

Issuer: IPC Corporation Ltd
Security: IPC Corporation Ltd

Meeting details:

Date: 26 April 2018

Time: 9.00 a.m.

Venue: 23 Tai Seng Drive, #06-00 Deutsche Telekom Centre, Singapore 535224

Company Description

IPC Corporation Ltd, an investment holding company, engages in property development, investment, and reselling activities in Singapore, the People's Republic of China, and Japan. It also sells and distributes computer system boards and peripheral products, and telecommunication products; and provides property consulting, and club and hotel management services. The company was incorporated in 1985 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AZA)

Q1. As stated in the Chairman’s Statement, a major development in the year was the company’s proposed investment in Global Health Byte Pte Ltd. (“GHB”) for aggregate investment amount of \$2 million.

This is the group’s venture to explore new markets and exploit business opportunities. The healthcare industry is one of the sectors selected by the group, given its potential to growth in a sustainable long term manner.

As disclosed, GHB is a private company incorporated in the Republic of Singapore and is building an intelligent, scalable clinic management and electronic medical record systems with accurate, up-to-date and actionable data to help physicians, clinics and individuals take smarter decisions.

- a) **Can the board help shareholders understand what was the level of commercial due diligence carried out prior to the investment into GHB?**
- b) **Does GHB already have a proven/working system, or have GHB already signed up users for their systems? Is GHB at the pre-revenue stage?**
- c) **How was the company introduced to GHB?**
- d) **How well qualified is the board/management in evaluating opportunities in the e-medical records segment and how well qualified is the group in assessing the qualities and the value proposition of the GHB? In addition, what was the valuation framework used by the group to value GHB?**

Q2. The “assessment of carrying amount of properties developed for sale, properties held for sale and land held for development” is one of two key audit matters (KAMs) highlighted by the Independent Auditor in their Report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

The group has the following items on the balance sheet:

Type of asset	Carrying amount	Details
Properties developed for sale	\$19.535 million (2016: \$20.080 million)	Xu Ri Wan Hua Yuan Kindergarten, Xu Ri Wan Hua Yuan Residential car park
Properties held for sale	\$3.145 million (2016: \$3.225 million)	Yi Neng Guo Ji Guang Chang (Commercial)
Land held for development	\$6.422 million (2016: \$6.422 million)	Ju Ren Da Sha (Office)

In the Report of Corporate Governance, the audit committee (AC) has discussed with management and the external auditor on significant issues and assumptions that impact the financial statements. Following the review of the KAMs, the AC is satisfied that those matters, including the assessment of carrying amount of properties developed for sale, properties held for sale and land held for development, and the assessment of carrying amount of prepaid leasehold properties and property, plant and equipment, have been properly dealt with and recommended the Board to approve the financial statements.

- a) **Can the AC help shareholders understand their individual and collective efforts in the review of the KAM related to the carrying value of the properties developed for sale, properties held for sale and land held for development?**
- b) **What is the AC’s expertise and experience in the valuation/assessment of real estate in Zhuhai, China?**

Specifically, the properties developed for sale (namely the Xu Ri Wan Hua Yuan Kindergarten and Residential car parks) generated no revenue and have been completed since 2014.

- c) **What is the current status of the properties developed for sale?**
- d) **Can the AC help shareholders understand the valuation model to support the carrying value of \$19.5 million for the assets?**

In addition, related to the land held for sale, the group had disclosed in Note 31 that “[o]n 18 January 2018, the Group has entered into a framework agreement with a third party to dispose of its land held for development for a total proceeds above the carrying amount of the asset as at 31 December 2017. Subject to certain completion conditions, and if such conditions are met, the disposal will be completed by 30 March 2018”.

- e) **Would the board help shareholders understand if this was announced to the market on SGXNet following the signing of the framework agreement?**
- f) **Would the company also update shareholders via SGXNet on the proposed disposal that was to be completed by 30 March 2018?**

Q3. The remuneration committee (RC) comprises Mr Teo Kiang Kok (as chairman), Mr Lee Soo Hoon Phillip and Dato’ Dr Choo Yeow Ming.

The RC’s principal responsibilities are to review and recommend to the Board, a framework of remuneration and to determine specific remuneration packages and terms of employment for each of the executive directors and key management personnel to ensure that the remuneration packages are competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully.

The disclosure of the remuneration of directors is shown in the table below (page 19):

For competitive reasons and due to sensitivity, the Company is not disclosing the remuneration of each individual director. The Company is of the view that the disclosure in bands of S\$250,000 would provide a good overview and is informative of the remuneration of the executive directors, who are also the key management personnel. The disclosure by respective bands of remuneration for the financial year ended 31 December 2017 is provided as follows:

	Profit sharing %	Remuneration %	Director’s fee %
S\$250,000 to S\$499,999			
- Ngiam Mia Je Patrick	-	100	-
- Ngiam Mia Kiat Benjamin	-	100	-
- Lauw Hui Kian	-	100	-
- Ngiam Mia Hai Bernard	-	100	-
- Ngiam Mia Hong Alfred	-	100	-

(Source: Company annual report)

- a) **Given that the group has no ongoing development, and only generated revenue of \$4.07 million from Grand nest HOTEL zhuhai, would the RC help shareholders understand the justification to support the \$250,000-\$499,999 remuneration packages of the 5 executive directors?**
- b) **Would the company also provide better clarity on the specific roles and responsibilities of the executive directors in the director’s profile (page 9)?**
- c) **How did the RC determine that the terms of the service contracts of the executive directors and key management personnel, including termination clauses, are not overly generous?**