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Singapore CA Qualification Examination

INTEGRATIVE BUSINESS SOLUTIONS

ADVANCE INFORMATION

Monday, 30 November 2020

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WARNING

Candidates **must not under any circumstances** contact any similar company or its agents to obtain research data, and they must use **ONLY PUBLICLY AVAILABLE INFORMATION**. Under no circumstances should they seek to use unpublished or private information.

Dear Candidate,

This information package contains the **Advance Information** for the Integrative Business Solutions (IB) module examination to be held on **Monday, 21 December 2020**. A checklist of the documents (Exhibits) contained in this information package is provided on the following page. It is your responsibility to ensure that you have received every document listed.

Your task now is to familiarise yourself with this information including analysing the data provided. In addition, you are encouraged to undertake further research to form a holistic picture of the industry and markets in which the case study company is operating, and the general economic and business environment. Diligent preparation is essential for success in the IB Examination. **Guidance on preparing for the IB Examination is covered in your IB Toolkit.**

The IB examination will be conducted using Exemplify. Please ensure that Exemplify software is pre-installed in your laptop. Although you will have full access to the hard drive on your laptop during the examination, you are strongly advised to have this Advance Information, together with your notes and other preparatory workings in **hard copy format**, as well as a standalone calculator that complies with the SAC's regulations during your exam.

You will also receive additional information (**Examination Day Documents**) on the case study company on the day of the IB Examination. The Examination Requirements will be included within the Exemplify exam. Follow the instructions in your Exemplify exam to download the rest of the Examination Day Documents. Your live proctor will release the password to unlock the Exemplify exam and all files for you. The Examination Day Documents complete the case study scenario and set out the requirements for the report that you are required to write. The IB Examination will be an open-book examination of **4 hours 30 minutes**. Your formal report will cover four specified areas, one of which will be to write an Executive Summary. Please note that **only your report commentary (including the assumptions made), appendices, and workings entered in the Exemplify software programme on the day of the examination will be marked.**

Volar Pte Ltd

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Volar Pte Ltd – origins and company background**About Volar**

Volar is a luxury department store with a 33-year history in Singapore. The company was founded by Xiang Ng in 1987. Xiang was the son of Cheng Ng, a wealthy real estate developer. Xiang had spent time living in the UK, working in one of London's well-known department stores. After the death of his father, Xiang inherited the family fortune and returned to Singapore to start his own store. In 2010 Xiang retired from the business, and his son Shaun took over as chairman and chief executive officer. The company is still a private company owned by the Ng family.

Operations began with a street-level flagship store on Orchard Road in 1987, followed by a second store in Suntec City in 2001 and a third store in The Shoppes at Marina Bay Sands in 2010. It enjoyed healthy growth in the two decades after its launch, but profitability began to fall in 2014. Like Metro, Wrights, Hamaya and Marks & Spencer, which suffered from underperformance and store closures in 2015 and 2016, Volar scaled back its store in Suntec City in 2015 and closed its store in Marina Bay Sands in 2016.

This follows a global trend with the faltering of Debenhams, John Lewis and Marks & Spencer in the United Kingdom, the bankruptcy of Barneys New York, Toys R Us and Sears in the United States and the decline of Myer and David Jones in Australia.

Nevertheless, Volar overcame these challenges and continued to operate its street level flagship store on Orchard Road, along with a smaller store at Suntec City. Inspired by innovations coming from retailers in Beijing, New York, London and other major metropolitan centres, Volar began rolling out experiential retail concepts to differentiate its value proposition and strengthen its brand among its major competitors in Singapore. By being the first in the market to roll out meaningful experiential concepts, Volar succeeded in bringing footfall back up at its stores in the past couple of years.

Results were improving in 2018 and 2019, but the arrival of the coronavirus and the impact both on the global economy and on the retail sector in Singapore has required the

management of Volar to reconsider its business model, to determine how the company can survive in the near term, and how it can start to grow again in the medium term.

Current business model

Volar's key product segments are currently high-end fashion for women, men and children; beauty and skincare; handbags, shoes, jewellery and accessories; kitchen and lifestyle; and toys and toddler products. The store used to stock electronics and food and beverages, but these segments were gradually phased out as sales dropped over the years, due to strong e-commerce performance in these submarkets.

Storefronts

The Orchard Road location was chosen for the brand's flagship store to bring it closer to the luxury clusters surrounding ION, Paragon, Ngee Ann City and Wisma Atria, which have traditionally drawn higher-end brands entering the Singapore market. Similar considerations prevailed for the outlets that subsequently opened in Suntec City and Marina Bay Sands.

Experiential

A key strategy that helped Volar ride out the slump from 2015 to 2018 was experiential marketing – an important retail trend that is helping to revive Singapore's retail landscape. This strategy shifts focus from the features and benefits of retail goods to creating an immersive shopping experience that shoppers want to share with their friends and social media followers. This strategy is one of the key differentiators that set Volar apart in the market.

Prestige pricing

Research shows that shoppers are willing to pay more for a quality shopping experience. Volar's continued success underscores this point, proving that shopping in a premium experiential showroom with the opportunity to try out premium goods is an experience that shoppers are willing to pay more for, especially since it provides a greater sense of assurance than e-commerce.

Through its high-impact retail marketing and carefully curated advertising, Volar has built up substantial brand value over the years. This allows it to implement prestige pricing, putting a large premium on its goods instore. Not only does this reinforce the exclusivity to the Volar brand, it also translates to a higher profit margin on individual items that helps offset the higher cost of maintaining the store’s revolving showrooms.

Management

Strategic decisions at Volar are made by the board of directors. Being a private company, and therefore not required to comply with best practice for corporate governance, the board consists of a small, but tight knit group of executive directors. They are:

Role	Director
Chairman and Chief Executive Officer	Mr Shaun Ng
Marketing Director	Jessica Chau
Finance Director	Mai Koh
Human Resources Director	Brent Atkinson

The board of directors is supported by an operational management board that consists of the heads of the different departments. The operational management board is responsible for day to day operations.

END OF EXHIBIT 1

Description of Volar's business and retail operations

Volar operates two department stores – the flagship store in Orchard Road which contains 350,000 square-foot of retail space, and a smaller 100,000 square-foot retail space in Suntec City. Since opening in 1987, Volar has focused chiefly on luxury goods from respected brands, particularly European and American brands, which are well respected in Singapore. This was a strategic decision that has allowed sales to remain relatively constant over the past decade, compared to competitors that focused on fast fashion.

Volar's outlets are located in prime retail districts and there are many benefits to being located here including greater public presence, more walk-in traffic and good compatibility with nearby businesses, which translates to better potential for future income. Direct competitors like Shinshichi and Wrights cater to a similar target demographic and have already spent advertising dollars to drive shoppers who can afford luxury goods into the district. High footfall from these local competitors has directly benefited Volar.

