



Securities Investors Association (Singapore)

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Issuer: F J Benjamin Holdings Ltd

Stock code: F10

Meeting details:

Date: 27 October 2021

Time: 11.00 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.

Q1. In his message, the chairman noted that it has been a challenging period during the pandemic but the impact of mall closures was cushioned by the growth of the group's e-commerce business. However, from the CEO's report, it would appear that revenue from e-commerce amounted to only 4% of total revenue in FY2021 (FY2020: 1%).

- (i) **Can management provide shareholders with greater clarity on its digitalisation/O2O strategy? Is the group a late adopter to e-commerce and is playing catch up at the moment?** It is perhaps a little surprising to shareholders that the group generated only 4% of its total revenue from e-commerce in 2021.
- (ii) **How significant is the memorandum of understanding (MOU) with Lazada? Who is driving the strategic partnership with Lazada and how does management ensure that the group captures its fair share of value in this collaboration with Lazada or any other online player?**
- (iii) **To help shareholders understand its online presence, please list down the URLs for the mono-sites that are run by the group and its online stores on Lazada. What are the metrics used by the board to track the group's progress in e-commerce?**
- (iv) **In addition, has the board set any mid-term targets for management in terms of growing its e-commerce business?**

Q2. The "Assessment of impairment of investment in associate" is a key audit matter highlighted by the independent auditor in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the carrying value of the group's investment in associate amounts to \$12.1 million as at 30 June 2021, representing 36% of the total net assets of the group. Management had assessed that there were indicators of impairment and have accordingly, assessed the recoverable amount based on value-in-use calculations using probability-based cash flow projections.

An impairment loss of \$1.2 million was recognised by the company in FY2021. From FY2017 to FY2021, the associate continues to be loss-making (page 11; reproduced below) and is in a net liability position of \$(25.2) million (page 111; Note 11 – Investment in associate). Yet the company carries its 50% interest in the associate at \$12.1 million based on value-in-use calculations.

	2017	2018	2019	2020	2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Share of Results of Associate	(2,693)	(3,056)	(1,673)	(5,333)	(2,410)

- (i) **Has the associate been able to finance its operations without additional capital or credit from the company?**
- (ii) **What is the level of oversight and influence by management on the associate?**
- (iii) **What is the competitive advantage of the associate? Please elaborate on the associate's business model.**
- (iv) **Given that the associate is in a net liability position of \$(25.2) million, can the AC help shareholders understand if there is a risk that the carrying value of the associate (of \$12.1 million) is overstated?**
- (v) **Please show the assumptions (including cash flow projections) used to determine the value-in-use calculations (page 111).**
- (vi) **Please also show the range of key assumptions used, including revenue projection, gross profit margin, discount rates and long-term growth rate, and show the sensitivity analysis of the recoverable amount based on value-in-use calculations to the assumptions.**
- (vii) **Are there plans to list the associate in the near-term?**
- (viii) **Why is the associate not audited by the company's external auditor, Ernst & Young LLP, and instead is audited by an associated firm of Moore Stephens International Limited (page 111)?**

Q3. As noted in the corporate profile, the group has a rich heritage dating back to 1959 and it is an industry leader in brand building and management, and development of retail and distribution networks for international luxury and lifestyle brands across South East Asia.

It is perhaps disappointing that the company marked its silver jubilee by transferring its listing to the Catalist Board of the Singapore Exchange on 2 March 2021. The company was first listed on the Mainboard of the Singapore Exchange 25 years ago in 1996.

The group's difficulties started way before the pandemic. As at 30 June 2019, the group's accumulated losses amounted to \$(123.9) million. In the past two years, the group lost a further \$(25.8) million, with accumulated losses increasing to \$(149.7) million.

Equity attributable to shareholders decreased to \$33.3 million as at 30 June 2021.

The group's five-year financial summary is shown on pages 10 and 11 and reproduced below.

	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000
INCOME STATEMENT					
Turnover	207,486	165,981	131,509	92,915	66,839
Operating (Loss)/ Profit before Borrowing Costs	(12,028)	5,377	4,717	(7,280)	(6,677)
Borrowing Costs	(1,744)	(1,382)	(938)	(1,728)	(1,524)
Share of Results of Associate	(2,693)	(3,056)	(1,673)	(5,333)	(2,410)
(Loss)/ Profit Before Tax	(16,465)	939	2,106	(14,341)	(10,611)
(Loss)/ Profit After Tax and Non-Controlling Interest	(17,420)	(1,235)	177	(14,952)	(10,871)
Basic (Loss)/ Earnings Per Share (cents)	(2.92)	(0.18)	0.02	(1.64)	(1.14)
Operating Margin (%)	-5.8%	3.2%	3.6%	-7.8%	-10.0%
BALANCE SHEET					
Non-Current Assets	35,806	33,166	30,088	41,673	31,749
Net Current Assets	7,571	20,476	24,176	11,550	11,723
Shareholders' Equity attributable to equity holders of the Company	42,603	52,867	52,768	37,886	33,266
Net Debt	22,747	12,835	12,625	12,969	10,637
Return on Equity (%)	-40.9%	-2.3%	0.3%	-39.5%	-32.7%
Net Debt to Equity	0.53	0.24	0.24	0.34	0.32
Net Tangible Assets Per Share (cents)	7.49	5.81	5.80	4.16	3.12
Dividend Per Share (cents)	-	-	-	-	-

(Source: company annual report; emphasis added)

In the corporate governance report, the board has stated that other than its statutory responsibilities, its principal responsibilities, inter alia, are to (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) review management's performance (including group's financial and operating performance) (page 37).

- (i) **Can the board help shareholders understand how it had provided management with entrepreneurial leadership and helped management set strategic objectives that led to long-term value creation?**

- (ii) **Did the board previously identify e-commerce as a threat to its business model? If so, when was it and what guidance did the board provide to management?**
- (iii) **Has the board reviewed if the group has the necessary human resources in place to allow the group to meet its objectives? Would the board/NC help shareholders understand the depth of the group's leadership bench strength in the core functions of the group, such as marketing, merchandising, retail sales, procurement, logistics etc? How does the NC ensure that the succession plan for executive directors and key management is robust and that the group develops a talent pipeline that attracts professionals that are best suited for the job?**
- (iv) **How did the board review management's performance?** The 5-year performance can be seen in the table above. The group's ROE ranged from (40.9)% to 0.3% and revenue decreased for 5 consecutive years from \$207 million to \$67 million. NTA per share has dropped from 7.49 cents to 3.12 cents. No dividend has been declared since 2014. **Is the board satisfied with management's performance?**
- (v) **Would the remuneration committee be reviewing the remuneration for executive directors to ensure that the interests of the executive directors are better aligned with that of minority shareholders and that the level and structure of remuneration of the executive directors are appropriate and proportionate to the sustained performance and value creation of the company?**
- (vi) **At the AGM, would management present to shareholders its strategy to turn around the group and map out the key value drivers that would return the group to profitability?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time,

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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](#)

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