**Securities Investors Association (Singapore)**
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

**Issuer:** IFS Capital Limited

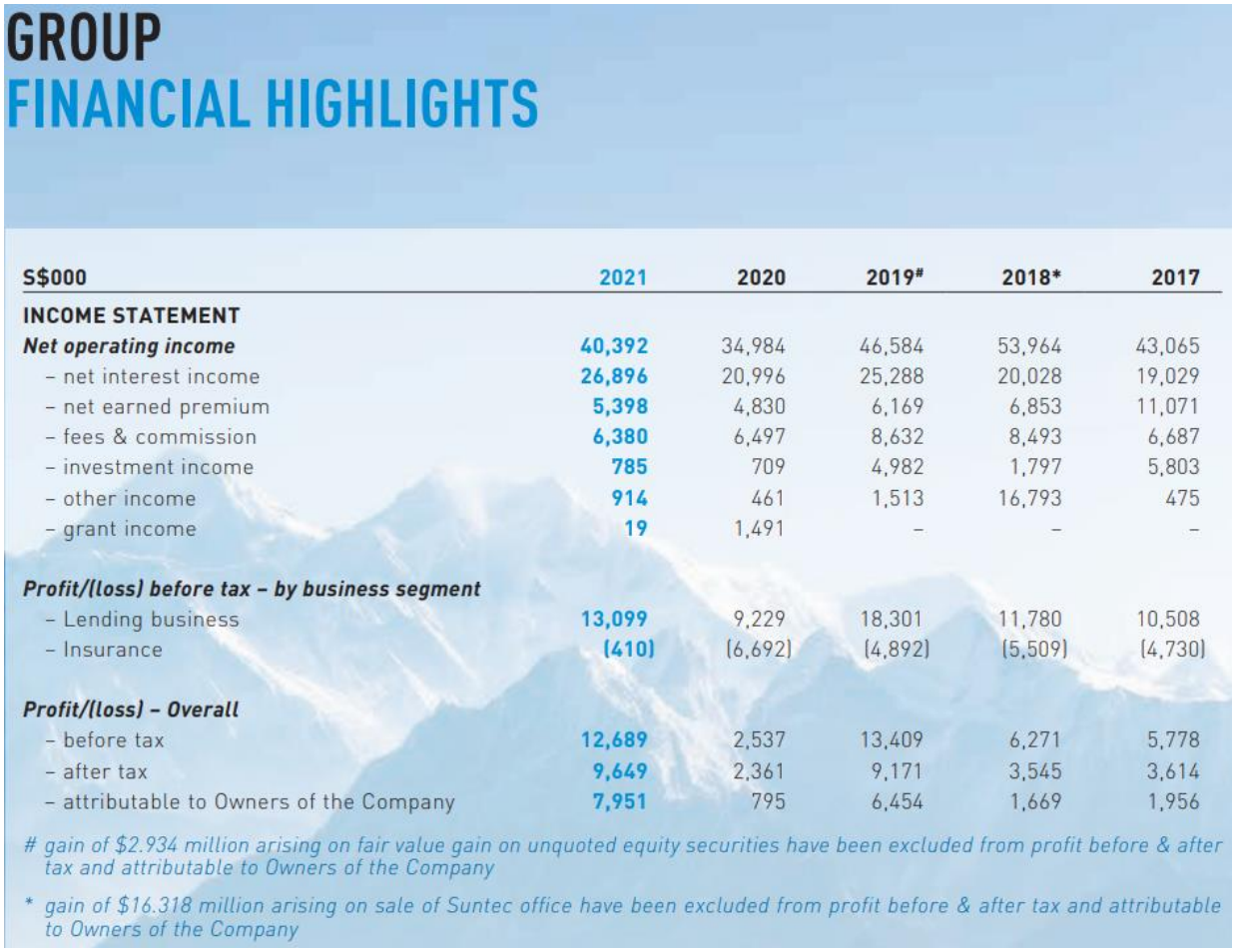
**Stock code:** I49

**Meeting details:**
Date: 22 April 2022
Time: 2.30 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 shown on page 4 of the annual report, profit attributable to owners of the company was $7.95 million for FY2021 despite the challenges of the pandemic. This is the highest level in the past 5 years (see Group financial highlights reproduced below), and in fact, the highest in the past decade, comparable with profit of $7.94 million achieved in FY2012.