Orchard Road and Suntec City are also easily accessible for shoppers from all over Singapore, especially high-income earners working in the Bayfront and Downtown areas. Both locations are well served by public transportation, easy to drive to and offer adequate parking. They are also easily accessible for delivery trucks, with easy connections to the island's major expressways, which is important because the majority of goods are stored at Volar's warehouse in Paya Lebar.

The Marina Bay Sands store was chosen for closure in 2016 because it was not as profitable as the other two stores. This location was not as central or easily accessible as Orchard Road and Suntec City, while the rental rate per square foot was higher than the rate for the Suntec City location. Moreover, the Marina Bay Sands store was situated among less premium stores at The Shoppes, which failed to bring sufficient footfall from Volar's target demographic.

Management initially explored options to open an outlet in a suburban mall, closer to where people live and therefore more convenient for those seeking to shop closer to home. Even though rent in these locations would have been lower, this option was

rejected because department stores have been struggling even more in suburban malls than in the urban centres like Orchard Road and Suntec City. Also, the convenience of shopping closer to home was more important for groceries, electronics and daily household items. These considerations did not apply to Volar's luxury proposition.

The sales floors are divided into clearly defined areas based on product segments. In Orchard Road, beauty and skincare sales are located on the ground floor for example, while kitchen accessories are located in the basement. There is also 50,000 square foot of storage space at the back of the store to hold inventories for replenishing merchandise on the sales floors (in addition to the 350,000 square foot of selling space). There is space on the ground floor for events such as product launches and fashion shows.

The Suntec City store sells only two product segments – fashion and footwear and beauty and skincare products. The store also has a 20,000 square foot storage facility in addition to the 100,000 square foot of selling space.

The company has a larger off-site warehouse in Paya Lebar where inventory is held until requisitioned by the stores. Many products are bought from abroad, and the lead time can be high due to the shipping time and customs clearance, so the company aims to maintain sufficient inventory to meet sales for around six weeks.

Buying

Buying involves choosing the goods that the stores will sell and is a key activity at Volar. Each of the product segments has its own team of buyers that selects goods from suppliers. For fashion items, the decision can be critical, as it is necessary to predict which items will be fashionable in the months ahead. Poor buying decisions can lead to poor sales and poor reputation. Fortunately, the Volar buyer teams are well established and managed by loyal staff with many years of experience at Volar.

The buyers are the main point of contact with suppliers, and they place the orders for the products.

Customer service

An important differentiator that sets Volar apart from pure-play e-commerce is customer service. In e-commerce, frontline customer service is often handled by a chatbot, automated telephone operator or outsourced customer support. This can lead to negative experiences for customers, especially if there is a problem with their purchase, threatening customer loyalty and goodwill.

In contrast, Volar's customer service representatives are trained to prioritise customer needs and resolve all issues in a speedy manner to ensure a positive overall experience. This has helped to build strong customer relationships and boost customer retention.

Sales assistants are also employed to support the customer service representatives. Volar ensures that its sales assistants are knowledgeable in their respective fields and properly trained to engage shoppers and offer expert advice, saving them valuable research time. Over the years, this has helped to nurture a sense of trust among Volar's regular shoppers, ensuring return business.

Add-on services such as personal stylists and alterations have also proven very popular among shoppers who are seeking to enhance their wardrobe with high-quality showpieces that they love to wear. Gift and customisation options are also available for festive seasons, offering extra convenience for shoppers stocking up for major gift-giving seasons like Christmas and Chinese New Year.

Sales assistants are responsible for ensuring that there is sufficient merchandise available on the shop floor and replenishing this from the on-site storage regularly. Sales staff also operate cash registers and take payments from customers. Each sales area has a team of supervisors and there are two managers on each floor.

Volar recruit additional staff to work on a temporary basis during busy times, such as the Christmas period, often taking on University and College students on a temporary basis.

Delivery staff

Volar offers a delivery service whereby goods bought in the store can be delivered to the customer's home. This is particularly popular with purchases of big items of furniture for

example, but all products can be delivered anywhere in Singapore for a small delivery charge. Orders over S\$400 can be delivered without charge. The store also has a policy of delivering to customers for no charge where the products that the customer wants are not available when they visit the store.

Imports department

Many of Volar's products are bought from abroad, particularly the high brand fashion products, which are bought from US and European suppliers. Some of these suppliers outsource the manufacturing of their products to companies in South East Asia in which case, the products are sent directly from the factories to Singapore. The company has an imports department that deals with all the procedures for getting customs clearance for the imported products. After clearance, the goods are taken to the warehouse in Paya Lebar for storage until they are requisitioned by the stores.

Storage

The two stores have their own storage facilities. These are small and are designed to hold enough inventory to meet demand for up to three days. All goods have radio frequency identification tabs (RFID) attached which contain unique information about the item, including a product code, product size and location. As goods are moved out of the stores onto the sales floor, the RFID tags are scanned by warehouse staff, which will update computerised inventory records, so that the location of all items is tracked.

When the level of inventory of a particular line falls to its specified reorder level, a requisition is sent from the store to the warehouse in Paya Lebar, and new deliveries will be made to the store the following day. Sometimes when a customer wishes to buy something that is not available in the store (for example, because they have run out of a particular size), the customer can order the product for next day delivery, either at the store, or if the customer prefers, for delivery to the customer's address.

Experiential marketing

Original retail experiences have also helped to build Volar's brand, drive footfall and encourage shoppers to stay longer in store, particularly at the Orchard Road outlet. To

this end, Volar focused on three important retail marketing trends with which e-commerce cannot compete: Instagram-worthy showroom experiences, special events and customising purchases in person.

To learn how to engage its key demographics and enhance its showrooms, Volar launched consumer focus groups and invested in market research. Understanding that memorable and engaging experiences are crucial, Volar's visual merchandisers introduced showrooms that deliver a full sensory experience involving sight, sound, touch, feel and scent.

Events

To drive footfall and build its brand, Volar hosts limited-edition releases of crossover merchandise, exclusive openings, product launch parties, VIP shopping events and artist signings. There are even contests to attend limited showcases featuring celebrity designers and stylists. Regular events also include workshops and events in various departments, such as yoga workshops, make-up workshops, cooking workshops and mommy-and-tots' events, which correspond with Volar's key product segments.

Events are also a good way to monetise Volar's substantial event space. Volar's exceptional showrooms and events roster are proving to be an effective means of building the brand, making Volar a highly sought-after event space for luxury product launches and meet-the-designer events.

Product customisation

Volar also offers pop-up stations where shoppers can customise their purchases on-site to make them bespoke and distinctive. These customisation stations focus on luxury goods that offer mix-and-match options, such as trench coats with optional collars, buttons, belts and cuffs; handbags with optional straps, appliqués and attachments; jackets, blazers and scarves with personalised embroidery; or even monogrammed luggage and iPhone cases.

Custom luxury fashion is becoming increasingly popular among consumers, most of whom are willing to pay extra for it. Unlike e-commerce, Volar give customers the

opportunity to experiment with different combinations and try on the customised items in person. These options have allowed Volar to price their products significantly higher for same-day customisation compared to online stores.

