

Issuer: Artivision Technologies Ltd.

Security: Artivision Technologies Ltd.

Meeting details:

Date: 27 July 2017

Time: 10.00 a.m.

Venue: 16 Arumugam Road, Lion Building D, #05-01, Seminar Room, Singapore 409961

Company Description

Artivision Technologies Ltd., an investment holding company, develops and licenses computer vision technologies for public and private sector customers worldwide. It offers various products and solutions for online video advertising and video security, which are based on Avision, a proprietary computer vision technology. The company operates in three segments: Video Management Solutions, Media Solutions, and Contract Manufacturing Business. The Video Management Solutions segment provides an intelligent video security platform, which integrates cross video analytics and face recognition embedded on edge and central video devices, as well as a range of modular video capture, recording, and management building blocks. This segment also delivers end-to-end enterprise video solutions to protect government and commercial organizations from potential threats; and offers software licensing and maintenance services. The Media Solutions segment provides video advertising technologies and platforms, and content-synchronized formats, which enable advertisers, agencies, and ad networks to deliver integrated video ads that optimize the performance, engagement, and reach. It offers Advision, an end-to-end advertising platform. This segment also provides video monetization services to advertisers and publishers. The Contract Manufacturing Business segment is involved in the contract manufacturing of disk drive technology products. Artivision Technologies Ltd. was founded in 2004 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5NK)

Q1. On 15 December 2016, the company announced a non-binding term sheet in relation to the proposed disposal of the entire issued and paid-up share capital of Artimedia Pte. Ltd. together with Artimedia wholly-owned subsidiary, Artimedia Technologies Ltd. (collectively the “Artimedia Group” or the “Proposed Disposal Group”).

In that term sheet, the aggregate consideration for the Proposed Disposal is S\$50.0 million payable in cash.

- a) **Could the board help shareholders understand how the aggregate consideration of S\$50 million for Artimedia was arrived at? What were the projections for revenue growth, EBITDA and profit margin?**

On 17 April 2017, the company announced that the Exclusivity Period the company had with STS Capital Partners International Inc. had expired on 13 April 2017 and consequently, the term sheet lapsed with immediate effect.

- b) **What were the efforts by the company to negotiate in good faith the terms and conditions of the Definitive Agreements with a view to executing the Definitive Agreements within the Exclusivity Period?**
- c) **What were the reasons that the parties could not execute the Definitive Agreements?**
- d) **Subsequent to the lapse of the term sheet, did the company continue to engage STS Capital Partners International Inc. on the sale of Artimedia Group?**

Q2. Subsequently, on 9 June 2017, the Company entered into a sale and purchase agreement with Dr Ofer Miller (an Executive Director and Chief Technology Officer of the company) for the sale of the Proposed Disposal Group for \$5.0 million. The settlement is due to occur in tranches over the next 12 months.

- a) **Can management and the board help shareholders understand how the operating conditions of Artimedia Group has changed in the 6-month period from December 2016 to April 2017? Did the business prospects of Artimedia Group materially change over the same period?**
- b) **What was the board’s role in determining the first sale price of \$50 million and the subsequent sale price of \$5 million? Was it reasonable to expect that a sale of Artimedia Group could happen at S\$50 million?**
- c) **Can the board evaluate how the sale of Artimedia Group was handled? Was it over-aggressive in trying to sell the group at \$50 million? Had there been any attempt to find a buyer at a price between \$5 million and \$50 million?**

Q3. In the Message to shareholders (page 2), it was highlighted that the group still operates a profitable contract manufacturing business in Thailand (Colibri Assembly (Thailand) Co., Ltd. or “CAT”) although production volume and revenue are expected to drop in the new financial year as its customers tightens up costs.

- a) **Amidst all the changes in the group, has management devoted sufficient attention and resources to grow the contract manufacturing business?**
- b) **Can management confirm that Colibri still serves just one customer (W.L. Gore & Associates (Pacific) Pte Ltd)? With a five-year track record, are there plans to grow CAT bigger and reduce the single-customer concentration risk?**

Should the disposal of Artimedia Group materialise, the group would be left with just the contract manufacturing business in Thailand.

- c) **What are management’s plans to strengthen the company’s balance sheet? What is the expected timeframe to accomplish that?**

- d) Is the board also carrying out a strategic review in parallel to formulate a sustainable growth plan? What are the potential areas the company can focus on?