MONEYMAX
MONEYMAX FINANCIAL SERVICES LTD

(Company Registration No: 200819689Z)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING ("AGM") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER ("FY") 2023 TO BE HELD ON 26 APRIL 2024

- RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS")

The Board of Directors (the "**Board**" or "**Directors**") of MoneyMax Financial Services Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") would like to thank the shareholders of the Company ("**Shareholders**") for the questions received in advance of the AGM to be held at 7 Changi Business Park Vista, #01-01, SOOKEE HQ, Singapore 486042 on Friday, 26 April 2024 at 10.00 a.m. (Singapore time). The Company also refers to the questions received from SIAS in relation to its annual report for FY2023 ("**AR**").

The Company's responses to the questions received are set out as below:

Responses to shareholder's questions

[Q1] Under note 22 to the financial statements, page 97 of the AR: Debt to capital ratio

The ratio is increasing and also looks very high (313%) as compared to your peers in the industry. Can the Board share on any plan to manage this sizable leverage? Any target set eg. bringing it down to 200% and then 150%? Or any rationale for letting it increase?

Response:

The increase in the Group's debt to capital ratio from 291% in FY2022 to 313% in FY2023 was a strategic decision made with the aim of supporting the Group's expansion plans and to also preserve and ensure the adequacy of the Group's working capital. Such a strategy also helps to ensure that the Group has sufficient capital and resources to capitalise on growth opportunities in the industry as and when they arise.

While the Group has not currently set any specific targets for its debt to capital ratio, the Group continues to remain vigilant in monitoring and managing its leverage levels, taking into account the prevailing market conditions, interest rate environment and availability of funding options.

[Q2] Under note 26 to the financial statements, page 101 of the AR: Directors' Advance at 5.5%

Is this considered a Related Party transaction? Who reviews the lending rate? What basis is used to fix the rate?

Response:

Advances from directors of the Company ("**Directors**") are classified as interested party transactions of the Group. As set out on page 50 of the AR, the Group has established internal control policies to ensure that transactions with interested persons are conducted on arm's length basis. Any Director, chief executive officer and/or controlling shareholder who is interested in a transaction will abstain and refrain from deliberating, discussing, making recommendations and approving the transaction. Such interested person transactions will also be reviewed by the audit committee of the Company ("**AC**") in accordance with the AC's terms of reference.

The lending rate for the advances from Directors will typically be based on the then prevailing market lending rate.

[Q3] Interest rates

- Under note 24 to the financial statements, Page 98 of the AR - Revolving Loans and Term Loans about S$120 million
- Under note 24 to the financial statements, Page 99 of the AR - Floating rate ranges from 1.84% to 7.35%
- Under note 28 to the financial statements, Page103 of the AR - With an effective interest rate swap, you managed to swap floating rates of 5.00% to 7.27% for fixed rate of 2.59% to 3.07%

(i) The whole S$120.0 million is hedged? or partially hedged? how much? 50%?
(ii) If fully hedged, how much is the hedging cost?
(iii) If partially hedged, how much is the hedge cost?
(iv) Is the swap in the same currency or different currency (i.e. Cross currency swaps)?
(v) If it is different currency pairs, is there any forex losses/gain? (There is a FX loss of S$344,000 in page 83 of the AR)

Response:

(i) Please refer to note 28A, Page 103 of the AR. The total unexpired hedging contracts as at 31 December 2023 amounted to S$30.0 million. These hedging contracts were entered into in 2021 and early part of 2022 during the low interest rate environment.

(ii) There were no fees payable for entering into the interest rate hedging contracts.

(iii) Please refer to the response to part (ii) above.

(iv) The interest rate swaps were entered into in the same currency.

(v) Please refer to the response to part (iv) above.

[Q4] Under note 6 to the financial statements, page 83 of the AR: Foreign exchange losses

There is an increased forex loss of S$344,000, what causes these forex loss?

Response:

The forex loss was mainly due to the currency translation losses in relation to the intercompany loans and payables from the Malaysian subsidiaries of the Company.

[Q5] Under note 24 to the financial statements, page 99 of the AR: Bank overdrafts

Overdraft (secured) - The rate ranges from 5.0% - 7.57%
As overdraft are not hedged, why did we still tap on Overdraft 6m resulting in lower cash and cash equivalent of S$12 million at the end of year (page 95 of the AR)?

