



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Edition Ltd.

Stock code: 5HG

Meeting details:

Date: 28 April 2021

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. In the year when cities went into lockdowns and nations closed their borders to stop the spread of the coronavirus, the group's agricultural business took on added significance. In FY2020, the group's key operating subsidiary, MEOD Pte Ltd, continue to refine its production on the 1-hectare pilot farm and adopted high-technology equipment to reduce the reliance on labour. Phase 1 of the 6-hectare future farm at Neo Tiew Harvest Lane is expected to be completed by 2021.

Even as production and revenue increased, the group generated just \$202,000 from its 1-hectare pilot farm. Segment loss was \$(5.3) million in FY2019 and \$(1.1) million in FY2020.

- (i) **Can management help shareholders understand the planned production yield of the greenhouse in Phase 1 of the future farm?**
- (ii) **What is the planned capital expenditure for Phase 1 and for the entire 6-hectare farm at Neo Tiew Harvest Lane?** MEOD secured a larger farm of 60,789 square metres under a lease tenure of 20 years from the SFA.
- (iii) **How does the group leverage the uniqueness of its pesticide free, locally produced vegetables and capture value from customers who appreciate such quality?** This would allow the group to achieve better returns and not compete on price with imported vegetables from Malaysia and from China.
- (iv) **How confident is the group in scaling up its production efficiently when the greenhouse in phase 1 is ready? What has the group learnt in the past 2-3 years?**
- (v) In addition, it is noted that MEOD has obtained a general builder's licence and will undertake the development of its high-technology future farm. **Notwithstanding that the group has prior experience in property development and that management has hands-on experience (with Thye Chuan Engineering Construction), what are the benefits for the group to carry out the development work in-house? What capabilities/advantages does it have over full-fledged contractors? Would doing so distract management from focusing on the agriculture side of the business?**

Q2. With the cessation of the Malaysia property development business, the group's other business is investing in technology companies. In December 2020, Arete M Pte Ltd became an associated company.

The group first gave Arete M a refundable interest-free deposit of \$1.5 million in FY2017. The loan, as a result of an addendum to the binding term sheet, became interest-bearing with effect from 1 June 2019. The group only received \$500,000 in FY2020 after three years.

Arete M is an early innovator and has the necessary license to design, deploy and operate Private Long Term Evolution ("pLTE") Network in Singapore using a dedicated frequency spectrum in accordance to the rules and regulations of IMDA.

The group converted \$800,000 of the interest-bearing deposit outstanding into new ordinary shares at \$1.60 per new share. Arete M has net liabilities of approximately \$(634,000) as of 31 December 2019. No valuation was conducted with respect to the subscription.

- (i) **Did the board approve the group's investment into Arete M?**
- (ii) **Is it factual to state that the group received full repayment from Arete M (page 2 of the annual report)?** In the company's announcement dated 2 November 2020, it was disclosed that the company will convert the remaining \$800,000 interest-bearing deposit outstanding into new shares.
- (iii) **Is there sufficient experience and expertise on the board to evaluate cutting-edge technology and to value these early-stage companies?**
- (iv) **Would it be prudent to conduct a valuation by an independent valuer?** Arete M has net liabilities of approximately \$(634,000) as of 31 December 2019. The company has valued Arete M at \$2.6 million.
- (v) **What was the valuation of Arete M at the previous funding round?**
- (vi) **What is the business model of Arete M? How much revenue did Arete M generate in FY2019 and FY2020?**
- (vii) **Please help shareholders understand how the group can value-add to Arete M. What are the ways to monetise this investment? How much has the board earmarked to support Arete M?**

Separately, the group recognised an allowance for expected credit losses of \$1.688 million on the other receivable, from Hyperlync. In very similar fashion, the group extended two bridging loans amounting to \$1.688 million to Hyperlync in June 2018 and August 2018 after entering into a Binding Memorandum of Understanding with Hyperlync. The MOU was promptly terminated in December 2018, months after the loans were disbursed. In June 2020, the company extended the bridging loan but eventually impaired the balance sum of \$1.688 million as at 31 December 2020 after Hyperlync ceased the scheduled payments from November 2020 onwards.

- (viii) **Would the board be reviewing the ad-hoc approach of the group's investments into high-risk, early-stage technology companies? What is the level of due diligence carried out by management and by the board?**

Q3. As noted in the corporate governance report, the company has outsourced the internal audit function of the group to Baker Tilly Consultancy (Singapore) Pte. Ltd. The audit committee (AC) is satisfied that the internal auditors have provided adequate staffing with relevant qualifications and experience to conduct the internal audits.

No material internal control weaknesses had been raised by the internal auditors in the course of their audits for FY2020.

- (i) **What was the scope of the internal audit workplan for FY2020?**
- (ii) **Did the internal audit cover the group's main operating subsidiaries, including the group's investments/investees?**
- (iii) **What are some of the findings of the internal audit?**
- (iv) **Can the audit committee confirm that it met at least once last year with the internal auditors (and external auditors) without the presence of the management in FY2020?**

^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.

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](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

[^] 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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