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**Issuer:** Singapore Myanmar Investco Limited

**Security:** Singapore Myanmar Investco Limited

**Meeting details:**

Date: 31 July 2018

Time: 10.00 a.m.

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

**Company Description**

Singapore Myanmar Investco Limited operates as an investment and management company in Singapore and Myanmar. The company engages in the travel and fashion retail, auto services, food and beverage, logistics and warehouse services, construction services, serviced offices, and telecommunication infrastructure services businesses. It distributes and services excavators, cranes, concrete equipment, port machinery, drilling rigs, and road machinery; 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; and provision of logistics and warehousing services; management of 1,500 square meters of serviced office space in mid-town Yangon. 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=](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=))

1. As noted in the CEO's message, FY2018 was a milestone for the group as it achieved positive EBITDA and the group firmly established itself in duty-free travel retail with the 72,000 square feet of retail space in Myanmar's new international terminal. The five core business pillars of the group are travel & fashion retail, food & beverage, auto services, construction services and logistics. Would the board/management provide better clarity on the following:

- (i) **Retail: Can management clarify on the strategy of its travel and fashion retail business? What is the targeted segment group? For the retail outlets outside of the airport, would growth be fuelled by the increasingly affluent middle-class or would the business be more reliant on tourists? What would attract tourists to make purchases of international brands in Myanmar?**
- (ii) **Food & Beverage (F&B): How affordable are these food & beverage services to the locals? Again, would tourism be the main factor driving the growth of the segment?**
- (iii) **Construction services: How significant is the comprehensive distribution agreement signed with SANY in October 2017?**
- (iv) The CEO has mentioned that the group is now responsible for "over 700 staff in Myanmar" while, in the Chairman's statement, it was disclosed that the group's staff strength has "increased from 70 employees to a size of more than 300." **Would management clarify on the current staff strength of the group?**

2. Specifically in the CEO's message, it was disclosed that the group "see[s] limited need for capital investments and [the] five core business pillars are poised to further expand and trench our business presence in Myanmar" (page 17).

Based on the consolidated statement of cash flows, net cash used in operating activities was US\$(8.2) million in 2018 and US\$(9.5) million in 2017. Similarly, the net cash used in investing activities were US\$(3.1) million and US\$(18.0) million respectively.

- (i) **Can management clarify if the investment phase is largely over and the 5 business segments are able to achieve operational leverage going forward?**
- (ii) **What are management's pro-active efforts at managing its working capital better?**
- (iii) As seen in Note 22A (page 89 – Cash and cash equivalents in the statement of cash flow; shown below), the group has cash and cash equivalents for statement of cash flows purpose at end of year amounting to US\$(3.5) million. The group has outstanding bank overdrafts of US\$(4.5) million, with floating interest rates of 4.73% to 13.00%. **Would management elaborate further on the rationale to rely on costly short-term bank overdrafts to fund its businesses?**

**22A. Cash and cash equivalents in the statement of cash flows:**

	The Group	
	2018	2017
	US\$'000	US\$'000
As stated above	1,429	3,372
Fixed bank deposits restricted in use <sup>(a)</sup>	(570)	(1,523)
Discontinued operations (Note 13)	194	198
Bank overdraft (Note 24)	(4,544)	(4,454)
Cash and cash equivalents for statement of cash flows purposes at end of year	<u>(3,491)</u>	<u>(2,407)</u>

3. The “Carrying amount of trade receivables” is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 50). 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, as at 31 March 2018, the carrying value of trade receivables amounted to US\$24.0 million, accounting for 40.5% of the Group’s total assets as at the end of the reporting year. Approximately 91% of the receivables are due from the Group’s three major distributors in Myanmar. Out of the trade receivables as at 31 March 2018, US\$17.8 million were past the 60 days due date and based on management’s assessment, it is of the view that these amounts are recoverable.

- (i) **Can management help shareholders understand the financial strength and standing of the group’s major customer (Myanmar distributor that operates retail businesses at an airport and a downtown shopping mall)?**
- (ii) **Based on the aging analysis, US\$10.7 million of trade receivables are past due by over 150 days but not impaired at the end of the reporting period (as shown below). What was the process by management to evaluate the collectability of these long outstanding debt?**

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

	The Group	
	2018	2017
	US\$'000	US\$'000
61 to 90 days	2,285	2,055
91 to 150 days	4,864	2,521
Over 150 days	10,699	3,194
Total	<u>17,848</u>	<u>7,770</u>

- (iii) **Can management provide a more meaningful analysis by providing an upper limit to the aging (with the appropriate breakdown)? Specifically, what is the amount that is past due by more than a year?**
- (iv) **What are the efforts by management to collect these long outstanding debt?** The US\$17.8 million of trade receivables past due but not impaired accounts for 60% of the group’s total equity.

- (v) **What is the board's guidance to management on the concentration of credit risk?** Currently, trade receivables amounting to US\$16.4 million is due from the group's top customer. This accounts for 55% of the group's total equity.

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/qa-on-annual-reports/?company=Singapore%20Myanmar%20Investco%20Ltd>

The company's response could be found here:

[https://sias.org.sg/media/qareport/company\\_responce/1500975077\\_SMI\\_Responses-to-Questions-from-SIAS-on-the-Annual-Report-2017.pdf](https://sias.org.sg/media/qareport/company_responce/1500975077_SMI_Responses-to-Questions-from-SIAS-on-the-Annual-Report-2017.pdf)