Issuer: ValueMax Group Limited
Security: ValueMax Group Limited

Meeting details:
Date: 25 April 2018
Time: 10.00 a.m.
Venue: 261 Waterloo Street, #01-35, Waterloo Street, Singapore 180261

Company Description

ValueMax Group Limited, an investment holding company, provides pawn broking and moneylending services; and retails and trades in pre-owned jewellery and gold. The company operates through Pawnbroking, Retail and Trading of Pre-owned Jewellery and Gold, Moneylending, and Others segments. Its pawnbroking business includes the pledging of various articles, such as jewellery in yellow or white gold, diamond jewellery, and branded time pieces, as well as gold, platinum, or silver bars and coins as collaterals. The company's moneylending services comprise granting of term loans secured by mortgages of private residential and commercial properties, as well as providing unsecured moneylending services targeted at individuals with high annual income and/or high net worth; and offering financing to the automotive industry. The company also retails and trades in pre-owned jewellery and watches; and purchases scrap gold from other pawnbrokers and jewellery traders, as well as sells fine gold bars to jewellery factories, wholesalers, and retailers. It operates 26 outlets in Singapore; 2 pawnshops through its associated and investee companies; and 10 outlets in Malaysia through its associated companies. In addition, ValueMax Group Limited provides property management and IT, business management and consultancy, and car financing services. The company was founded in 1988 and is based in Singapore. ValueMax Group Limited is a subsidiary of Yeah Holdings Pte. Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=T6I)

Q1. The group opened two new outlets since November 2017 and had opened two outlets in Singapore and two outlets in Malaysia in FY2016. In FY2017 the group acquired Heng Leong Pawnshop (Pte.) Ltd and Sengkang Pawnshop Pte. Ltd. while the group had acquired Teck Chong Pawnshop as well as Ban Lian Pawnshop in FY2016. The group's network of pawnshops in Singapore currently stands at 30. As at 1 March 2018, the number of Licensed Pawnbrokers in Singapore stood at 226.

a) **How much more can the group grow in the pawnbroking business?**

b) The group has outlets branded under the Valuemax name and some outlets carrying more traditional names, such as Kwong Hin Pawnshop. **Can management help shareholders better understand its branding strategy?**

c) **For a new outlet under the Valuemax brand, how soon does it breakeven?**

d) **How is the group leveraging on technology to attract younger customers and to stay engaged and relevant to them?**

e) **For the moneylending business, can management elaborate further on how it reaches out to its potential customers? Are there outlets for the moneylending business?**

Q2. In Note 19 (page 73 to 75 – Trade and other receivables), it was shown that the group's trade receivables past due but not impaired as at 31 December 2017 was $1.795 million. The trade receivables past due by more than 180 days but more not impaired as at 31 December 2016 was $2.23 million. The aging analysis of the group's trade receivables since 2015 is shown below:

From 2016 annual report

	Group	
	2016 **$'000**	**2015** **$'000**
Trade receivables past due but not impaired:		
Lesser than 30 days	**300**	73
30 to 60 days	**214**	2,950
61 to 90 days	**29**	46
91 to 120 days	**37**	30
121 to 150 days	**21**	4
151 to 180 days	**21**	21
More than 180 days	**2,229**	–
	2,851	3,124

From 2017 annual report

	Group	
	2017 $'000	2016 $'000
Trade receivables past due but not impaired:		
Lesser than 30 days	505	300
30 to 60 days	180	214
61 to 90 days	97	29
91 to 120 days	540	37
More than 120 days	473	2,271
	1,795	2,851

(Source: Company annual reports)

a) **Can management disclose the upper bound of the long outstanding debt?**

b) In FY2016, the amount past due but not impaired for more than 180 days was $2.229 million. **Can the group help shareholders understand the circumstances that led to such a large amount of debt that was uncollected for more than half a year? What improvements has the group made to its systems and processes to mitigate the group's credit risks?**

The company has also disclosed that "[t]hese receivables relate to secured loans to customers, where the quantum of loans granted to customers is based on a fraction of the value of the assets pledged to the Group".

c) **Can the company disclose the typical loan-to-value ratios used in making a secured loan?**

d) **For unsecured loans, how does the group assess the creditworthiness of the individuals?**

e) **To help shareholders better understand the moneylending business and the associated risks, can management provide a breakdown of its moneylending loan book into secured and unsecured loans? Also, how much of the loan book is in automotive financing?**

Q3. As at 31 December 2017, the group has a gearing ratio of 56%, which is defined as net debt divided by total capital plus net debt. The gearing ratio was 56% as at 31 December 2016 and 39% as at 31 December 2015. The increase was due to higher bank borrowings and the issue of the $50 million unsecured term notes under the $300 million Multicurrency Medium Term Note Programme.

The bulk of borrowings were used to fund the Moneylending business as segment assets used in the moneylending segment increased from $40.9 million in FY2015 to $128.0 million in FY2017.

a) **Has the board set an upper limit on the leverage that the group can undertake to support its business operations?**

b) **With the S$50,000,000 5.50% fixed rate notes maturing in June 2018, is the group looking to issue new term notes? How does the group decide on the tenure of the term notes?**

c) **Has the board evaluated if it is sustainable for the group to fund the new moneylending business with short term financing? Does the group have the appropriate balance sheet to fund this capital-intensive business?**

d) In Note 23 (page 79 - Interest-bearing loans and borrowings), it is disclosed that the rate for bank loans are 1.68% to 3.50% while the term notes were priced at 5.50%. **Has management explored how it could reduce the cost of funding?**