# ANNUAL REPORT 2018

LAPORAN TAHUNAN

DUTY FREE INTERNATIONAL LIMITED

(200102393E)

# CONTENTS


**Duty Free International Limited ("DFI" and together with its subsidiaries, the "Group"), one of the largest duty free trading group in Malaysia, has established a premium travel retail brand "The Zon" that is strategically located across Peninsular Malaysia. A duty free retail specialist with over 39 years of experience, The Zon has extensive presence at all leading entry and exit points, at international airports, seaports, international ferry terminals, border towns and popular tourist destinations.**

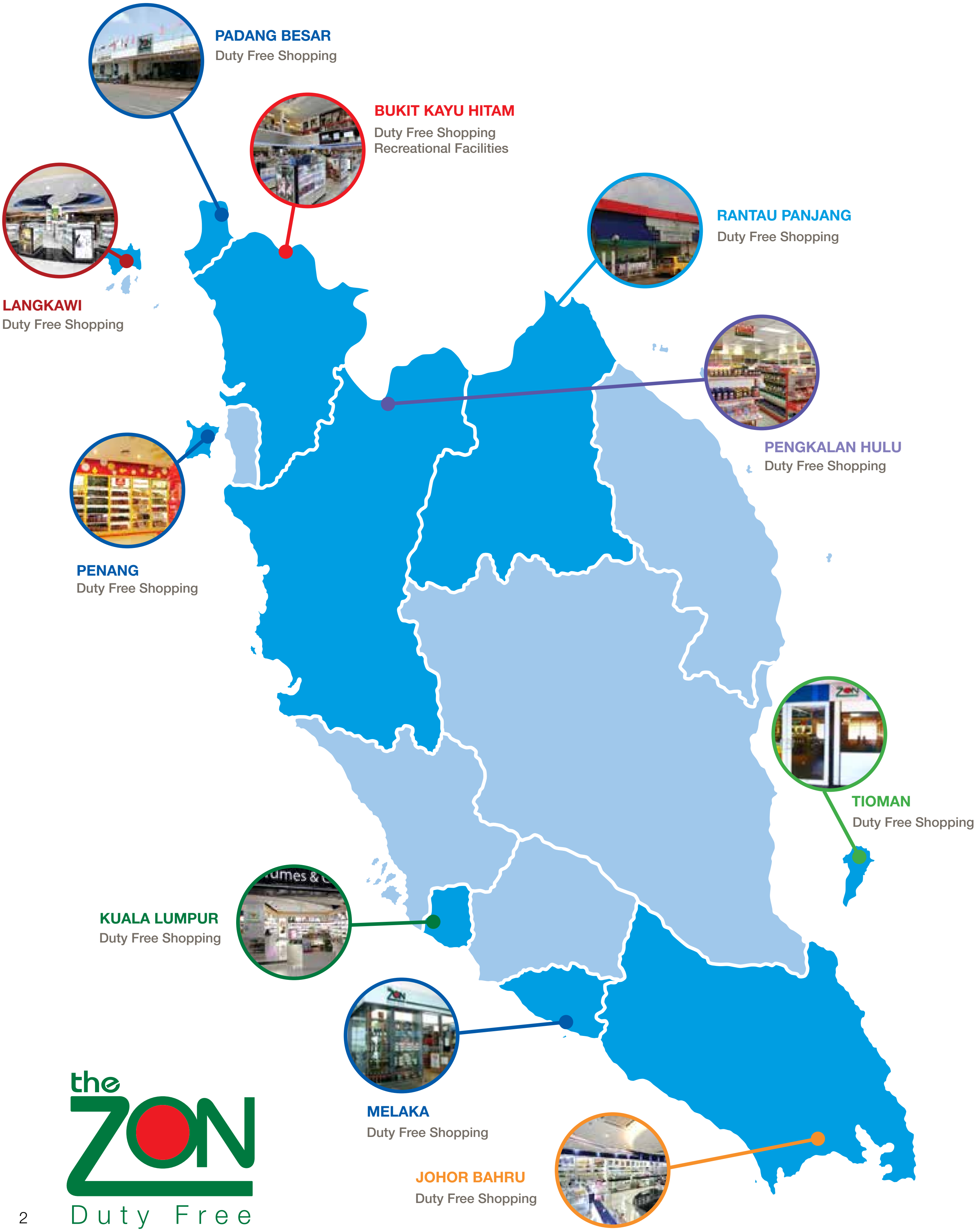
# Corporate Profile And Our Core Business

DFI has created and defined its own unique and exclusive travel retail concept that offers travellers an extensive premium selection of international brands - imported duty free beverages, tobacco products, chocolates and confectionary products, perfumery, cosmetics and souvenirs. DFI's duty free retail outlets and product mix are individually tailored to serve travellers' preference at every entry and exit point.

