

Aspial Lifestyle

ASPIAL LIFESTYLE LIMITED

(formerly known as Maxi-Cash Financial Services Corporation Ltd.)
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200806968Z)

RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON THE COMPANY’S ANNUAL REPORT 2022

The board of directors (the “**Board**”) of Aspial Lifestyle Limited (formerly known as Maxi-Cash Financial Services Corporation Ltd.) (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries raised by the SIAS on 19 April 2023 and respond as follows:-

SIAS’s Query

Q1. As noted in the message from the chairman and chief executive officer, the pawnbroking business experienced a 11.9% growth in its revenue, contributing \$51.5 million to the group’s consolidated revenue. This growth can be attributed to the increasing interest income resulting from a larger pledge book.

Finance costs for the pawnbroking segment increased by more than two-third to \$8.7 million (page 101; Note 29 Segmental information).

(i) What is the group’s market share of the pawnbroking business in Singapore?

Company’s response:

Based on total number of licensed pawnbrokers published by the Singapore Registry of Pawnbroker, the Group’s market share in terms of number of shops is about 18.6%.

(ii) Can management elaborate further on the impact of high interest on the demand for pawnbroking services, and help shareholders understand how sensitive the demand is to interest rates?

Company’s response:

Under the current Pawnbrokers Act 2015, interest charged by licensed pawnbrokers in Singapore cannot exceed 1.5% per month. Hence, despite the current high interest rates, Singapore pawnbrokers cannot raise their interest rate above 1.5%.

We are not able to determine the impact that the higher interest environment has on the consumer demand for pawnbroking services as the demand is driven by many factors including the economy, market conditions and gold price.

(iii) Have there been any changes in the trend of pledge redemptions over the past three years?

Company’s response:

The trend of pledge redemptions have been generally stable over the past three years.

Q2. During the financial year ended 31 December 2022, the group acquired the jewellery business from its controlling shareholder as part of its strategy to transform the retail business into a consumer lifestyle group.

(i) Can management elaborate further on the some of the expected synergies and when the synergies can be realised?

Company's response:

As disclosed in our announcement dated 7 July 2022 and our circular to shareholders dated 22 August 2022, the synergies from the acquisition include:

- a) *The enlarged group will be able to significantly increase its retail presence in Singapore, with the addition of the Target Group's 25 retail outlets islandwide in Singapore. With the enlarged scale, the combined businesses will allow the group to benefit from an improved relative bargaining position when dealing with business partners, suppliers, vendors and lenders.*
- b) *The enlarged scale of the business and operations will enable the group to better manage its talent across all business functions by providing a larger platform and more diverse career opportunities. This will allow the enlarged group to attract, train and retain talent, which in turn will drive long-term growth of the group.*
- c) *The acquisition will also allow the enlarged group to create and benefit from group-wide synergies and cost savings in areas of organisational structure, systems, processes and knowledge transfer across various business and support functions in the group, including, but not limited to, marketing, merchandising, operations, information technology, finance and human resources.*

The Group has been working on the above areas since the acquisition and expects to realise some of the benefits in the short to medium term.

(ii) Inventories have increased significantly from \$90.9 million to \$171.3 million. The increase can be attributable to finished goods.

Can management help shareholders understand its strategy for managing inventory given the high and volatile gold prices?

Company's response:

The increase in inventory in FY2022 was mainly due to the consolidation of the inventory of the newly acquired jewellery business.

The Group generally manages its inventory taking into consideration factors such as demand forecast, delivery lead time and the optimal level of inventory for its business.

(iii) Did the board carry out a risk assessment of the newly acquired business? Is the group exposed to significant market price risk, specifically gold commodity price risk?

Company's response:

As disclosed in our circular to shareholders dated 22 August 2022, having considered, inter alia, the terms, the rationale for and benefits of the acquisition (including the allotment of shares by the Company for the acquisition), as well as the opinion and advice of the IFA, the Board through its Independent Directors are of the view that acquisition is in the best interests of the Company.

- Q3.** As at 31 December, the group's total loans and borrowings amounted to \$507.8 million. Note 23 (Interest-bearing loans) shows that the group has \$348.1 million of current bank borrowings and term loans.

23. Interest-bearing loans

	Note	Group		Company	
		2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Secured borrowings					
<i>Current</i>					
Short-term bank borrowings		338,052	243,887	-	-
Term loans		9,998	8,409	-	-
		<u>348,050</u>	<u>252,296</u>	<u>-</u>	<u>-</u>
<i>Non-current</i>					
Term loans		100,199	84,001	-	-
		<u>448,249</u>	<u>336,297</u>	<u>-</u>	<u>-</u>
Add:					
Medium-Term Notes	24	59,527	45,250	59,527	45,250
Total loans and borrowings		<u>507,776</u>	<u>381,547</u>	<u>59,527</u>	<u>45,250</u>

(Source: company annual report)

The weighted average effective annual interest rates of the short-term bank borrowings increased from 1.91% to 3.11%.

As disclosed in the group's financial risk management objectives and policies, a 50 basis point increase in interest rates would lead to a decrease of \$1.79 million in the group's profit net of tax. At the end of the reporting period, term notes of \$59,527,000 (2021: \$45,250,000) and interest-bearing loans of \$17,305,000 (2021: \$24,049,000) are at fixed rates of interest.

- (i) **What guidance has the board given to management regarding managing interest rate risks? Has management actively explored ways to better manage this risk?**

Company's response:

Please refer to page 108 - Interest rate risk of the annual report. The Group's policy is to manage interest cost by using a mix of fixed and floating rate debt.

- (ii) In addition, the company issued the Series 002 notes at 6.35% in July 2019 and the Series 003 at 6.05% in January 2022.

Can management elaborate further on the factors that affect how it prices the medium-term notes?

Company's response:

The Company prices its medium-term notes based on its requirements and the prevailing market conditions.

- (iii) **Given the interest rate trends, is issuing medium-term notes still a viable source of funding for the group?**

Company's response:

The Group will consider various sources of funding based on its business requirements and prevailing market conditions.

BY ORDER OF THE BOARD

ASPIAL LIFESTYLE LIMITED

(formerly known as Maxi-Cash Financial Services Corporation Ltd.)

Lim Swee Ann
Company Secretary
27 April 2023

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited ("Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement. The contact person for the Sponsor is Mr David Yeong (Tel: 6232 3210) at 1 Robinson Road #21-00 AIA Tower, Singapore 048542.