THE SALE OF THE BUSINESS AND JACKSPEED BUSINESS ASSETS

Announcement Reference

SG190604OTHR5L2G

Submitted By (Co./ Ind. Name)

Chua Sze Chyi

Designation

Executive Director

Effective Date and Time of the event

04/06/2019 17:00:00

Description (Please provide a detailed description of the event in the box below)

Please refer to attachment.

Attachments

[Jackspeed%20Announcement SPA%20for%20Proposed%20Disposal 4%20June%202019.pdf](#)

Total size =266K MB

JACKSPEED CORPORATION LIMITED
(Company Registration No. 199300300W)
(Incorporated in Singapore)
(the "**Company**")

**PROPOSED DISPOSAL OF
THE ENTIRE BUSINESS AND BUSINESS ASSETS OF THE COMPANY**

1. INTRODUCTION

- 1.1. The board of directors ("**Board**") of the Company (and together with its subsidiaries, the "**Group**") refers to the announcement dated 27 May 2019 in relation to the letter of intent ("**LOI**") entered into by the Company with Yap Kian Peng ("**Mr. Yap**" or "**Purchaser**"), the Executive Deputy Chairman and Chief Executive Officer of the Company, for the proposed disposal by the Company of the entirety of its business as a going concern and all assets and liabilities to a special purpose vehicle to be incorporated and controlled by Mr. Yap.
- 1.2. Further to the signing of the LOI, the Board wishes to announce that the Company has today entered into a conditional sale and purchase agreement ("**SPA**") with Mr. Yap, pursuant to which the Company has agreed to sell, and Mr. Yap has agreed to acquire, through a special purpose vehicle to be incorporated and controlled by him, the Business (as defined below) as a going concern and all the Jackspeed Business Assets (as defined below) for an aggregate consideration of S\$48,000,000 ("**Consideration**"), upon the terms and subject to the conditions of the SPA ("**Proposed Disposal**").
- 1.3. The Proposed Disposal is an interested person transaction under Chapter 9 of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"), and is also considered a major transaction under Chapter 10 of the Listing Manual, both of which requires approval of the shareholders of the Company ("**Shareholders**"). Please refer to Paragraph 5 of this announcement for further details.

2. INFORMATION ON THE BUSINESS AND THE JACKSPEED BUSINESS ASSETS

2.1. Information on the Business and the Jackspeed Business Assets

Under the SPA, the Company will sell, and the Purchaser will acquire, the following:

- (a) the business and undertaking of the Company which involves the sales of leather trim and accessories to car distributors, dealers and manufacturers in the automotive and aviation industries, and sales from trading, financing and rental of motor vehicles and business of commission agents ("**Business**"); and
- (b) all the property, assets, rights, undertakings and liabilities of the Company pertaining to the Business and existing on the Company's balance sheet as at completion of the Proposed Disposal ("**Jackspeed Business Assets**"), which include the Company's legal and beneficial interest in the following subsidiaries and associated companies (together with the Company, "**Group Companies**", and each a "**Group Company**"):

Name (Country of Incorporation)	Particulars of registered / paid-up capital	Percentage of equity interest attributable to the Company
Jackspeed Leather Special Manufacturer (M) Sdn. Bhd. (<i>Malaysia</i>)	MYR500,000	100%
Jackspeed Leather Manufacture (Thailand) Co., Ltd. ⁽¹⁾ (<i>Thailand</i>)	THB20,000,000	100%

Name (Country of Incorporation)	Particulars of registered / paid-up capital	Percentage of equity interest attributable to the Company
Jackson Vehicle Holdings Pte. Ltd. (Singapore)	S\$2,800,000	100%
Jackspeed Singapore Pte. Ltd. (Singapore)	S\$5,000,000	100%
PT JLS Indonesia ⁽¹⁾ (Indonesia)	USD50,000	99.5%
Jackspeed Europe B.V. ⁽¹⁾ (Netherlands)	EUR18,000	100%
Jackspeed Leather Manufacturer (Haining) Co., Ltd ⁽¹⁾ (People's Republic of China)	USD601,686.82	100%
Index Credit Pte Ltd (Singapore)	S\$800,000	60%
Ultimate Vehicle Pty Ltd (Australia)	AUD100	100%
Simply Infinity Limited (British Virgin Islands)	USD1	100%
Jackspeed Australia Pty Ltd (Australia)	AUD1	100%
Simply Investments Pte. Ltd. (Singapore)	S\$1	100%
Wenul Assets (Industrial) Pte. Ltd. (Singapore)	S\$500,000	13.4%
Jackspeed Euris Japan Pte. Ltd. (Singapore)	S\$100	50%

Notes:

(1) This is a dormant company.