Concessions

Volar also introduced shop-in-shop concessions in partnership with specialty brands from the United States, Western Europe, Japan and other major markets, especially for highly sought-after crossover collections such as Louis Vuitton x Supreme and adidas x IVY PARK. These have proven particularly effective for driving peak footfall. They also have the added benefit of providing a regular stream of rental income for Volar, while reducing its inventory risk.

It also frequently sublets pop-up spaces to third-party e-commerce brands that have no physical locations of their own, but who seek to establish temporary spaces to engage their own customers. These are appealing to shoppers who are interested in testing out the brand's products and service offerings in person.

Advertising by segment

Volar's storefronts are set up for maximum visibility from street level to attract foot traffic from the surrounding retail district. To make the most of this in-built advertising, the storefronts feature vibrant window displays that are trendy and original, adhering to Volar's strong, consistent and professionally managed branding. This allows Volar to engage in relatively less paid street advertising, although it occasionally takes out billboard ads for major events.

Most of Volar's advertising budget goes into catalogues; digital ads and third-party reviews; social media and influencer engagement; search engine ads and search engine optimisation (SEO); TV and radio spots; and some print ads. Online shoppers visit marketplaces, social media and price comparison websites to research and compare products, so Volar maintains an active presence in all these channels as well.

All advertising channels were strategically chosen to engage Volar's key customer segments, which primarily include Gen X and Millennials. Like its closest direct

competitors, which are Shinshichi and Wrights, Volar's key customers are middle-class families, tourists, high income earners and expats within these segments.

Loyalty card and store cards

To reflect the strong brand loyalty associated with Volar's target segment, Volar introduced customer loyalty programmes including a loyalty point programme, access to VIP events and other programmes that allow shoppers to enjoy free services like door-to-door delivery. Gen X shoppers are attracted to good bargains, so these programmes are designed to convince them that they are getting the best deal.

The company also introduced a Volar store card which is a credit card that can be used in store. It includes cashback benefits, whereby 1.5% of spending in the store is repaid to the credit card account and this can be used for additional spending. Such cards are very popular among millennials.

To build its branding, Volar also invites specially selected bloggers and popular influencers for exclusive opportunities to get a first look at product releases. Free samples and goodie bags are also sent to these groups to stir up interest among their followers and help build engagement within these online communities.

To maintain customer relationships, Volar uses WhatsApp for notifications, which Millennials tend to prefer over email.

Other services such as a flexible return policy and free door-to-door delivery for large orders, combine the convenience of e-commerce with the attentive service of physical retail. These services have proven highly valued by Singapore's shoppers.

Costs

The cost of maintaining prime retail locations remains high. Costs include storefront rental for a 350,000 square-foot space on Orchard Road and a 100,000 square-foot space in Suntec City. Rent is also paid for substantial on-site storage spaces at prime rental rates, in addition to a larger off-site warehouse in Paya Lebar. These are substantial outgoings, but Orchard Road and Suntec City draw a large number of shoppers in Volar's target demographic, making the expensive locations a worthwhile investment.

Major overhead costs include fulfilment, utilities, storefront maintenance and repair, seasonal décor, music licensing and marketing. To ensure the showrooms remain fresh and trendy, substantial refresh costs include visual merchandisers and interior design consultants, renovation, display units, points of sale, fittings and branding. There are also labour costs, including frontline retail and maintenance staff, as well as back-end merchandising, marketing, finance and administration teams.

Creating and maintaining experiential showrooms remains another major ongoing cost. This represented a sizable initial investment when management first suggested the idea of upgrading Volar's showrooms. Based on research from similar markets however, Volar deemed it worthwhile in return for the potential for increased footfall and the higher prices that other experiential retailers were able to command. Though it took time to recoup the initial cost, the gamble eventually paid off.

END OF EXHIBIT 2

Summary management accounts**Volar, Singapore****Statement of Profit and Loss for the year ended**

		31 March 2019	31 March 2018	31 March 2017
	Notes	S\$ 000	S\$ 000	S\$ 000
Revenue (net of GST)	1	445,473	441,062	436,695
Cost of sales		(204,918)	(207,299)	(200,880)
Gross Profit		240,555	233,763	235,815
Other operating income	2	47,585	42,018	23,390
Total Income		288,140	275,781	259,205
Expenses				
Fulfilment		(5,278)	(5,150)	(5,025)
Maintenance and décor		(3,160)	(2,873)	(2,613)
Marketing		(2,468)	(2,498)	(2,473)
Staff costs	3	(35,744)	(32,642)	(31,446)
Depreciation	4	(133,513)	(131,385)	(130,280)
General and administrative costs		(1,055)	(1,010)	(1,035)
Operating expenses		(181,218)	(175,558)	(172,872)
Operating profit		106,922	100,223	86,333
Finance charge on leases	5	(67,031)	(73,515)	(79,581)
Profit before tax		39,891	26,708	6,752
Tax		(6,781)	(4,540)	(1,148)
Profit after tax		33,110	22,168	5,604

Summary management accounts

Statement of financial position as at

		31 March 2019	31 March 2018	31 March 2017
	Notes	S\$ 000	S\$ 000	S\$ 000
<i>Non-current assets</i>				
Right-of-use assets	6	822,153	943,610	1,065,067
Leasehold improvements	7	78,340	55,678	23,395
Total non-current assets		900,493	999,288	1,088,462
<i>Current assets</i>				
Cash and cash equivalents		10,492	2,130	1,009
Trade receivables	8	44,547	30,874	21,835
Inventory		43,863	36,468	27,380
Total current assets		98,902	69,472	50,224
Total assets		999,395	1,068,760	1,138,686
<i>Equity</i>				
Share capital		32,000	32,000	32,000
Retained profits/(losses)		27,001	(6,109)	(28,277)
Total equity		59,001	25,891	3,723
<i>Liabilities</i>				
<i>Long-term liabilities</i>				
Lease liabilities	9	783,194	891,144	992,168
<i>Current liabilities</i>				
Lease liabilities	9	107,940	101,024	94,540
Trade payables		29,713	32,131	30,132
Provision for returns		2,205	2,183	2,183
Cashback due on credit cards		1,750	950	655
GST payable		15,592	15,437	15,285
Total current liabilities		157,200	151,725	142,795
Total liabilities		940,394	1,042,869	1,134,963
Total equity and liabilities		999,395	1,068,760	1,138,686

Notes to the accounts

1. Revenue

Product mix analysis

	2019	2018	2017	Retail industry average
Fashion and footwear	47%	46%	45%	43%
Beauty and skincare	16%	12%	12%	16%
Handbags	13%	13%	13%	15%
Jewellery and accessories	10%	17%	19%	15%
Kitchen and lifestyle	7%	8%	7%	8%
Toys and toddler gifts	7%	4%	4%	3%
	100%	100%	100%	100%

2. Other operating income

In 2017 concessions were introduced into stores. Volar acts as an agent in concession arrangements and recognises a pre-determined share of gross revenue taken by concessions.

