
**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED
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 shareholders regarding the Group’s annual report for the financial year ended 31 December 2023 and would like to provide the following responses:

QUESTION 1

(Moneylending segment)

<i>S\$’000</i>	2023	2022
<i>Revenue</i>	61,200	43,320
<i>Allowance for credit loss</i>	1,800	74

- (i) Why is there is sudden jump in credit loss allowance?*
- (ii) Is the business becoming riskier?*
- (iii) Did the external auditor look at the company’s credit policies on the moneylending segment?*

RESPONSE

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.

Management does not see an increase in the risk of moneylending business as Management has in place a robust credit assessment process for the moneylending business. Management also adopts a rigorous approach in determining the allowance for credit loss, and makes extensive efforts in the loan recovery process.

The external auditor has reviewed the Company’s credit policies in relation to the moneylending segment based on the disclosures on page 94 of the Annual Report. The allowance for expected credit losses of trade receivables on the unsecured moneylending business has also been highlighted as a key audit matter in the Independent Auditor’s Report on page 38 of the Annual Report.

QUESTION 2

What is the percentage of loans made to customer which is unsecured? What is the loss experience for the unsecured loans?

RESPONSE

As at 31 December 2023, unsecured loans account for approximately 4.3% of the moneylending loan portfolio. The actual amount of allowance written off against the unsecured loan portfolio, since the commencement of the moneylending business in 2014, is approximately \$0.2 million.

QUESTION 3

There appears to be a significant increase in the expected credit losses from \$0.6 million to \$2.0 million in 2023. Can you share more information on the impaired trade receivables? Secured or unsecured? Did the collateral lose value? Any expected rising trend in the expected credit loss going forward if interest rates remain at the current level?

RESPONSE

The allowance for expected credit loss arose from both the pawnbroking and moneylending business segments. The increase in allowance was due to higher expected credit loss in the moneylending business. Please refer to the response to Question 1 for more information.

Management has not observed a material loss in the value of the underlying collaterals or a rising trend in the expected credit loss as a result of the current level of interest rate.

QUESTION 4

Gold prices have gone up recently. Does it benefit the Group since it has an inventory holding of \$115 million as at the end of 2023?

RESPONSE

In a rising gold price environment, revenue for the gold trading business tends to increase as both volume and value increase.

For the pawnbroking business, loan amounts increase as the value of the underlying gold collaterals increase, and correspondingly, our interest income for the business increases as well.

QUESTION 5

Non-audit fee (page 64)

Are non-audit fee and audit fee paid to the same auditor? Note that the non-audit fee is almost 50% of the audit fee. If yes, did the Audit Committee review any impact on the auditor's independence?

RESPONSE

Both the audit and non-audit fees were paid to Ernst & Young LLP (EY), the auditor of the Group. The non-audit fees comprised mainly (1) fees for audit-related services for agreed-upon procedures (AUP) performed as part of regulatory reporting requirements under the Pawnbrokers Act 2015 and the Moneylenders Act 2008, as well as reporting to certain banks with respect to facilities granted to the Group, and (2) tax returns compliance services.

Pursuant to Rule 1207(6)(b) and (6)(c) of the Listing Manual, the Audit Committee undertook the review of the independence and objectivity of the auditor as well as reviewed the non-audit services provided by the external auditor, and the aggregate amount of audit fees paid to them. After due consideration, the Audit Committee is satisfied that neither their independence nor objectivity is put at risk, and that they are still able to meet the audit requirements and statutory obligations of the Company.

QUESTION 6

Related party transactions (Page 80)

Loans from shareholders – are any of them directors? Did the external auditor review this?

RESPONSE

The loans are from non-controlling shareholders of subsidiaries and not from directors of the Company.

The external auditor has reviewed the related party transactions, and has not raised any concerns.

QUESTION 7

Share of results of associates (Pages 89-90)

Is the increase largely from Malaysian associates?

RESPONSE

The increase in share of results of associates was mainly contributed by the Malaysian associated companies.

QUESTION 8

Foreign exchange loss (Page 63)

There is a foreign exchange loss of \$235K. What is the cause for the foreign exchange loss?

RESPONSE

The foreign exchange loss arose from the translation of trade and other receivables denominated in Malaysian Ringgit to Singapore Dollar, which is the Company's reporting and functional currency.

QUESTION 9

Property, plant and equipment (Page 68)

The Group purchased a leasehold property for \$4.54 million. What is the purpose for purchase and does the Group have any intention of owning instead of renting its premises?

RESPONSE

The Group acquired the leasehold property, which is sited at a commercially advantageous location, to house its second ar rahnū (Islamic) pawnbroking outlet.

Currently the Group operates out of a mix of rented and owned premises. The Group will consider opportunities to acquire premises that are in good locations for the operation of our pawnbroking and retail businesses.

QUESTION 10

Trade and other receivables (Page 76)

There is a 2.3 million amount denominated in Malaysian ringgit in trade and other receivable. Does the group run operations in Malaysia? If not, what is the nature of the amount?

RESPONSE

The Malaysian associated companies are run by their management team independent from our Group. The amount relates to interest income and fees receivable from associated companies.

QUESTION 11

Segment information (Pages 89-90)

Based on the latest financial results, profit from moneylending business is more than the profits from pawnbroking, and the retail and trading business combined.

- (i) *Is the moneylending business sustainable? Does the Board see further growth in this sector?*

(ii) *Does the moneylending business face any competition? For example, the growing traction of digibanks in Singapore?*

RESPONSE

Since the acquisition of VM Credit Pte Ltd in 2014, the Group has been able to provide an alternative source of financing for individuals, businesses, and corporates with urgent funding needs through its moneylending business.

The business segment has grown steadily under the Group's management, despite increased competition from other lenders in the recent years. The Board is of the view that there remains opportunities for profitable growth despite the increased competition.

QUESTION 12

Associates in Malaysia (Pages 73-74)

Why is it that most of the associates are 49.5% owned? Is there any restriction on foreign ownership in Malaysia?

RESPONSE

As far as the Company is aware, there is no restriction on foreign ownership of pawnbroking business in Malaysia. The Malaysian associates were set up with Malaysian partners, who runs the pawnshops, holding over 50% shareholding.

QUESTION 13

PT VMH Investment Indonesia (Page 70)

This subsidiary was set up during the year. Is it dormant? Is there expansion plan into Indonesia? Can the Board share on the expansion, if any?

RESPONSE

PT VMH Investment Indonesia was set up to explore potential investment opportunities in Indonesia. It is currently dormant, and the Company will update status when and if there are material developments.



By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary
17 April 2024