Issuer: Addvalue Technologies Ltd
Security: Addvalue Technologies Ltd

Meeting details:
Date: 28 July 2017
Time: 10.00 a.m.
Venue: 8 Tai Seng Link, Level 5 (Wing 2), Singapore 534158

Company Description
Addvalue Technologies Ltd, an investment holding company, provides satellite-based communication terminals and solutions for various voice and IP-based data applications. It operates through three segments: Europe Middle East and Africa, North America, and Asia Pacific. The company develops and manufactures a range of terminals operating on satellite networks for land, maritime, and aeronautical applications; and designs and supplies customized solutions for tracking, telemetry, supervisory control and data acquisition, GSM backhauling, VSAT backup, and other applications. It also provides design services, including initial product conceptualization, development and evaluation, qualification and regulatory approval, field trial, pilot run, and mass production. The company markets its products and solutions under the Wideye brand. Addvalue Technologies Ltd was founded in 1994 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=A31)

Q1. The group reported a loss for the year of US$(3.5) million, a slight improvement from US$(4.7) million in 2016. In the Financial review (page 9 of the annual report), it was stated that:

> *"The loss of the Group for FY2017 was attributed mainly to the continued amortisation of the intangible assets of the Company's wholly-owned subsidiary, Addvalue Communications Pte Ltd ("AVC"), which, pursuant to its proposed disposal by the Company (as first announced by the Company on 25 March 2014 and periodically thereafter on its progress, the latest being on 30 May 2017) (the "Disposal"), had led the Group since March 2014 to stop actively pursuing new business activities for AVC while taking active steps to reduce the operations of AVC".*

a) **Can the audit committee help shareholders understand if AVC would fall under FRS 105 (Non-current Assets Held for Sale and Discontinued Operations) and whether the wholly-owned subsidiary AVC should be classified as held for sale?**

b) The proposed disposal was first announced on 25 March 2014. Further to the update on 30 May 2017, the buyer is "still seeking ways to have certain conditions to the supplemental agreement fulfilled". **Given the long delay and the uncertainties, would the directors like to comment on how the company has taken steps to mitigate the risk and to minimise the potential losses should the disposal fail?**

The group's loss in 2017 was $(3.5) million. In the Financial review (paragraph shown above), the loss was attributed "mainly to the continued amortisation of the intangible assets of the Company's wholly-owned subsidiary, Addvalue Communications Pte Ltd".

As shown in the Consolidated statement of cash flows (page 50 – reproduced below), the amortisation charge of all the intangible assets for the year for the group is $968,663.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Financial Year Ended 31 March 2017

	Note	2017 US$	2016 US$
Cash flows from operating activities			
Loss before income tax		(2,502,809)	(4,730,491)
Adjustments for:			
Amortisation of intangible assets	16	968,663	2,017,894

(Source: Company annual report)

c) **Would management like to clarify why they have made the statement that losses of US$(3.5) million were "attributed "mainly to the continued amortisation of the intangible assets of the Company's wholly-owned subsidiary" when the total amortisation charge for the year was only $968,663?**

Q2. The group has made announcements on the SGX over the years to highlight the group's achievements and the adoption of the group's services and products. Selected announcements that detailed MOUs/MOAs in the past years are shown in the table below.

Date	Title
20 July 2017	**Addvalue garners momentum for its Wideye iFleetONE terminals to penetrate the Thai market**
7 May 2017	**Addvalue reports uptick in sales momentum for its latest generation of maritime communications system, Wideye iFleetONE terminal**

2 February 2017	**Addvalue and Inmarsat sign Memorandum of understanding to provide on-demand communications links to enhance LEO satellite operations**
19 April 2016	**Addvalue secured deal to supply satellite communications equipment to the Chinese market for three years through its collaboration with Zhongyou Century (Beijing) Communications Co Ltd ("Zhongyou"), a subsidiary of China National Postal And Telecommunications Appliance Corp ("PTAC")**
23 November 2015	**Addvalue and ViaSat inked MOA to pursue offering of new products and applications**
26 October 2015	**Addvalue and CSS inked MOU to develop and supply Satcom terminals for the Belt and Road Initiative**

(Source: Company announcements)

a) **While shareholder appreciate the company makes the effort to continuously update shareholders on the group's achievements and progress, would the company also follow-through from the initial update and track the progress made and report to shareholders in the annual report?**

Currently, shareholders do not have the visibility if the initial interests translate into actual sales and profits. For instance, searching the annual report yielded no results for with China International Security Solution Corporation Limited ("CSS"), the partner of the MOU announced on 26 October 2015. With reference to the 23 November 2015 announcement, a search for "ViaSat" or "L-band" in the annual report once again yielded no results.

b) **Could management help shareholders understand how they follow the group's development better? Could the company also consider how they could provide better clarity in the annual report?**

Q3. The group's going concern is one of the key audit matters highlighted in the Independent Auditors' Report (page 44).

In the past financial year, the group reported a net operating cash outflow of US$(3,158,476). Since 2012 to 2016, the net operating cash flows are US$(1,300,659) in 2012, US$(1,220,685) in 2013, US$395,487 in 2014, US$ (234,750) in 2015 and US$1,743,190 in 2016 and US$(3,158,476) in 2017.

Share capital in 2012 stood at US$52 million and increased to US$67 million due to rights issue and share placement. At the end of the financial year, total equity amounted to just US$13,658,853 as accumulated losses increased to US$(53,837,783). Although the group positions itself as "a world renowned one-stop digital, wireless and broadband communications technology products innovator, which provides state-of-the-art satellite-based communication terminals and solutions for a variety of voice and IP-based data applications", the monetisation of the group's IP have not been so smooth.

a) **Has management carried out a strategic review to analyse the market for the group's products are services? How does the group benchmark against the other industry players?**

b) **Given the current socio-economic conditions and the competitive landscape of the industry, what are management's plans to capture more value for its products and services?**

c) **What guidance has the board given to management to improve profitability, cash flow, value creation and value capture so that value can be generated out of the group's intellectual properties for the benefit of all shareholders?**