



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Global Invacom Group Limited

Security: Global Invacom Group Limited

Meeting details:

Date: 24 April 2019

Time: 10.30 a.m.

Venue: The National University of Singapore Society, Suntec City Guild House, 3 Temasek Boulevard, #02-401/402 Suntec City Mall, Singapore 038983

Company Description

Global Invacom Group Limited, an investment holding company, researches and develops, designs, and supplies integrated satellite communications equipment in the United States, Europe, Asia, and internationally. The company operates through Satellite Communications and Contract Manufacturing segments. It offers low noise blocks; very small aperture terminals (VSAT); video distribution systems; in home distribution systems; fiber integrated reception systems; antennas; accessories, such as fiber splitters, termination and installation products, cleaning kits, fiber optic cable solutions, cleaving and splicing solutions, and test and measurement equipment; and rack mount products for use in Uplink stations, cable heads, SNGV's, Ob trucks, GPS, VSAT, and teleports. The company also provides electronics manufacturing services, as well as radio frequency over fiber solutions for commercial, government, and military markets; and supplies custom and bespoke products in various technology areas. In addition, it operates Provision online store that offers wireless video streamers, Provision HDLive, and accessories; manufactures and sells precision waveguide systems and waveguide components for military radar, medical, aerospace, and communication industries; and offers tvLINK systems. Further, the company designs products for the reception and transmission of satellite signals; designs and sells HD video transmission and reception technology; and provides technical support services. It serves broadcasters, building developers and electrical contractors, installers and integrators, and mobile system integrators. Global Invacom Group Limited was founded in 1985 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=QS9)

1. Would the board/management provide shareholders with better clarity on the following operational and strategic matters? Specifically:

- (i) **Business model:** In the chairman's statement, it was said that the group continues to establish its standing as a leading end-to-end equipment provider of satellite communications equipment and believes that it has the right products to address the market's needs. However, even with a gearing of 0.5x, the group only managed a return on equity of 3-5%. **Can the board elaborate further on the long term viability of the group's business and the current business model?**
- (ii) **Technology:** How does the board assess the risk of technology obsolescence, especially the impact of disruptive technologies and changes in end-users' consumption patterns?
- (iii) **Manufacturing:** Can management provide shareholders with a list of the group's manufacturing facilities? What are the utilisation rates of the facilities? When will the supply chain issues be fully addressed?
- (iv) **Goodwill:** The "Valuation of Goodwill" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 49). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period. As noted in the KAM, as at 31 December 2018, the total carrying amount of goodwill stood at US\$9.35 million, or approximately 10% of its total assets. The estimated discount rate used in the value in use calculations dropped from 8.0-17.5% to 5.4-9.1%. **Would the audit committee elaborate further if the estimated discount rate as low as 5.4% for a technology manufacturing business is appropriate? Can management justify the discount rates used?**

2. On 24 October 2018, the company announced that it had entered into a conditional sale and purchase agreement to acquire 100% control of biometric system designer, Tactilis Sdn. Bhd., for a consideration of US\$200 million (\$280 million). This will result in a very substantial acquisition or a reverse-takeover of the company pursuant to Rule 1015 of the Mainboard Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The proposed acquisition will include a convertible notes subscription by the company and a redeemable structured convertible notes issuance to Advance Capital Partners Asset Management Private Limited and its funds for up to S\$20 million.

- (i) **What is the level of due diligence carried out by management and by the board prior to the conditional sale and purchase agreement?**
- (ii) **Is the proposed acquisition in line with the group's strategic growth plans?**

- (iii) How is the proposed acquisition of the manufacturing and distribution of proprietary biometric system-on-card solutions synergistic to the current business?**
- (iv) On 25 February 2019, the company announced that it has appointed CEL Impetus Corporate Finance Pte Ltd as its financial adviser, to advise on the proposed acquisition by the company of the entire issued share capital of Tactilis Sdn. Bhd. How was the financial adviser selected?**
- (v) With regard to the redeemable structured convertible notes (RCN) issued to Advance Capital Partners Asset Management Private Limited and its funds, has the board/management evaluated the subscribers, reviewed their past investments and analysed their track record? Did management estimate the total cost of the RCN?**

3. 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 Anthony Brian Taylor is the executive chairman and chief executive office, under Guideline 2.2 of the 2012 CG Code, independent directors should make up at least half of the board.

Currently, out of from the seven member board, three are independent directors, one director is deemed non-independent non-executive while the remaining three directors are executive. The board has stated that it is aware that the number of independent directors had not constituted half of the board and that the nominating committee would continue to evaluate the composition of the board.

The company has disclosed that only 4 out of 7 of its board members approved the proposed acquisition, convertible notes subscription and RCN issuance.

- (i) Does the board, especially the nominating committee, consider it timely to comply with Guideline 2.2 of the 2012 CG Code as the company has proposed a reverse takeover of Tactilis Sdn Bhd?**

In addition, it is observed that the lead independent director, Mr. John Lim Yew Kong, sits on the board of ZICO Holdings Inc as non-executive director. The group has ZICO Insights Law LLC as one of its solicitors.

- (ii) Would Mr. Lim help shareholders understand if this would put him in a conflict of interests?**
- (iii) In addition, as the lead independent director, would Mr. Lim be holding himself to a higher standard of corporate governance and avoid situations and connections could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement?**