

**Issuer:** TLV Holdings Limited

**Security:** TLV Holdings Limited

**Meeting details:**

Date: 28 July 2017

Time: 10.00 a.m.

Venue: 3, Kaki Bukit Place, Eunos Techpark, Singapore 416181

**Company Description**

TLV Holdings Limited engages in the wholesale and retail sale of jewelry in Singapore. The company also provides pre-owned jewelry and watch pawn broking and retailing services. It operates a retail network of approximately 20 outlets under Taka Jewelry and Lovis Diamonds name; and 2 pawnshops in Yishun and Serangoon Road, as well as sells jewelry through participation in jewelry exhibitions and trade fairs worldwide. TLV Holdings Limited was founded in 1997 is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=42L](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42L))

**Q1.** The group is poised to enter the China retail market through a joint venture with Maoming LiuTao Zhubao Chuangyi ChanYe Co., Ltd (茂名六韬珠宝创意产业有限公司) (“MMLT”) which is said to be one of the biggest jewellery consortiums in Guangdong province.

In the Managing Director’s Message (page 6 of the annual report), it was disclosed that the group’s plan is to “open a chain of retail stores and a series of retail counters in the Maoming area and we are targeting to expand into other geographical locations in China in time to come”.

The Chinese jewellery market is dominated by large local/Hong Kong players such as Chow Tai Fook, Chow Sang Sang, Luk Fook and Lao Feng Xiang.

- a) **How does the joint venture intend to differentiate itself from other jewellers? What is the value proposition of the JV to the Chinese consumers?**
- b) **Can management elaborate further on the attractiveness of Maoming area? Why was the prefecture chosen as the entry point for the Chinese market (other than it being the home base of the joint venture partner)? What kind of feasibility studies has been carried out to ensure that the market entry strategy is reasonably sound?**

The company will have a 34.3% effective interest in the proposed joint venture company which will have an initial registered capital of 20 million Chinese Yuan (\$4,020,000) (page 79).

- c) **How much has the company set aside to invest in the Chinese market?**

**Q2.** As shown in Note 31 (page 78 – Segment information), the group has two business segments namely (i) retail and pawnbroking and (ii) exhibitions.

	As at 31 March 2017				Total
	Retail and Pawnbroking	Exhibitions	Unallocated	Notes	
<b>\$'000</b>					
<b>Segment revenue:</b>					
Sales to external customers	63,626	48,476	-		112,102
<b>Results:</b>					
Segment results	2,938	7,385	-		10,323
Unallocated expenses (net)	-	-	(7,888)	A	(7,888)
Finance costs	-	-	(295)		(295)
Share of profit from a associated company	175	-	-		175
Profit before tax	3,113	7,385	(8,183)		2,315
Income tax expense	-	-	(152)		(152)
Profit after tax	3,113	7,385	(8,335)		2,163

(Source: Company annual report)

As seen in the segment breakdown, revenue from the retail and pawnbroking segment and from the exhibitions segment was \$63.6 million and \$48.5 million respectively and the segment profit after tax was \$3.1 million and \$7.4 million respectively, before accounting for total unallocated costs of \$(8.3) million.

Note A refers to the “Unallocated corporate expenses items amounting to \$7,888,000 (2016: \$6,571,000) mainly relates to distribution costs, administrative expenses and other operating expenses”.

- a) **Can management help shareholders understand which segment has a higher gross/net profit margin?** From the disclosure in the segment information (Note 31), the segment profits of \$3.1 million and \$7.4 million are not that meaningful given the large unallocated corporate expense of \$7.9 million.
- b) **Would it be reasonable for a shareholder to conclude that the exhibition segment is the key contributor of the group’s profit and hence is the more important business segment for the group?**
- c) **Would management and the board look into how the segment reporting can be further improved so that the unallocated costs could be minimised?** That way, the segmental information accounts could be more useful to management to monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

**Q3.** The group ventured into the pawnbroking business under the Top Cash brand in 2013 and currently has two branches in Yishun and Serangoon. Interest income from the pawnbroking business increased from \$0.64 million in 2016 to \$0.97 million in 2017.

- a) **Can management help shareholders understand how synergistic is the pawnbroking business with the group’s jewellery retail business?**
- b) **With just two outlets in Singapore, are there plans to increase the number of pawnbroking outlets further?**
- c) **Would the group enjoy better economies of scale if there were more branches?**