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**Issuer:** Ipco International Limited

**Security:** Ipco International Limited

**Meeting details:**

Date: 30 October 2018

Time: 10.00 a.m.

Venue: 152 Beach Road, Gateway East #28-00, Toyko Room Singapore 189721

**Company Description**

Ipco International Limited, an investment holding company, operates as a developer, turnkey contractor, and investor in oil and gas, power, transportation, water and environment, and industrial infrastructure projects worldwide. The company operates through five segments: Infrastructure Development and Turnkey Construction; Development of Residential Real Estate for Sale; Supplying Gas to Households, Commercial and Industrial Users; Manufacture and Sale of Electronic Components; and Investment Securities Trading. It is involved in the provision of engineering, construction, and warehousing services; and trading and provision of consultancy services in semi-conductor industry. The company also manufactures, assembles, installs, maintains, repairs, and deals in electronic components. In addition, it engages in the turnkey construction of onshore and offshore oil and gas facilities; and development of power plants, transmission systems, and water supply systems; and building of piers, jetties, and terminals, as well as land transport projects, including toll roads and bridges. Further, the company constructs pulp and paper mills, as well as light and heavy manufacturing facilities; and develops and owns industrial estates. Additionally, it offers project finance; revolving credit facilities; export credits; and build, own, operate, and transfer structures. Ipco International Limited was founded in 1975 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=I11](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=I11))

1. As noted in the Corporate Information section (page 2 of the annual report), the company's directors are Mr James Moffatt Blythman (as executive director) and the following three independent directors, namely Ms Chai Siew Hoon, Mr Joseph Chen and Mr Ng Fook San.

Mr Chen and Mr Ng were each appointed on 19 January 2018. Ms Chai, who was first appointed on 25 April 2014, would retire at the close of the Annual General Meeting and will not be seeking re-election. Ms Chai's impending cessation as director (due to retirement) follows a year in which the company experienced the following:

- Mr Ross Yu Limjoco resigned as independent director on 2 August 2017;
- Mr Chwee Han Sin was not re-elected by shareholders at the company's AGM on 31 August 2017;
- Requisition of an Extraordinary General Meeting (EGM) on 17 October 2017;
- Mr Joseph Chen and Mr Ng Fook San appointed as independent directors on 19 January 2018
- Mr Carlson Clark Smith's removal as executive director at the EGM on 19 January 2018 and his subsequent dismissal as Chief Financial Officer ("CFO") on 28 February 2018;
- Appointment of Messrs Baker Tilly TFW as auditor of the company at an EGM held on 28 February 2018;
- Mr James Moffatt Blythman's appointment as CFO on 1 March 2018 and the subsequent appointment as executive director on 28 May 2018; and
- Mr Goh Hin Calm's resignation as Interim Chief Executive Officer ("CEO") on 14 March 2018 and appointment to his previous position as Senior Finance and Admin Manager and his subsequent dismissal on 27 April 2018

- (i) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (ii) With Ms Chai's retirement from the board on 30 October, has the nominating committee (NC) reviewed the board's size and composition? Has the NC started the search and nomination process for independent directors?**
- (iii) Can the NC elaborate in greater detail the search and nomination process for directors, especially independent directors? Would the NC be widening its reach and leverage a professional search firm to find a director who is of a right fit for the board?**
- (iv) The position of the chairman of the board has been vacant since August 2006. Would the NC be reviewing this?** The chairman plays an important role in leading the board and in ensuring its effectiveness.
- (v) What are the board's plans to ensure stability in the boardroom so that the board can provide its entrepreneurial leadership for the long-term success of the company?**

- (vi) The company has not included a Sustainability Report in its annual report. Under the SGX guidelines for sustainability reporting that was introduced in 2016, companies have up to 12 months from the end of the financial year to publish their first report, starting with any financial year ending on or after 31 December 2017. Rule 711B states that the sustainability report must describe the issuer's sustainability practices with reference to the following primary components: (a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement. **Could the board/management clarify if it will be publishing a full Sustainability Report, including the key material issues affecting the company, in accordance with Rule 711B? The company should also show how the material issues affect its business model and how the business model delivers long term value for its stakeholders.**