3. Staff costs and headcount

	2019	2018	2017
	<i>S\$ 000</i>	<i>S\$ 000</i>	<i>S\$ 000</i>
Customer service staff	(30,600)	(28,290)	(26,906)
Store maintenance staff	(3,744)	(3,002)	(3,240)
Other staff	(1,400)	(1,350)	(1,300)
Total staff costs	<u>(35,744)</u>	<u>(32,642)</u>	<u>(31,446)</u>
Average number of employees	2019	2018	2017
Customer service	1,275	1,230	1,223
Store maintenance	192	158	180
Other staff	50	50	50
Total employees	<u>1,517</u>	<u>1,438</u>	<u>1,453</u>

Other staff includes back office employees such as merchandising, marketing, finance and administration teams.

4. Depreciation

	2019	2018	2017
	<i>S\$ 000</i>	<i>S\$ 000</i>	<i>S\$ 000</i>
Right-of-use assets	(121,457)	(121,457)	(121,457)
Leasehold improvements	(12,056)	(9,928)	(8,823)
Total	<u>(133,513)</u>	<u>(131,385)</u>	<u>(130,280)</u>

5. Finance charge

The finance charge relates to the interest recognised on lease liabilities.

6. Right-of-use assets

	2019	2018	2017
	<i>S\$ 000</i>	<i>S\$ 000</i>	<i>S\$ 000</i>
Warehouse	205,508	224,191	242,874
Orchard Road	535,728	625,016	714,304
Suntec City	80,917	94,403	107,889
Total right-of-use assets	<u>822,153</u>	<u>943,610</u>	<u>1,065,067</u>

On inception of a lease, the present value of deposits paid plus the present value of future lease payments on the property are recognised as an asset and depreciated on a straight-line basis over the lease term. At the same time, a liability is recognised as being the present value of future payments due under the lease.

7. Leasehold improvements

The leasehold improvements relate to the stores and include costs associated with updating the stores for experiential shopping. The improvements are being depreciated on a straight-line basis over the term of the related lease.

8. Trade receivables

The trade receivables balance represents amounts owing by credit card operators as well as balances outstanding on the Volar store card which was launched in 2014. The card offers cash back as well as giving holders access to exclusive fashion and lifestyle events held at Volar. Commissions paid to credit card operators are included within general and administrative costs.

9. Lease Liabilities

	2019		2018		2017	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
	S\$ 000	S\$ 000	S\$ 000	S\$ 000	S\$ 000	S\$ 000
Warehouse	15,191	212,365	14,341	227,566	13,529	241,907
Orchard Road	79,956	492,095	74,726	572,051	69,837	646,777
Suntec City	12,793	78,734	11,957	91,527	11,174	103,484
	<u>107,940</u>	<u>783,194</u>	<u>101,024</u>	<u>891,144</u>	<u>94,540</u>	<u>992,168</u>

Annual rental payments are S\$28,855,000 in respect of the warehouse, S\$120,000,000 in respect of the Orchard Road store and S\$19,200,000 in respect of the Suntec City store.

10. Dividends

No dividends were paid during the three financial years ending on 31 March 2019.

END OF EXHIBIT 3 (a)

Commentary on the management accounts for the year ended 31st March 2019

Report

To: Board of directors, Volar

From: Zac Lee, Management Accountant

Date: 7 May 2019

The management accounts for the year ended 31 March 2019 have now been prepared and are attached (**Exhibit 3(a)**). This report discusses some of the key issues that the management accounts show about the performance of the business during the last year, compared to previous years. I have focussed only on the Statement of Profit and Loss. In this report, references to 2019 are to the year ended 31 March 2019.

Revenue

Growth in revenue between 2018 and 2019 was 1%, the same as growth between 2017 and 2018. The department stores sector as a whole fell by 0.5% during the calendar year 2017 and rose by 0.9% in the calendar year 2018, so we performed slightly better than our industry. This is due mainly to the experiential marketing which has increased footfall in our stores. This has compensated for the fact that, unlike our competitors, we do not have an online sales channel at the moment.

Gross profit margins

Gross profit rose 2.9% from S\$233,763 in 2018 to S\$240,555. This is partly due to the increase in revenue, and partly due to an increase in gross margins from 53% in 2018 to 54% in 2019. This is in spite of a decline in the mix of our sales from jewellery and beauty products, which generally have higher profit margins than our other segments. This increase is due to events at our stores that have enabled us to achieve higher margins on fashion products. In particular, the ability for customers to customise their products to

give them a unique feel has been very popular, and we achieved a high margin on these products.

Other operating income

Income from concessions has become increasingly important, growing by 13.2% between 2018 and 2019. For 2019, this was equal to 10.7% of our own revenue. Not only is this becoming a significant source of income, it also involves minimum costs as we do not have staff costs and cost of goods sold for this activity.

Operating expenses

Our biggest operating expenses relate to the lease of our properties. The company has leases on the two stores, at Orchard Road and Suntec City and the warehouse in Paya Lebar. These are held under 10-year lease agreements which began on 1 April 2015 and will expire on 31 March 2025. Rent at Orchard Road is S\$300 per square foot per year while in Suntec City we pay S\$160 per square foot per year. The lease agreements are treated as finance leases where the present value of future lease payments was recognised as an asset (right-of-use asset) and a corresponding liability recognised at the date of inception. In subsequent years, the right-of-use asset is depreciated, and interest is charged on the liability.

In the year ended 31 March 2019, depreciation of S\$121.5 million was charged on these leases which is the same as prior years. There was also depreciation on leasehold improvements of S\$12 million, up from S\$10 million in 2018. The increase is due to the additional expenditure on improving the showrooms in Orchard Road.

The other major item of expense is staff costs which rose by 10% between 2018 and 2019. The major contributor to this expense was an increase in the number of maintenance staff recruited, so the number of maintenance staff rose by 21.5% compared to 2018. This is due to the policy of the company to keep the stores looking fresh and in good condition.

Operating profit rose by 6.7% between 2018 and 2019. Since many of our expenses are fixed, an increase in revenue leads to a proportionally bigger rise in operating profits. This shows the importance of making more sales.

Finance charge

A finance charge of S\$67 million was recognised in the statement of profit and loss in respect of the leases. When we pay our rent, some of the payment is treated as finance costs on the lease, and the rest is treated as repayment of our lease liability.

Profit after tax

Profit after tax rose by 49.35% between 2018 and 2019. As described above, the main factors contributing to this result are an increase in the gross profit from sales of S\$6.792 million, and an increase in rental income from concessions of S\$5.567 million.

Conclusion

The year 2019 has been a successful one in increasing revenues and margins in a difficult retail environment while keeping costs under control. It reflects well on the management in terms of steering the business through challenging times.

