



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: F J Benjamin Holdings Ltd

Security: F J Benjamin Holdings Ltd

Meeting details:

Date: 26 October 2018

Time: 11.00 a.m.

Venue: Ballroom 2, Level 3, Hilton Singapore, 581 Orchard Road, Singapore 238883

Company Description

F J Benjamin Holdings Ltd, an investment holding company, engages in the brand building and management, and development of retail and distribution networks for international luxury and lifestyle brands in Southeast Asia. The company is involved in the import, export, licensing, distribution, and retail of consumer fashion wear and accessories, home furnishings, and timepieces. It retails and distributes luxury and lifestyle fashion brands, including Céline, Givenchy, Guess, La Senza, Loewe, Sheridan, Superdry, Tom Ford, VNC, Babyzen, Marc Jacobs, Pretty Ballerinas, Rebecca Minkoff, and United States Polo Association; and distributes timepiece brands, such as Alpina, Casio, ChronoSwiss, Frédérique Constant, Gc, Guess, Julien Coudray, Nautica, Superdry, Swarovski, Victorinox Swiss Army, and Vulcain. As of April 5, 2018, the company operated 226 stores. F J Benjamin Holdings Ltd was founded in 1959 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=F10)

1. As noted in the Chairman's Review (page 4 of the annual report), the group returned to profit for the first time in four years after a group-wide restructuring programme. On a comparable store basis, revenue of the ongoing business in Singapore and Malaysia grew 12% and 16% respectively. In the CEO's report, he disclosed that sales in Singapore and Malaysia grew by \$16.2 million.

- (i) Would management provide a breakdown of sales in Singapore, and in Malaysia?** This would help shareholders understand the performance and the risks of each of these core markets.

In Note 31 (page 114 – Segment information: Geographical segments), the turnover from “Southeast Asia” segment was shown as \$166.0 million, with no revenue recognised from “North Asia” and just \$19,000 from “Other”.

- (ii) Would the board consider how it could show the segment information based on geographical segments better? Having “Southeast Asia”, “North Asia” and “Other” does not add any information.**
- (iii) Can management disclose the comparable store sales information? Was the increase due to new brands or new stores or was there strong organic growth in the same store sales?**
- (iv) What were the brands that performed well in Singapore, and in Malaysia?**
- (v) With a network of just 16 stores in Singapore (down from 30 in the past year), will the group be able to run its operations in a cost-efficient manner?**
- (vi) How successful has the group been in its digital transformation? What is the percentage of sales generated as a result of the group's omni-channel efforts?**

2. In addition, the Indonesian associate will be an important factor in the group's overall performance. As mentioned by the CEO, the revenue of the associate increased by 15% to \$111.1 million, with growth coming from existing brands and the new Casio distribution. With 139 stores, it is larger than the Singapore and Malaysia network added together.

- (i) Can management update shareholders on the consumer sentiments in Indonesia, given that there are uncertainties in the market following the steady depreciation of the rupiah?**
- (ii) Are the consumption habits and trends of the Indonesian consumers different from that of the Singapore/Malaysia consumers? If so, what are the key differences?**
- (iii) What is the level of oversight and influence by management on the Indonesian associate?**

(iv) How ready is the Indonesian associate for an initial public offering?

In Note 37 (page 117 – Events occurring after the reporting period), the company disclosed that, in July 2018, the wholly-owned subsidiary of the company had “*entered into call option agreements with a shareholder of its associate for the right for the shareholder to acquire the mandatory convertible bonds at a mutually agreed price*”.

(v) Can management clarify if this was announced by the company on SGXNet in July 2018?

(vi) Can the company disclose in greater details the salient terms of the call option, including the term/expiry date, and whether the price has been agreed upon?

(vii) Given the restructuring of the group, what is the strategic value of the Indonesian associate in the group’s long term plan?

3. Non-audit fees of \$198,000 was paid to the company’s auditors in the financial year (2017: \$122,000). The total audit fees paid to the auditors of the company were \$255,000 in FY2018 and \$283,000 in FY2017.

The audit committee (AC) has disclosed that it has reviewed the non-audit services provided to the group and the company by the external auditor, and the AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditor.

The non-audit fees and the audit fees paid to the auditors in the past 6 financial years are shown below:

FY2018 - \$198,000; \$255,000 (non-audit fees; audit fees)
FY2017 - \$122,000; \$283,000
FY2016 - \$121,000; \$283,000
FY2015 - \$192,000; \$304,000
FY2014 - \$112,000; \$313,000
FY2013 - \$147,000; \$313,000

(i) Would the audit committee disclose in greater detail the nature and extent of the non-audit services provided by the auditors of the company?

(ii) Given that the audit fees have gradually decreased (probably due to the smaller scale and lower complexity of the group’s operations), what is the reason for the elevated level of non-audit fees paid to the auditors of the company?

Additional Comment: The company has not included a Sustainability Report in its annual report. Under the SGX guidelines for sustainability reporting that was introduced in 2016, companies have up to 12 months from the end of the financial year to publish their first report, starting with any financial year ending on or after 31 December 2017. **Would the**



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company be releasing a Sustainability Report in due course to help shareholders better understand the group's environmental, social and governance (ESG) efforts?

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 and 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=F%20J%20Benjamin%20Holdings%20Ltd>

The company's response could be found here: -----