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**Issuer:** IPC Corporation Limited

**Security:** IPC Corporation Limited

**Meeting details:**

Date: 26 April 2019

Time: 2.00 p.m.

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

**Company Description**

IPC Corporation Limited is a Singapore-based company engaged in investment holding, property investment and property development. The principal activities of the Company's subsidiary companies are investment holding, property investment and property development, investing and reselling properties, property consulting, hospitality services, and sale and distribution of telecommunication products. The Company geographically manages and monitors the business in three primary geographic areas: People's Republic of China, Japan and Singapore, which are engaged principally in the property related business, including properties and income producing assets. The Company's businesses under Properties relate to property development, investing and reselling of properties. Its businesses under Income producing assets relate to investments in hospitality assets. Other services included within Singapore consist of investment holding, and the sale and distribution of telecommunication products.

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

1. In September 2018, a former controlling shareholder sold his shares in the company to the current chairman and chief executive, the managing director and other family members of the Ngiam. As a result, the Ngiam now control over 29% of the firm.

Following the change in shareholdings, Dato' Dr Choo Yeow Ming and Mr Lien Kait Long resigned from the board and Mr Lee Joo Hai was appointed to the board as independent director and chairman of the audit committee in October 2018.

In November 2018, the company announced a joint venture with Nest Hotel Japan Corporation ("NHJC") and AP ASEAN Holding Limited ("APAHL") to conduct the business of hospitality and asset management in the Asia Pacific Region (excluding Japan).

In addition, in December 2018, the company also announced changes to the board, including the appointment of Mr Tan Sin Huat Dennis as a new independent director, the appointment of Mr Teo Kiang Kok as lead independent director and chairman of the nominating committee ("NC") and the appointment of Mr Lee Joo Hai as a member of the remuneration committee ("RC") and NC.

- (i) With the significant changes in the shareholding and the newly constituted board of directors, would the board be carrying out a strategic review of the group to assess the core competencies of the group and its board, its management team and its financial strength and to fine-tune its strategic plan so as to create long-term sustainable value for all shareholders?**
- (ii) Taking into account the new joint venture with NHJC and APAHL, can the company provide shareholders with an update of the group's strategic directions?**
- (iii) Please also provide shareholders with better clarity on the long term plans of the assets in Zhuhai. Is the company actively looking for buyers for its assets?**

2. The "Valuation of unquoted equity financial assets designated at FVPL" is a key audit matter (KAM) highlighted by the Independent Auditor's in their Report on the Audit of the Financial Statements (page 28). Key audit matters are those matters that, in the professional judgement of the Independent Auditor's, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM:

*The Group has an investment in convertible preference shares in Nest HOTEL Japan Corporation ("NHJC") that is classified as an investment at fair value through profit or loss ("FVPL") under SFRS(I) 9 Financial Instruments, with a carrying amount of \$34.6 million as at 31 December 2018. The fair value gain recognised in the profit or loss amounted to \$31.4 million.*

- (i) Would the audit committee (AC) help shareholders understand the identity of the independent valuer used in the valuation of convertible preference shares of NHJC?**
- (ii) Would the board/AC consider publishing the full valuation report?**

While the company has disclosed the range of unobservable input on page 73 of the annual report, it does not help shareholders understand how the fair value of \$34.55 million was obtained.

- (iii) In particular, did the AC review the reasonableness of using 6.0% - 7.0% as the discount rate for a business that is just starting to scale up?**
- (iv) Could the AC disclose the range of fair values based on the different assumptions used?**
- (v) Would the AC clearly state all the assumptions used in obtaining a fair value valuation of \$34.55 million?**

3. The current board consists of eight directors, of which only three are independent. In addition, the five executive directors are family members. A summary of the relationship between the five executive directors is shown below:

- Mr Alfred Ngiam, Mr Ngiam Mia Je Patrick, Mr Benjamin Ngiam and Mr Ngiam Mia Hai Bernard are brothers and serve on the board as executive directors
- Ms Lauw Hui Kian, also an executive director, is the spouse of Mr Ngiam Mia Je Patrick

Guideline 2.2 of the 2012 Code of Corporate Governance (2012 CG Code) recommends that independent directors to make up at least half of the Board where the chairman is not an independent director. As Mr Ngiam Mia Je Patrick is the executive chairman and chief executive officer, under Guideline 2.2 of the 2012 CG Code, independent directors should make up at least half of the board.

The company has said the following:

*Taking into account the specialised functions currently helmed by each of the five executive directors and a majority of the independent directors was refreshed during the financial year, the Board is of the view that its current size is adequate to provide for a diversity of views and facilitate effective decision-making.*

- (i) Would the board help shareholders understand the “specialised functions” of the five executive directors?**
- (ii) Has the board/nominating committee (NC) re-evaluated the necessity for the “key executives” to be on the board as executive directors?**

- (iii) Has the NC considered how familial relationship among the five executive directors and how that might impair openness and debate in the board?**
- (iv) Would the NC be reconsidering how the board can better comply with Guideline 2.2?**

In the selection and nomination for new directors, the NC has stated that it taps on the directors' resources for recommendations of potential candidates although external resources may also be sought to source for potential candidates, where necessary.

- (v) Did the NC evaluate how the use of a professional search firm can help the company to cast its net wider to increase the diversity and possibly improve the quality of the candidate pool?** It is observed that the board re-appointed Mr Lee Joo Hai as independent director on 1 October 2018. Mr Lee was previously on the board as independent director from 1996 to 26 April 2017 when he did not stand for re-election.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=IPC%20Corporation%20Ltd&cid=6401,4600>

The company's response could be found here: -----