END OF EXHIBIT 3 (b)

Market research – the department stores industry in Singapore

Report

To: The directors, Volar Pte. Limited

From: Swan Consultants

Date: July 2019

Subject: The department stores industry in Singapore

As requested, this report provides an analysis of the department store industry in Singapore. It starts by looking at environmental factors that have affected the industry as a whole, before looking at the key players in the industry. Finally, we outline the behaviour of customers.

Department stores represent a small but important part of the retail industry in Singapore. There were 39 department stores in Singapore in 2018 with a combined revenue of S\$2.7 billion. Growth in revenue for this segment was 0.7% per annum between 2011 and 2016, followed by a slight decline of 0.5% in 2017, and an increase of 0.9% in 2018. Performance has been better in 2019 due to an increase in the number of tourists, so we can expect a further increase in the index for 2019 when it is published.

In Singapore, the retail landscape remains plagued by uncertainty and this has had an impact on the performance of department stores. Stores have been reducing in size over the past five years, especially in suburban malls, and the number of outlets is falling. Even large players are downsizing or closing altogether, such as Jack Brown, which closed in 2017 after 174 years in Singapore.

E-commerce

The main factor in the decline of traditional retail has been the growth of e-commerce. Currently it is believed that 6% of Singapore's retail sales are performed online, and it is

estimated that this will rise to 10.3% by 2022. Online sales are dominated by international retailers such as Alibaba and Amazon. Such retailers often undercut brick and mortar retailers on price. This is helped by the fact that purchases from foreign based online retailers are not subject to GST, provided that the total cost of the purchase, including delivery costs and insurance, is less than S\$400. A number of local blog shops have also grown up during this period such as OGo10.

E-commerce growth is particularly strong in the markets of apparel and footwear, personal accessories, food and beverage, media products and consumer electronics. This is expected to hamper the growth of physical retail, particularly in the submarkets of jewellery and watches, and bags and luggage.

Volar's market segment, luxury fashion, has continued to perform well against the rise of e-commerce, as the majority of shoppers still prefer to purchase luxury fashion goods instore. This is because shoppers still prefer to verify the fit and suitability of expensive garments in person. They are also averse to making such expensive purchases online without being able to see that the item is genuine and free of defects. The recent rise of counterfeit beauty products is particularly concerning, especially because the questionable ingredients used in many counterfeit products often cause adverse skin reactions.

Suburban malls

Historically, international brands were only available in downtown department stores in the established shopping areas of Orchard Road and Suntec City. This has changed in the last decade, with a number of small retailers setting up in suburban malls, specialising in specific brands. Many are franchisees of international retailers or brands. This has meant that international brands are available closer to home, reducing the need for people to travel to the downtown areas. This has led to a decline in footfall in the Orchard Road area and put pressure on revenues.

Brand owners direct

Many of the larger brands have also set up their own boutiques in the fashionable areas which sell their own products. Customers can also order products online and collect them

in the stores or have them delivered. This has allowed major brands to reach their customers directly without having to sell through the department stores, enabling them to offer lower prices to consumers.

Fast fashion

Another trend in the last decade has been the rise of fast fashion. Fast fashion involves the sale of clothes that are sold for mid-range prices and designed to be worn only a few times. In 2011, M&M, a well know Swedish retailer of fast fashion opened their first store in Singapore. This was a hit with younger consumers and caused a fall in demand for established fashion products. In 2016, M&M also opened an online store. However, the image of fast fashion has been tarnished recently as consumers have become more concerned about sustainability, and in 2018, M&M reported a 10% decline in sales in Singapore.

Competitors

The other major department stores are Shinshichi, Muzaffar, Hamaya and Wrights. However, only Shinshichi is considered to be a direct competitor of Volar.

Shinshichi is a Japanese company that operates a number of department stores in Japan. It also has department stores in Vietnam, China and Thailand. In Singapore, the company operates one store in Orchard Road with a selling space of 293,400 square feet. Shinshichi is Volar's most direct competitor in the luxury department store segment, dominating 45% of Singapore's luxury retail market in 2018. Much of the success of Shinshichi could be attributed to its international brand name, its Japanese products and its strong Japanese cultural identity, which is a culture that is highly sought after in Singapore. It is believed that Shinshichi enjoyed revenues of S\$567 million in Singapore in the year ended 31 December 2018. This includes revenue from both the Orchard Road store, and Shinshichi's Singaporean online store.

Muzaffar operates a 139,000 square feet department store in Little India selling jewellery and household appliances, books, DVDs, electronic goods and footwear and clothing. It serves the budget market. In 2018 it had revenues of S\$513 million.

Hamaya is a Japanese company with stores in Japan and throughout South East Asia. In Singapore, Hamaya operates five stores, including a flagship store in Orchard Road. The stores sell international branded fashion products, aimed at middle income consumers. The stores also include supermarkets, selling mainly Japanese food. In 2018, Hamaya's total revenues in Singapore were S\$515 million. The company's selling area in Singapore totals 390,000 square feet.

Wrights is one of the oldest department stores in Singapore. It aims to sell a broad range of products, including men's and women's clothes, cosmetics, beauty products and men's grooming. The company aims to sell good quality clothes at reasonable prices, and avoids the expensive, international brands. Wrights closed its Orchard Road department store in 2015 and moved its flagship store to a 186,000 square foot site in Raffles City. It also operates an 85,000 square feet suburban branch in Jurong East. Wrights' total revenues for 2018 were S\$380 million.

Volar's direct competitor Shinshichi has added an e-commerce channel to its retail offering, as have other department stores in Singapore such as Yue Hwa and Marks & Spencer. The revenue figures provided include sales from online retail. Volar is now lagging behind its competitors in the e-commerce space.

Changing consumer patterns

Despite the growing penetration of e-commerce, studies have shown that most shoppers still value the experience of shopping in physical retail stores. They are more comfortable with products that they can examine and feel prior to purchase, and this is particularly the case when buying luxury goods. Shopping at a physical retail store also lowers the probability of receiving defective goods. The wait and extra cost for shipping can also be off-putting for some shoppers.

For shoppers, discovery and comparison often begins online through Google and digital marketplaces. Nearly 70% of shoppers use the internet to do research and comparisons or to make purchases. Once they have made their decision, many like being able to make their actual purchase instore, provided it is reasonably convenient. This is particularly true for high-value merchandise worth over S\$500. Brand name goods also follow this pattern,

due to fears over receiving counterfeits or quality issues that can be associated with e-commerce.

This is why e-commerce giants like Amazon or Zalora are opening brick and mortar stores to let their shoppers touch, feel and smell their purchases. A good retail space provides an appealing showcase that engages all senses, encouraging shoppers to browse and discover more than they came for.

Experiential retail

Abroad, many department stores have reacted to the difficult environment by introducing experiential retail (often referred to as “retailtainment”). Tiffany & Co opened a breakfast café at its flagship store in New York City, giving followers of the brand the opportunity to enjoy “Breakfast at Tiffany’s” in true Holly Golightly style. Similarly, the House of Vans in London offers an “Off the Wall” experience through its art gallery, music venue, café, cinema and an indoor skating ramp that’s free for skaters of all ages. Apple Store offers its “Today at Apple” seminars, covering a range of topics led by expert trainers and even world-class artists and musicians.

