

Issuer: MoneyMax Financial Services Ltd.

Security: MoneyMax Financial Services Ltd.

Meeting details:

Date: 24 April 2018

Time: 10:00 a.m.

Venue: 7 Changi Business Park Vista, #01-01 SOOKEE HQ, Singapore 486042

Company Description

MoneyMax Financial Services Ltd., an investment holding company, engages in the retail sale of jewellery, watches, and luxury goods; and provision of pawn broking services. The company operates through two segments, Pawnbroking and Retail Trading of Pre-Owned Luxury Items. The company also operates MoneyMax Online, an online platform to shop, sell, and appraise valuables. As of December 31, 2016, it operated through a network of 39 outlets in Singapore and 13 outlets in Malaysia. The company was incorporated in 2008 and is based in Singapore. MoneyMax Financial Services Ltd. is a subsidiary of Money Farm Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5WJ)

1. Since the group's listing in July 2013, the group's network of 27 outlets has grown to 61 outlets in Singapore and Malaysia. The group has also launched MoneyMax Online and has diversified into trading of pre-owned luxury goods. In 2016, the group entered the People's Republic of China ("PRC") via a joint venture to provide financial leasing services in Chongqing and in 2017, the group inked a joint venture collaboration with Aucnet Inc. to jointly develop Singapore's first online live business-to-business ("B2B") auction platform that focuses on luxury branded merchandise and gold and diamond goods.

The company has disclosed two key management personnel (holding the posts of Chief Operating Officer, Head – Retail Operations) in the Corporate Governance Report (page 25 of the annual report) and in the section on "Management team" (page 15) listed the Executive Chairman and CEO, Chief Operating Officer, Head – Retail Operations and Acting Financial Controller.

- (i) **Can the board help shareholders understand how the group has built up its management depth as it scales up and diversifies into new businesses since the listing in July 2013?**
- (ii) **Specifically, as the group scaled up its pawnbroking business in Malaysia, expanded into the trading of pre-owned the luxury goods, diversified into leasing services in the PRC and signed up to develop B2B auction platform, does the group have the expertise, experience, proven track record and the capacity to execute of its various expansion plans?**

In FY2017, the group appointed Mr Chan Huan Yong as Deputy Chief Operating Officer on 18 April 2017 and he resigned on 27 October 2017. In addition, since Mr. Choi Swee Weng resigned as the Chief Financial Officer (CFO) on 24 April 2015, Mr. Loh Boon Leng David was appointed as CFO on 5 Oct 2015 and resigned on 14 April 2016 to "pursue personal interests".

- (iii) **Can the board help shareholders understand if it is still in the process of searching for a highly qualified and experienced candidate to take up the role of Group CFO?**
- (iv) **Has the board investigated the reasons for the short tenures of the previous CFOs?**

2. Can the board/management help shareholders better understand the operations of the group? Specifically:

- (i) **B2B online auction platform: What is the progress of the e-auction platform and when is the expected launch of the platform? What is the group's contribution (in terms of capital, human resources, market insights and technical expertise)?**
- (ii) **Pawnbroking and Pre-owned luxury goods: How does the group ensure that the incidence of accepting counterfeited pledged article/goods is zero/low? As the group scales up its business, what improvement has been made to the group's assessment and valuation processes?**
- (iii) **Chongqing Zongshen Financial Leasing Co., Ltd: With a 12.5% stake in the Chongqing financial leasing business, what is the level of influence and oversight of the group?**

3. As disclosed in Note 21 (page 78 – Share capital), management monitors capital on the basis of debt-to-capital ratio. This ratio is calculated as net debt / adjusted capital and net debt is calculated as total borrowings less cash and cash equivalents (as shown below).

Group:	2017 \$'000	2016 \$'000
Net debt:		
All current and non-current borrowings including finance leases	163,838	146,343
Less: cash and cash equivalents	(11,850)	(9,008)
Net debt	<u>151,988</u>	<u>137,335</u>
Capital:		
Total equity	<u>72,004</u>	<u>66,622</u>
Debt-to-capital ratio	<u>211%</u>	<u>206%</u>

(Source: Company annual report)

Net debt has increased 10.7% while total equity increased by 8.1%, causing the group's debt-to-capital ratio to increase to 211%.

- (i) **In terms of the governance of risks, what is the board's role in setting the group's maximum financial leverage?**
- (ii) **What are the metrics and indicators used by the board to assess and determine the group's level of risk exposure, risk tolerance and risk policies?**
- (iii) **Is the current capital structure optimal to support the group's growth plans?**