2.2. Asset Value of the Business and the Jackspeed Business Assets

Based on the latest unaudited consolidated financial statements of the Group for the financial year ended 28 February 2019 ("**Group FY2019 Results**"), the book value and the net tangible asset value of the Business and the Jackspeed Business Assets were approximately S\$53,189,000 and S\$52,748,000 respectively.

The deficit of the Consideration over the book value of the Business and the Jackspeed Business Assets as at 28 February 2019 is approximately S\$5,409,000.

2.3. Net Profits of the Business and the Jackspeed Business Assets

The net profits after tax attributable to the Business and the Jackspeed Business Assets, based on the Group FY2019 Results, is approximately S\$5,776,000.

2.4. Loss on the Proposed Disposal

The estimated loss on the Proposed Disposal is approximately S\$5,409,000 based on the Consideration and the book value of the Business and the Jackspeed Business Assets as of 28 February 2019.

3. MATERIAL TERMS OF THE PROPOSED DISPOSAL

3.1. Consideration

The Consideration is payable by the Purchaser to the Company in cash on completion of the Proposed Disposal.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser, on a willing-buyer willing-seller basis, after taking into account, amongst other things, the net tangible asset value of the Business and the Jackspeed Business Assets based on the Group FY2019 Results.

3.2. Conditions Precedent

Completion of the Proposed Disposal is conditional upon satisfaction or waiver (as the case may be) of, *inter alia*, the following conditions ("**Conditions**"):

- (a) the Parties each having obtained all necessary consents, approvals, authorisations, clearances and/or waivers from its board of directors, any other persons and any relevant authorities in Singapore or any other jurisdictions (as applicable), including but not limited to, approvals from the SGX-ST, in respect of the SPA and the transactions contemplated thereunder (including the Proposed Disposal) and such consents, approvals, authorisations, clearances and/or waivers remaining in full force and effect;
- (b) without prejudice to the generality of Paragraph 3.2(a), the Company having notified any banks or financial institutions which any of the Group Companies have financing arrangements with, of the Proposed Disposal and such persons having given their written consents to the proposed change in control of the Business and the Jackspeed Business Assets for the purposes of the respective agreements entered into with the Group Companies, and such consents not having been cancelled, revoked or withdrawn;
- (c) without prejudice to the generality of Paragraph 3.2(a), the Company having obtained the irrevocable and unconditional waiver in writing from the shareholders of each of the Group Companies, other than the Company, of such shareholders' rights of pre-emption in relation to the sale and purchase of the legal and beneficial interests in the shares of that Group Company (where required);
- (d) the Company having obtained Shareholders' approval for the Proposed Disposal at an extraordinary general meeting of the Company to be convened ("**EGM**");
- (e) the Company having:
 - (i) notified or obtained the consent of any third party for the transfer or assignment of the contracts to be sold as part of the Jackspeed Business Assets ("**Contracts**") to the Purchaser, where required; and
 - (ii) taken all actions and given effect to, completed, signed or otherwise executed all agreements, deeds, forms, notices and/or other documents (as the case may be) and/or procured the giving of effect to, completion, signing and/or execution (as the case may be) of all agreements, deeds, forms, notices and/or other documents (as the case may be) as required by the

Purchaser in relation to the transfer, assignment or novation of the Contracts to the Purchaser;

- (f) the Purchaser having obtained the requisite financing from a financial institution in respect of the Purchaser's acquisition of the Business and the Jackspeed Business Assets pursuant to the Proposed Disposal;
- (g) the results of the Purchaser's due diligence exercise on the Company, the Business and the Jackspeed Business Assets being satisfactory to the Purchaser in its sole discretion, such due diligence to be completed within six (6) weeks from the date of the SPA or a mutually agreed extended period; and
- (h) the Company having obtained the consents, approvals, authorisations, clearances and/or waivers from the Board and from the Shareholders at the EGM for the change of its corporate name.

