



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Duty Free International Limited

Security: Duty Free International Limited

Meeting details:

Date: 28 June 2018

Time: 11.00 a.m.

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 in Malaysia. The company wholesales, distributes, and retails duty free and non-dutiable merchandise, including imported duty free beverages, tobacco products, chocolates and confectionary products, perfumes, cosmetics, and souvenirs. It operates 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; property investment and management activities; cultivation of oil palms; 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=5S0)

1. Revenue remained fairly stable at RM620 million in FY2018, compared to RM633 million a year ago while profit after tax decreased by more than a third from RM77.0 million to RM48.2 million.

The company has stated that it is “*anticipating growth in average footfall to our outlets especially from our border outlets*” and it will continue to “*seek for any opportunities to grow through additional retail spaces*”.

- (i) **Can management elaborate further on its confidence that increases in footfall at the group’s border outlets will drive the group’s organic growth going forward?**
- (ii) **What are the major considerations and investment criteria before management decides on setting up a new outlet/additional retail space?**
- (iii) **Does the group have an e-commerce/online-to-offline strategy to complement its retail stores?**
- (iv) The group has also stated that it will continue to “*explore expansion through acquisition opportunities with synergistic businesses within the region.*” **Can management let shareholders understand which countries/cities are being explored/evaluated?**
- (v) **Can management elaborate further on the strategic tie-up with Heinemann Asia Pacific Pte. Ltd? What are the synergies from the collaboration with Heinemann? Purchases from Heinemann have increased from RM122 million to RM244 million in FY2018. Can management clarify if this has led to better operational efficiencies, lower costs of goods and/or better margins?**

2. The group’s financial position (page 41 – Statements of Financial Position) further strengthened in the year as inventories decreased to RM135.4 million as at 28 February 2018 from RM200.0 million a year ago. Cash and bank balances increased from RM272.2 million to RM373.0 million over the same period.

Despite a fairly stable revenue in FY2018, the group reduced its working capital significantly as inventory dropped by about a third to RM135.4 million. Net cash flows from operating activities were RM123-124 million in each of FY2017 and FY2018.

- (i) **Can management explain how it had improved the operational efficiency in FY2018? What other improvements have been targeted by management going forward?**
- (ii) **What is the optimal working capital required to support the group’s business?**
- (iii) **Has the board re-evaluated the group’s capital structure, given that cash and bank balances have now increased to 50% of the group’s total assets while the gearing ratio remains low at 0.03x?**

3. In Note 28 (page 94 – Related parties disclosures), the group has listed the significant transactions with related parties. In FY2018, the group made a donation of RM1 million to Yayasan Harmoni. As shown in the footnote, the non-executive chairman of the company is the founder and executive chairman of Yayasan Harmoni.

From FY2014 to FY2017, the group has made donations of RM1 million, RM0.5 million, RM1.5 million and RM2 million respectively.

- (i) Would the board help shareholders understand the rationale of making donations to Yayasan Harmoni?**
- (ii) What is the nature of such donation and how was the organisation, Yayasan Harmoni, selected?**
- (iii) Going forward, if the group decides to continue with the practice of making donations to Yayasan Harmoni or any other organisation, would the board consider providing the justification in the annual report, and to formalise such practices by establishing a community development/ESG framework?**

A copy of the questions for the Annual Report for the financial year ended 28 February 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Duty%20Free%20International%20Ltd>

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