



A boardroom tussle at the Catalyst-listed company has led its controlling shareholder, Ching Chiat Kwong, to issue public statements, and has uncovered a series of questionable actions. BT FILE PHOTO

Boardroom intrigue at MC Payment

Further board changes are likely needed to take the company forward, regardless of the outcomes of its EGMs. **BY MAK YUEN TEEN**

OVER the past month, corporate Singapore witnessed a boardroom tussle at Catalyst-listed MC Payment (MCP), with its controlling shareholder, Ching Chiat Kwong, issuing public statements questioning the actions of the board and requisitioning two extraordinary general meetings (EGMs) to consider the appointment of five new directors and the removal of five current directors.

ousting of directors

MCP first caught my attention when two directors, Ng Weng Sui Harry and Shawn Ching Wei Hung, were voted out at its annual general meeting (AGM) on April 28, 2021. A third director, independent director (ID) Kesavan Nair, was re-elected.

Three months earlier, MCP had become the first digital payments service firm to be listed on SGX through a reverse takeover (RTO) of Mobile Credit Payment Pte Ltd (MCPL) by Artivision Technologies. The RTO was approved at an extraordinary general meeting (EGM) on January 22, 2021. ZICO Capital – MC Payment's continuing sponsor which has been Artivision's continuing sponsor since November 2016 – acted as the financial adviser.

Mr Shawn Ching losing his directorship at the AGM was a surprise, because he had been appointed at the EGM just three months earlier with 100 per cent of the votes. Further, he is the son of Mr Ching, who owns 27.06 per cent of the shares. The only other substantial shareholder of MCP, Koh Beng Kiok Anthony, the co-founder of MCPPL, owns just 5.88 per cent.

re-election process

Following the EGM, MCP's board had seven directors. Other than Mr Ng and Mr Shawn Ching, the other five directors were: Mr Koh, who became executive director (ED) and CEO; Albert Saychuan Cheok, who took over as independent chairman; Kim Moon Soo, co-founder of MCPPL who is ED and COO; and two other IDs – Dr Lillian Koh and Mr Nair, the latter having been an Artivision ID since 2017.

MCP's constitution requires that at each AGM, at least one-third of the directors shall retire from office by rotation and submit themselves for re-election. If their number is not a multiple of three, the number nearest to, but

not less than one-third, shall stand for re-election.

The directors to retire by rotation shall first include those who wish to retire and not offer themselves for re-election, followed by those who have been longest in office since their last re-election or appointment. Any additional directors necessary to meet the one-third rule would be determined by lot.

With seven directors at MCP, three would have to stand for re-election. The three directors would be Mr Ng and Mr Nair (who have been the longest in office as they were directors at Artivision) and one of the five directors appointed at the EGM, who should be determined by lot. It struck me that Mr Shawn Ching was quite unlucky to be picked to stand for re-election.

However, it seems it was not a matter of luck, as according to Mr Ching, Mr Koh was originally supposed to be the third director to stand. Mr Shawn Ching apparently took Mr Koh's place because the latter said he "was not confident that the shareholders would re-elect him". Mr Ching alleged that Mr Koh then proceeded to vote against both Mr Shawn Ching and Mr Ng. Mr Koh has not denied Mr Ching's account.

puzzling acquisition target

Other revelations raise concerns, notwithstanding the MCP board's claim in its June 19 announcement that "it is well familiar with the principles of good corporate governance – and has consistently striven to ensure that the Company complies strictly with them".

According to reports, Mr Ching discovered that two days after the AGM, a directors' resolution was passed authorising Mr Koh to enter into a term sheet for the proposed acquisition of 51 per cent of mainboard-listed NGSC, based on a valuation of S\$9.6 million through the issue of new MCP shares. This was not announced.

However, on June 11, MCP responded to SGX queries, where it confirmed that the board had authorised Mr Koh to engage in exploratory talks with NGSC, and that the talks had concluded with no outcome. It added that the company had not entered into any binding term sheets or agreements, and therefore no announcements were made.

It did not say if it had signed any non-binding term sheet, even though SGX's query asked about "any term

sheets". SGX did not query further.

I was stunned by the revelations that MCP had considered acquiring NGSC, as the latter's problems go back a long way, having entered the SGX financial criteria watch list on December 3, 2008. It took SGX nine years after the end of the original cure period to tell the company that it would be delisted. Trading has been suspended since January 3, 2020.