Volar is one of the few department stores in Singapore to have understood the potential of experiential retail. This understanding has led to the development of experiential retail concepts that differentiated its offerings, enabling Volar to maintain revenues and grow at a time when their more established competitors stumbled.

Private equity investors

There has been a trend in the global industry for private equity funds to invest in well-known retail chains. By owning several chains, the funds can enable their investees to benefit from economies of scale, such as higher bargaining power with suppliers and landlords. These are particularly popular in the luxury sector.

Conclusion

The department stores sector is experiencing difficult trading conditions throughout the world, and Singapore is no exception. The growth of competition from e-commerce, and a rise in the number of smaller shops in suburban malls have all provided customers with alternative channels from which they can buy the products sold by the department stores. Many department stores have closed down. Most of Volar's competitors have added online shopping channels. Few have been as innovative as Volar in terms of experiential retail.

END OF EXHIBIT 4

Interview with Michael Wong, CEO of Wrights – September 2019***This article was published by E-commerce Monthly***

It's now three years since department store Wrights opened its online store to boost its revenues in the light of stiff competition from e-tailers. We talked to the CEO of Wrights, Michael Wong, about Wrights' journey from traditional bricks and mortar to a successful omnichannel strategy.

"In 2017, all traditional department stores in Singapore were suffering. Many of our customers were switching to buying online. We were facing stiff competition from international giants, like Amazon and Alibaba, and local blog shops, which had sprung up. So we decided if you can't beat them, join them. We hired a load of IT gurus and set up an online store, "Wrights Online", which sold many of the products that are available in our department stores."

Although sales from the online stores did take off fairly quickly, it was not plain sailing initially. "What we did not realise was that what works in the store does not always work online. In the store, we always focus on providing excellent service to our customers. They like that and are prepared to pay slightly more for our products than they might pay elsewhere. The online customers are more price aware. The first thing they do on finding a product is compare the price on other websites. If they can get the same product from another web site for less, why would online customers buy from us?"

The director of online sales at the time, had a simple solution. He checked out all the competitors' prices and matched them. "That caused problems too!" Mr Wong declared. The prices in our stores were now higher than the prices we charged on the web site. Not surprisingly word soon got out. Customers would visit the stores, decide what they wanted to buy, and then go home and order it online!" He said. "Actually, that was a wakeup call. We realised that the internet does now enable our bricks and mortar customers to compare our prices with online suppliers, and we were not competitive. So we had to reduce our prices."

Prices were not the only problem that the business had. Another was the fact that the online business was run as an autonomous business, with its own management, and it was separated from the department stores. “This did cause problems internally.” Mr Wong stated emphatically. “The online business systems were not integrated with the stores. For example, they were not hooked up to the inventory system, so when a customer placed an order online, that order was just accepted without checking inventory availability. If it then became apparent that there was a shortage of that particular line, we had to contact the customer by e-mail with an apologetic message that there had been a delay. We certainly had some interesting reviews from some of our customers in those days.”

Having two separate businesses was also not appreciated by customers. “We had two separate customer loyalty schemes,” recalls Mr Wong, “and customers who had earned points at Wrights Online could not redeem those points in the store. We also had situations where customers had bought goods online, and wanted to return them, so they brought them to the store. We would not accept them in the store and told customers they should return them to the online business. They were not happy about that – not surprisingly!” he says.

It was soon realised that the online store could not be run as a separate business, so the two divisions were merged. “We dropped the “Online” from the name of the online business and it became simply “Wrights” to be consistent with the stores. A management restructure occurred where managers of the online business joined our management team, and it was recognised that we were all working to the same goals – to give the customers what they want!”

“We realised that customers wanted a seamless experience, and that’s what we started to give them. Customers can buy online now and collect their goods at the stores if they want to. They can buy goods online and return them to the store. They can even visit the store and place online orders, so the goods will be delivered to their homes. And they can use their loyalty points either online or in the store – there is only one scheme now.”

I asked Mr Wong if he can say he is happy that the company launched the online business. Was it worth it? “Without a shadow of doubt” he replies emphatically. “Initially we just saw

it as another source of revenue. Now we realise that it is far more than that. We are providing an omni-channel service to our customers. They like the fact that they have a choice of buying online or in the stores. Some of our online customers do not visit the store. But there are other customers like to see the products, to feel them, even smell them before they go home and think about them. When they have finally decided, they place their orders online. The store supports the web business.

Other customers search online, and once they have decided to buy from us, they actually visit the store, and buy in the old-fashioned way. So, the web site is acting as a feed to our store. The two channels do complement each other.

The online store has also enabled us to get to know our customers better. Customers register with our web site, and we can collect details about them. We learn about what they like and their clothes sizes. If they use our app, we know when they are actually in the store, so we send them a welcome message. Sales staff in the store have access to this customer information and can use this to provide even better service. If you are talking to a sales assistant, and the assistant then says something to you, like “you like pink clothes, don’t you?” that makes you feel like a valued customer. And we always send them a birthday message!”

In 2016, analysts were talking about the death of Singapore’s traditional department stores, but as Wright’s experience has shown, it is possible to not only survive, but to prosper. The key is in moving with the times.

END OF EXHIBIT 5

Article from “High Society” magazine, November 2019

At the weekend, I decided it was time to have some fun, so I took myself off to Volar’s department store in Orchard Road.

The idea of spending a day shopping might not seem like fun to everyone. One of my friends asked, “why don’t you just buy online darling like everyone else, so we can go out for lunch!” But Volar’s has really spent time (and money) making a visit to their stores much more than a trip to the shops. We used to talk about “retail therapy”, now it’s more about “retailtainment” – combining retail and entertainment, turning shopping into a fun experience. This is a big trend in the US and China, and Volar introduced it in 2017 as regular readers of this magazine are well aware. I hadn’t been to Volar’s for a while so decided it was time for another visit.

So, first stop was the ladies fashion section (of course!) Gone are the rather boring lines of clothes hanging neatly on racks. Instead the place looks more like a lounge with seats and coffee tables with magazines in them. As I was looking through these to make sure there was a copy of High Society available (there was!), a well-dressed lady approached me and told me she was a personal shopper, and she offered to help me. To be honest, I’ve never really needed help shopping before, as my husband will tell you, but why not!

We started looking at jackets and blouses, before we were joined by another lady, who told me she was a professional stylist. She started asking me about the image I wanted to portray. I must confess that is something I had not thought about that much. I opted for rich and powerful! These two ladies spent quite a bit of time with me, helping me choose clothes that matched, showing me accessories and making me feel important. I felt like they really valued me as a customer. And I hadn’t told them that I am a writer for Singapore’s best lifestyle magazine, so I am sure that they weren’t just doing this to get good publicity.

They have photobooths in the fitting rooms. I took advantage of these when I was trying the clothes on and posted some pictures of me wearing different power dressing costumes to my Instagram followers! It was really fun.

