Issuer: Courts Asia Limited
Security: Courts Asia Limited

Meeting details:
Date: 10 August 2017
Time: 10.00 a.m.
Venue: 50 Tampines North Drive 2, COURTS Megastore, Singapore 528766

Company Description

Courts Asia Limited, an investment holding company, engages in the retailing of electrical, information technology, and furniture products in Singapore, Malaysia, and Indonesia. It operates a network of approximately 80 stores in various store formats, including megastores, superstores, departmental stores, and small-format stores. The company's stores offer white goods, vision products, small appliances, audio products, computers and related accessories, mobiles, photography products, mattresses, homke office products, bedroom furniture, and dining and living room furniture. Courts Asia Limited also offers its products through online stores, as well as provides warranty sales and product replacement services, and telecommunications subscription plans. The company was founded in 1974 and is based in Singapore. Courts Asia Limited is a subsidiary of Singapore Retail Group Limited.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=RE2)

Q1. As highlighted in the CEO's Statement (page 10 of the annual report), the group's revenue in Indonesia "rose significantly by 57.0% in Rupiah currency, to IDR248.5 billion, in line with newly opened stores". It was also noted that credit sales in Indonesia has increased to 35% of revenue in FY16/17, up from 27.8% in the preceding year (page 11).

The group's plans for Indonesia is described on page 12, as follows:

> *In Indonesia, we have opened our eighth outlet in the country from five stores a year ago. Going forward, we will continue to extend our reach in the Greater Jakarta region. Our intention is to continue opening smaller format stores to complement the Megastore format with a target of five new store openings in Indonesia this year. At the same time, we are also experimenting with 'pop-up' stores that offer short-term leases to add market share. These 'pop-up' concepts could potentially be converted into permanent stores if they perform well.*

a) After entering Indonesia in 2014, the group would have gained deeper insights of the market in the past three years. **Can management help shareholders understand the current growth plans for the Indonesia market for the next 3-5 years? What is the targeted scale for the Indonesia operations?**

b) **What is the expected new investment for Indonesia? How is the group going to fund the expansion in Indonesia?**

c) The segment results from Indonesia were $(11.0) million in 2017 (page 143), $(8.4) million in 2016 (restated) (page 144) and $(7.6) million in 2015 (as reported and not restated). **How soon does management expect the Indonesia operations to breakeven?**

d) **Can management elaborate further on the "door-to-door credit sales programme"?**

Q2. As shown in Note 26 (page 137 – Credit risk), the group has trade receivables of $453.9 million as at 31 March 2017, up from $448.7 million as at 31 March 2016 (restated). Impairment of trade receivables is also a key audit matter in the Independent Auditor's Report (page 73).

Trade receivables that are past due and the allowance for impairment is shown in the table below (page 137).

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

Trade Receivables

All past due trade receivables are assessed for impairment and the carrying amount of trade receivables determined to be impaired and the movement in the related allowance for impairment is as follows:

	The Group		
	31 March 2017	**31 March 2016 Restated***	**1 April 2015 Restated***
	$'000	**$'000**	**$'000**
Past due 1 to 6 months	**57,588**	54,101	55,737
Past due 6 to 12 months	**13,105**	14,990	13,639
	70,693	69,091	69,376
Less: Allowance for impairment	**(26,089)**	(21,760)	(21,568)
	44,604	47,331	47,808

(Source: Company annual report)

Trade receivables past due has increased from $69.1 million to $70.7 million even though revenue declined marginally from $751.9 million to $740.5 million. The allowance for impairment has increased disproportionally from $(21.8) million to $(26.1) million. As disclosed in Note 26(b), 59% of the group's trade receivables arose from the Malaysian operations.

a) Can management elaborate further on how they are improving the credit assessment to reduce the group's credit risks?

b) Is the level of impairment expected to stay at the elevated level?

c) What are the improvements to the group's credit infrastructure (as mentioned on page 17)?

d) Given that the characteristic of customers are different in the three countries, could management provide a breakdown of the trade receivables past due on a country-by-country basis?

e) What is the expected impact on the impairment of financial assets (receivables) when the group adopts FRS 109 Financial Instruments?

Q3. In the Chairman's Message (page 9), it was highlighted that the group recognizes that a *"razor-sharp omnichannel strategy is crucial in the face of changing consumer behaviour in favour of online shopping".*

a) What are some of the achievements and milestones achieved by the group in its online/omnichannel strategy so far?

The Group Chief Information Officer was re-designation as the Group Chief Innovation Officer, and he has been tasked with the responsibilities of driving the group's e-commerce efforts and developing the relevant capabilities in the digital space.

b) What are some of the specific targets for the financial year/near term in this area?

c) Has management/board evaluated if the group has moved fast enough in the e-commerce space given how fast the competition is moving?