

**Issuer:** Epicentre Holdings Limited

**Security:** Epicentre Holdings Limited

**Meeting details:**

Date: 31 October 2017

Time: 9.00 a.m.

Venue: 39 Ubi

Road 1 #08-01 World Publications Building Singapore 408695

**Company Description**

Epicentre Holdings Limited, an investment holding company, engages in the retail of Apple brand products, and third party and proprietary brand complementary products. The company provides various Apple products, including iPod, iPad, iPhone, Macbook, Apple TV, and Apple watches, as well as Apple and non-Apple branded accessories. It also offers merchandise under its own brand, iWorld. In addition, the company is involved in the provision of IT solutions to education institutions; and retail, trading, repair, and service of consumer electronics and digital lifestyle products. It operates 5 EpiCentre stores and 1 EpiLife store in Singapore, and 6 EpiCentre stores Malaysia. The company was founded in 2002 and is based in Singapore, Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=5MQ](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5MQ))

**Q1.** On 9 October 2017, the company announced that the auditors of the company, BDO LLP (BDO), have included a disclaimer of opinion in respect of:

- (a) the purported transactions relating to consultancy services;
- (b) the purported advances to and refunds from a supplier;
- (c) the purported transactions relating to a loan of \$1,760,000; and
- (d) internal controls and corporate governance

in the Independent Auditor's Report for the financial statements of the company and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2017.

The Basis for Disclaimer of Opinion could be found on pages 67 to 69 of the annual report.

*As a result of the significance of the matters described in the Basis for Disclaimer of Opinion, the Independent Auditor did not express an opinion on the accompanying consolidated financial statement of the Group and the statement of financial position of the Company.*

The Audit & Risk Committee ("ARC") (previously known as Audit Committee and renamed on 3 October 2016) comprises Mr. Lim Jin Wei (as Chairman), Mr. Azman Hisham Bin Ja'afar and Mr. Giang Sovann. As noted in the Corporate Governance Report (page 53), Mr Lim Jin Wei and Mr Giang Sovann are certified accountant of respective professional accountancy bodies and have recent and relevant accounting expertise and/or experience.

In the Director's Statement (page 64), the directors have stated that, in the opinion of the Board of Directors:

*(a) the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date;*

- a) Can the directors, especially the independent directors individually, justify why, in their opinion, the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date?**

On page 133, the company has stated that it has "no disagreements with Messrs BDO LLP on accounting treatments within the last 12 months from the date of the Appendix to the Annual Report for FY2017 in relation to the proposed change of auditors.

- b) Can the ARC confirm that it has no disagreements with the Independent Auditors on the Basis of Disclaimer of Opinion?**

On page 145 (Appendix: Directors' recommendations), it was stated that the directors (other than Mr Lim Tiong Hian) are of the opinion that the proposed grant of Awards to Mr Lim Tiong Hian is in the best interests of the Company.

- c) In view of the Basis of Disclaimer of Opinion and the alleged transactions involving Mr Lim Tiong Hian, would the board justify their opinion that granting the proposed share award to Mr Lim Tiong Hian at this junction is in the best interest of the company? Would it be prudent to wait for the findings of the independent review?**

**Q2.** The group is set to open a new concept store “Live Out Loud (LOL) By EpiCentre” which is a one-stop destination to experience a Dual-platform shopping experience where customers can do direct comparisons of iOS & Android devices.

- a) **What is the amount of capital (including capital expenditure and working capital) required for the concept store?**
- b) **Can management clarify if the LOL store at ION Orchard is open? If not, when will the concept store open its doors?**
- c) **Similarly, when is the LOL store in Pavilion, Kuala Lumpur expected to open?**
- d) **For the newly acquired lifestyle and wellness under Japan IPL, can management provide more details on the “aggressive market expansion plans in China, Malaysia and other regions”? Please include major milestones and the timeline.**

**Q3.** The ARC has recommended “the appointment of Crowe Horwath First Trust LLP in replacement of Messrs BDO LLP as the Group’s external auditors for the financial year ending 30 June 2018” (page 55).

The decision to change the auditors is “*a matter of good corporate governance*” (page 133).

- a) **Has the ARC evaluated BDO using quantifiable measures such as the Audit Quality Indicators (AQI) introduced by Accounting and Corporate Regulatory Authority (ACRA)?**
- b) **How has the ARC evaluated the proposed auditors?**
- c) **As a matter of good corporate governance, would the board consider complying with Guideline 3.1 of the 2012 Code of Corporate Governance which requires the roles of the Chairman and of the CEO to be separate persons?**