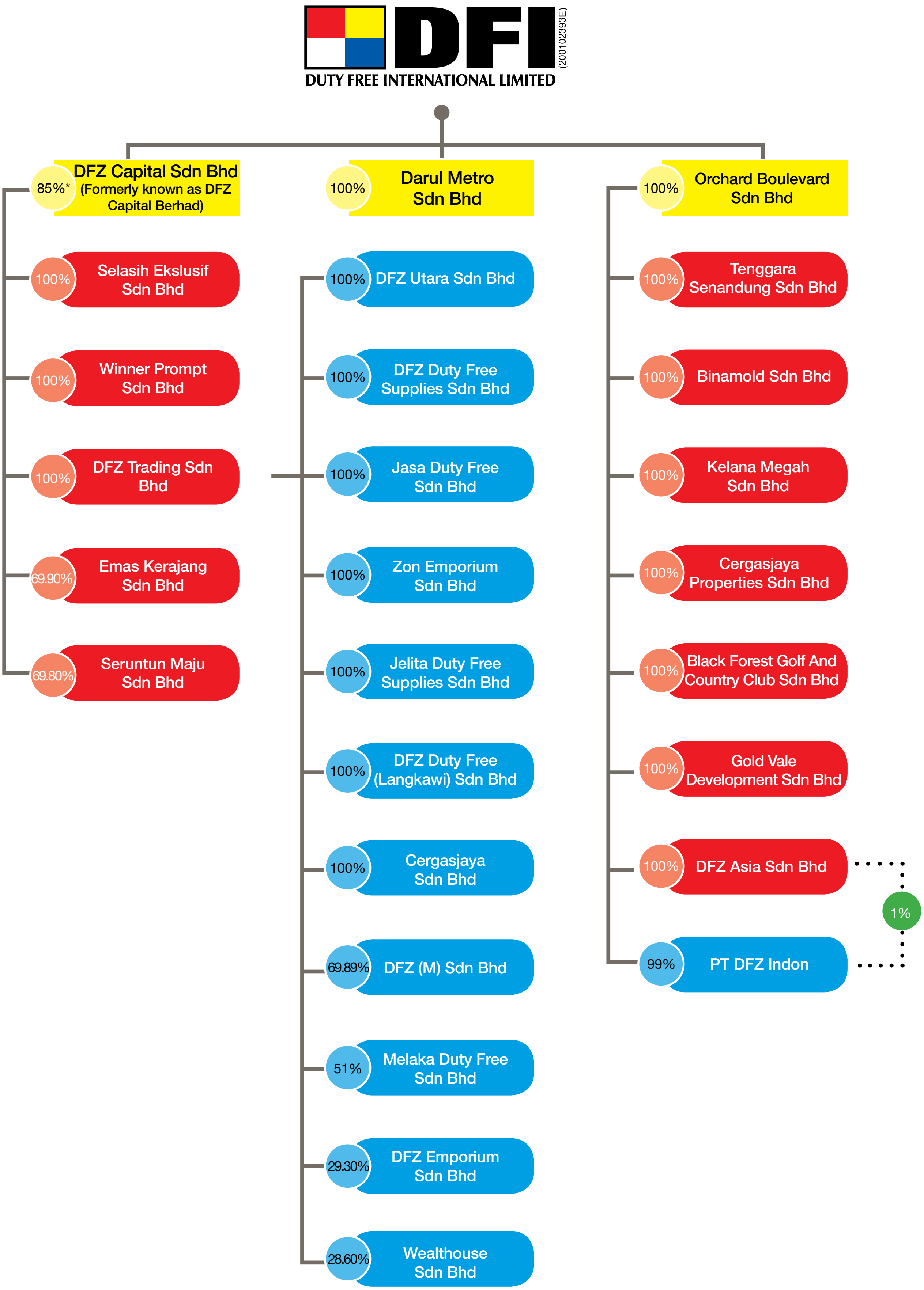
DFI's core value is to provide travellers with an exclusive duty free shopping experience beyond expectations by having the highest standards of customer service, retail execution and exquisite product offering. To ensure that DFI delivers the highest standards of customer service, the Group continuously review and develop its core propositions to meet and manage the everchanging market trends and consumer demands.

In addition to the Group's trading of duty free goods and non-dutiable merchandise, DFI owns the Black Forest Golf and Country Club and an oil palm plantation. The combined land mass of the sprawling 18-hole Golf and Country Club and oil palm plantation assets adds up to more than 700 acres, all of which are strategically located near the Malaysia-Thailand border at Bukit Kayu Hitam.

# Our Presence



# Corporate Structure

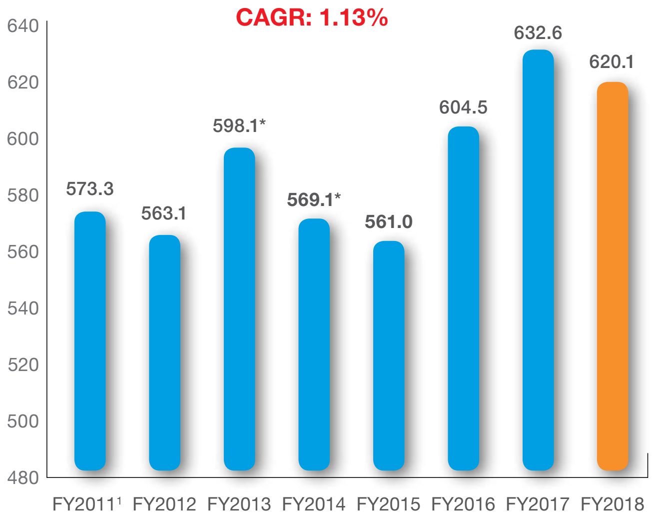



* Represents 85% equity interest in DFZ Capital Sdn Bhd ("DFZ") (Formerly known as DFZ Capital Berhad) less one DFZ share

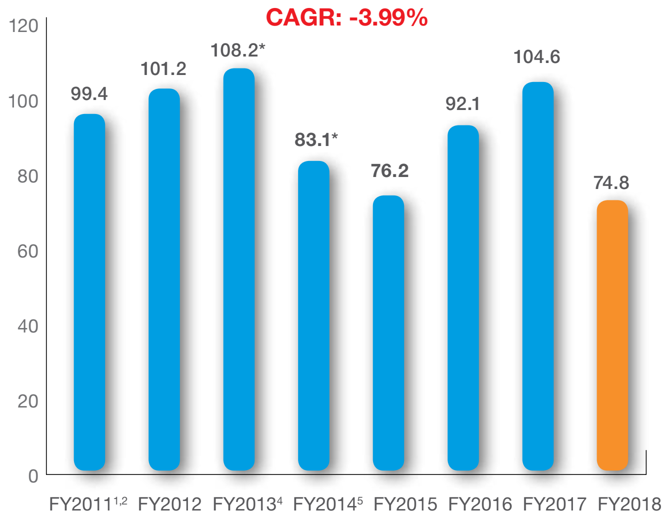
# Financial Highlights

Year ended 28/29 February

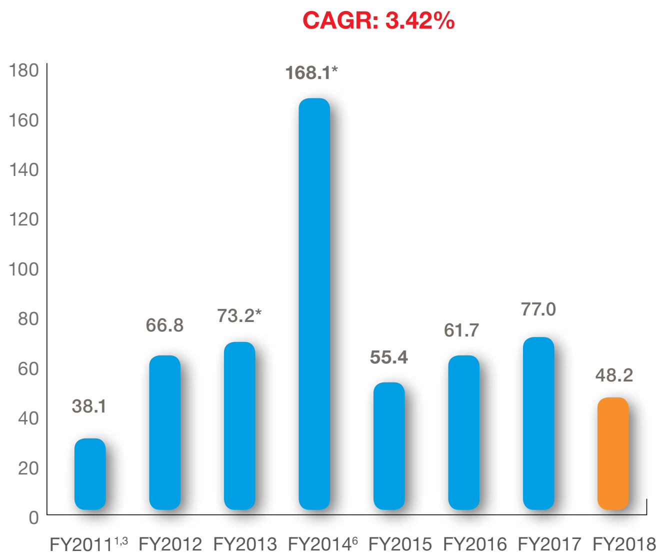
### REVENUE (RM'MILLION)



