Issuer: Duty Free International Limited
Security: Duty Free International Limited

Meeting details:
Date: 29 June 2017
Time: 11:00am
Venue: Six Battery Road #10-01 Singapore 049909

Company Description

Duty Free International Limited, an investment holding company, trades in duty free merchandise under the Zon brand primarily in Peninsular Malaysia. The company wholesales, distributes, and retails duty free and non-dutiable merchandise, including imported duty free beverages, tobacco products, chocolates and confectionery products, perfumes, cosmetics, and souvenirs. It operates approximately 40 duty-free retail outlets/complexes, and trading outlets located at various locations in airports, seaports, ferry terminals, border towns, and tourist destinations. Duty Free International Limited is also involved in the development of resorts; provision of property investment and management services; cultivation of oil palm; and sale of fresh oil palm fruit bunches. The company was founded in 1978 and is based in Singapore. Duty Free International Limited is a subsidiary of Atlan Holdings Bhd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5SO)

Q1. As noted in the Chairman's Message (page 6 of the annual report), despite the sluggish pace of the economy, the group's turnover increased by 4.6% to RM632.6 million in FY2017, earnings before interest, tax, depreciation and amortisation increased by 13.6% to RM104.6 million and profit before tax increased by 15.7% to RM97.8 million.

a) **Can management elaborate on the impact of the unexpected implementation of goods and services tax at border outlets and duty free zones effective from 1 January 2017? What are management's plans to mitigate the impact of the GST? Can the stores still maintain their cost competitiveness?**

b) **Can management share some of their plans to enhance operational efficiency and to better manage its costs?**

c) **How does the board and management view the threat of online shopping/e-commerce?**

The largest contributors to the profit increase were a non-operational net gain in foreign exchange of RM9.9 million in FY2017 and a RM4.0 million gain in the fair value of options. In FY2016, the group recognised a net foreign exchange loss of RM7.0 million. Without the exceptional items, the FY2017 profit before tax would be lower. In Note 30(d) (page 99 – Foreign currency risk), the company disclosed that approximately 60% of the group's purchases are denominated in foreign currencies.

d) **Given the large swing in foreign exchange gain/loss, how can the group better manage its currency exposure?**

Q2. The company raised net proceeds of S$43.6 million from five placement exercises between 7 March 2016 to 23 March 2017. Following the placements of a total of 128.65 million shares (including 5.5 million treasury shares), the company's number of issued ordinary shares has increased to 1,228,500,393. As at 19 May 2017, the percentage of issued ordinary shares of the company that are held in the hands of public has increased to 26.1%.

The company's cash and cash equivalents increased to RM261.5 million as at the end of the financial year (from RM38.8 million a year ago). The group's gearing ratio, as at 28 February 2017, is 0.01x (page 100).

The group's financial position appears strong enough to support the organic growth in the group's core business. **Can the board provide shareholders with better visibility on the group's strategic growth plans?**

Q3. As disclosed in the company's Corporate Governance Report, the company has paid S$96,000 (RM305,000) of special audit fees to the other auditors of the group.

a) **Was the special audit undertaken at the request of a regulator?**

b) **Can the audit committee disclose the scope of work and detailed terms of reference of the special audit?**

c) **Has the special audit been completed? If so, what are the findings of the special audit?**