If the Conditions are not satisfied or waived on or before 30 August 2019 or such other date as may be agreed in writing between the Company and the Purchaser, the SPA (other than certain specified provisions) shall lapse.

3.3. Completion

Completion of the Proposed Disposal shall take place on the date falling five business days following notification of the satisfaction or waiver of the last of the Conditions or at such other date as may be agreed in writing between the Company and the Purchaser.

3.4. Change of Name

Upon Closing, the Company shall take immediate steps to change its name and remove the word "Jackspeed" from its name ("**Change of Name**"). In addition, upon Closing, the Company shall not, and shall procure that none of its subsidiaries shall, at any time after Closing, use in connection with any trade or business, any corporate name, trade name, or logo, domain name or e-mail address which is confusingly similar to the name "Jackspeed" or to any corporate name, trade name, logo, domain name or e-mail address used by any of the Group Companies. In any event, the Company shall effect the Change of Name within 3 months from Closing.

4. RATIONALE FOR THE PROPOSED DISPOSAL

With increasing uncertainties in the global economic outlook, particularly in light of the ongoing trade wars between China and the United States and heightened geopolitical tensions around the world, the directors of the Company ("**Directors**") believe that the Proposed Disposal presents a good opportunity to unlock value for the Shareholders, and that accordingly, the Proposed Disposal is in the interests of the Company and Shareholders as it presents the Company with an opportunity to exit the increasingly challenging business environment and immediately realise its investment in the Business.

The Net Proceeds per Share from the Proposed Disposal represents a premium/(discount) of approximately 18%, 18%, 18% and (1%) to the volume weighted average price of the shares of the Company ("**Shares**") on 3 June 2019, being the last market day preceding the date of the SPA ("**Last Trading Day**"), and for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day, respectively.

Shareholders should note that the Proposed Disposal is subject to independent Shareholders' approval at the EGM to be convened. In accordance with Rule 919 of the Listing Manual, Mr. Yap and his associates must abstain from voting on the resolutions approving the Proposed Disposal as an interested person transaction, nor accept appointments as proxies unless specific instructions as to voting are given.

5. COMPLIANCE WITH CHAPTERS 9 AND 10 OF THE LISTING MANUAL

5.1. The Proposed Disposal as a Major Transaction

Based on the Group FY2019 Results, the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figure (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	100 ⁽¹⁾
(b)	The net profits attributable to the assets disposed of, compared with the Group's net profits	100 ⁽²⁾
(c)	The aggregate value of the Consideration, compared with the Company's market capitalisation	116 ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue (excluding treasury shares)	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable

Notes:

- (1) "Net asset" means total assets less total liabilities. Based on the net asset value of the Business and Jackspeed Business Assets of S\$57,996,000 and the unaudited net asset value of the Group of S\$57,996,000 as at 28 February 2019.
- (2) "Net profits" means profit or loss before income tax, minority interests and extraordinary items. Based on the net profits attributable to the Business and the Jackspeed Business Assets of S\$8,877,000 and the unaudited net profits of the Group of S\$8,877,000 for the financial year ended 28 February 2019.
- (3) Based on the Consideration of S\$48,000,000 and the market capitalisation of the Company of approximately S\$41,237,000 as at 3 June 2019, being the market day preceding the date of the SPA. The Company's market capitalisation is determined by multiplying the number of shares in issue (excluding treasury shares) of 301,002,279 Shares by the weighted average price of S\$0.1370 per Share on 3 June 2019.

Rule 1014 of the Listing Manual states, *inter alia*, that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the transaction is classified as a 'major transaction' and must be made conditional upon approval by the Shareholders in general meeting. As the relative figures for the Proposed Disposal as computed on the bases set out in Rules 1006(a), (b) and (c) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a "major transaction" for the purpose of Chapter 10 of the Listing Manual, which requires Shareholders' approval.

5.2. The Proposed Disposal as an Interested Person Transaction

The Purchaser, Mr. Yap, is the Executive Deputy Chairman and Chief Executive Officer of the Company, and the special purpose vehicle to be incorporated by Mr. Yap to acquire the Business and Jackspeed Business Assets is an associate of Mr. Yap. Accordingly, the Purchaser is an interested person as defined under Chapter 9 of the Listing Manual.

