



Securities Investors Association (Singapore)

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Issuer: IFS Capital Limited

Security: IFS Capital Limited

Meeting details:

Date: 29 April 2019

Time: 2.30 p.m.

Venue: 11 Eunos Road 8, Lifelong Learning Institute, Event Hall 2-2 Level 2, Singapore 408601

Company Description

IFS Capital Limited is a Singapore-based company engaged in the provision of commercial, alternative and structured finance businesses, such as factoring services, working capital, asset based financing and the provision of alternative and structured financial solutions offered to clients to address either equity or debt capital requirements. The Company operates in three segments: credit financing, which encompasses commercial, alternative and structured finance businesses, and focuses on providing services to corporate clients, primarily the small and medium-sized enterprises; Insurance, which provides credit insurance facilities to Singapore exporters, and the issue of performance bonds and guarantees, domestic maid insurance, spa insurance for pre-paid packages, and marine cargo and motor insurance, and Private equity and other investments, which provides development capital in the form of mezzanine financing, convertible debt instruments and direct private equity investments.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=I49)

Q1. As shown in the section titled “Group financial highlights”, the insurance business continues to drag the group down. Loss before tax increased from \$(4.7) million to \$(5.5) million in FY2018. In fact, losses from the insurance arm have increased and the loss of \$(5.5) million in FY2018 is the highest in the past 5 years, as shown in the table below.

Group Financial Highlights

\$'000	2018	2017	2016	2015	2014
INCOME STATEMENT					
<i>Gross operating income</i>	44,786	48,173	39,342	38,184	40,179
– interest income	28,136	24,612	22,668	25,222	24,607
– net earned premium	6,853	11,071	6,843	4,459	3,880
– fees & commission	8,000	6,687	7,422	6,985	8,694
– investment income	1,797	5,803	2,409	1,518	2,998
<i>Profit/(loss) before tax - by business segment</i>					
– Lending business	11,780	10,508	2,084	(8,616)	(5,119)
– Insurance	(5,509)	(4,730)	(1,852)	(4,011)	(2,488)

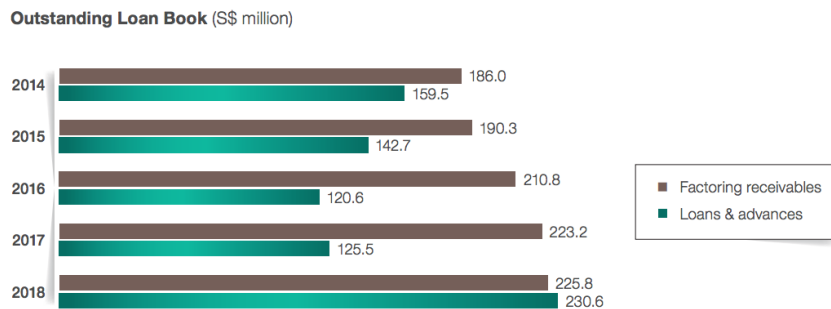
(Source: Company annual report)

- (i) **Underwriting:** Can the board help shareholders understand its underwriting approach and the experience of the underwriting team at ECICS? What guidance has the board given to ECICS on the appropriate pricing of risks?
- (ii) **Motor class of business:** Can management clarify why the base scenario for the group’s motor class of business is an ultimate loss ratio of 156% (page 148)?
- (iii) **CEO:** The new CEO, Mr Choi Kin Seng, joined in January 2019. The former CEO Mr Mack Eng Lip Chian was appointed in January 2018 and does not appear to be with the group anymore. **Can Mr Choi update shareholders on his plans for ECICS?**
- (iv) **Turnaround:** How much time is needed to turn around the business?

Q2. Would the board/management provide shareholders with better clarity on the following operational matters relating to its lending business:

- (i) **Thailand:** The Thailand business has grown in importance, accounting for 41.5% of the gross operating income (page 5). **Can management help shareholders understand the reasons for the (relatively) strong performance by the Thai business?**

- (ii) **Lending business:** On 11 December 2018, the company was selected to pilot a new business model for consumer moneylending. Subject to the grant of the moneylending licence by the Ministry of Law, the group will expand its services to provide financial solutions to the consumer market. **Can management help shareholders understand the addressable market for consumer lending? How big is the consumer lending market compared to the current corporate lending? What experience does the group have in the consumer lending business?**
- (iii) **Loan Growth:** In FY2018, the group nearly doubled its loans book to \$230.6 million. **How did the group achieve such a big increase? Has the group maintained a high level of credit quality? What are the sectors that have grown significantly?**



(Source: Company annual report)

Q3. As noted in Q1, the appointment and cessation of Mr Mack Eng Lip Chian as CEO of ECICS and the appointment of Mr Choi Kin Seng do not appear to have been reported on SGXNet.

Rule 704(7) of the SGX-ST Listing Manual states that:

- (a) *Any appointment or cessation of service of key persons such as director, chief executive officer, chief financial officer, chief operating officer, general manager or, qualified person or other executive officer of equivalent authority, company secretary, registrar or auditors of the issuer. The announcement of an appointment or cessation of service of key persons such as director, chief executive officer, chief financial officer, chief operating officer, general manager or, qualified person or other executive officer of equivalent authority must contain the information contained in Appendix 7.4.1 or Appendix 7.4.2, as the case may be.*
- (b) *In the case of a cessation of service of any director, chief executive officer, chief financial officer, chief operating officer, general manager or other executive officer of equivalent authority, such persons must inform the Exchange in writing as soon as possible if he is aware of any irregularities in the issuer which would have a material impact on the group, including financial reporting.*

On pages 8 and 9 of the annual report, the company showed the 8 key executives in the Group Management Team, including the CEO of ECICS.

- (i) Would the board help shareholders understand why the appointment and cessation notices of the CEO of ECICS were not published on SGXNet?**
- (ii) Would the board be looking at how its communications with shareholders and the market could be better improved?**

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=IFS%20Capital%20Ltd&cid=6678,4541>

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