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: NGSC Limited

Stock code: B07

Meeting details:
Date: 30 August 2021
Time: 10.00 a.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. The company had earlier, on 3 December 2019, announced that it had received a Notification of Delisting from the SGX-ST as the company has not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-list.

On 11 July 2021, the company announced that it will seek the approval of shareholders of the company to effect the delisting proposal by way of a selective capital reduction exercise to be undertaken by the company pursuant to Section 78G of the Companies Act, Chapter 50 of Singapore.

(i) **Would the company help shareholders understand the (earlier) efforts by the board and by management to meet Rule 1314 of the Listing Manual?**

(ii) **What were the main obstacles that prevented the group from meeting the requirements of Rule 1314?**

(iii) **How effective were the directors at providing guidance to management that enhanced long-term shareholders' value? Did the frequent changes to the board in the past 2-3 years impair the effectiveness of the board?**

(iv) **What is the current board dynamics given that the board has not appointed a chairman since the cessation of the former chairman on 30 May 2019? How does the board ensure an appropriate balance of power, high levels of accountability and independent decision making?**

Q2. For the proposed Selective Capital Reduction, the price per participating share has been set at S$0.00155. An aggregate sum of $7.36 million will be returned to participating shareholders in cash, on the basis of S$0.00155 for each Participating Share held.

(i) **Can the board elaborate further on the timeline of the proposed selective capital reduction?**

(ii) **What are the remaining milestones, if any?**

The net asset value per share as at FY2021 was $0.00158, following a loss of $(24.1) million in FY2021. This was due to the additional impairment loss of $24.07 million to profit or loss of the group's joint venture, HUH Broadband Communication Company Limited.

(iii) **Would the independent directors provide shareholders with greater clarity on the operating status and the financing position of the joint venture? What was the level of involvement by the group (and by HughesNet China Holdings Limited) in the joint venture?**

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(iv) **How did the board, especially the independent directors, evaluate the prospects of the joint venture?**

As disclosed in Note 11 (page 79 – Investment in joint ventures), management is of the view that there is no basis for making a reliable estimate of the price, that is, fair value at which an orderly transaction to sell the asset would not be possible and therefore has used value in use as the recoverable amount. Accordingly, management has used the independent valuer's value-in-use (VIU) valuation as its recoverable amount. However, the VIU valuation is based on management financial budget approved by the board covering a 2-year period. The use of the VIU valuation involved significant judgement in the forecast projection of sales and operating cash flows for the next two years. The VIU valuation included assumptions of terminal growth rate and weighted cost of capital ("WACC").

(v) **Can the independent directors help shareholders better understand the rationale and the assumptions used in the VIU calculations? Why was a 2-year period used?**

(vi) **How sensitive is the valuation of the joint venture to the terminal growth rate and WACC?**

Q3. At the annual general meeting scheduled to be held on 30 August 2021, the company is proposing to shareholders to approve directors' fees of $253,424.66 for the financial year ended 31 March 2021. This is a significant increase from $183,661 in FY2020, or 38%.

(i) **What are the reasons for the 38% increase in directors' fees?**

The company has deviated from Provision 8.1 of the Code of Corporate Governance 2018 which requires listed companies to disclose in the annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of each individual director and the CEO.

The company has stated that the remuneration of each individual director to the nearest thousand is not disclosed (as required by the CG Code 2018). This is because the board believes that the disclosure may be prejudicial to its business interests given the highly competitive marine business environment the group operates in (page 18).

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The remuneration of each individual Director to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive marine business environment the Group operates in.

A summary compensation table of the directors' remuneration for the financial year ended 31 March 2021 is set out below:

Name of Director	Directors' Fees (%)	Salary (%)	Total (%)
Below S$250,000			
Mdm Sri Tjintawati Hartanto	100	-	100
Dr Michael Kuan-Chi Sun	100	-	100
Mr Lye Meng Yiau	-	100	100
Mr Chew Chin Wee	100	-	100
Mr Ong Tiang Lock	100	-	100
Ms Wang Xiao Zheng	100	-	100
Ms Ng Yoke Ping, Pauline	100	-	100

(Source: company annual report)

However, for the financial year ended 31 March 2021, the directors who are due their fees are non-executive directors, except for Mr Lye Meng Yiau, the former managing director who resigned on 19 June 2020. The "threat" to the company's business interests appears to be minimal especially as the group does not have any operating business.

In addition, the directors served on the board for different lengths due to appointment/cessation dates, with some as short as 6 months.

(ii) **Would the board consider disclosing the individual director's fees to meet the requirements of Provision 8.1 of the CG Code 2018?**

^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.

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