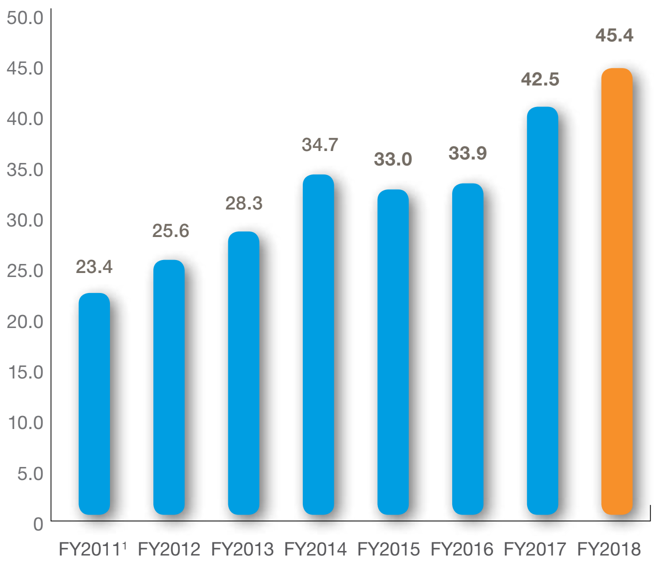

### EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (BEFORE EXCEPTIONAL ITEMS) (RM'MILLION)




### PROFIT AFTER TAX (RM'MILLION)



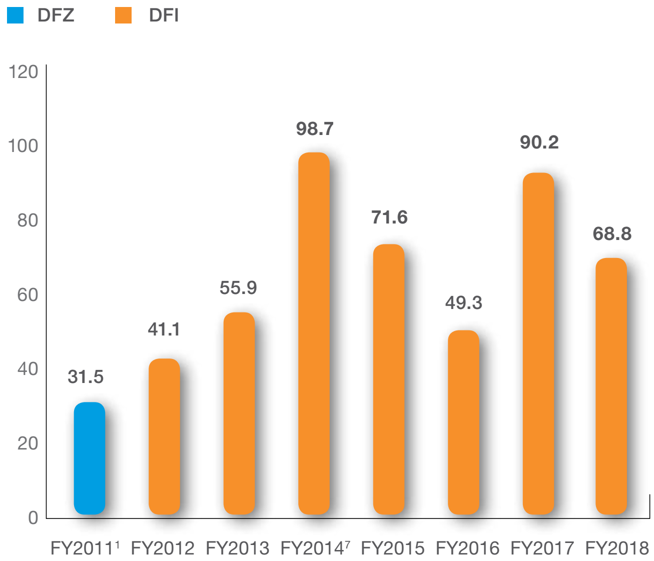

### NET TANGIBLE ASSETS PER SHARE (RM SEN)



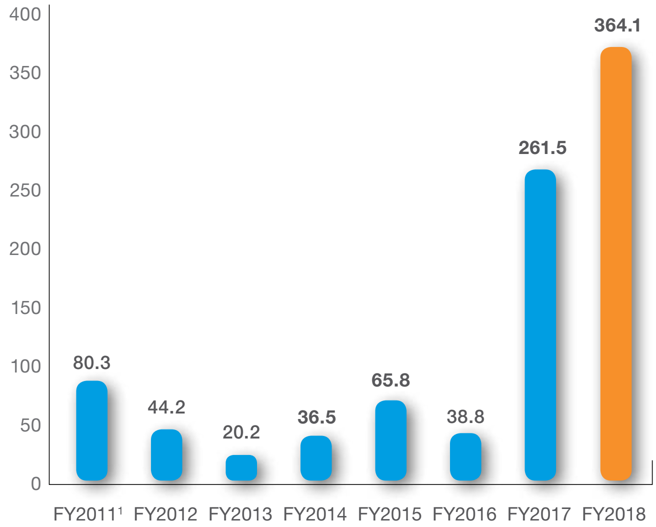
# Financial Highlights

Year ended 28/29 February

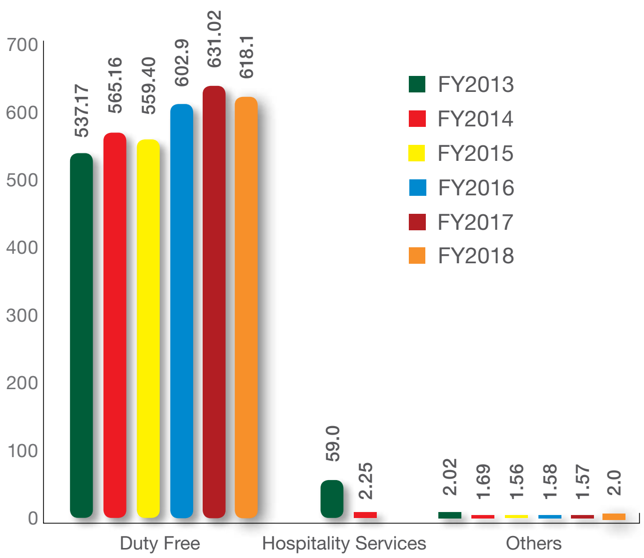
## DIVIDEND FOR DFZ & DFI (RM'MILLION)



