DUTY FREE INTERNATIONAL LIMITED
(Company Registration No. 200102393E)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR THE ANNUAL GENERAL MEETING OF THE COMPANY

The Board of Directors ("**Board**") of Duty Free International Limited ("**Company**", together with its subsidiaries, "**Group**") would like to thank shareholders for submitting their questions ahead of the Annual General Meeting ("**AGM**") of the Company to be held by way of electronic means on 29 June 2021 at 11:00 a.m.

The Company's response to the shareholders' questions are set out as follows:

Question 1:

Refer to page 2 of the Annual Report about "Our Presence". Which of these 9 outlets were operational prior to recent total lockdown?

Company's response:

Prior to the recent total lockdown, the outlets located at Langkawi, Penang (minimal export sales), Padang Besar (minimal export sales) and Johor were operational.

Question 2:

Refer to page 86 of the Annual Report about "Goodwill", particularly Emas Kerajang Sdn Bhd. Noted that Emas Kerajang Sdn Bhd has suffered an impairment loss of RM6.36 million on its goodwill in 2021. Where is the retail outlet(s) held by Emas Kerajang Sdn Bhd?

Company's response:

The retail outlet held by Emas Kerajang Sdn Bhd is located at Padang Besar, Perlis.

Question 3:

Refer to page 86 of the Annual Report about "Goodwill", particularly Seruntun Maju Sdn Bhd. Noted that Seruntun Maju Sdn Bhd has suffered an impairment loss of RM5.114 million on its goodwill in 2021. Where is the retail outlet(s) held by Seruntun Maju Sdn Bhd?

Company's response:

The retail outlet held by Seruntun Maju Sdn Bhd is located at Pengkalan Hulu, Perak.

Question 4:

Refer to page 96 of the Annual Report about "Trade and other receivables". Noted that there was "Other receivables" of RM40.434 million "due from Berjaya Waterfront Sdn Bhd" in 2021. It was also stated that "The amount due from Berjaya Waterfront Sdn Bhd is related to the uncollected portion of the sale consideration for the Group's interests over leasehold properties in the Zon Johor Bahru, which was completed in March 2013." Why Berjaya Waterfront Sdn Bhd has not paid the sale consideration for more than 8 years (i.e. since March 2013)? Does the Audit Committee still believe it is reasonable to allow a RM40.0 million payment to be delayed for more than 8 years with no impairment?

Company's response:

Berjaya Waterfront Sdn Bhd ("BWSB") has paid interest on the outstanding balance of RM40 million on a quarterly basis (initially at the rate of 6% per annum and from 16 July 2015 until to-date at the rate of 9% per annum) without any incidences of historical defaults. In addition, the outstanding amount is guaranteed by BWSB's holding company, Berjaya Assets Berhad ("BAB"), which is a public listed company on the Bursa Malaysia. BAB had reported a positive net assets position for the financial quarter ended 31 March 2021. As such, after taking into consideration that the amount outstanding is guaranteed by BAB, and BWSB's timely payments of all interests due until to-date, the Audit Committee is of the opinion that the recoverability of the amount due is probable and no impairment is required at the date of this letter.

Question 5:

Refer to page 98 of the Annual Report about "Prepayments", particularly "Prepaid development return". Noted that there was RM560,000 "Deposit received for the proposed disposal", which "relates to the proposed sale of Kelana Megah Sdn. Bhd.'s intended lease interests in the land parcel bearing lot number PTB 20379 to Berjaya Waterfront Sdn Bhd for a consideration of RM27,990,000 ("KMSB Agreement"). The conditions precedent for the sale have not been fulfilled to date." Which "conditions precedent for the sale have not been fulfilled to date"? How the Board and Management ensure that Berjaya Waterfront Sdn Bhd fulfil them in a timely manner?

Company's response:

The completion of KMSB Agreement is subject to the alienation of the said land by the State Government of Johor and the execution of novation agreement between Kelana Megah Sdn Bhd ("KMSB"), BWSB, City Council of Johor Bahru and the State Government of Johor.

The balance of the sale consideration is only due from BWSB upon completion of KMSB Agreement.

<u>Question 6:</u>

Refer to page 98 of the Annual Report about “Prepayments”, particularly “Prepaid development return”. For “the proposed sale of Kelana Megah Sdn Bhd’s intended lease interests in the land parcel bearing lot number PTB 20379 to Berjaya Waterfront Sdn Bhd”, when will this RM3 million “development return paid” be reimbursed/refunded back to the Group by Berjaya Waterfront Sdn Bhd?

<u>Company’s response:</u>

Yes, the RM3 million “development return paid” will be reimbursed by BWSB to the Group upon completion of KMSB Agreement and execution of novation agreement between KMSB, BWSB, City Council of Johor Bahru and the State Government of Johor.

<u>Question 7:</u>

Refer to page 110 of the Annual Report about “Capital expenditure”. It was stated that “Included in capital expenditure is RM10,500,000 in relation to development return payable to the State Government of Johore and City Council of Johore, as a condition precedent to be fulfilled under the agreement for proposed sale of Kelana Megah Sdn. Bhd.’s intended lease interests in the land parcel”. Shouldn’t this RM10.5 million capital expenditure be payable by Berjaya Waterfront Sdn Bhd?

<u>Company’s response:</u>

As the KMSB Agreement has not been completed, the intended lease interest on the said land parcel is still under Kelana Megah Sdn Bhd’s (“KMSB”) name. As such, the development return payable of RM10.5 million to State Government of Johor and the City Council of Johor Bahru is an obligation committed by KMSB. Should KMSB make any future payments in relation to the development return to the State Government of Johor and City Council of Johor Bahru as mentioned, BWSB has agreed to refund all development return payments made by KMSB.