2. The group has three core businesses as follows:

- Capri Investments LLC ("Capri")
  - Hubei Zonglianhuang Energy Investment Management Inc. ("HZLH")
  - ESA Electronics Pte Ltd ("ESA")
- (i) **For the benefit of both new and old shareholders, please provide a clear action plan for each of the three core businesses, highlighting management's priorities and targets for the next 6-18 months.**
- (ii) **What is the level of oversight, influence and control over the subsidiaries' day-to-day operations and strategic matters?**
- (iii) **Please also include the changes to be made to each of the three operations to strengthen the internal controls in these subsidiaries and the risk management systems and the processes in the company to oversee the subsidiaries.**
- (iv) **Can the audit committee clarify if the group has an internal audit function (page 106)? In the past 2-3 years, or since the new management team is in place, has there been any internal audit work carried out as directed by the AC? Would the AC consider looking into the formal establishment of a internal audit function (be it in-house or outsourced)?**
- (v) **Does the company staff have adequate resources and experience to perform in their job functions? Are the key positions filled with capable and motivated staff?**

3. For the financial year ended 30 April 2017, the independent auditors provided a disclaimer of opinion in which they did not express an opinion on the accompanying consolidated financial statements of the group and the statement of financial position of the company. The basis for the disclaimer of opinion was (a) Transaction relating to Employee Share Scheme and (b) Going concern. The auditors also included an Emphasis of

Matter (“EOM”) which relates to the investigations by the Commercial Affairs Department (“CAD”) of the Singapore Police Force.

For the financial year ended 30 April 2018, the independent auditors have once again included a disclaimer of opinion on the consolidated financial statements of the group in their Independent Auditors’ Report dated 3 October 2018 in relation to the audited consolidated financial statements of the group and the company for the financial year ended 30 April 2018 (“FY2018”) (the “Financial Statements”).

The basis for Disclaimer of opinion now includes:

- Opening balance
- Transaction relating to Employee Share Scheme
- Development properties
- Investment in subsidiaries and Receivables due from subsidiaries
- Contingent liabilities
- Appropriateness of going concern assumption

The EOM relating to the investigations by CAD remains.

The audit committee (AC) comprises Mr Joseph Chen (as chairman), Mr Ng Fook San and Ms Chai Siew Hoon. The AC carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50 and has been entrusted with the following functions, including the review with the auditors the audit plans, their evaluation of the system of internal controls, audit reports and management letter and ensure the adequacy of the Group’s system of accounting controls and co-operation given by the Management to the Auditors; and review the co-operation given by the Company’s officers to the auditors.

- (i) Would the AC help shareholders understand their individual and collective efforts in ensuring the adequacy of the group’s system of accounting and the co-operation given by the management to the auditors?**
- (ii) What were the AC’s responses when the auditors were unable to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy themselves as to (a) the appropriateness of the accounting treatment, (b) whether the carrying values in the financial statements contain misstatements, or (c) whether any impairments/reversal or additional liabilities are necessary?**
- (iii) How is the AC going to resolve the basis for disclaimer of opinion brought up by the independent auditors?**
- (iv) Would it be prudent to AC to consider impairments and write-downs to bring the carrying values to levels that are supported by appropriate audit evidence?**

In the Directors’ Statement (page 7), the directors have stated that, in their opinion:

*the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 15 to 90 [of the annual report] are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2018 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore;*

- (v) Given the disclaimer of opinion, would the directors help shareholders understand the basis for their opinion that the consolidated financial statements of the group and statement of financial position and changes in equity of the company "give a true and fair view" of the company's operations and finances?**

A copy of the questions for the Annual Report for the financial year ended 30 April 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Ipco%20International%20Ltd>

The company's response could be found here:

[https://sias.org.sg/media/qareport/1504674586\\_IPCO20170830.pdf](https://sias.org.sg/media/qareport/1504674586_IPCO20170830.pdf)