The Company is an entity-at-risk as defined under Chapter 9 of the Listing Manual. Accordingly, the Proposed Disposal constitutes an interested person transaction for the purpose of Chapter 9 of the Listing Manual.

The Consideration represents approximately 83% of the Group's latest unaudited consolidated net tangible assets ("**NTA**"). As the value exceeds 5% of the Group's latest unaudited NTA, the Proposed Disposal is subject to the approval of the Shareholders at the EGM pursuant to Rule 906 of the Listing Manual.

Save for the Proposed Disposal, there are no other interested person transactions with Mr. Yap or any of his associates for the current financial year of the Company to date.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal set out below are purely for illustration purposes only and do not necessarily reflect the actual results and financial position of the Group and of the Company following completion of the Proposed Disposal.

The pro forma financial effects of the Proposed Disposal on the NTA per share and earnings per share ("**EPS**") of the Group are prepared based on the Group FY2019 Results, and are subject to the following assumptions:

- (a) the financial effect on the consolidated NTA per share is computed based on the assumption that the Proposed Disposal was completed on 28 February 2019;
- (b) the financial effect on the consolidated EPS is computed based on the assumption that the Proposed Disposal was completed on 1 March 2018; and
- (c) after taking into account the estimated transaction expenses.

6.1. Financial Effects on the Proposed Disposal on the Consolidated NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	52,748	47,780
Number of Shares	301,002,279	301,002,279
NTA per Share (cents)	17.52	15.87

6.2. Financial Effects on the Proposed Disposal on the Consolidated EPS

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(Loss) after tax attributable to Shareholders (S\$'000)	5,776	(5,409)
Number of Shares	301,002,279	301,002,279
EPS (cents)	1.92	(1.80)

7. USE OF PROCEEDS

The net proceeds from the Proposed Disposal, after deducting all costs and expenses, is estimated to be approximately S\$47,780,000 ("**Net Proceeds**").

The Net Proceeds may be used to acquire new assets or businesses to satisfy the listing requirements of the SGX-ST, subject to the restrictions under Rule 1018 of the Listing Manual. Please refer to Paragraph 8 of this announcement for further details.

The Board will announce the specific uses for the proceeds arising from the Proposed Disposal in greater detail as and when appropriate.

8. CASH COMPANY – COMPLIANCE WITH RULE 1018 OF THE LISTING MANUAL

- 8.1. Upon completion of the Proposed Disposal, the Company will cease to have any operating business and will be deemed as a cash company under Rule 1018 of the Listing Manual. As a result, the Company will be required to comply with the restrictions under Rule 1018 of the Listing Manual, and will continue to provide updates on the matter soon.
- 8.2. Shareholders are to note that under Rule 1018, in addition to the compliance requirements stated therein, if the assets of an issuer consist wholly or substantially of cash or short-dated securities, its securities will normally be suspended. The suspension will remain in force until the issuer has a business which is able to satisfy the SGX-ST's requirements for a new listing, and all relevant information has been announced. The SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company, subject to any extension as may be approved by the SGX-ST.

9. INDEPENDENT FINANCIAL ADVISER

Pursuant to Chapter 9 of the Listing Manual, the Company has appointed CEL Impetus Corporate Finance Pte. Ltd. as the independent financial adviser (the "IFA") to provide an opinion letter as to whether the Proposed Disposal, as an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee of the Company will obtain an opinion from the IFA before forming its view on the Proposed Disposal. The views of the Audit Committee, as well as a copy of the letter from the IFA, will be included in the circular to be issued by the Company to the Shareholders in connection with the Proposed Disposal.

10. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal.

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for Mr. Yap as disclosed in Paragraph 5.2 above, none of the Directors or controlling Shareholders of the Company has any interest, direct or indirect (other than through their respective shareholdings in the Company, if any), in the Proposed Disposal.

12. CIRCULAR TO SHAREHOLDERS

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal. A circular to the Shareholders containing, *inter alia*, information on the Proposed Disposal, the opinion and recommendations of the independent Directors, the letter from the IFA, information on the Change of Name and the notice of the EGM to be convened, will be despatched to Shareholders in due course.

13. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been taken to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

14. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 221 Henderson Road, #06-15 Henderson Building, Singapore 159557 during normal business hours for three months from the date of this announcement.

By Order of the Board

Chua Sze Chyi
Executive Director and Group Financial Controller
4 June 2019