After giving my credit cards a good battering, I wandered around some of the other areas in the store. I came across the sports department, and noticed an enclosed basketball hoop was installed there, with cameras to capture the action. A father and his son were enjoying their fantasy of being basketball stars and having a great time. It seems that the days of dragging a bored husband around the shops are gone forever, just send him off to the sports department!

The showrooms look great. They've obviously been professionally designed in a very trendy style and appear to be in pristine condition. Hashtags are suggested, which was great, as I did not feel stupid taking pictures of myself to post on my social media accounts.

One thing I really like was the pop-up stations where you can customise your products to make them unique. You have to pay for this service, but it is worth it. You can do this online, but then you have to wait a few days before you get your customised products. At Volar, they do it while you wait.

The store also hosts events. While I was there, they were hosting a cooking workshop in the kitchen department, which was fun, although I don't think the chef was impressed with my murtabak. They have special evenings for their store card holders only. There are limited-edition releases of crossover merchandise, exclusive openings, product launch parties, VIP shopping events and artist signings. There are even contests to attend limited showcases featuring celebrity designers and stylists.

Regular events also include workshops and events in various departments, such as yoga workshops, make-up workshops, cooking workshops and mommy-and-tots' events, which correspond with Volar's key product segments.

So basically ladies, Volar is the place to be seen these days! It is a fantastic day out.

END OF EXHIBIT 6

Rise and fall of Rental in Orchard Road - Article from the Singapore Times, March 2020

Having risen to new highs in 2019, rental rates in Orchard Road are set to fall considerably in light of the coronavirus pandemic, as retailers face harsh economic conditions.

After declining for several years, the gloom seemed to have disappeared for landlords. Rental rates for Orchard Road rose by 2.6% in 2019 according to property services company Jones & Huddersfield to an average of S\$422 per square foot per annum. Jones and Huddersfield attributed this increase to a limited supply of prime retail sites and increasing tourist arrivals.

This made Orchard Road the 16th most expensive street in the world in Jones & Huddersfield's rankings for 2019, up one place from 2018.

This marked a significant reversal of a downward trend in rents for retail property since 2015. The growth of e-commerce led to a number of retailers downsizing, or in some cases exiting the market entirely. Jack Brown closed their Orchard Road flagship store in 2017, while Metropolitan moved away from Orchard Road in 2015.

Sadly for property investors, the boom may turn out to be short lived thanks to the coronavirus. James Knight told the Singapore Times that the outlook is grim for retailers, at least in the short run. Tourists have gone and social distancing regulations have reduced the footfall in the stores. There is even talk of a complete lockdown whereby stores would have to close completely for a period of time.

If retailers are suffering, it is likely that they will look for reductions in rents, and landlords may be unable to resist. If it's a choice between reducing the rent or losing a tenant completely, they will reduce the rent.

END OF EXHIBIT 7

**VOLAR - MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
FEBRUARY 2020**

Present: Shaun Ng, Chairman and Chief Executive; Jessica Chau, Director of Marketing; Mai Koh, Director of Finance; and Brent Atkinson, Human Resources Director.

1. Mr Ng explained that the meeting had been called to review the strategic direction of Volar. He believed that Volar had always been proactive in finding new ways of attracting customers to the stores, and that the business was still succeeding while many competitors were exiting the market. Moving forward it was necessary to consider new strategies to ensure continued success.
2. Ms. Koh noted the general consensus that Volar should launch an online channel. However, she had also heard that many shoppers of luxury items preferred to shop in store so wondered if it would be worthwhile. Mr Ng mentioned an article he had read about Wrights department store, and how they were very pleased that they had launched their omni-channel strategy. Mrs Chau said that she had already done some research into the shopping habits of Volar's target segments and would write a report to the board detailing this. In her opinion it was essential that Volar launch an online channel without delay. It was agreed that a small project team would be set up to work on a proposal for an online strategy.
3. Ms Koh mentioned that the lease on the Orchard Road Store, which still has a number of years to run, was negotiated in 2015 when vacancies in Orchard Road were still low and rental prices high. Although rental prices rose in 2019, it is expected that they will fall in 2020 due to coronavirus, which has resulted in financial pressure on retailers. It was agreed that Volar's lawyers, Turner and Dallas would be appointed to negotiate a rent reduction with the landlord.

4. Mr Ng asked the directors to spend the next two months being creative and thinking of new strategic directions for the business. He was of the opinion that the current conditions will only become more difficult, so Volar has to generate a plan to make the business sustainable into the future.
5. The meeting then ended.

END OF EXHIBIT 8

Briefing paper from Jessica Chau, Marketing Director of Volar, 2 April 2020**To: Board of directors****From: Jessica Chau, Marketing Director****Date: 2 April 2020**

As requested in our last board meeting, I have set out some information about the behaviour of our target market segments. Gen X refers to people born between 1965 and 1980 while Millennials were born after 1980. The key difference between these groups is their approach to technology. Millennials grew up with technology and the internet, while Gen X did not.

Gen X segment00

Among the Gen X segment, Volar appeals to middle-class shoppers who prefer to spend more for the assurance of higher quality. They tend to be affluent shoppers, who value quality over bargain hunting and show strong brand loyalty. They are a strong customer segment for Volar because of their prime earning power and their willingness to pay more for their favourite brands.

Gen X shoppers tend to conduct more online research and focus more on product information and brand comparisons. For years, Volar produced beautiful print catalogues for this segment, containing data-rich product comparisons. These catalogues have now been digitalised. Volar also engages established reviewers for credible third-party reviews and invests in paid SEO optimisation. Billboard, TV and radio ads, flyers and online banners are still consumed regularly by Gen X shoppers, which is why Volar maintains a strong presence in these advertising channels.

Checking email, news and weather and doing online banking are top internet activities for Gen X. The majority also use more info-heavy social media like Facebook and are willing to engage with brands on Facebook. That is why Volar's online advertising for this

segment focuses on these channels. Notifications and personalised ads are also delivered over email, since this demographic still responds to email marketing.

To reflect this segment's strong brand loyalty, Volar also introduced customer loyalty programmes including a loyalty point programme, access to VIP events and other programmes that allow shoppers to enjoy free services like door-to-door delivery. Gen X shoppers are attracted to good bargains, so these programmes are designed to convince them that they are getting the best deal.

Millennials

Among Millennials, or the Gen Y segment, Volar's customers are primarily affluent individuals who are well educated and have strong earning power. They are one of Volar's key segments because many have fewer financial commitments and therefore more disposable income. They generally tend to be more prone to impulse buying than Gen X. This group will soon make up the largest demographic of consumers in Singapore.

Compared to the Gen X group, this demographic responds much better to visual content than to informational content, which is why they tend to prefer visually rich platforms like Instagram and Pinterest. To engage them, Volar creates visually dynamic ads that reflect its unique brand voice and style, featuring content that is relatable and relevant enough that followers will want to repost it. This helps enhance visibility and top-of-mind recall.

