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Issuer: Duty Free International Limited

Stock code: 5S0

Meeting details:

Date: 29 June 2021

Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As a premium duty-free retail specialist, the group's businesses had been greatly affected by the unprecedented pandemic which has result in lockdowns, international border closures and other control measures imposed by the governments worldwide to curb the spread of the COVID-19.

For FY2021, revenue decreased by 64% to RM223.4 million mainly due to the closure of the group's retail outlets in Malaysia since 18 March 2020 following the imposition of the nationwide Movement Control Order ("MCO") and the Conditional Movement Control Order ("CMCO") by the Malaysian Government to curb the outbreak of COVID-19 pandemic.

Since the onset of the pandemic in early 2020, the company has not provided shareholders with updates on its operating environment in Malaysia. For instance, shareholders are not appraised of store closures or re-openings on a timely basis. The Singapore Exchange Regulation (Regco) has issued a Regulator's Column on what is expected of issuers during COVID-19. The Regulator's Column can be found at: <https://www.sgx.com/media-centre/20200422-regulators-column-what-sgx-expects-issuers-disclosures-during-covid-19>

- (i) **Can management provide shareholders with a detailed update on the group's operations, including store closure and operating constraints?**
- (ii) **What is the impact on the group's operations as a result of the latest "MCO 3.0"?**
- (iii) **Can management elaborate further on its cost containment exercise?**
- (iv) **How many non-performing outlets were closed?**
- (v) **Would the board/management be more proactive in providing shareholders with operational updates in a timely manner, as noted in the Regulator's Column?**

Q2. The company had, on 27 April 2021, announced the retirement of the managing director, Mr Ong Bok Siong, with effect from 30 June 2021. Mr. Ong's executive responsibilities will be taken over by Mr. Lee Sze Siang, the executive director of the company. Mr. Ong will work closely with Mr. Lee to ensure a smooth handover and transition of his executive responsibilities.

A summary of the group's financial performance can be found on pages 6 and 7 of the annual report. Even before COVID-19 (i.e. FY2020), the cumulative average growth rates (CAGR) of the group's revenue, EBITDA and after-tax profit since FY2013 were 0.45%, (11.53)% and (23.62)% respectively.

The stock price performance for the past 5 years is as follows:

Duty Free Intl (5SO / DUTY.SI)

Industry

Transportation

Airport Services

This company reports in this currency: MYR

SGD 0.080

(No Change in Price)

As at 17 Jun 2021 11:47 AM

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Prices & Chart



(Source: <https://www.sgx.com/securities/equities/5SO>)

- (i) **Will the new managing director be engaging the board to further finetune the group's business model and strategic growth plans given the prolonged pandemic? How does the group create value in a post-pandemic environment?**
- (ii) **What adjustment, if any, has management made to its inventory/stocking policy?** In FY2020 and FY2021, inventories have decreased by RM28.5 million and RM57.8 million.
- (iii) **Does management see any silver lining during this pandemic? What are the key opportunities in the next 12-18 months?**
- (iv) **Does the group have sufficient working capital to tide it over this challenging period?**

Q3. At the annual general meeting scheduled to be held on 29 June 2021, General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) and Mr Chew Soo Lin would be seeking shareholders' approval via a two-tier vote of their continued appointment as independent directors. The directors were appointed on 7 January 2011 and 26 August 2011 respectively and have served on the board beyond nine years from the date of their first appointment.

Key information on directors seeking re-election and/or continued appointment as independent director pursuant to Rule 720(6) of the Listing Manual are set out on pages 139 to 144 of the Annual Report.

Principle 4 of the Code of Corporate Governance 2018 calls for the board to take into account the need for progressive renewal of the board.

- (i) **Can the board/nominating committee help shareholders understand the deliberations they have had on the progressive renewal of the board?**
- (ii) **As the lead independent director, would General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

[The following question on donations made to Yayasan Harmoni was asked following the review of previous annual reports. As the company has not responded nor provided additional clarification, the question has been updated and reposted.]

Q4. In Note 30 (page 112 – Related parties disclosures), the group has listed the significant transactions with related parties. It is observed that the group makes routine donations to Yayasan Harmoni and it has done so this year even as the group recorded a loss for the year of RM(46.5) million.

From FY2014 to FY2020, the group has made donations of RM1 million, RM0.5 million, RM1.5 million, RM2 million, RM1 million, RM3 million, RM1 million and RM0.75 million respectively.

As shown in the footnote, the non-executive chairman of the company is the founder and executive chairman of Yayasan Harmoni.

- (i) **Would the independent directors 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) **Would the independent directors consider it appropriate to review if the regular donations made to Yayasan Harmoni could constitute a form of payment to the non-executive chairman?**
- (iv) **Did the independent directors pre-approve the transaction prior to any payments/commitments?**
- (v) **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?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)