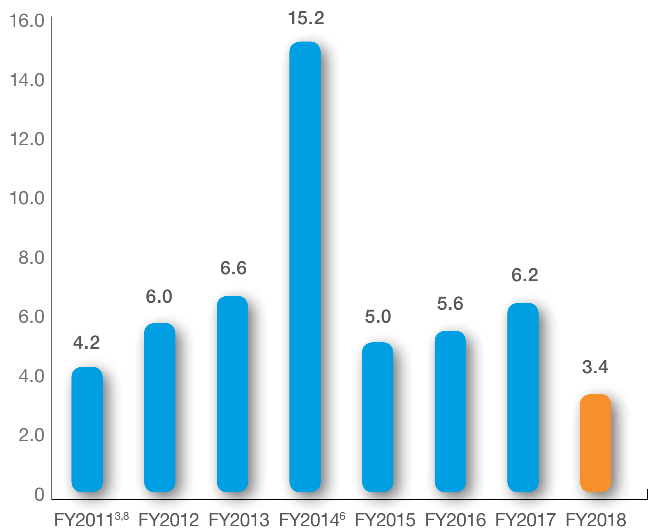

## CASH AND CASH EQUIVALENTS (RM'MILLION)




## REVENUE BY OPERATING SEGMENTS (RM'MILLION)




## BASIC EARNINGS PER SHARE (RM SEN)




Notes:

1 Basis of preparation of the financial statements: The financial results of Duty Free International Limited for the 12 months ended 28 February 2011 have been presented as a continuation of the DFZ Group's and DMSB's financial position, results and operations and as such, the historical financial information has also been presented as a continuation of the financial performance and position of DFZ Group and DMSB

2 Excludes one time costs for the reverse acquisition amounting to RM40.8 million and gains from disposal of assets of RM20.6 million.

3 Includes one time costs for the reverse acquisition amounting to RM40.8 million and gains from disposal of assets of RM20.6 million.

4 Excludes one time costs for the commission paid in relation to the proposed disposal of the Zon Johor Bahru properties amounting to RM6.4 million and gain from disposal of assets of RM7.9 million.

5 Excludes one time gain on disposal of assets in relation to the proposed disposal of the Zon Johor Bahru properties amounting to RM133.4 million.

6 Includes one time gain on disposal of assets in relation to the proposed disposal of the Zon Johor Bahru properties amounting to RM133.4 million.

7 Includes a special dividend of RM42.1 million.

8 For the purpose of calculating weighted average number of ordinary shares from 1 March 2010 to the completion date (7 January 2011), the weighted average number of shares of the Group was calculated from the weighted average number of outstanding shares of DFZ and DMSB multiplied by the respective exchange ratios set in the sale and purchase agreements for the reverse acquisition. From the completion date to 28 February 2011, the weighted average number of ordinary shares outstanding was based on the actual number of ordinary shares of the Company outstanding during the said period.


# Chairman's Message

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Duty Free International Limited ("DFI" or "Company", and together with its subsidiaries, the "Group"), I am pleased to present to you our annual report for the financial year ended 28 February 2018 ("FY2018").

FY2018 was another challenging year for the Group, as it continued to deal with currency fluctuations against the Ringgit Malaysia, inflationary cost increases and consumers' cautious purchasing sentiment. However, according to Bank Negara Malaysia, the Malaysian economy is expected to grow at a faster pace than forecast earlier in part due to improving global demand but warned of risks from monetary tightening in advanced nations and heightened trade protectionism[1]. Malaysia is expected to have its gross domestic product grow by 5.5% to 6.0% this year, benefiting in the short-term from robust trade growth and resilient domestic demand, a product of a pro-consumer Budget and higher investment[2].

The Group's FY2018 turnover was relatively stable at RM620.1 million as compared to RM632.6 million for the financial year ended 28 February 2017 ("FY2017"). Earnings before interest, tax, depreciation and amortisation ("EBITDA") was at RM74.8 million in FY2018 due to unrealised foreign exchange loss of RM19.5 million coupled with lower revenue compared to RM104.6 million in FY2017. For FY2018, profit after tax was significantly impacted by net foreign exchange loss of RM17.8 million, as compared to a net foreign exchange gain of RM9.9 million in FY2017. The last quarter of FY2018 logged the best performing period for the year, when it saw a 27.9% increase in revenue quarter-on-quarter.

## BONUS WARRANTS AND DIVIDENDS

As informed last year, to show our appreciation to our shareholders, on 16 May 2017, DFI made a bonus issue of 491,400,042 warrants on the basis of two bonus warrants for every five existing ordinary shares in the capital of the Company held by the shareholders of the Company. The number of warrants outstanding amounted to 491,400,042 as at 28 February 2018.

The Group continued to reward its shareholders for their trust and support and has declared a total dividend payout of RM68.8 million (approximately S$22.6 million) in FY2018 which represents approximately S$0.0185 per ordinary share. This translates to a dividend yield of approximately 6.85% based on the closing share price of S$0.27 as at 28 February 2018.

## HEINEMANN ASIA PACIFIC'S SECOND TRANCHE CALL OPTION

Pursuant to the sale and purchase agreement between Heinemann Asia Pacific Pte. Ltd. ("HAP") and DFI, dated 17 March 2016, HAP exercised the Second Tranche Call Option on 30 November 2017 in which 5% of the issued and paid-up share capital of DFZ Capital Sdn Bhd ("DFZ") was sold to HAP for a total amount of EUR9.85 million. Following the exercise of the Second Tranche Call Option as mentioned above, HAP's total equity interest in DFZ as at to-date is now 15% plus one share.

## OUTLOOK AND STRATEGY

Over the years, DFI Group has grown to be a major player in Malaysia's travel retail industry. This was a result of the geographical and multi-channel diversification of our duty free and duty paid retailing outlets at all entry and exit points of Malaysia.

Our reputation as a duty free and non-dutiable retailer fortified when our strategic business and equity partner, HAP exercised the Second Tranche Call Option to take up more equity stake in the DFZ. This shows their commitment and confidence in the Group.

Apart from improving our key targeted areas behind the scenes, on the frontline, we will continue to focus on creating a better experience for customers visiting our outlets. This initiative will set the benchmark across all our outlets and will be executed through constant improvement in our outlets' aesthetic appearance, marketing, promotions and world class customer service.

Moving forward, the Group is expected to grow both organically and inorganically. In Malaysia, we are anticipating growth in average footfall to our outlets especially from our border outlets. Furthermore, despite the saturation in Malaysia's duty free industry, we will continue to seek for any opportunities to grow through additional retail spaces. With the Group's strong financial standing and brand name, the Group will continue to explore expansion through acquisition opportunities with synergistic businesses within the region.