Response:

Bank overdrafts are used for short term operation funding needs of the Group. Certain subsidiaries of the Group had partially leveraged on bank overdrafts which offer lower interest rates as compared to other types of loans and borrowings.

[Q6] Under note 4 to the financial statements, page 80 of the AR:

Is there any allowance for credit loss for all the pawn broking and lending activities? Does the external auditor review this as well as the credit risk management/policies?

Response:

During FY2023, the secured lending business segment of the Group had made provision for doubtful debts of S$567,000. Please refer to pages 56 and 57 of the AR for the procedures conducted by the independent auditor, Messrs RSM SG Assurance LLP ("**RSM**"), on the assessment of expected credit loss on trade receivables.

[Q7] Under note 4 of the financial statements, page 82 of the AR:

Malaysia revenue
Though Chairman mentioned that the number of pawn shops had increased by 20 this year i.e. from 29 to 49 now, the Malaysia revenue did not increase a lot. I assume this is because we don't own 100% in all these Malaysian outlets? Still mostly 51%?

Response:

Please refer to page 82 of the AR. The Group's revenue contribution from Malaysia had increased by approximately 51.2% from S$21.0 million in FY2022 to S$31.8 million in FY2023.

[Q8] Under note 31E of the financial statements, page 106 of the AR:

Liquidity risk – financial liabilities maturity analysis, can we also be presented with the financial assets maturity analysis, in particular for the lease payment receivables?

Response:

Please refer to note 19 on page 93 of the AR. In addition, the lease payment receivables maturity analysis is presented under note 19A on page 94 of the AR.

[Q9] I noticed that most of our bank loans are on floating rates, but some are converted to floating rates due to interest rate swaps, can we have a breakdown of the floating and fixed rate bank loans after considering the interest rate swaps?

Response:

Please refer to note 31F on page 107 of the AR.

[Q10] For auto financing, do we charge a fixed rate or floating rate to the car buyer? If it is fixed rate, how do we mitigate the interest rate risk when our funding from the banks is floating rates?

Response:

Fixed interest rate is charged by the Group for automotive financing transactions which are in turn financed by the Group using mainly fixed interest rates bank loans.

[Q11] Will the recent trend in the rising gold prices benefit the company?

Response:

Please refer to our response for Q1(iii) below.

Responses to SIAS' questions

[Q1] As shown in the statements of financial position, the group's inventories have decreased to $68.65 million as at 31 December 2023, from $81.76 million a year ago. The retail and trading of gold and luxury items segment contributed $196.1 million out of total revenue of $285.7 million (Note 4A Financial information by operating segments; page 80 of the AR).

(i) What factors contributed to the $13.1 million decrease in inventories, and did management make a deliberate decision to reduce its stock based on prevailing market conditions?
(ii) Can management provide a breakdown of inventories between gold, jewelleries, watches, and bags?
(iii) In addition, what is management's view on the price of gold? 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 management positioning the group to capitalise on high gold prices?
(iv) Similarly, what is management's view on interest rates and how does it affect the pawnbroking and financing businesses?

Response:

(i) The S$13.1 million decrease in inventories was due to the strategic measures in response to the shift in customer demand patterns and optimisation of resource allocation. More than 85% of the inventories held by the Group as at 31 December 2023 were gold related products.

(ii) Please refer to the response to part (i) above.

(iii) Management is of the view that subject to business conditions and consumer demands, the surge in gold prices may potentially increase the Group's revenue through increased sales of gold products and higher pawnbroking interest income arising from increased pledge loan value.

(iv) Interest rates remain uncertain given the current macroeconomic conditions. Any fluctuations in interest rates will directly impact the Group's cost of funds in relation to the pawnbroking and secured lending businesses.

[Q2] As disclosed in the corporate governance report, the internal audit function of the group is outsourced to CLA Global TS Risk Advisory Pte Ltd ("**CLA**"). The current engagement team comprises four members and is led by a CLA director and head of internal audit who has more than 15 years performing audits for listed companies.

(i) What input did the audit committee ("**AC**") provide to the internal auditors on the scope of the internal audit?
(ii) What were the scope, key findings and recommendations by the internal auditor for FY2023?
(iii) Can the AC confirm that all foreign operating subsidiaries in Malaysia were included in the internal audit? How was the internal audit carried out for these foreign subsidiaries?

(iv) What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?

Separately, it is noted that the company has appointed different auditors for certain of its subsidiaries such as Verity Partners, Unity Assurance PAC, ChengCo PLT and FS Wong & Co., Malaysia.