Since its entry on the watch list, NGSC has attempted various corporate actions without any success. Its litany of problems includes statutory demands, legal proceedings, police reports against former directors, alleged irregularities, receipt of letter from Acra regarding non-compliance with accounting standards, and questionable director appointments and resignations.

contentious director appointment

On May 8, NGSC appointed Mahtani Bhagwandas as an ID. It was disclosed that he has been in trouble both as a lawyer and director.

In 2020, the disciplinary tribunal (DT) of the Law Society found him guilty of acting for a client against a former client who had passed away, despite having acquired confidential information about the former client, and not making a timely disclosure to the administrators of the former client's estate about his conflict of interest. In 2018, the DT had dismissed another complaint against him.

When he was appointed at NGSC, he had already been found guilty by the DT which had referred the matter to the Court of Three Judges. Six days after his appointment, the Court suspended him from legal practice for two years. Nevertheless, the board and nominating committee at NGSC still considered him to be suitable as an ID, saying that some of the factors it had considered was the fact that Mr Mahtani had been an ID and audit committee (AC) chair at NGSC from April 1, 2007 to March 25, 2009, and that no other suitable candidate was willing to accept the ID position.

It was also disclosed that in 2019, SGX had referred all of the directors of an SGX-listed company, including Mr Mahtani, to the Listings Disciplinary Committee (LDC) for regulatory action. The LDC found the IDs guilty on two of the four charges but decided that the matter was to be kept private and confidential for the

IDs. A public reprimand was imposed only on the ED. The case remains in limbo as SGX has appealed the LDC ruling while the ED has also appealed the ruling against him. As an aside, this case reinforces the toothless enforcement regime for directors under SGX – it is bewildering why the LDC saw fit to keep the reprimands against the IDs private.

other board issues at ngsc

On April 20, an ID resigned from NGSC, citing time commitment issues, inadequate resources to assist directors and "disagreement with management's practice to favour a certain shareholder". Ten days later, the company announced that it had received a requisition notice from 21 minority shareholders and NGSC's controlling shareholder, Telemedia Pacific Group (TPG), requesting the company to convene an EGM to remove an ID, Ng Yoke Ling Pauline.

NGSC subsequently published a four-page representation letter from Ms Ng in which she said, inter alia, that no reason had been given for her removal and that she had not received any financial remuneration from the company since she was appointed nearly a year ago. Ms Ng eventually resigned on June 16. It is ironic that NGSC cited difficulty in finding a suitable candidate when appointing Mr Mahtani and yet the controlling shareholder saw fit to remove Ms Ng, a retired partner of one of the largest law firms in Singapore.

One of the directors of TPG is Hady Hartanto. He was a former ED of NGSC who resigned in October 2011 after he was reprimanded at Scorpio East, where he held a concurrent ED role. Mr Hartanto's sister, Sri Tjintawati Hartono, is a non-executive non-independent director of NGSC and involved in a past investigation conducted by Ernst & Young into certain significant questionable transactions and cash transfers involving the company, which was disclosed in 2014.

more curiosity

But the intrigue does not end there. On May 25, MCP announced the appointment of David Ong Kim Huat as an ID. Mr Ong was a former PAP MP who suddenly resigned from the Bukit Batok SMC in March 2016, allegedly after it was discovered that he had an affair with a grassroots leader in his ward.

It turns out that both Mr Ong and Mr Mahtani were appointed as IDs on January 23, 2020 to a Singapore company called Hon Corporation, listed on GEM in Hong Kong. Both resigned on September 30, 2020.

While Mr Ong's appointment at Hon Corporation was disclosed when he was appointed to MCP, Mr Mahtani's appointment at the same company was not included in the list of 17 past directorships, and neither was his past directorship at Natural Cool Holdings. However, when he retired from Natural Cool in April 2021, his past directorship in Hon Corporation was disclosed. It seems we operate on a discretionary disclosure regime.

For Mr Ong, MCP is the first board of an SGX-listed company he is serving on, with Hong Kong-listed Hon Corporation being the only other listed company he has served on, based on the disclosure on his appointment.

coming egms

On June 30, MCP will convene an EGM requisitioned by Mr Ching to consider the appointment of five directors to the board. This will be followed by a second EGM on July 30 to consider the removal of five out of the current six directors, other than Mr Nair.

Shareholders of MCP should carefully consider the resolutions at these EGMs and vote their shares. While it would be clear from this article that I have concerns with the current board of MCP, boardroom tussles rarely produce effective boards. Good director candidates often avoid being dragged into such tussles, and those who get involved are often too aligned with one side.

In my view, further board changes are likely needed to take the company forward, regardless of the outcomes of these EGMs.

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