However, for the short term, with the rising inflationary cost and consumers' cautious purchasing sentiment, the Group expects the business environment in which the Group operates, to remain challenging. The Group will reinforce measures to mitigate the business risks surrounding the operating environment by focusing on strengthening customer bases and distribution channels whilst improving operational efficiency and cost management in order to remain competitive.

## IN APPRECIATION

On behalf of the Board of Directors, I wish to convey my heartfelt appreciation to our bankers, suppliers, business associates, customers and the various government agencies who have provided much needed support to the Group. I would also like to thank the Board of Directors and all our staff, who have dedicated themselves to the Group. It is through their commitment, perseverance and hard work that have been the cornerstone of the Group's many successes.

To our shareholders, we appreciate your unwavering support and confidence in DFI. We are committed to ensure that we will have enduring sustainable growth and will seek potential opportunities to create value and long term returns to all our stakeholders.

Thank you.

**Adam Sani Abdullah**
**Non-Executive Chairman**

1 http://www.businesstimes.com.sg/government-economy/malaysias-economy-to-get-boost-from-exports-consumption-in-2018

2 http://www.bnm.gov.my/files/publication/ar/en/2017/ar2017_book.pdf


# Penyata Pengerusi

## Para Pemegang Saham,

Bagi pihak Lembaga Pengarah Duty Free International Limited ("DFI" atau "Syarikat", dan bersama dengan anak-anak syarikatnya, "Kumpulan"), saya dengan sukacitanya membentangkan Laporan Tahunan untuk tahun kewangan berakhir 28 Februari 2018 ("tahun kewangan 2018").

Tahun kewangan 2018 merupakan satu lagi tahun yang mencabar bagi Kumpulan, disebabkan ia terus berhadapan dengan turun naik nilai mata wang asing berbanding Ringgit Malaysia, kos inflasi yang lebih tinggi dan sentimen pembelian berhati-hati pengguna. Walaubagaimanapun, menurut Bank Negara Malaysia, ekonomi Malaysia dijangka akan terus berkembang pada kadar yang lebih baik daripada ramalan sebelum ini kerana pertambahan permintaan global, tetapi wujudnya risiko dari pengetatan kewangan di negara maju dan peningkatan perlindungan perdagangan yang semakin tinggi[1]. Malaysia dijangka akan meningkatkan keluaran dalam negara kasar sebanyak 5.5% hingga 6.0% pada tahun ini, meraih manfaat jangka masa pendek daripada pertumbuhan perdagangan yang teguh, permintaan domestik yang kukuh, hasil dari Belanjawan yang pro-pengguna dan pelaburan yang lebih tinggi[2].

Perolehan bagi Kumpulan untuk tahun kewangan 2018 agak stabil dengan jumlah sebanyak RM620.1 juta berbanding RM632.6 juta bagi tahun kewangan berakhir 28 Februari 2017 ("tahun kewangan 2017"). Pendapatan sebelum faedah, cukai dan susut nilai ("EBITDA") ialah RM74.8 juta untuk tahun kewangan 2018 disebabkan oleh kerugian pertukaran mata wang asing yang tidak direalisasi sebanyak RM19.5 juta dan jumlah pendapatan yang lebih rendah berbanding dengan RM104.6 juta untuk tahun kewangan 2017. Bagi tahun kewangan 2018, keuntungan selepas cukai telah terjejas disebabkan oleh kerugian pertukaran mata wang asing bersih sebanyak RM17.8 juta berbanding dengan keuntungan pertukaran wang mata asing bersih sebanyak RM9.9 juta dalam tahun kewangan 2017. Suku keempat tahun kewangan 2018 juga mencatatkan tempoh perlaksanaan prestasi terbaik untuk tahun ini, di mana ia menunjukkan peningkatan pendapatan sebanyak 27.9% berbanding suku ketiga.

## WARAN BONUS DAN DIVIDEN

Seperti dimaklumkan pada tahun sebelumnya, sebagai penghargaan kepada para pemegang saham kami, pada 16 Mei 2017, DFI telah menerbitkan 491,400,042 waran bonus atas dasar dua waran bonus bagi setiap lima saham biasa sedia ada di modal Syarikat yang dipegang oleh pemegang saham Syarikat. Jumlah waran yang belum dilaksanakan berjumlah 491,400,042 pada 28 Februari 2018.

Kumpulan terus memberi ganjaran kepada para pemegang saham di atas keyakinan dan sokongan para pemegang saham, dan telah mengisytiharkan pembayaran dividen sebanyak RM68.8 juta (kira-kira S$22.6 juta) pada tahun kewangan 2018, yang mewakili S$0.0185 sesaham biasa. Ini diterjemahkan kepada hasil dividen sebanyak 6.85% berdasarkan harga saham penutupan S$0.27 pada 28 Februari 2018.

## HEINEMANN ASIA PACIFIC'S "CALL OPTION" PERINGKAT KEDUA

Selaras dengan perjanjian jual beli bertarikh 17 Mac 2016 antara Heinemann Asia Pacific Pte. Bhd. ("HAP") dan DFI, HAP telah melaksanakan "Call Option" Peringkat Kedua pada 30 November 2017 di mana 5% daripada modal saham terbitan dan berbayar DFZ Capital Sdn Bhd ("DFZ") telah dijual kepada HAP sebanyak EUR9.85 juta. Berikutan pelaksanaan "Call Option" Peringkat Kedua seperti yang dinyatakan di atas, kepentingan ekuiti HAP di dalam DFZ setakat ini adalah 15% tambah satu saham.

## TINJAUAN DAN STRATEGI

Selama bertahun-tahun, kumpulan DFI telah berkembang menjadi pemain utama dalam industri pelancongan runcit Malaysia. Ini adalah hasil dari kepelbagaian geografi dan kepelbagaian saluran kedai bebas cukai kami dan kedai cukai berbayar di semua pintu masuk dan keluar Malaysia.

Reputasi kami sebagai peruncit bebas cukai dan peruncit barangan tanpa cukai diperkuatkan apabila rakan perniagaan strategik dan ekuiti kami, HAP melaksanakan "Call Option" Peringkat Kedua untuk mengambil lebih banyak pegangan ekuiti dalam DFZ. Ini menunjukkan komitmen dan keyakinan mereka terhadap Kumpulan.

