Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Maxi-Cash Financial Services Corporation Ltd.

Stock code: 5UF

Meeting details:
Date: 10 June 2020
Time: 9.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

(i) **Gold prices: Is the group able to benefit from the higher gold prices? How has management adjusted its risk policies in response to the volatile gold prices?**

(ii) **Secured lending:** Interest income and distribution income from secured lending slipped 11.2% to $7.94 million. **Can management help shareholders understand the underlying reasons for the lower income from the secured lending business?**

(iii) **Inventories:** As at 31 December 2019, the carrying value of inventories increased from $61.5 million to $74.5 million. **What were the reasons for the 21% increase? Can management provide shareholders with a breakdown of the inventories?**

(iv) **Australia:** The group opened its the first retail store in Melbourne in June 2019. **How has management's understanding of the Australian market evolved? Has the store performed up to management's expectations?** Revenue from Australia slipped from $8.94 million to $7.58 million (page 98 – Geographical segments).

(v) **Lending business: As the global economy has been severely disrupted by the pandemic, does management see any negative impact on its lending business?**

Q2. Excluding the lease liabilities paid, the group incurred finance costs of over $12 million in FY2019 (Note 6: Finance costs - page 69). The group has bank borrowings, term loan, term notes and advances from the immediate holding company to fund its operations. As disclosed in Note 22 (page 86 – Interest-bearing loans), total loans and borrowings amounted to $325.2 million as at 31 December 2019, of which borrowings and loans amounted to $249.7 million. The weighted average effective interest rates per annum are 3.04%-3.37%.

Term notes bear interest rates of between 5.5% and 6.35%. The outstanding amount of the notes was $75.5 million at the end of the financial year.

The group's net debt amount stands at $363.1 million. The group's net debt to equity ratio has gone up from 2.11x as at 31 December 2018 to 2.63x as at 31 December 2019.

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(i) **Has the board reviewed the group's gearing and set a limit on the maximum gearing? What is the optimal capital structure?**

(ii) **Given the stage of the market cycle and the greater volatility and uncertainty due to socio-political tensions and the COVID-19 pandemic, would the board consider it prudent to progressively scale down its level of debt?**

In addition, as seen in Note 15 (page 81 – Investment securities), the group held $12.7 million and $2.5 million in quoted equity securities as at 31 December 2018 and 2019 respectively. The losses arising from disposal amounted to $(992,000) and $(345,000) respectively.

(iii) **Given that the group is highly leveraged, can management help shareholders understand if the investments are core to its strategic plans? If not, would the investments into quoted securities take management's time away from the core business and expose the group to additional market risks? Given that the group also experienced losses of over $1.3 million in the past two years, would the board consider putting on hold all investments into quoted securities and use those funds to lower its leverage?**

Q3. The board comprises 8 members, including four independent directors. The board has also delegated certain matters to the board committees, namely the audit committee ("AC"), the nominating committee ("NC") and the remuneration committee ("RC"). The four independent directors are in the board committees along with 1 non-executive director in each board committee.

The attendance of directors at board and board committee meetings is shown in the table below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	No. of meeting held	No. of meeting attended	No. of meeting held	No. of meeting attended	No. of meeting held	No. of meeting attended	No. of meeting held	No. of meeting attended
Koh Wee Seng	4	4	4	4	1	1	1	1
Ng Leok Cheng	4	4	4	4	1	1	1	1
Koh Lee Hwee	4	4	4	4	1	1	1	1
Ko Lee Meng	4	4	4	4	1	1	1	1
Tan Keh Yan, Peter	4	4	4	4	1	1	1	1
Lee Sai Sing	4	4	4	4	1	1	1	1
Goh Bee Leong	4	4	4	4	1	1	1	1
Tan Soo Kiang	4	4	4	4	1	1	1	1

(Source: company annual report)

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As disclosed by the company, Mr Koh Wee Seng, Ms Koh Lee Hwee and Ms Ko Lee Meng are siblings. In addition, the board is not in compliance with Provision 2.2 of the Code of Corporate Governance 2018 which provides that independent directors make up a majority of the board where the chairman is not independent as the board had stated that it is "not necessary nor cost effective" (page 19).

(i) **Can the company confirm that the non-independent directors (including executive director), who are not members of the board committees, all attended the board committee meetings?**

(ii) **If so, can the board help shareholders understand if it is the usual practice for non-board committee members to attend board committee meetings?**

(iii) **Were there specific agenda items or reasons to invite all the directors to all the board committee meetings?**

(iv) **What is the dynamics of the board committee meetings when the formal board committee members may be reviewing and discussing matters that are related to or affect the executive director?** Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.

(v) **Do the directors who are non-members also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meetings? Are the board committee effective at discharging their duties and responsibilities efficiently and objectively?**

[^]Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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