CAL Response to SIAS questions
7 August 2017

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?**

We plan to continue to open new stores to increase market share. We announced our intention to open a minimum of 5 new stores in FY17/18 and at the same time have rolled out 'pop-up' stores with short-term leases. If these 'pop-up' stores perform well, we have the option to convert the leases into more permanent arrangements.

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

To date, a total of S$32.4m from the net proceeds raised at IPO has been utilised for the investment in Indonesia.
We have the option of investing the remaining proceeds 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?**

As mentioned in Page 23 of the 2017 Annual Report, the increase in net loss from Indonesia operations was attributed mainly to the full year's related costs from BSD City Megastore (the store opened only in Jan 2016 in the last FY). We hope to break-even in two years' time.

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

We have a sales team which goes out beyond the store to promote our credit offerings to consumers. This allows us to broaden our customer reach beyond close proximity to our store locations.

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).
(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)?

The key strategies taken by management on improving credit assessment are as follows::-

- Revalidation of the Application Scorecard in Singapore and Malaysia
- Development of a Application Scorecard in Indonesia which will be deployed within two months
- More extensive usage of external credit data of customers to determine debt servicing and exposure limits
- Behavioural Scorecard to provide a more objective and systematic credit sanctioning tool
- Step-up in credit assessment training of the credit team
- More regular assessment of the portfolio to detect any potential problematic areas

We believe that the actions taken will address the impairment trends and stablise the portfolio impairment levels.

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?

We regret that we are unable to provide customer characteristics as this is not public information.

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

We are in the midst of assessing the impact on impairment of financial assets (receivables) under the new FRS 109 Financial Instruments accounting standard.

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?

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?

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

Our focus for this year will be to migrate our online platform to a new one which allows scalability in the long run. At the same time, we are also improving the customer interface on the website. This will be unveiled by the end of the calendar year.