Selain daripada penambahbaikan kawasan sasaran utama kami di belakang tabir, di barisan hadapan kami akan terus memberi tumpuan untuk mewujudkan pengalaman yang lebih baik kepada pelanggan yang melawati kedai kami. Inisiatif ini akan menetapkan penanda aras di semua cawangan kami dan akan dilaksanakan melalui penambahbaikan yang berterusan dalam penampilan estetik, pemasaran, promosi dan khidmat pelanggan kelas dunia.

Pada masa hadapan, Kumpulan dijangka berkembang secara organik dan tidak organik. Di Malaysia, kami menjangkakan pertambahan trafik ke cawangan kami terutamanya dari kedai-kedai kami di sempadan. Selain itu, walaupun industri bebas cukai telah matang di Malaysia, kami akan terus mencari peluang untuk berkembang melalui ruang runcit tambahan. Dengan kedudukan kewangan dan jenama yang kukuh, Kumpulan akan terus meneroka peluang pengembangan melalui pengambilalihan sinergi perniagaan dalam rantau ini.

Walau bagaimanapun, untuk jangka masa pendek, dengan kos inflasi yang lebih tinggi dan sentimen pembelian berhati-hati pengguna, Kumpulan menjangkakan persekitaran perniagaan di mana Kumpulan beroperasi, akan terus mencabar. Kumpulan akan menguatkan langkah-langkah untuk mengurangkan risiko perniagaan di persekitaran operasi dengan memberikan tumpuan kepada pengukuhan asas pelanggan dan saluran pengedaran di samping meningkatkan kecekapan operasi dan pengurusan kos agar tetap kompetitif.

## PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk menyampaikan penghargaan yang ikhlas kepada pihak bank, para pembekal, rakan kongsi perniagaan, para pelanggan dan pelbagai agensi kerajaan yang telah memberikan sokongan yang tak terhingga kepada Kumpulan. Saya juga ingin mengucapkan terima kasih kepada Lembaga Pengarah dan semua kakitangan kami yang telah mendedikasikan diri mereka kepada Kumpulan. Melalui komitmen, ketekunan dan kerja keras mereka yang menjadi landasan kejayaan Kumpulan.

Kepada para pemegang saham kami, kami menghargai sokongan dan keyakinan anda yang mantap dalam DFI. Kami berjanji akan memastikan bahawa kami akan meneruskan pertumbuhan yang mampan, dan akan mencari peluang yang berpotensi untuk mencipta nilai dan pulangan jangka panjang kepada semua pihak berkepentingan kami.

Terima kasih.

**Adam Sani Abdullah**
**Pengerusi Bukan Eksekutif**

1 http://www.businesstimes.com.sg/government-economy/malaysias-economy-to-get-boost-from-exports-consumption-in-2018

2 http://www.bnm.gov.my/files/publication/ar/en/2017/ar2017_book.pdf

# Board of Directors

## Dato' Sri Adam Sani Abdullah

*(Non-Executive Chairman)*

Dato' Sri Adam Sani Abdullah, a Malaysian citizen, is the Non-Executive Chairman of the Board. He is a self-made entrepreneur for more than 38 years. In 2000, he acquired a controlling stake in Atlan Holdings Bhd ("Atlan"), and was subsequently appointed as chairman and non-executive director of Atlan in June 2000. Atlan is listed on Bursa Malaysia and its subsidiaries are involved in a wide array of businesses in duty-free trading and retailing, property development, investment and hospitality as well as manufacturing of automotive component parts.

## Mr Ong Bok Siong

*(Managing Director)*

Mr Ong Bok Siong, a Malaysian citizen, joined the Board as Managing Director on 27 June 2013. He is tasked with executing strategic business directions set by the Board, and overseeing the operations and business development of the Group. He is presently a non-independent non-executive director of Atlan. He was appointed as executive director of Atlan on 26 August 2010, re-designated as group managing director of Atlan on 30 April 2013 and subsequently re-designated as a non-independent non-executive director of Atlan on 26 June 2013.

He holds a Bachelor of Law degree from the University of London, United Kingdom, Bachelor of Science degree in Building Economics and Quantity Surveying (first class honours) from the Heriot-Watt University, Scotland, United Kingdom and a Diploma in Building Technology from Tunku Abdul Rahman College. He also holds professional membership with various professional bodies such as a fellow member of the Chartered Institute of Building, United Kingdom, a member of the Malaysian Institute of Arbitrators, a member of the Chartered Institute of Arbitrators, United Kingdom, a member of the Malaysian Institute of Management, a member of the Royal Institution of Surveyors, Malaysia, a member of the Institute of Value Management, Malaysia and currently the President of Chartered Institute of Building, Malaysia. He is also a registered Quantity Surveyor with the Board of Quantity Surveyors Malaysia, an Accredited Construction Industry Mediator with Construction Industry Development Board (CIDB), Malaysia and a Certified Construction Project Manager by CIDB, Malaysia.

He started his career in the construction and property industry in 1983 and had been involved in mega construction and property development projects. He was the chief executive officer and executive director of Meda Inc. Berhad and group chief executive officer of Andaman Consolidated Sdn Bhd Group before joining Atlan group.

## Mr Lee Sze Siang

*Executive Director*
*(Finance and Corporate Services)*

Mr Lee Sze Siang, a Malaysian citizen, is the Executive Director (Finance and Corporate Services) of the Company and is responsible for the Group's financial management and corporate services function. He is presently the finance director and an executive director of Atlan. He was appointed as the executive director of Atlan on 16 June 2000, re-designated as a non-executive director on 27 December 2004 and subsequently re-designated as an executive director of Atlan on 8 October 2008. He holds a professional qualification from the Australian Society of Certified Practising Accountants.

He is also a member of the Malaysian Institute of Accountants. Previously, he was with KPMG, a public accounting firm. He obtained a Bachelor of Economics degree from Monash University in 1994.