(v) On what basis did the AC satisfy themselves that the standard and effectiveness of the audit of the group was not compromised? What were the reasons for engaging multiple different auditors for its subsidiaries?

Response:

(i) The AC met up with the internal auditors twice a year to determine the scope of the internal audit and review the internal audit findings from the internal auditor.

(ii) The internal auditor's scope for FY2023 included key business processes such as procurement to payment, human resource, payroll and sustainability reporting. No significant findings were identified during the internal audit exercise for FY2023.

(iii) The internal audit scope is determined on a rotational basis, after taking into consideration, *inter alia*, significant business areas based on their risk materiality. The Malaysian operating subsidiaries were covered in the internal audit for FY2022 and are scheduled for inclusion in the internal audit for FY2024.

(iv) CLA will review the follow up actions taken for prior year audit findings and include in the internal audit report to the AC.

(v) RSM provided audit instructions and procedures to the significant component auditors. In addition, RSM carried out on-site review of the component auditors' working papers. The subsidiaries audited by non-RSM member firms were not significant subsidiaries of the Group as their aggregate revenue and total assets contribution were less than 10% of the Group for FY2023.

[Q3] All three independent directors, namely Mr Ng Cher Yan, Mr Khua Kian Kheng Ivan and Mr Foo Say Tun, were appointed on 27 June 2013.

Due to SGX-ST regulations imposing a maximum tenure of nine years for independent directors, all three directors will tender their resignations or retire at the conclusion of the annual general meeting scheduled for 26 April 2024.

The nominating committee comprises all three independent directors, with Mr Khua Kian Kheng Ivan as chairman.

(i) With all three independent directors resigning or retiring on 26 April 2024, without replacements being already appointed to the board, would the newly constituted board face a steep learning curve?
(ii) Is the current arrangement potentially disruptive to the board's operations, and does the absence of new appointments risk the loss of institutional knowledge and expertise?
(iii) Can the board provide updates on the efforts made in shortlisting and vetting potential candidates for new independent director positions?

Separately, the company has said that "there is currently no concrete succession plan put in place by the executive chairman and CEO. Going forward and at the relevant time, the executive chairman and CEO will look into formulating such a plan in close consultation with the NC" (page 40 of the AR).

Provision 4.1(a) of the Code of corporate governance 2018 issued by the Monetary Authority of Singapore requires the board to establish a nominating committee that makes recommendations to the board on the review of succession plans for directors, in particular the appointment and/or replacement of the chairman, the CEO and key management personnel.

(iv) Over their more than 10 years on the board, what challenges did the outgoing members of the NC encounter in assisting the board/company to meet the requirements of Provision 4.1(a) of the CG Code 2018? Does the board have legitimate reasons for deviating from Provision 4.1(a)? Listed companies have to comply with the Principles and Provisions of the CG Code 2018 on a comply-or-explain basis.

Response:

(i) The new Independent Directors will undergo discussions with the Board and management, whereby they will be briefed on the Group's business, strategies, operations, organisation structures and governance practices to enable them to integrate into their new roles. The new Independent Directors are also welcome to request further explanations, briefings or informal discussions on any aspects of the Group's operational or business issues from the management. The Company will make the necessary arrangements for site visits, briefings, informal discussions, or explanations required by the new Independent Directors. In addition, all the new Independent Directors possess experience of being independent directors of companies listed on the SGX-ST.

(ii) Please refer to the response to part (i) above.

(iii) In identifying and selecting new Independent Directors, the nominating committee of the Company ("**NC**") taps on various sources to identify potential candidates, including personal networks, industry associations and professional organisations. The NC also considers the balance and diversity of the Directors' skills, competencies, experience knowledge of the Group, gender and age. The NC shortlists the potential candidates with relevant qualifications and backgrounds and conducts in-depth interview and background checks before recommending the selected candidates to the Board for approval.

It is currently intended for the new Independent Directors to be appointed immediately after the forthcoming AGM of the Company.

(iv) There has been no significant challenge encountered by the outgoing NC members in making recommendations to the Board on the review of succession plans for Directors, in particular the appointment and/or replacement of the chairman, the CEO and key management personnel.

By Order of the Board

Dato' Sri Dr. Lim Yong Guan
Executive Chairman and Chief Executive Officer

Date: 19 April 2024

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*This announcement has been prepared by the Company and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST. 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.

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