



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: ICP Ltd.

Security: ICP Ltd.

Meeting details:

Date: 24 October 2018

Time: 2.00 p.m.

Venue: Sophia Cooke Ballroom, Level 2, Y.W.C.A., Fort Canning Lodge, 6 Fort Canning Road, Singapore 179494

Company Description

ICP Ltd., an investment holding company, engages in the chartering of vessels in Singapore. It is also involved in management of hotels and licensing of the Travelodge hotel brand. In addition, the company provides management consultancy services; and leasing services, as well as invests in unquoted funds. The company was formerly known as Goldtron Limited. ICP Ltd. was incorporated in 1962 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=514)

1. As noted in the Chairman's statement, the group will be focusing on the continued expansion of the Travelodge brand across Asia under an asset light approach. In line with this long term strategy, the group will focus on third party hotel management and franchise.

As disclosed in the annual report, the Travelodge brand in Asia has expanded to 4 countries, 7 hotels in Asia. In the financial year, the group added 4 new hotels with openings in Pattaya (July 2017), Hollywood Road (Hong Kong) (September 2017), Bangkok (November 2017) and Batam (January 2018). These followed the first Travelodge in Kowloon opened in February 2017 under the group's franchise agreement.

However, the group's losses increased from \$(2.6) million to \$(3.0) million in the financial year. This has been attributed mainly to the continual investment in the integrated hospitality operating system and to the build-up of its management team. While revenue increased from \$2.1 million to \$3.2 million, administrative expenses were elevated in the two years and further increased from \$3.3 million to \$4.3 million.

- (i) While the group has stated that the investments into the systems have been substantially completed, would the company provide a further breakdown to the \$4.3 million in administrative expenses and help shareholders understand what are the one-off non-recurring items?**

Specifically, as shown in Note 25 (page 115 – Operating segments), the hospitality segment recognised \$1.8 million in revenue but reported a segment loss of \$(1.9) million.

- (ii) Has management estimated the breakeven level for the group's hospitality business?**

With a full year of contribution from Travelodge Kowloon and 9 months of contribution from Travelodge Central Hollywood Road, the group recognised \$521,000 in revenue (page 115). Similarly, the full year contribution from Travelodge Pattaya only resulted in \$137,000 in revenue (under Others – page 115).

- (iii) Can management elaborate further on the earnings potential of its current business model? What are the key factors that affect the revenue from a management contract/franchise?**

- (iv) What are the occupancy rates of the hotels?**

In the value-in-use calculations related to the trademark rights, management has assumed an average growth rate of 53% in the number of rooms, based on the future cash-flow projections derived from the financial budgets approved by management for the next 5 years (page 85).

A growth rate of 53% will mean that the group manages more than 10,000 rooms in 5 years' time.

- (v) **In addition to the list of pipeline hotels (as shown on page 13), can management elaborate further on its expansion plans to achieve that scale?**
- (vi) **Has there been further progress made by the group to expand into Singapore, Japan, and Korea?**

2. In Note 8 (page 89 – Available-for-sale financial assets), management has disclosed that there were no significant changes to the financial condition of Tiaro Coal Ltd and Paragon Coal Pty in the financial year. The group has taken a full impairment of \$(6.266) million, recognised in prior years. On 11 September 2018, the company published a response to a media article which touched on the group's investments in Tiaro Coal.

To put the issue into context, the group acquired a 19.9% stake in Tiaro at a 45% premium on 27 June 2014. On 1 April 2015, the company announced that Tiaro has been placed into voluntary administration on 31 March 2015.

Would the board/management provide better clarity on the following matters?

- (i) **Due diligence: What was the level of due diligence carried out by the company prior to its investment in Tiaro? What were the roles played by the independent directors during the due diligence process?**
- (ii) **Representation/Voluntary administration: The group invested in Tiaro on 27 June 2014 and Tiaro went into voluntary administration 9 months later. Was the company represented on Tiaro following its 19.9% investment? If so, who represented the group on Tiaro and what was done to protect the group's investment in Tiaro before it was placed under voluntary administration? What was the group's level of influence and control over Tiaro during that period? What were the board's roles and efforts (especially by the independent director) during the 9 month period?**
- (iii) **Contingent liability: On 14 June 2018, the company announced that a statement of claim has been filed in the Supreme Court of New South Wales on 5 June 2018. Can management help shareholders understand when it was made aware of the claim? Appendix 7A Corporate Disclosure Policy of the SGX Catalist Listing Rules lists significant litigation as one of the events that would require immediate disclosure. Also, would it be prudent for the company to include the existence of a statement of claim as a note in the financial statement so that shareholders are made aware of the potential contingent liabilities?**
- (iv) **Status: Would management update shareholder on the current status of Tiaro and Paragon? What are the board/management's efforts to salvage any remaining value from these investments?**

3. Mr Aw Cheok Huat held a 26.7% interest in the joint venture company, MHI MY 1 Pte. Ltd., and had transferred part of his interests to other investors, including a 5.8% stake in the joint venture company to Mr Ong Kok Wah following which Mr Aw's stake stood at 9.3%.

In the company's announcements dated 15 September 2017 and 14 March 2018, the company has stated the transactions involving Mr Aw and Mr Ong would be regarded as "interested person" transactions as defined in Chapter 9 of the Catalist Rules.

- (i) As the company has classified these transactions as interested person transactions, should these be included in the "Interested person transactions" section in the Report on Corporate Governance and in Note 28 (page 117 – Related parties)?**

On page 31, under Board composition and guidance, the NC has stated it reviewed the independence of each director annually based on the guidelines set out in the 2012 Code of Corporate Governance.

- (ii) Can the NC elaborate further on the deliberations it has had relating to the independence of Mr Ong Kok Wah following his purchase of 5.8% stake in the joint venture company from Mr Aw (whose interests was reduced from 26.7% to 9.3%)?**
- (iii) Also given that Mr Ong, as independent director, has direct interests in the joint venture company which the company holds the majority 73.3%, how will Mr Ong's objectivity and independence be affected?**
- (iv) Did the interested directors recuse themselves from the discussion related to the proposed of the entire issued and paid-up share capital of MHI MY 1 Pte Ltd? If so, then who led the discussion with the proposed buyers?**

In addition, Guideline 9.4 of the Code recommends the disclosure of the remuneration of employees who are immediate family members of a director or the CEO in incremental bands of \$50,000, should the remuneration exceeds \$50,000.

As disclosed in the Report on Corporate Governance, Mr. Aw Ming-Yao Marcus is the son of Mr. Aw Cheok Huat and he received a remuneration of between \$250,000 and \$500,000 in FY2018.

- (v) To comply with the 2012 CG Code, please disclose the remuneration of Mr. Aw Ming-Yao Marcus in incremental band of \$50,000.**

Additional comment: On pages 15 to 27 of the annual report, the company has included a detailed Sustainability Report. **Can management explain in greater detail how are the group's sustainability efforts linked to the corporate strategy?**

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



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

The company's response could be found here:

https://sias.org.sg/media/qareport/1509582251_ICP_20171031_Response_to_SIAS.pdf