## General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)

*(Lead Independent Director)*

General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired), a Malaysian citizen, joined the Board as an Independent Director and was appointed as the Lead Independent Director on 7 January 2011 and 28 May 2014 respectively. He holds a Master of Science in Natural Resources and Strategy from the Dwight D Eishenhower School for National Security and Resource Strategy National Defense, University Washington DC. He is currently the chairman of Cyber Security MALAYSIA, an agency under the Ministry of Science, Technology and Innovation and advisor to the Organisation of ISLAMIC Cooperation Computer Emergency Response Team. He also sits on several private companies in the building, road, railway and food industries. He is also a member of the Royal Council State of Perak.

## Dato' Megat Hisham bin Megat Mahmud

*(Independent Director)*

Dato' Megat Hisham bin Megat Mahmud, a Malaysian citizen, joined the Board as an Independent Non-Executive Director on 9 July 2013. Dato' Megat holds a Bachelor Degree in Economics (Hons) from University of Malaya and has more than 30 years of experience in the financial and banking sector.

He started his career in Treasury Department of a large local bank in 1980 before moving on to PROTON as the deputy manager of international finance. In 1989 he joined the Amanah Capital Group and spent a decade in Amanah Merchant Bank Berhad, finally holding the position of Deputy General Manager of the Treasury Department. He was transferred within the Group and appointed as the Executive Director of Malaysia Discounts Berhad (Discount House) and subsequently to Amanah Short Deposits Berhad (Discount House). To fulfil the Group's aspiration of establishing a foothold in investment banking, he was tasked to lead the formation and thereafter helmed MIDF Amanah Investment Bank Berhad as it's first Chief Executive Officer in 2005. He served the investment bank for 6 years until his early retirement in 2011. He currently serves as Independent Non-Executive Director of Alkhair International Islamic Bank Berhad (formerly known as Unicorn International Islamic Bank Malaysia Berhad) and is also the Bank's Audit Committee Chairman.

## Mr Chew Soo Lin

*(Independent Director)*

Mr Chew Soo Lin, a Singapore citizen, joined the Board as an Independent Director on 26 August 2011. He qualified as an UK Chartered Accountant in 1971 and worked for international audit firms in England and Singapore till 1978. Then he joined the Khong Guan group of companies and gained experience managing various food manufacturing and distribution companies located all over Asia. Mr Chew is currently the executive chairman of Khong Guan Flour Milling Limited and is also an independent director and audit committee member of Asia-Pacific Strategic Investments Limited and MTQ Corporation Limited.

# Key Management Team

## Mr Ong Bok Siong

*Managing Director*

Mr Ong Bok Siong, a Malaysian citizen, is the Managing Director of the Group. He joined the Group in year 2013 and is tasked with executing strategic business directions set by the Board, and overseeing the day–to-day business operations and business development of the property and investment holding segments of the Group. Please refer to the profile of Mr Ong set out in the section entitled "Board of Directors" of this Annual Report for more information.

## Mr Lee Sze Siang

*Executive Director*
*(Finance and Corporate Services)*

Mr Lee Sze Siang, a Malaysian citizen, is an Executive Director of the Group. He joined the Group as Executive Director (Finance and Corporate Services) in year 2010 and is responsible for the Group's financial management and corporate services function. Please refer to the profile of Mr Lee set out in the section entitled "Board of Directors" of this Annual Report for more information.

## Mr Andreas Curt Winnen

*Chief Executive Officer of DFZ Capital Sdn Bhd (formerly known as DFZ Capital Berhad) ("DFZ")*

Mr. Andreas Curt Winnen, a German Citizen, is the Chief Executive Officer of DFZ, a subsidiary of Duty Free International Limited. He joined the DFZ Group in year 2016 and is responsible to plan and strategize the overall direction for the DFZ Group with the board of directors of DFZ Group, set Group policies, and also oversees the operations and business development of the duty free business of DFZ Group.

## Mr Hendrik Korbinian Heyde

*Operations Director of DFZ Capital Sdn Bhd (formerly known as DFZ Capital Berhad) ("DFZ")*

Mr. Hendrik Korbinian Heyde, a German Citizen, is the Operations Director of DFZ , a subsidiary of Duty Free International Limited. He joined the DFZ Group in year 2016 and is responsible for the duty free operations of DFZ and its subsidiaries in Malaysia.

## Ms Cheah Im Bee

*Financial Controller*

Ms Cheah Im Bee, a Malaysian Citizen, is the Financial Controller of the Group. She joined the Group as Financial Controller in year 2006 and is responsible for overseeing the functions of the finance department.

## Mr Stuart Saw Teik Siew

*Assistant General Manager – Group Merchandising*

Mr Stuart Saw Teik Siew, a Malaysian citizen, is the Assistant General Manager – Group Merchandising of the Group. He joined the Group in year 2004 and is responsible for the Group's procurement of duty free merchandise.


# Corporate Information

## Board of Directors

Dato' Sri Adam Sani bin Abdullah
(Non-Executive Chairman)

Mr Ong Bok Siong
(Managing Director)

Mr Lee Sze Siang
(Executive Director)

General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)
(Lead Independent Director)

Dato' Megat Hisham bin Megat Mahmud
(Independent Director)

Mr Chew Soo Lin
(Independent Director)

## Audit Committee

Dato' Megat Hisham bin Megat Mahmud (Chairman)
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)
Mr Chew Soo Lin

## Nominating Committee

General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) (Chairman)
Dato' Sri Adam Sani bin Abdullah
Mr Chew Soo Lin

## Remuneration Committee

General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) (Chairman)
Dato' Sri Adam Sani bin Abdullah
Dato' Megat Hisham bin Megat Mahmud

## Company Secretary

Ms Shirley Tan Sey Liy (ACS)

## Registered Office

Six Battery Road
#10-01
Singapore 049909

Tel No : (65) 6381 6966
Fax No : (65) 6381 6967

## Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

## Partner-in-charge

Mr Tan Soon Seng
(Date of appointment: since financial year ended 28 February 2017)

## Principal Bankers

Affin Bank Berhad
Alliance Bank Malaysia Berhad
Bank of China (Malaysia) Berhad
Citibank Berhad
CIMB Bank Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad

# Financial Contents

# Corporate Governance Report

Duty Free International Limited ("**Company**") and its subsidiaries (collectively, "**Group**") is committed and dedicated to maintaining a high standard of corporate governance within the Company and the Group in order to protect and enhance the interests of its shareholders.