## GROUP FINANCIAL HIGHLIGHTS

| S$000 | 2021 | 2020 | 2019# | 2018* | 2017 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| ***Net operating income*** | **40,392** | 34,984 | 46,584 | 53,964 | 43,065 |
| – net interest income | **26,896** | 20,996 | 25,288 | 20,028 | 19,029 |
| – net earned premium | **5,398** | 4,830 | 6,169 | 6,853 | 11,071 |
| – fees & commission | **6,380** | 6,497 | 8,632 | 8,493 | 6,687 |
| – investment income | **785** | 709 | 4,982 | 1,797 | 5,803 |
| – other income | **914** | 461 | 1,513 | 16,793 | 475 |
| – grant income | **19** | 1,491 | – | – | – |
| ***Profit/(loss) before tax – by business segment*** | | | | | |
| – Lending business | **13,099** | 9,229 | 18,301 | 11,780 | 10,508 |
| – Insurance | **(410)** | (6,692) | (4,892) | (5,509) | (4,730) |
| ***Profit/(loss) – Overall*** | | | | | |
| – before tax | **12,689** | 2,537 | 13,409 | 6,271 | 5,778 |
| – after tax | **9,649** | 2,361 | 9,171 | 3,545 | 3,614 |
| – attributable to Owners of the Company | **7,951** | 795 | 6,454 | 1,669 | 1,956 |

*# gain of $2.934 million arising on fair value gain on unquoted equity securities have been excluded from profit before & after tax and attributable to Owners of the Company*

** gain of $16.318 million arising on sale of Suntec office have been excluded from profit before & after tax and attributable to Owners of the Company*

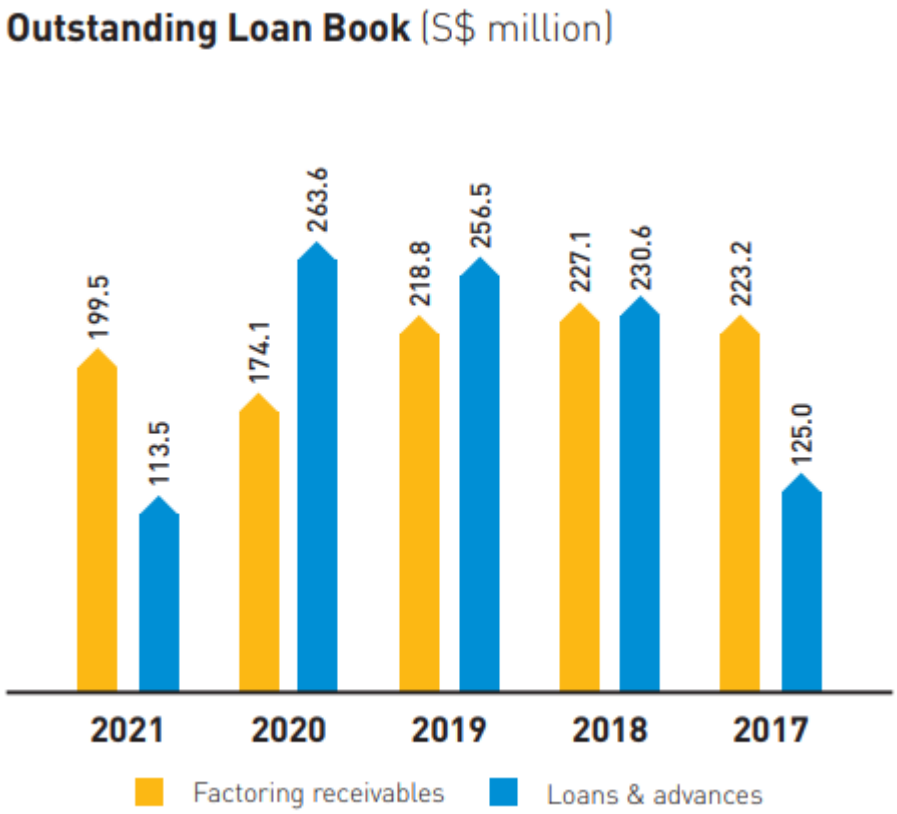
(Source: company annual report)

