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

Issuer: Axington Inc

Stock code: 42U

Meeting details:
Date: 27 May 2022
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. As noted in the chairman's message, the company faced multifaceted challenges in addressing legacy issues as well as its overall operating environment. It was also stated that the company remains committed to moving forward "*in the right direction with the appropriate resources*".

The company had earlier in July 2021 entered into a non-binding memorandum of understanding to acquire a 60% equity interest in Veivo Web Technology Limited ("Veivo") from Delta Investment Holding Group Ltd ("DIHG") with a valuation of more than S$676 million (for the 100% equity interest in the target company). Veivo owns a wholly foreign-owned enterprise which would have effective 100% control over Beijing Ruihua Veivo Internet Technology Co., Ltd. The latter is principally engaged in operating an instant messaging platform, paid application store and cloud application platform (namely www.veivo.com) in the PRC and has a telecommunications and information services business operating license. DIHG is the legal and beneficial owner of the entire issued and paid-up share capital of the target company and the sole shareholder and director of DIHG, as the vendor, is Mr. Gao Hong.

Based on checks on Apple App Store and Google Play Store, the mobile apps have not been updated for more than 2 years since February 2020 and the number of installs stands at "100+".

The announcement of the proposed acquisition can be found here:
https://links.sgx.com/1.0.0/corporate-announcements/AB1MR500F5LZ3QEI/ff0bff9709f1e0c3c4a1ad996df2ab4f5d02e0392f35672faa8a914506369ab0

The company announced that the MOU lapsed on 7 August 2021.

With no operating subsidiaries, the group recognised no revenue for the financial year ended 31 December 2021. In fact, the company was designated a cash company on 1 April 2021.

(i) **Would the board help shareholders understand how it is carrying out the search for a new operating business that would meet the requirements of a listing on SGX-ST? Has the board considered engaging a formal, professional investment bank?**

(ii) **In addition, what are the criteria (including geographical area, industry/sector, size of the target, deal structure etc) used by the board in the search?**

(iii) **Would the board help shareholders understand how the proposed acquisition of Veivo (at a valuation of $676 million for 100%) would have been "in the right direction"? How would that create shareholder value in the long run?**

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(iv) **For the RTO, how much due diligence does the group carry out on the target company and on the vendor?**

(v) **Given that the company had been designated a cash company on 1 April 2021, what are the company's plans to apply for a time extension to meet the requirements to remain listed?**

(vi) **In addition, will the company be submitting a resumption proposal to SGX? What are the milestones before the company is ready to submit the resumption proposal?**

(vii) **How significant is the risk that the company will be delisted pursuant to SGX-ST listing rules?**

Q2. The company raised net proceeds amounting to $7.58 million (excluding listing expenses of approximately S$1.3 million) from the initial public offering ("IPO") on 27 November 2015 and raised a further $5.97 million (including $0.75 million which remains uncollected) from the placement exercise conducted in August 2020.

At the extraordinary general meeting (EGM) scheduled to be held on 27 May 2022, the company is seeking shareholders' approval to distribute $0.1393 in cash via a capital reduction of S$0.0638 per share and a final single tier tax exempt dividend of $0.0755 per share. The total distribution will amount to $26.0 million.

As noted in the EGM circular, the NAV per share will be reduced from $0.15 per share to $0.01 per share.

(i) **If the resolutions to distribute $26.0 million were approved by shareholders at the EGM, how much cash will be left in the company?**

(ii) The board is of the view that the proposed distribution would facilitate the identification of potential targets for an RTO. **Can the board help shareholders understand the basis for this view? Without the distribution, would the cash holdings allow the company to consider a wider group of potential target companies (that are more sizeable)?**

(iii) **What is the current cash burn-rate of the group?**

(iv) **What are the estimated expenses (as estimated by the board) for the company to develop and implement an RTO?** The company's ongoing business needs include (but are not limited to) professional service fees, directors' fees, listing-related fees and fees required to develop and implement an RTO.

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Q3. The current board comprises Mr. Roberto Dona (as chairman), Mr. Teo Choon Kow @ William Teo, Mr. Ang Chiang Meng and Mr. Luke Anthony Furler.

Mr. Roberto Dona, Mr. Ang Chiang Meng and Mr. Luke Furler do not have prior experience as a director of a company listed on the SGX-ST when they were appointed to the board.

The profiles of the directors can be found on pages 7 to 10 of the annual report.

(i) **Can the independent directors help shareholders understand their level of involvement in the search for a new business and in the preparation of the trading resumption?**

(ii) **Given that three of the four directors are first time directors, is there sufficient experience/familiarity with the relevant listing rules during this critical transition period for the company?**

(iii) **What is the level of experience of the board in deal sourcing, due diligence and deal structuring?**

(iv) **Has the nominating committee reviewed the current competency matrix of the board and had identified any gaps in skills or competencies that need to be addressed in future director appointments?**

^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.

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.

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

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