



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Eurosports Global Limited

Security: Eurosports Global Limited

Meeting details:

Date: 27 July 2018

Time: 2.00 p.m.

Venue: Arundel & Dover Room, Goodwood Park Hotel Singapore, 22 Scotts Road, Singapore 228221

Company Description

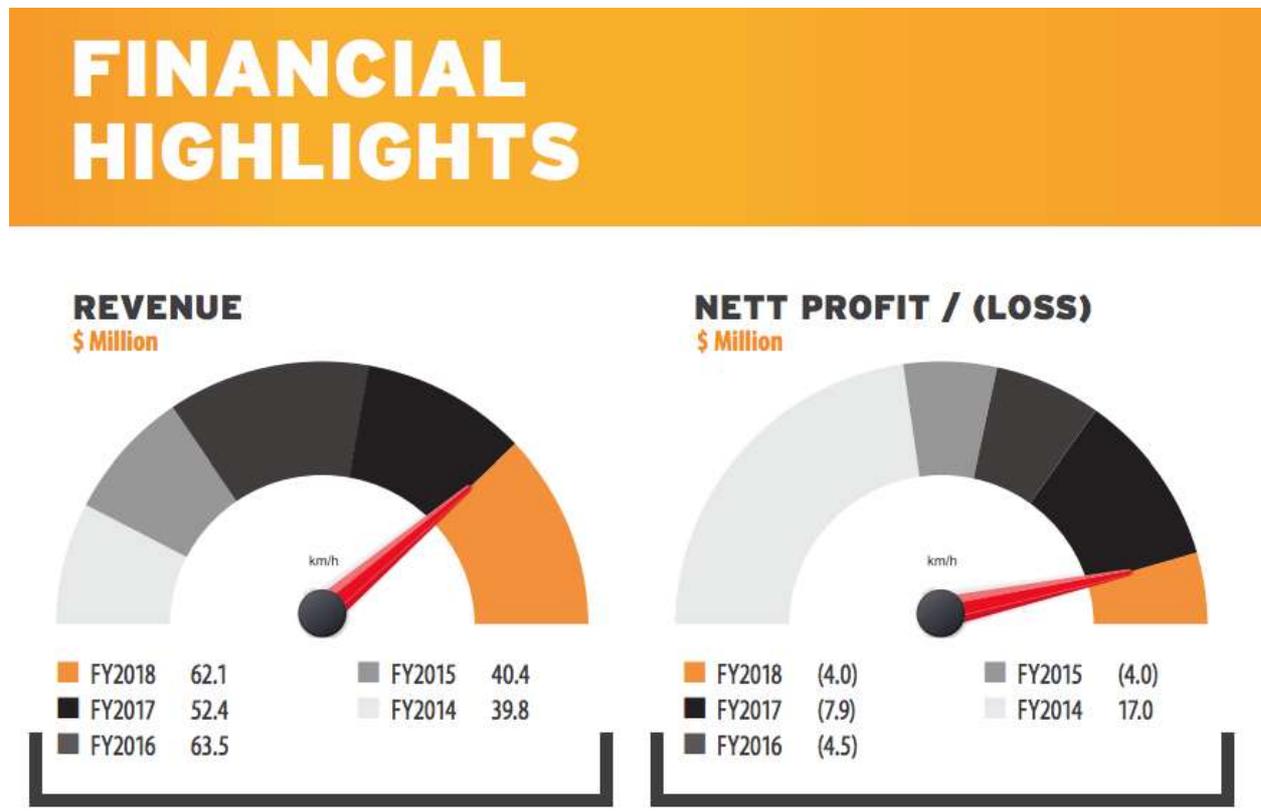
EuroSports Global Limited distributes and retails automobiles. It operates through three segments: Automobiles Distribution, Experiential Business, and Watches Business. The company retails new ultra-luxury and luxury automobile brands, as well as pre-owned automobile brands comprising Lamborghini, Pagani, Alfa Romeo, and Touring Superlegerra. It also provides after-sales services comprising maintenance and repair, and grooming services, as well as breakdown assistance services; and retails and sells automobile parts and accessories. In addition, the company is involved in the rental and leasing of private cars with and without operator, as well as trade of related merchandise under the Ultimate Drive name. Further, it distributes and retails luxury timepieces and related accessories under the deLaCour brand in Singapore, Malaysia, Indonesia, Thailand, and Brunei. The company was founded in 1998 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5G1)

1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) **Indonesia:** The group, through Prosper Auto Pte. Ltd, had on 21 November 2017 entered into a dealership agreement to market and sell Lamborghini automobiles, parts, accessories and merchandises made by Automobili Lamborghini S.p.A.. **Can management leverage its experience of its Touring Superleggera dealership in Indonesia? What are the current expansion plans for Lamborghini in Indonesia? How is the group going to fund the expansion?**
- (ii) **New models (Urus and Giulia):** Can management elaborate further on the progress made with these highly anticipated new models? What are the marketing and promotional efforts to increase sales?
- (iii) **Showroom:** The group has invested in the new showroom at 24 Leng Kee Road which opened in June 2018. This is the group’s largest showroom since its incorporation and is one of the latest cutting-edge showrooms in Singapore. **What are some of management’s key targets (including sales) to be achieved with this new showroom?**

2. As seen from the Financial highlights (page 20), the group has reported losses since FY2014, which included one-time gain of S\$16.2 million arising from the sales and leaseback of 30 Teban Gardens Crescent.



(Source: Company annual report)

- (i) **Has management examined the cost structure of the group to improve the group's efficiency?**
- (ii) **What are the cost-cutting measures that have been/will be implemented and what is the impact on the group's cost structure?**
- (iii) **With the increase in rental expense due to the new showroom, what is the estimated level of revenue that would allow the group to break-even?**
- (iv) **How synergistic is the "Experiential business" to the group's core business? Can it be scaled up to a meaningful level as a profit/revenue contributor?**

3. As seen in the Note 4B (page 107 – Profit or loss from continuing operations and reconciliation, the group's three segments all reported losses even though there have been some improvements in the financial year.

Segment result		
Automobiles distribution	(2,917)	(5,999)
Experiential business	(631)	(991)
Watches business	(419)	(826)
Consolidated loss before tax	(3,967)	(7,816)
Income tax expense	–	(103)
Loss for the year	(3,967)	(7,919)

(Source: Company annual report)

In addition, the carrying value of the group's key subsidiary, EuroSports auto Pte Ltd, was impaired in the past two years. In 2018 and 2017, impairment losses of \$2,692,000 and \$3,419,000 on the cost of investment of EuroSports Auto Pte Ltd was charged to the profit or loss respectively. The carrying value of the subsidiary is now just \$1.8 million.

The group's equity has been reduced from \$36.4 million in 2014 to \$8.8 million in 2018, with just a one time payment of \$7.42 million in dividends following the sale of 30 Teban Gardens Crescent. The group's debt-to-adjusted capital ratio has jumped to 2.5x.

Before the group proceeds with any further acquisitions and expansion of the businesses, would the board consider it opportune to carry out a strategic review to assess the core competencies of the group, its management and its financial strength and to fine-tune its strategy so as to create long-term sustainable value for all the shareholders?

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=253

The company's response could be found here: -----



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