Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Addvalue Technologies Ltd

Stock code: A31

Meeting details:
Date: 29 September 2021
Time: 3.00 p.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.

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Q1. In the operations review, the company highlighted the operational milestones in different areas, which include (pages 12 to 15 of the annual report):

- Inter-satellite Data Relay System (IDRS)
- Reconfigurable Embedded Systems (RES)
- Integrated Products and Services (IPS)
- Design services

In spite of the operational milestones, revenue for the group decreased from US$9.6 million in FY2020 to US$2.68 million in FY2021. Loss for the year was US$(6.18) million while accumulated losses have increased to US$(75.1) million (page 56 – Statements of financial position).

As at 31 March 2021, the group had cash and cash equivalent of US$274,099. The independent auditors have included a material uncertainty related to going concern in their report on the audit of financial statements for the financial year ended 31 March 2021 (page 48). As noted in their report, the group reported net current liabilities of US$(825,282), a net loss of US$(6,175,227) and net operating cash outflows of US$(2,790,305) during the financial year.

In the message to shareholders, the chairman noted his optimism that the group's investment into IDRS-related business is "ready for harvest". The chairman further added that, based on the satellite constellation launching plans of the group's existing IDRS customers, the group is on the trajectory to substantially turn its IDRS-related business into a profitable and recurring one for the group within the foreseeable future (page 7).

(i) **Can management elaborate further on the low hanging fruits in the next 12-18 months that would lead to revenue and cash in-flow to allow the group to strengthen its financial position?**

(ii) **What are the salient payment terms and the performance obligations of the existing IDRS orders?**

(iii) **Please provide shareholders with greater clarity on the deployment schedule of the ~170 orders (page 7). In particular, how many IDRS terminals are to be supplied to its customers in FY2021 and in FY2022? Can management help shareholders understand the bottlenecks, if any, in the manufacturing of the IDRS terminals?**

(iv) **Other than the existing IDRS customers such as Capella Space Inc and Analytical Space Inc, please identify potential customers or to provide shareholders with the profiles of potential customers? How will the group be acquiring new customers to crystallise the value of the group's investment into IDRS?**

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Q2. The financial performance of FY2020 was boosted by recognising US$6.0 million in one-off licensing income. This boosted revenue and profit to US$9.6 million and US$1.8 million in FY2020 respectively.

The "valuation of trade receivables" is a key audit matter highlighted by the independent auditors (page 51). Key audit matters are those matters that, in the professional judgement of the independent auditors, were of most significance in the audit of the financial statements of the current period.

It was disclosed that, at the option of the customer (Cloud Constellation Corporation Inc ("CCC")), the license fee can be fully settled in cash or through the issuance of new shares to the group. The said customer issued a trust deed to the group stating that its intention to issue shares to the group on 17 August 2020, and further extended the deadline for the transfer of shares to 31 December 2021 on 29 September 2020.

(i) **Can management help shareholders understand the financial position of the said customer?**

(ii) **What were the deliberations by the board to give the customer the option to settle the US$6.0 million licensing fee with new shares? Given the financial position of the group, did the board not consider that the payment of the US$6.0 million in cash would improve the group's liquidity and financial position? Did the board pre-approve the terms of the transaction with CCC?**

(iii) **What is causing the delay for the settlement of the US$6.0 million one-off licensing fee? Is the group being compensated for the delay?**

(iv) **Why did management agree to a 2-year moratorium of the new shares to be issued to the group?**

Q3. As noted on page 94 (Note 13 – Subsidiaries), the company entered into a conditional sale and purchase agreement ("CSPA") in March 2014 with a PRC entity to dispose of its wholly-owned subsidiary, Addvalue Communications Pte Ltd (AVC) for a total disposal consideration of $330 million.

As at 17 September 2021, the total market capitalisation of the company is approximately $27 million.

The offer for AVC was reaffirmed in July 2016 with the consideration revised to $308 million. In October 2016, the company updated that the targeted completion date would be further delayed and subsequently informed that the completion date remained fluid and cannot be determined with certainty.

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The company terminated the CSPA on 27 August 2020.

(i) **Did the company make an announcement on SGXNet that the CSPA was terminated on 27 August 2020? If not, why not?**

(ii) **What were the efforts by the company to negotiate and to complete the sale of AVC for $308 million in the past 3 years?**

(iii) **What were the reasons for the termination of the CSPA in August 2020? Did the buyer demonstrate good faith in trying to fulfil the conditions precedent?**

(iv) **Would the board, especially the independent directors, be reviewing the proposed spin-off, starting with the CSPA that was signed in April 2014 to the termination of the CSPA in August 2020, to verify that there has been timely disclosure of material information to allow the operation of a fair, orderly and transparent market?**

(v) Similarly, a proposed placement to Rain Asia Pacific Pte Ltd did not materialise. The proposed placement of 266.66 million shares at an issue price of $0.0225 per share would have raised an aggregate of $6.0 million. **Can the independent directors help shareholders understand their level of involvement in the major corporate actions of the group? Has the board reviewed if management has the necessary expertise to negotiate and successfully conclude the group's corporate actions? Has management been selective and did they carefully assess the financial strength of the counterparties in its corporate actions?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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