<u>Question 8:</u>

Refer to page 110 of the Annual Report about “Capital commitments”. Other than the RM10.5 million development return payable, how will the “capital commitments” trend be like over the next 2-3 years? How will they be funded?

<u>Company’s response:</u>

Capital commitments for next 2-3 years are still being reviewed by the Management. Capital expenditure is usually funded by the Group’s internally generated funds if the capital expenditure is not substantial.

Question 9:

Refer to page 78 of the Annual Report about "Revenue". What was the nature of "Management income"? Was it derived from Black Forest Golf and Country Club? Why "Management income" declined from RM155,000 in 2020 to RM0 in 2021?

Company's response:

Management income was derived from Black Forest Golf and Country Club. The golf course and club had minimal activities due to movement control restrictions imposed by the Government of Malaysia and international border closures in order to curb the COVID-19 pandemic. As such, there were no management income for FY2021.

Question 10:

Refer to page 83 of the Annual Report about "Property, plant and equipment", particularly "Golf course". How many % net yield did Black Forest Golf and Country Club (with net carrying amount of RM28.240 million at FYE2020 and RM27.474 million at FYE2021) generate in 2020 and 2021 respectively? If the net yield only came from "Management income", the net yield was merely 0.55% in 2020 and 0% in 2021. If so, is it still worthwhile holding onto this asset?

Company's response:

The Group had outsourced the management of operations of Black Forest Golf and Country Club to a third party, generating a small management income for the Group in the prior financial year. Other than the golf course, the land has been planted with oil palm managed by the Group.

The golf course (approximately 250 acres) is a part of the 772 acres of land owned by the Group located at Bukit Kayu Hitam, Kedah ("Bukit Kayu Hitam Land") which borders Thailand. Bukit Kayu Hitam Land has been gazzetted as a commercial duty free zone under the Free Zone Act 1990. As the duty free zone status of the land is a valuable asset to the Group, Management is exploring with third party professionals the best options to monetise and bring out the value of the land.

Question 11:

Refer to page 83 of the Annual Report about "Property, plant and equipment", particularly "Other assets". What are the nature of "Other assets" with net carrying amount of RM10.386 million? Are they mainly made of more than 700 acres of oil palm plantation?

Company's response:

"Other Assets" of RM10.4 million consist of motor vehicles, computer equipment, office equipment, solar panels, renovations, and other sundry equipment.

Question 12:

Refer to page 85 of the Annual Report about "Biological assets". The Fresh Fruit Bunches produced by the bearer fruits has declined by 55.2% from 2,900 tonnes in 2020 to 1,300 tonnes in 2021. Consequently, "Sales to external customers" for "Investment holdings and others" segment declined by 53.4% from RM1.251 million in 2020 to RM583,000 in 2021. What went wrong in the FFB production? Is it still worthwhile holding onto this oil palm plantation?

Company's response:

The lower production of fresh fruit bunches ("FFB") in FY2021 as compared to the last financial year was due partly to lower rain fall but largely due to lack of manpower at harvesting. As a result of the movement control restrictions imposed by the Government of Malaysia and international border closures as a move to curb the COVID-19 pandemic, the group encountered shortage of manpower in harvesting the FFBs which resulted in lower sales of FFBs.

Question 13:

Refer to page 79 of the Annual Report about "Other income". "Cash and bank balances" declined by 41.7% from RM334.648 million in 2020 to RM195.015 million in 2021. However, "Interest income from bank balances" here has declined by RM5.384 million (as much as 75.2%) from RM7.162 million in 2020 to RM1.778 million in 2021. What went wrong? What the Board and Management planned to do about it?

Company's response:

Interest income declined in FY2021 as compared to the previous financial year was mainly due to lower Cash and Bank Balances after the cash distribution of S$0.035 per Share, amounting to RM128.9 million was paid out to Shareholders of the Company on 13 May 2020. Please refer to page 108 of the Annual Report.

Question 14:

Refer to page 97 of the Annual Report about "Trade and other receivables". There was "Allowance for impairment" of RM843,000 on "Trade receivables – nominal amounts" in 2021. What were the nature of these RM843,000 "Trade receivables – nominal amounts"? Who were the debtors mainly? Has the Audit Committee issued Letter of Demands to them?

Company's response:

The RM843,000 "Trade receivables – nominal amounts" consisted of several trade related debtors. Each of the trade debtors had been individually assessed to be impaired at the end of reporting period ie if the debtor was in legal dispute or financial difficulties and/or had defaulted on payments. The abovementioned trade debtors were mainly air travel related debtors and some sundry wholesalers. Letters of demand had been sent to these trade debtors, and the Management is following up on this matter closely.

Question 15:

Refer to page 97 of the Annual Report about "Trade and other receivables". There was "Allowance for impairment" of RM2.022 million on "Other receivables – nominal amounts" in 2021. What were the nature of these RM2.022 million "Other receivables – nominal amounts"? Who were the debtors mainly? Has the Audit Committee issued Letter of Demands to them?

Company's response:

The RM2.022 million "Other receivables – nominal amounts" were non-trade related debtors. The amounts due from the non-trade related debtors were written off after the amounts were assigned to a former shareholder of Brand Connect Holding Pte Ltd. Please refer to the page 92 of the Annual Report and the Company's announcement dated 13 May 2020 - Increase in shareholding in subsidiary.

By Order of the Board

Lee Sze Siang
Executive Director
28 June 2021