Millennials are also strongly driven by current trends and the opinions of friends, peers, bloggers and influencers. To this end, Volar has developed a strong social media presence and discovery capabilities on social media channels like Facebook, Twitter and Instagram, since these platforms help Millennials socially validate their purchase decisions.

Millennials also like using store cards with cash back benefits, which is something that our own store card offers. We have noticed an increase in applications for our store cards from this age group.

To build its branding, Volar also invites specially selected bloggers and popular influencers for exclusive opportunities to get a first look at product releases. Free samples and goodie bags are also sent to these groups to review and promote these products. To maintain customer relationships, Volar uses WhatsApp for notifications, which Millennials tend to prefer over email.

END OF EXHIBIT 9

Email from Mai Koh, Volar’s Finance Director, to Volar’s board of directors

Mai Koh

From: Mai Koh <MKoh@Volar.sg>
Sent: 6 April 2020 11:43 pm
To: Volar board of directors <Board@volar.sg>
Subject: Coronavirus – impact on results

Hi all,

The finance team will be working on closing the accounts for the year ended 31 March 2020 this month and will have the management accounts ready by the end of April.

I want to warn you all, ahead of the results, that due to the pandemic brought by the coronavirus, our profit and revenue will be less than for the previous financial year. While trading was good up to 31 December 2019, since 31 January our business has suffered. There have been increasing restrictions on travellers from affected areas entering Singapore. Demand for travel has also fallen as tourists prefer to stay at home until the global pandemic has passed. Tourists account for a significant percentage of our sales, so the fall in the number of tourists has had a large impact on our revenue.

Within Singapore itself, citizens are preferring to go out less, and the social distancing recommendations that we implemented in our stores meant that we had to limit the number of visitors in February and March.

I wanted to warn you about this now, so you are not totally surprised when the accounts are published.

The store will be closing from 7 April in accordance with the government’s “circuit breaker” recommendations, and these are expected to last for a few months. These will clearly impact the financial year that is just starting.

Going forward, it is likely that we will see a recession in Singapore as a result of this, and it will impact on our performance for the current financial year.

The impact of these events will be mitigated to some extent by government actions. In the budget of March 2020, the government announced a number of measures to help businesses in Singapore, and I will ensure that we take advantage of these. These include a job support scheme, whereby the government will pay 25% of the wages of employees up to a maximum of S\$ 4,600 per month, and a delay in tax payments. I will inform you more about these as the details are explained to me by our accountants.

I am attaching the budget for the year ending 31 March 2021 (**Exhibit 11**), which was approved in January 2020 before the coronavirus came into being, so this may need to be revised.

These developments make it even more important that we continue to come up with new strategies to ensure that we can survive the next twelve months, and then thrive in the longer term. I am looking forward to our discussions at the next board meeting.

In the meantime, keep well and stay safe.

Kindest regards,

Mai Koh

Finance Director, Volar Pte Ltd

END OF EXHIBIT 10

Volar Pte. Limited

Budgeted Statement of Profit and Loss

For the year ended 31 March 2021

	<i>Notes</i>	<i>S\$ 000</i>
Revenue (net of GST)	1	495,000
Cost of Sales		<u>(227,886)</u>
Gross Profit	2	267,114
Other operating income		<u>52,000</u>
Total Income		<u>319,114</u>
Expenses		
Fulfilment		(5,300)
Maintenance and décor		(3,200)
Marketing		(2,500)
Staff costs	3	(43,030)
Depreciation	4	(123,057)
General and administrative costs		<u>(1,100)</u>
Operating expenses		<u>(178,187)</u>
Operating profit		140,927
Finance charge on leases	5	<u>(58,641)</u>
Profit before tax		82,286
Tax		<u>(13,989)</u>
Profit after tax		<u>68,297</u>

Notes to the Budgeted Statement of Profit and Loss

1. Revenue

	<i>Orchard Road</i>	<i>Suntec City</i>	<i>Volar Total</i>
Own sales	S\$ 000	S\$ 000	S\$ 000
Fashion and footwear	177,100	73,700	250,800
Beauty and skincare	46,200	36,300	82,500
Handbags	50,050	-	50,050
Jewellery and accessories	57,750	-	57,750
Kitchen and lifestyle	26,950	-	26,950
Toys and toddler gifts	26,950	-	26,950
Total	385,000	110,000	495,000

	<i>Orchard Road</i>	<i>Suntec City</i>	<i>Volar Total</i>
Own sales mix			
Fashion and footwear	46%	67%	51%
Beauty and skincare	12%	33%	17%
Handbags	13%	-	10%
Jewellery and accessories	15%	-	12%
Kitchen and lifestyle	7%	-	5%
Toys and toddler gifts	7%	-	5%
Total	100%	100%	100%

2. Gross Profit

	Budgeted margins	<i>Orchard Road</i>	<i>Suntec City</i>	<i>Volar Total</i>
		S\$ 000	S\$ 000	S\$ 000
Fashion and footwear	50.0%	88,550	36,850	125,400
Beauty and skincare	58.0%	26,796	21,054	47,850
Handbags	61.0%	30,531	-	30,531
Jewellery and accessories	63.0%	36,383	-	36,383
Kitchen and lifestyle	50.0%	13,475	-	13,475
Toys and toddler gifts	50.0%	13,475	-	13,475
Total Gross Profit		209,210	57,904	267,114

Note: the gross profit figures above do not include revenue from concessions.

3. Staff costs and headcount

	Budgeted Cost
	S\$ 000
Staff costs by function:	
Customer service	(37,500)
Store maintenance	(4,000)
Other staff	(1,530)
	<u>(43,030)</u>

	Budgeted Cost
	S\$ 000
Staff costs by location:	
Head office	(2,775)
Orchard Road	(31,125)
Suntec City	(9,130)
	<u>(43,030)</u>

	Estimated	Average Costs
	2021	S\$ 000
Average number of employees		
Customer service	1,500	(25,000)
Store maintenance	200	(20,000)
Other staff	51	(30,000)
Total employees	<u>1,751</u>	

4. Depreciation

	S\$ 000
Right-of-use assets:	
Warehouse	(18,683)
Orchard Road	(89,288)
Suntec City	(13,486)
Leasehold improvements - Orchard road	(1,200)
Leasehold improvements - Suntec City	(400)
Total	<u>(123,057)</u>

5. Finance charge on leases

	S\$ 000
Warehouse	(18,683)
Orchard Road	(34,447)
Suntec City	(5,511)
Total	<u>(58,641)</u>

END OF EXHIBIT 11

Suggestions for further research and reference list

Further research

The following resources may be useful when beginning your research into the case study company. As always, the caveat is to read everything with a healthy dose of scepticism and apply professional judgment. Just because an article is on this list, does not give it legitimacy or relevance. All links were active as at 1 April 2020.

Articles and information:

Case study reference list

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END OF EXHIBIT 12

END OF ADVANCE INFORMATION