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: Edition Ltd.

Security: Edition Ltd.

Meeting details:
Date: 23 April 2019
Time: 10.00 a.m.
Venue: 78 Gilstead Road, Singapore 309116

Company Description

Edition Ltd., an investment holding company, operates as an agricultural company in Singapore. The company produces fruits and leafy vegetables. It is also involved in project management and property development activities in Singapore and Malaysia. The company was formerly known as Oniontech Limited and changed its name to Edition Ltd. in July 2014. Edition Ltd. was founded in 2000 and is based in Singapore. Edition Ltd. is a subsidiary of B&L Group Pte. Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5HG)

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1. Revenue for the financial year ended 31 December 2018 dropped by 91% to $46,000 as the group "*implemented a more stringent growing process and quality checks*" and discarded unsatisfactory corps from its farming operations.

Despite revenue dropping by 91%, total expenses increased by 18% to $3.03 million due to additional overheads in the agricultural segment. Employee compensation amounted to $2.14 million, of which $0.26 million was attributed to share-based payment expense.

(i) **Would the board help shareholders understand if the group has the necessary expertise to run a greenhouse farm in Singapore? How long would the group need to finetune its production?**

(ii) **Although management has disclosed that production quality and quantity improved in the second half of FY2018, how soon can the farm reach its optimal production level?**

(iii) **Can management share some of the lessons learnt in the areas of "process optimisation" and "farm management"?**

(iv) **Given the challenges and the changes to the group's plan, has the cost of production increased? How cost competitive can the group be?**

(v) **What is the strategy to introduce the products to the market and to get consumers to pay a premium for a high-quality, safe and hygienic, pesticide-free, Singapore grown, exceptional agricultural product?**

Kindly provide shareholders with an update on the group's overall business model for the farm and clearly identify the value drivers, and help shareholders understand how the group is in a good position to capture its fair share of value for the benefit of shareholders.

(vi) In line with the Exchange's new requirements on sustainability reporting, the group has published its sustainability report on pages 10 to 16 in the annual report. **Can the company elaborate further on how the sustainability report has helped the company to achieve its strategy?**

2. On 5 June 2018, the company announced that it had entered into a Binding Memorandum of Understanding ("MOU") with Hyperlync Technologies Limited wherein the company proposes to acquire a stake of 51% in the enlarged share capital of Hyperlync.

Hyperlync is "*the leading expert in providing Cyber Security solutions for personal content that enables consumers and enterprises to access, manage and protect their content no matter where it resides.*"

The company also extended a loan of $1 million under a loan agreement and a further $687,500 on 10 August 2018 after the company entered into a supplemental loan agreement with Hyperlync.

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On 12 December 2018, the company announced that it had mutually agreed to terminate the MOU with Hyperlync on 11 December 2018 as it was not satisfied with the results of the financial, legal and operational due diligence conducted by the company.

(i) Can the board confirm that Hyperlync has provided the company with monthly updates of their unaudited financial statements, revenue orders, and cashflow analysis?

(ii) Has the board verified that Hyperlync has not taken up any new loan since the Loan Agreement/Supplemental loan, without the prior approval of the company?

(iii) Has Hyperlync been making its interest payments in a timely manner?

(iv) With the benefit of hindsight, how could the group's deal structuring be further improved? Was sufficient due diligence carried out prior to the loan agreement?

(v) How is the investment into Hyperlync aligned with the group's strategy and investment mandate?

3. As disclosed in Note 11 (page 82 – Trade and other receivables), the group has also paid a deposit amounting to $1.5 million to an unrelated company for an option of 17% minority stake of equity investment in the company.

It has been more than 18 months and there has been no update. The disclosure in the annual report is lacking in detail as well, as shown below:

Note B

Deposits includes an amount of a refundable deposit placed for a potential investment in a non-related company amounted to $1,500,000 (31 December 2017: $1,500,000; 1 January 2017: $Nil). The said deposit amount is guaranteed by a major shareholder and a director of the non-related company. Management is of the view that no impairment is required as the amount is guaranteed.

(Source: Company annual report)

(i) For the benefit of new and long standing shareholders, would the board provide shareholders with its refreshed strategic growth plans now that the group is venturing into high tech agriculture?

(ii) Would the board agree that it is prudent to stop all other investments and to focus on the high-tech agriculture for now?

(iii) With regard to the $1.5 million deposit placed, can the board help shareholders understand the reasons for not providing shareholders with periodic updates?

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(iv) What is the audit committee's role in determining that the $1.5 million deposit is not impaired?

(v) Can the audit committee also let shareholders know if this is a potential interested person transaction? Can the shareholders understand why a major shareholder is providing a guarantee for a non-related company?