



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: Addvalue Technologies Ltd

Security: Addvalue Technologies Ltd

Meeting details:

Date: 31 July 2018

Time: 3.00 p.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)

1. On 12 July 2018, the company announced that it has recorded pre-tax losses for the three recently completed consecutive financial years. The market capitalisation, based on the 6-month average daily market capitalisation, is \$77.6 million.

Based on Rule 1311(1) of the Listing Manual, the company informed shareholders that it will be placed on the watch-list at the Exchange's quarterly review if it records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S\$40 million over the last 6 months.

The group's total equity has decreased to US\$7,475,571 as accumulated losses have increased to US\$(66,622,681).

Considering the performance of the group, would the board consider it timely to carry out a strategic review to assess the core competencies of the group (including R&D, commercialisation), its management and its financial strength and to fine-tune its strategy so as to create long-term sustainable value for all the shareholders?

2. In the company's Corporate Governance Report, the company has stated the following related to its internal audit:

**GUIDELINES 13.1 AND 13.2
INTERNAL AUDITORS**

In view of the needs to comply with the Group's established procedures, manuals and policies, including those required by the Group's ISO 9001 certification and Business Continuity Plan certification, and from the perspective of cost effectiveness coupled with the AC's view that the existing system of internal controls is adequate, the Group currently does not engage any third party internal auditor nor have a separate internal audit department.

**GUIDELINES 13.3 & 13.4.
INTERNAL AUDIT FUNCTION**

The Group's finance and compliance department reviews the internal controls and compliance systems of the Group under the Internal Audit Charter and Audit Plans approved by the AC, and report findings and make recommendation to the management and the AC. To ensure the adequacy and the effectiveness of the Group's in-house internal audit functions, the AC meets regularly to review these functions.

(Source: Company annual report; emphasis added)

In the Directors' Statement, under the Audit Committee section, the directors have stated the following:

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

(Source: Company annual report; emphasis added)

- (i) Would the board confirm that the group does not engage any third party internal auditor nor has a separate internal audit department, and thus there are no internal auditors?**

- (ii) Would the AC help shareholders understand the deliberations it has had on the issue of setting up an independent internal audit function in the group?**
- (iii) Can the AC further justify why the existing system of internal controls is sufficient for the group's scale and operations?**
- (iv) Can the AC confirm that their disclosed statements are not template responses and the AC reviews the disclosures?**

The Code is clear that the internal audit function (be it internal, or outsourced) should be independent of the activities it audits.

- (v) Would the AC reconsider the deviation from the CG Code and oversee the set up of an internal audit function in the group?**

3. On 7 July 2018, the company announced that there are material audit adjustments between the unaudited full year financial results announcement (as announced by the company on 5 May 2018) and the audited financial statements for the financial year ended 31 March 2018 following the finalisation of audit.

The Material adjustments included:

- Further adjustments relating to the write-down of the deferred tax assets: US\$1.65 million
- Deferred tax liabilities, attributed to the timing differences on development expenses claimed under the income tax computations of about US\$1.6 million which need to be recognised in the FY2018 but was erroneously omitted
- Total equity/Net assets decreased by 18% from US\$9.1 million to US\$7.5 million
- Inclusion of the effect of dilutive potential ordinary shares arising from Convertible Loan Notes of the Company issued on 31 May 2017 on the weighted average number of shares
- Net asset value per share of the Company as at 31 March 2018 reduced from US cents 0.52 to US cents 0.42

- (i) As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the audit committee (AC), help shareholders understand their individual and collective efforts in the preparation of the group's financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs?**
- (ii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) What changes has the AC made to the group's systems and processes to improve the quality and accuracy of the financial statements?**



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

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Addvalue%20Technologies%20Ltd>

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