Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: IFS Capital Limited

Stock code: I49

Meeting details:
Date: 21 May 2020
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's message (pages 2 and 3 of the annual report), FY2019 was probably the best year for the group over the last 5 years as the core operations posted strong results together with improvement in credit risk management. The good performance was achieved in spite of the slower economic growth experienced in all four countries in which the group operates.

The business climate for 2020 appears to be even more challenging due to the COVID-19 pandemic.

The overview of the group's credit risk is shown in Note 41 (pages 131 to 152 – Financial and insurance risk management: Credit risk) and an extract is reproduced below:

	Loans, advances, hire purchase and leasing receivables – net (Note 10)	
	2019 $'000	2018 $'000
Group		
Concentration by sector		
Manufacturing	**62,686**	46,529
Services	**23,929**	7,241
Holding and investment companies	**–**	37,636
Property	**48,676**	15,438
Financial services	**10,489**	12,797
Transport	**–**	–
Others	**96,003**	95,718
	241,783	215,359

Factoring receivables – gross (Note 16)

	Group	
	2019 $'000	2018 $'000
Concentration by sector		
Manufacturing	**129,234**	105,469
Services	**37,990**	66,674
Others	**51,605**	54,954
	218,829	227,097

(Source: adapted from company annual report)

(i) **Can management help shareholders understand the reasons for the significant year-on-year changes to the concentration by sector? How much of the change is due to the group's risk management consideration?**

(ii) **How are the various sectors impacted differently by the pandemic?**

(iii) **Would the board/audit committee review how it could reduce the quantum/percentage of loan amount/receivables that are classified as "Others"?**

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(iv) **How is the group tapping the various initiatives announced by the government such as the relief measures to help SMEs in the Solidarity Budget during this time?**

(v) **What are the threats to the group from fintech companies and from digital banks? The** Monetary Authority of Singapore is set to issue two digital full bank licences and three digital wholesale bank licences.

Q2. ECICS Limited, the insurance arm, continues to make losses and "[t]here is still a lot that needs to be done before we can see profitability" (page 3). While the chairman disclosed that progress has been made to turnaround ECICS, losses (before tax) for the year still amounted to $(4.9) million, an improvement from $(5.5) million.

As disclosed in Note 43 (page 176 – Operating segments), ECICS deals with the provision of credit insurance facilities to Singapore exporters and the issue of performance bonds and guarantees, domestic maid insurance, property and casualty insurance, marine cargo and motor insurance, political risks, engineering and work injury compensation insurance.

In particular, management has stated that the insurance arm may "suffer bond calls due to a further weakening of the construction industry" (page 181).

(i) **Can management provide a breakdown of the group's unexpired risk exposure to the various classses of business listed above?**

(ii) In the last financial year, the motor class of business had an actuarial ultimate loss ratio ("ULR") of 156% under the base scenario. As noted on page 172, the high-end of the ULR has now increased to 361%. **Can management clarify if the ULR for the motor class of business has increased to 361%? If so, what are the reasons for the sub-par performance of the group's motor class of business and how is management working to fix the issues?**

(iii) The chairman has stated that "a lot that needs to be done before we can see profitability" (page 3). **Would the company elaborate further on the action plan to improve the insurance arm?**

Q3. At at 31 December 2019, the board comprises six directors of whom four are independent. Two of the independent directors, Mr Gabriel Teo and Mr Manu Bhaskaran, would be stepping down from the board at the conclusion of the annual general meeting.

The company has recently appointed Mr Barney Lau Tai Chiau in August 2019. The other director, Mr Law Song Keng, was appointed on 31 January 2011 and has served on the board for more than 9 years from the date of his first appointment.

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The board has established an Executive Resource and Compensation Committee ("ERCC").

(i) **Given the changes to the board, has the ERCC 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) **Can the board elaborate further on its board diversity policy?**

(iii) **Would the ERCC be using a professional search firm to shortlist independent director-candidates so as to enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)