(i) As noted in the chairman's statement, the group delayed the recognition of interest income for loans that were past 90 days due. In FY2021, as economies and business activities stabilised, the group regularise around $90 million of these loans and recognised the corresponding interest income. **How much of the improved profit in the lending business was due to the change in the income recognition method which was implemented in FY2020?**

(ii) **Can management share its view of Thailand's economic recovery?** Approximately 40% of the group's total assets are invested in Thailand (page 174 – Note 43 Operating segments). **How is the group positioning itself to benefit from the anticipated rebound?**

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(iii) On page 5 (Performance at a glance), it can be seen that outstanding loans & advances are significantly lower at $113.5 million, compared to $230-$260 million in FY2018-FY2020. **What are the reasons for the decrease in the outstanding loans & advances?** As seen in Note 41 (page 145 – Credit risk), the decrease appears to be due to the decline in loans to the property sector and from Singapore.




(Source: company annual report)

(iv) **Factoring:** On the other hand, the group's higher factoring receivables is due to increase exposure to the Services sector outside of Singapore. **Is this a deliberate move by management to capture the opportunities as the SE Asian economies recover from COVID?**

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**Q2.** In addition to the core financing business, the group has invested into a diverse portfolio of businesses that range from insurance to FinTech.

(i) **Who is overseeing the group's investments into these other businesses, including FinTech?**

(ii) **Has the board set a limit on the capital allocated to these other businesses? What are the investment criteria used to evaluate these investees?**

(iii) **How synergistic are these investments to the group's core business of factoring and invoice financing?**

*(iv)* **Is the company investing in these start-up businesses with the goal of nurturing them into significant revenue and profit generators?**

(v) In addition, the group's general insurance business, under ECICS Limited, has performed relatively well. It was disclosed that the ECICS team de-risked the legacy bond portfolio and grew the core insurance lines profitably. The team is working to transform ECICS's technology stack so that it can capture more opportunities in the market. **Can management elaborate further on the value proposition of ECICS? What is its target market and how does it compete against its competitors? What are the insurance lines that management is seeking to grow?**

(vi) **How is the private credit fund by IFS Asset Management Private Limited different from the group's business of secured lending to small and medium enterprises in Singapore? What is the size of the fund now?**

(vii) The company had announced on 6 December 2021 that it signed a non-binding memorandum of understanding with Tat Hong Equipment Service Co., Ltd, for a potential collaboration to provide tower crane financing solutions in China. **What is the experience of the group in China? What competitive advantage does the group have in China, if any? Has management analysed the track record of the potential partner?**

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**Q3.** As noted in the corporate governance report, the group has an in-house internal audit function that is independent of the activities it audits.

The internal auditors' activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors have full access to the group's documents, records and personnel necessary for the purpose of their duties. The internal auditors report functionally to the chairman of the audit committee on audit matters and to the Group chief executive officer on administrative matters.

(i) **What is the size and the experience of the in-house internal audit function?**

(ii) **Can the AC confirm that the foreign operating subsidiaries in Thailand, Malaysia and Indonesia were included in the internal audit in FY2021?**

(iii) **Did the closure of national borders during the pandemic lead to difficulties in carrying out the internal audit for the IA?**

(iv) **What was the scope of the internal audit in FY2021?**

(v) **What were the key findings by the internal auditor?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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**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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