



Securities Investors Association (Singapore)

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Issuer: Travelite Holdings Ltd.

Security: Travelite Holdings Ltd.

Meeting details:

Date: 27 July 2018

Time: 10.00 a.m.

Venue: 53 Ubi Avenue 3, Travelite Building, Singapore 408863

Company Description

Travelite Holdings Ltd. distributes and retails menswear, ladies fashion products, and other travel-related accessories. The company operates through Departmental Stores, Wholesale Distribution, Specialty Stores, Third Party Retailers, and Gifts and Corporate Sales segments. It offers menswear and executive accessories, luggage and travel accessories, ladies fashion products, and others. The company also provides leather goods; and electronics products, such as designer stationery, powerbanks, and USB thumb drives. The company markets and sells its products through departmental stores, chain of specialty stores, third party retail outlets, gift redemption, and corporate gift programs in Singapore and Malaysia; and third party distributors in Brunei, Cambodia, Indonesia, the Philippines, the People's Republic of China, Thailand, and Vietnam. Travelite Holdings Ltd. was founded in 1986 and is based in Singapore.

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

1. Would the board/management help shareholders better understand the performance of the group's operations? Specifically:

- (i) **Departmental stores:** Despite a slight drop in revenue from \$25.7 million in 2017 to \$24.2 million in 2018, the segment profit increased from \$1.27 million to \$2.11 million over the same period. **Can management elaborate further on the reasons for the increased segment profits? Can the profit margin be sustained and further improved?**
- (ii) **Specialty stores:** Although revenue increased in the Specialty stores, the segment remains unprofitable. **What is the estimated breakeven revenue? Can management also disclosed the same-store sales to help shareholders understand the performance of the group's specialty stores? Given the behaviour and buying patterns of consumers, what are the key success factors for the group to profitably run their specialty stores? Are the current brands sufficiently strong to draw enough volume to the specialty stores?**
- (iii) **Wholesale distribution:** The group has a strategy to further expand its distribution reach into more territories and increasing our market share in the Indo-China region. **What is the appeal of the group's brands and products in the target markets, especially by the middle class in these markets? What are the new markets that are being targeted? What would be the typical gestation period as the group enters a new market?**
- (iv) **Omni-channel business model:** **Can management elaborate more on its omni-channel business model? How successful has it been? What are some of the performance metrics, such as number of online store visits, number of downloads, number of transactions, volume of transactions?**

2. The "Recoverability of trade receivables" (page 45) is a key audit matter (KAM) highlighted by the Independent Auditor in their report on the Audit of the Financial Statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group had trade receivables amounting to approximately \$12.2 million which accounted for approximately 22% of the group's total assets as at 31 March 2018. Over \$10.55 million of the trade receivables are past due but not impaired. The ageing analysis is shown in Note 35D (page 97 - Credit risk on financial assets) and reproduced below:

35D. Credit risk on financial assets (cont'd)

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2018 \$'000	2017 \$'000
Trade receivables:		
Less than 60 days	2,216	2,759
61 - 90 days	903	1,073
91 - 120 days	1,181	688
Over 120 days	6,251	6,236
Total	10,551	10,756

(Source: Company annual report)

[The company has responded to the questions asked on trade receivables for the annual report for the financial year ended 31 March 2017. These questions are updated based on the new disclosure in the 2018 annual report and the company's responses.]

- (i) **The trade receivables past due but not impaired has increased marginally to \$6.25 million. Can management provide an upper limit to the ageing analysis and provide a more meaningful breakdown for improved transparency in future annual reports?**
- (ii) **Is the \$6.251 million past due but not impaired due to the same overseas distributor who has been granted "extended credit terms"?**
- (iii) **What is the payment history of this particular customer over the past two years?**
- (iv) **Has the audit committee (AC) evaluated the risk of having such a high concentration of credit risk in its major customer? What are some of the ways to mitigate/reduce the concentration risk?**
- (v) **As the group ventures to new markets, does the AC consider the group's credit risk assessment framework and ongoing evaluation to be robust enough?**

3. As noted in the Report of Corporate Governance, the board comprises four members, two of whom are independent directors. The independent directors are Mr Foong Daw Ching and Mr Tan Chun Chieh. Both directors have served on the Board for more than nine years from the date of their respective first appointment.

The nominating committee (NC) comprises Mr Tan Chun Chieh (as chairman), Mr Foong Daw Ching and Mr Yeo Toon Wee.

- (i) **One of the principal functions of the NC is to determine on an annual basis whether a director is independent. As both the directors to be reviewed**

are the chairman and member of the NC, how effective is the NC in carrying out its principal functions?

- (ii) Can the board confirm that no director was involved in the review of his independence?**
- (iii) Can the board also confirm that the review of the independence of the long tenured directors was carried out by the executive directors?**

Notwithstanding that the board considers Mr Foong Daw Ching and Mr Tan Chun Chieh independent, Guideline 2.4 of the 2012 Code of Corporate Governance calls for the board to “also take into account the need for progressive refreshing of the Board”.

- (iv) What are the board’s near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**

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=250

The company’s response could be found here:

https://sias.org.sg/media/qareport/company_responce/1501464800_Travelite-Response_SIAS_Queries-280717.pdf