RESPONSES TO QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 24 APRIL 2024

The Board of Directors (the "**Board**") of ValueMax Group Limited (the "**Company**" together with its subsidiaries, the "**Group**") refers to the following questions from the Securities Investors Association (Singapore) regarding the Group's annual report for the financial year ended 31 December 2023 and would like to provide the following responses:

QUESTION 1

As noted in the corporate profile, the group provides pawnbroking and moneylending services, as well as the retail and trading of jewellery and gold. For the financial year ended 31 December 2023, the group reported a profit before tax $63.4 million, an 18.9% increase from the previous year. In his statement to shareholders, the chairman further states that the group plans to continue the strategic expansion of pawnbroking outlets in Singapore and Malaysia through acquisitions and new store setups.

(i) With 49 outlets in Singapore, how much growth or market share does the group aim to capture in Singapore?

(ii) With the internal restructuring of the Malaysian businesses (also see Question 3), does it mean that the group will no longer be permitted to invest directly in Malaysia?

(iii) With gold reaching a new all-time high in the first week of April, what impact does it have on the group and how is its management positioning the group to capitalise on high gold prices? Additionally, what is management's perspective on the price trend of gold, and what factors or indicators are they monitoring to manage this uncertainty?

(iv) Can management elaborate further on the rationale to issue multiple tranches of commercial papers (CPs) on the ADDX and SDAX digital platforms. Why has the company chosen to access the short-term CP market rather than the medium-term note programme?

(v) While total interest expense for the year amounted to $34.7 million, only $6.6 million was recognised as finance costs, with the balance amount of $28.1 million recognised as "cost of sales". Can management or the audit committee provide further explanation on the allocation of these expenses?

RESPONSE

(i) The Group intends to gradually and strategically expand its pawnbroking and retail footprint to cover areas in Singapore where it currently does not have a presence.

(ii) Please refer to the response to Question 3(iii).

(iii) The high gold price will impact on the pawn loans granted, as on the same loan-to-value ratio, given the higher price, the loan quantum will also increase correspondingly, and as a result, higher interest income is expected from the segment. Also, the Group expects to see an increase in the purchase of pre-owned gold jewellery and gold bars from customers who seek to take profit from the high gold price.

The Group does not take speculative position on movements of gold price with its gold trading business. End of day positions are prudently hedged to ensure that its gold trading business is not materially and adversely impacted by gold price volatilities.

(iv) As at 31 December 2023, the Company had four tranches of CP outstanding totalling $83.7 million. As the tranches are of varying maturities (ranging between 3 and 6 months), a new issue is launched prior to the maturity of an existing tranche to enable investors who wish to stay invested to rollover their investments into the new tranche and allow new investors who are interested to subscribe.

The short-term CP provides the Group with the flexibility to raise funds to capitalise on opportunities and meet short term cash flow requirements compared with a longer tenured bond which is generally less flexible and possibly less attractive to investors who want to remain nimble. In addition, the overall cost of borrowing via CP is also considerably cheaper than bond issuances.

(v) The $28.1 million of interest expense was recognised as “cost of sales” as it is directly attributed to the financing of the pawnbroking and moneylending loan portfolios and as such, matched the interest income recognised as revenue in the income statement. Interest expenses, such as interest incurred by the retail and trading businesses and property loans, which are not directly attributable to the generating of revenue, is recognised as finance costs.

QUESTION 2

The allowance for expected credit losses of trade receivables is a key audit matter (KAM) highlighted by the independent auditors 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.

The group assessed the allowance for expected credit losses of trade receivable based on an expected credit losses (“ECL”) provision matrix in accordance with the requirements of SFRS(I) 9 Financial Instruments.

Specifically, in the unsecured moneylending business, the group assesses the allowance for ECL of its unsecured loan portfolios based on an ECL provision matrix, with specific default indicators for each loan portfolio.

