Dufry and HWGB in new duty free Malaysian JV for Chinese

**Malaysian company Ho Wah Genting Berhad (HWGB) announced yesterday that it has entered into a shareholding agreement with Dufry to create a new joint-venture company to operate a duty and tax free shop in SkyAvenue Mall at the Genting Highlands Resort in Pahang, Malaysia.**

The main target market comprises mainland Chinese holidaymakers, other nationalities and locals and as a public company, HWGB says it hopes to 'tap into Dufry's 'strength' with its 49% of the joint venture, with Dufry accounting for the other 51%.

## NEW ONE-STOP SHOP STRATEGY

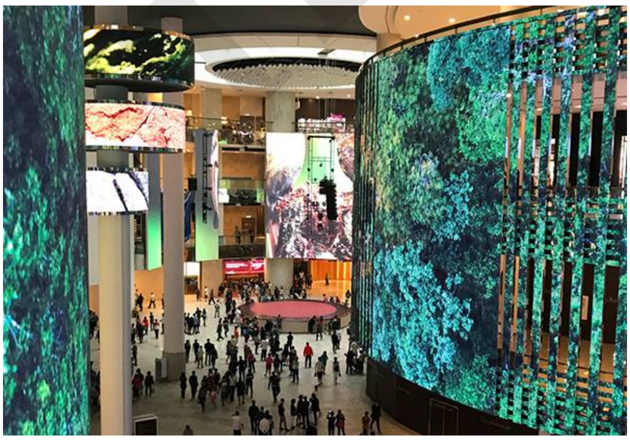
Table 1: Tourist Arrivals and Receipts to Malaysia, 2012-2016

| Year | Arrivals (million) | Receipts (RM billion) |
|---|---|---|
| 2012 | 25.0 | 60.6 |
| 2013 | 25.7 | 65.4 |
| 2014 | 27.4 | 72.0 |
| 2015 | 25.7 | 69.1 |
| 2016 | 26.8 | 82.1 |

*Source: Ministry of Tourism and Culture, Malaysia*

HWGB said: "The JV Co shall have an initial paid-up capital of $0.5m. HWGB's proportion of the total expected investment cost is approximately RM9m ($2.1m). The source of funding will be internally generated or from borrowing."

In terms of competition, HWGB said: "Other outlets located within SkyAvenue Mall may create cannibalisation of sales to the JV Co. This will be mitigated by the one-stop shop and category management approach by the JV company."



***The Sky Avenue Mall at the Genting Highlands Resort in Pahang, Malaysia. Click to enlarge.***

## MERCHANDISE MIX

The company adds that its merchandise mix focus will concentrate on 'different assortments, or non-apparel', including perfumes and cosmetics, watches, jewellery and other categories.

HWGB says the decision to form this new company is based on the robust tourist arrivals numbers into Malaysia, with la 4.3% rise to 26.8m in 2016 over the previous year.

The company adds: "Similarly, tourist receipts rose by 18.8% from RM69.1bn in 2015 to RM82.1bn in 2016.

"The country's stronger tourism data in 2016 was attributed to improved flight accessibility and travel facilitation, as well as favourable foreign exchange rates."