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Issuer: Artivision Technologies Ltd.

Stock code: 5NK

Meeting details:

Date: 29 September 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the message to shareholders, the company incurred a net loss of \$1.7 million in the financial year ended 31 March 2020. The company is deemed a “cash company” with no business and it did not generate any revenue in the financial year.

The costs incurred in the year included:

- interest payable on bonds
- professional fees relating to the reverse take-over of Mobile Credit Payment Pte. Ltd.
- administrative and professional fees
- remuneration and emoluments
- listing expenses.

The company is in the process of completing the members’ voluntary winding up of the Thailand subsidiary, Colibri Assembly (Thailand) Co., Ltd.

As at 31 March 2020, the group has negative equity of \$(9.4) million (FY2019: \$(7.8) million).

The independent auditor has highlighted a material uncertainty related to going concern in the audited financial statements of the group for the financial year ended 31 March 2020.

- (i) **Would the directors help shareholders understand the prospects of a turnaround in the group given that the company is in a negative equity position of \$(9.4) million?**
- (ii) **Given the current financial position of the group, what are the options available to the board to structure the proposed acquisition to maximise the value for minority shareholders?**

Approximately three years ago, on 31 October 2017, the company announced that it was proposing to acquire Mobile Credit Payment Pte. Ltd. (“MC Payment”). MC Payment was said to be an established electronic payment solutions provider in the Asia Pacific region that supported non-cash payments for clients across a variety of industries, including insurance, ecommerce and financial institutions. The target was one of Singapore’s earliest financial technology firms and is headquartered in Singapore, with presence in Singapore, Malaysia, Hong Kong, Thailand, Indonesia, Australia and Cambodia.

The fintech space, especially e-payment/mobile payment, has evolved significantly in the past three years. User adoption of e-payment has significantly increased during the pandemic.

- (iii) **Can the board help shareholders understand the progress MC Payment has made in the past three years?**

- (iv) **What is the degree of due diligence conducted by the board on MC Payment?** The acquisition was first proposed in October 2017 and the board has spent nearly three years to complete the acquisition. **What are the outstanding issues in the board’s due diligence? When will the due diligence be completed?** As announced on 2 September 2020, the Singapore Exchange Securities Trading Limited had advised that it had no objection to a further 6-month extension of time from 31 August 2020 to 28 February 2021 for the company to, inter alia, complete the Proposed Acquisition and to meet the requirements for a new listing pursuant to Rule 1017(2) of the Catalist Rules.
- (v) **Can the board elaborate further on the current relationship (if any) between MC Payment and the company?** It is noted that the company’s registered address (10 Ubi Crescent, #05-05 Ubi Techpark Singapore 408564) is the same address as the head office of MC Payment.

Q2. With the cessation of the executive director and CEO on 2 September 2019, the board comprises two directors, namely Mr Ng Weng Sui Harry and Mr Kesavan Nair.

In the corporate governance report, it was stated that the company will appoint new directors (including a new CEO) and reconstitute its board upon the completion of the Proposed Acquisition. The board has also stated that it *“is of the opinion that the size of the current board is ideal to facilitate effective deliberations and decision-making of the board”*.

- (i) **As non-executive independent directors, what is the level of involvement by the directors in the due diligence and the deal structuring?**
- (ii) **Can the board help shareholders understand the relevant experience and expertise of the directors in acquiring and evaluating a technology/fintech company?**
- (iii) **Can the board elaborate in greater detail why it is of the opinion that the board size of two is “ideal”? Have the two directors considered the pros and cons of properly constituting a board in accordance to the Listing Rules and Code of Corporate Governance to oversee the proposed acquisition (which will most probably be considered a RTO)?**

It would appear that the composition of the audit committee is not in compliance with Section 201B of the Companies Act (Chapter 50) of Singapore (the “Companies Act”). Section 201B (4) states that, in any event that results in the number of members being reduced below 3, the board of directors shall, within 3 months, appoint such number of new members as may be required to make up the minimum number of 3 members.

In addition, Rule 704(7) of the SGX Catalist Rules states that in the event of any retirement or resignation which renders the audit committee unable to meet the minimum number (not less than three), the issuer should endeavour to fill the vacancy within two months, but in any case not later than three months.

- (iv) **Can the directors confirm that the company is in compliance with Section 201B of the Companies Act?**
- (v) **Can the board help shareholders understand if it has met the requirements of Rule 704(7) of the Catalist Rules?**
- (vi) **What is the advice given by the sponsor to the board/company on the current board composition?**

Q3. At the annual general meeting scheduled to be held on 29 September 2020, Mr Ng Weng Sui Harry is retiring pursuant to Article 91 of the company's constitution and would be seeking his re-election.

As disclosed in the notice of annual general meeting dated 7 September 2020, should Mr Ng Weng Sui Harry be re-elected, he will remain as non-executive chairman and lead independent director of the company, chairman of the audit committee, member of the remuneration committee, and member of the nominating committee. Mr Ng Weng Sui Harry was first appointed on 25 June 2008.

Additional information on the director seeking re-election can be found on pages 45-53 of the annual report.

It was stated that the nominating committee (NC) conducted a rigorous review of the continuing independence of Mr Ng who has served on the board for more than nine years.

- (i) **Can the NC confirm that Mr Ng was not involved in the review of his own independence? If so, was the "rigorous review" of the independence of Mr Ng carried out by the only other director, Mr Kesavan Nair?**
- (ii) **Can the board elaborate further on the effectiveness of NC to carry out its principal duties?**

In addition to the long tenure on the board, Mr Ng Weng Sui Harry sits on the board of Oxley Holdings Limited ("Oxley"). A controlling shareholder of Oxley is Mr Ching Chiat Kwong, who is also a controlling shareholder of the company holding 21.98% of the company's issued shares.

Mr Ng Weng Sui Harry has been a director on the board of Oxley since 28 September 2010.

In addition, Mr Ng Weng Sui Harry and Mr Kesavan Nair were appointed to the board of HG Metal Manufacturing Limited on 23 April 2014. Mr Ching Chiat Kwong was subsequently appointed to the board of HG Metal Manufacturing Limited effective 1 May 2014. Mr Ching acquired the deemed interest of 284 million shares (or 26.57%) in HG Metal on 8 April 2014.

- (iii) **Can the NC help shareholders understand how it had evaluated that Mr Ng could be deemed independent under the criteria of independence based on the definition given by the Code of Corporate Governance 2018, that is, an independent director is one who is independent in conduct, character and judgment, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the best interests of the company.**
- (iv) **Specifically, has the NC evaluated the relationship between Mr Ng and the substantial shareholder of the company?**
- (v) **What guidance has the sponsor given to the company with regard to the review of the independence of the directors? Specifically, has the sponsor reviewed how the close relationships between the directors and the controlling shareholders might interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgement?**

[^]Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)



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