Allowance for expected credit losses on trade receivables increased from $0.611 million in 2022 to $1.998 million in 2023, due to a $1.8 million allowance in the moneylending segment based on lifetime ECL as the credit risk increased significantly since the initial recognition.

(i) Can management elaborate further on the reasons for the $1.8 million in allowance in the moneylending segment and clarify if this was in the unsecured moneylending segment?

(ii) Is this occurrence considered an isolated case? Would the board consider it prudent to conduct a comprehensive review of the group's credit risk framework and assess its adherence to the established protocols?

(iii) What is the ratio between secured and unsecured loans within the moneylending segment, and how does this breakdown align with the group's risk management strategy?

RESPONSE

(i) The allowance for credit loss of $1.8 million in 2023 arose mainly from the auto-finance business.

The auto-finance business, which consisted of floor financing and hire purchase loans secured against motor vehicles, grew by approximately 70% to $66.9 million in 2023. With the surge in auto-finance business loan book, the auto-finance business also experienced an increase in overdue instalment payments and the allowance for credit loss increased in tandem. In accordance with the Company's credit policy, Management will take prompt action to recover any outstanding loans, and vigilantly and continually review its credit assessment for the granting of auto-finance business loans on an on-going basis, so as to manage and minimise credit losses to the Company.

(ii) Management does not see an increase in the risk of moneylending business as it has in place a robust credit assessment process. Management reviews the status of collection and determine actions required on a weekly basis and adopts a rigorous approach in determining the allowance for credit loss, and makes extensive efforts in the loan recovery process.

The Audit Committee reviews the performance of the moneylending portfolio on a quarterly basis, and are also kept appraised by the management as and when applicable.

(iii) As at 31 December 2023, unsecured loans accounts for approximately 4.3% of the total moneylending loan portfolio. This is within the limit set by the Board for unsecured loans.

QUESTION 3

In November 2023, the company announced the proposed internal restructuring of the Malaysian associated companies in connection with a potential listing on the main market of Bursa Malaysia.

On 27 March 2024, the company announced that it has obtained the Securities Commission's approval for the proposed listing of Well Chip.

(i) Can management elaborate further on the timeline of the potential listing of Well Chip?

(ii) What are the benefits to the group in spinning off Well Chip and listing it on Bursa, especially since the group is not selling vendor shares?

(iii) What are the considerations by the board, especially the independent directors, on the group adopting a unilateral statement of policy to limit the group's business activities to Singapore and other territories, jurisdictions or markets other than the territory of Malaysia?

(iv) Is the internal restructuring, the potential listing and adoption of the "non-compete" policy considered interested person transaction?

RESPONSE

(i) As announced on 27 March 2024, Well Chip Group Berhad ("**Well Chip**") had on even date obtained approval from the Securities Commission Malaysia for the Proposed Listing. The Proposed Listing is still subject to the approval from Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company will continue to keep shareholders updated on material developments relating to the Proposed Listing.

(ii) The listing of Well Chip and its group of companies ("**Well Chip Group**") on Bursa Securities will enable it to raise the necessary capital to accelerate the expansion of its pawnbroking network in Malaysia and attract talents into the group to further grow its businesses and improve profitability. As Well Chip will remain an associated company of ValueMax, the Company will benefit from the share of the growth in the results of the Well Chip Group.

(iii) The Group's investments in pawnbroking, and retail and trading of jewellery and gold businesses in Malaysia has always been through the Well Chip Group. The Well Chip Group has over the years established a management infrastructure to support the operations and expansion of its business. ValueMax will benefit from acceleration in the growth of the Well Chip Group. As such, it is not in the best interest of ValueMax to directly set up any new pawnbroking business in Malaysia that is independent of the Well Chip Group.

(iv) The internal restructuring, potential listing, and the adoption of the unilateral policy are not considered interest person transactions as defined under Rule 904 of the Listing Manual.

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary
17 April 2024