

Issuer: Singapore Myanmar Investco Limited

Security: Singapore Myanmar Investco Limited

Meeting details:

Date: 25 July 2017

Time: 10:00AM

Venue: TKP Conference Centre, 55 Market Street #03-01, Singapore 048941

Company Description

Singapore Myanmar Investco Limited, an investment and management company, engages in the travel and fashion retail, auto services, food and beverage, logistics and warehouse services, construction services, serviced offices, and telecommunication equipment services businesses in Singapore and Myanmar. It distributes and services concrete machinery, drilling rigs, port machinery, lifting cranes, excavators, and road machinery, as well as crusher and screening buckets, and double wall tanks; retail of fashion, lifestyle, and travel products; and provides car rental and limousine services. The company is also involved in the operation of food and beverage outlets, including restaurants, and coffee and tea outlets; import and sale of food and beverage items, including general food products, meat, mineral water, bakery products, dairy products, and wine; provision of logistics and warehousing services; management of 1,500 square meters of serviced office space in mid-town Yangon; and promotion and sale of telecommunications products and services, including voice and data packages to the small and medium enterprises. In addition, it provides infrastructure engineering services; consultancy and advertising services for the food and beverage industry; equipment rental, and vehicle repair and fleet management; and management and telecommunications consultancy services. Singapore Myanmar Investco Limited was formerly known as Singapore Windsor Holdings Limited and changed its name to Singapore Myanmar Investco Limited in July 2015. The company was founded in 1986 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=Y45)

Q1. The group has a “growing portfolio of high-growth consumer-related and infrastructure-related business enterprises in Myanmar” (page 10 of the annual report). The 5 core business pillars are travel & fashion retail, food & beverage (franchising and distribution), auto services, construction services and logistics. The group is also involved in serviced offices and telecom towers (which has been earmarked for sale).

In 3 short years since the first joint venture with ARCC Officers to provide serviced offices in July 2014, the group has moved quickly into many capital intensive business identified above.

- a) **Can the board provide shareholders with a holistic understanding of the group’s business strategies?**
- b) **What is the group’s optimal capital structure? How do the funding decisions taken by the group help to maximise the shareholders’ long term value?**
- c) **How does the group mitigate the risks of operating in an emerging economy, especially the socio-political risks?**
- d) **Is there sufficient management depth in the group to execute on the group’s strategies?**

Q2. The group reported revenue of US\$23.3 million for FY2017, the bulk of it being travel and fashion (US\$13.3 million).

As noted in the Independent Auditor’s Report (page 41), “revenue recognition for goods sold to a Myanmar retail distributor” is one of the key audit matters highlighted by the auditors. It was disclosed that:

“Revenue recognised for the sale of goods to this distributor amounted to US\$12.3 million for the financial year ended 31 March 2017, out of which US\$4.7 million has been received as at 31 March 2017”.

- a) **Can management elaborate further on the group’s revenue recognition policy? Are the significant risks and rewards of ownership of the goods transferred to the buyer? Is there a right of return by the retail distributor?**

In Note 30(b) (page 88 – Credit risk), the group has trade receivable amounts of up to US\$3.2 million past due for over 150 days and the top customer has outstanding trade receivable of US\$8.3 million.

Ageing analysis of the age of trade receivable amounts that are past due as at the end of financial year but not impaired:

	The Group	
	2017	2016
	US\$'000	US\$'000
61 to 90 days	2,055	359
91 to 150 days	2,521	53
Over 150 days	3,194	174
Total	<u>7,770</u>	<u>586</u>

Concentration of trade receivable customers as at the end of financial year:

	The Group	
	2017	2016
	US\$'000	US\$'000
Top 1 customer	8,287	718
Top 2 customers	12,553	1,299
Top 3 customers	<u>13,886</u>	<u>1,787</u>

(Source: Company annual report)

- b) What guidance has the board given to management in terms of managing the group's exposure to any individual customer?**
- c) Can shareholders get an update on the status of the retail distributor (and the "Top 1 customer", if they are not the same party)? How much of the trade receivable is still outstanding? How is management working to collect the debts so that the group has sufficient resources to fund its growing businesses?**

Q3. The group has completed the construction of almost 100 towers for Ooredoo Myanmar Limited ("OML") and "nearly 50% of these towers have a co-lease up with some of the Mobile Network Operators in the country" (page 11). Although the agreement with OML was for 500 towers, the group has decided to have decided that "this business would benefit from higher levels of capital investment to build a stronger market position and so we have been willing to listen to offers that we have received for this business".

On 1 July 2017, the company announced that the sale and purchase agreement with Shining Star International Holdings Limited for Myanmar Infrastructure Group Pte. Ltd. ("MIG") has been terminated. The Company intends to review its tower telecommunications business with a view to restructuring it to improve operational efficiencies and business performance.

- a) What is the capital expenditure required for the group to meet its obligation to provide OML with the additional 400 towers? How is the group going to fund this?**
- b) Can management update shareholders on the competitive landscape of the telecoms tower sector in Myanmar?**
- c) What is the current working relationship with the joint venture partner, Golden Infrastructure Group?**