This report sets out the Group's main corporate governance practices that were in place throughout the financial year ended 28 February 2018 ("**FY2018**") with specific reference to each of the principles of the Singapore Code of Corporate Governance 2012 ("**Code**"). The Board of Directors ("**Board**" or "**Directors**") of the Company confirms that, for FY2018, the corporate governance practices in place by the Group are in line with the recommendations of the Code. Where there are deviations from the Code, appropriate explanations are provided.

## (A) BOARD MATTERS

### The Board's Conduct of Affairs

***Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.***

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises the management of the Company ("**Management**"). To fulfill this role, the Board sets the Group's strategic direction, establishes goals for the Management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

In addition to its statutory duties, the Board's principal functions are:

1. approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;

2. approving the annual budget, reviewing the performance of the business and approving the release of the financial results of the Group to shareholders;

3. providing guidance in the overall management of the business and affairs of the Group;

4. overseeing the processes for risk management, financial reporting, compliance and evaluate the adequacy of internal controls; and

5. reviewing the performance of the Management, as well as approving the recommended framework of remuneration for the Board and key management personnel by the Management.

All Directors objectively discharge their duties and responsibilities at all times and take decisions in the interests of the Company.

To assist in the execution of its responsibilities, the Board has established a number of Board committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also constantly monitored.

The Board currently holds at least 5 scheduled meetings each year. In addition, it holds additional meetings at such other times as may be necessary to address specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's Constitution ("**Constitution**") has provision for Board meetings to be held via telephone or videoconference.

# Corporate Governance Report (cont'd)

During FY2018, the number of meetings held and the attendance of each member at the Board and Board Committees meetings are as follows:

| | **Board** | | **Audit Committee** | | **Nominating Committee** | | **Remuneration Committee** | |
|---|---|---|---|---|---|---|---|---|
| **Name of Director** | **No. of Meetings held** | **No. of Meetings attended** | **No. of Meetings held** | **No. of Meetings attended** | **No. of Meetings held** | **No. of Meetings attended** | **No. of Meetings held held** | **No. of Meetings attended** |
| Dato' Sri Adam Sani bin Abdullah | 5 | 5 | 5 | – | 1 | 1 | 1 | 1 |
| Mr. Ong Bok Siong | 5 | 5 | 5 | *5 | 1 | – | 1 | – |
| Mr. Lee Sze Siang | 5 | 5 | 5 | *5 | 1 | – | 1 | – |
| General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) | 5 | 5 | 5 | 5 | 1 | 1 | 1 | 1 |
| Mr. Chew Soo Lin | 5 | 5 | 5 | 5 | 1 | 1 | 1 | – |
| Dato' Megat Hisham bin Megat Mahmud | 5 | 5 | 5 | 5 | 1 | *1 | 1 | 1 |

* By invitation

The Board's approval is required for matters such as investments, acquisitions and disposals, annual budgets, quarterly and full-year financial result announcements for release to the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), approval of the annual reports and audited financial statements, declaration of dividends, convening of general meetings and approval of interested person transactions.

The Directors are updated regularly with changes to the Listing Manual of the SGX-ST ("**Listing Manual**"), changes to the Group's policies on risk management, corporate governance, insider trading and key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary would inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Such conferences and seminars as well as other training courses will be arranged and funded by the Company for all Directors. Annually, the external auditors will update the AC and the Board on the new and revised financial reporting standards.

Newly appointed Directors will receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarizes the Directors on the business activities of the Company during Board meetings. Directors will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

A formal letter of appointment would be furnished to every newly-appointed director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

# Corporate Governance Report (cont'd)

**Board Composition and Guidance**

***Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

Presently, the Board comprises one Non-Executive Chairman, one Managing Director, one Executive Director and three Independent Directors, details as follows:

| Name of Director | Date of First Appointment | Date of Last Re-election | Board | AC | NC | RC |
|---|---|---|---|---|---|---|
| Dato' Sri Adam Sani bin Abdullah | 7 January 2011 | 25 June 2015 | Non-Executive Chairman | – | Member | Member |
| Mr. Ong Bok Siong | 27 June 2013 | 29 June 2016 | Managing Director | – | – | – |
| Mr. Lee Sze Siang | 13 August 2010 | 29 June 2017 | Executive Director | – | – | – |
| General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) | 7 January 2011 | 29 June 2016 | Lead Independent Director | Member | Chairman | Chairman |
| Mr. Chew Soo Lin | 26 August 2011 | 25 June 2015 | Independent Director | Member | Member | – |
| Dato' Megat Hisham bin Megat Mahmud | 9 July 2013 | 29 June 2017 | Independent Director | Chairman | – | Member |

There is presently a strong and independent element on the Board. As the Non-Executive Chairman, Dato' Sri Adam Sani bin Abdullah, is not an Independent Director, the Company has appointed three Independent Directors to the Board and hence, is in compliance with the Code's guideline that at least half of the Board should be made up of Independent Directors.

The NC adopts the definition in the Code as to what constitutes an Independent Director. Accordingly, the NC considers an "independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. The NC has completed its annual review on the independence of each Independent Director and is of the view that these Directors are independent.

There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

Non-Executive Directors and Independent Directors exercise no management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully disclosed and rigorously examined and take into account the long-term interests, not only of the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business. The Non-Executive Directors and Independent Directors are also involved in reviewing the performance of Management against agreed goals and objectives. The NC considers the Non-Executive Directors and Independent Directors to be of sufficient calibre and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

# Corporate Governance Report (cont'd)

On an annual basis, the NC will review the appropriateness of the current Board size and composition, taking into consideration the changes in the nature and scope of operations as well as the regulatory environment of the Group. The Board and the NC have considered and are satisfied that the current size and composition of the Board is appropriate and provides it with adequate ability to meet the existing scope of needs and the nature of operations of the Group, which facilitates effective decision-making.

The Board is made up of Directors who are qualified and experienced in various fields including business administration and finance. Accordingly, the current Board comprises persons who as a group, have the necessary core competencies such as accounting, finance, industry knowledge, business and management experience to lead and manage the Company.

The Company co-ordinates informal meeting sessions for Independent Directors to meet without the presence of the Management to discuss matters such as Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors and key management personnel. Regular meetings are also held by the Management to brief the Independent Directors on the Group's financial performance, corporate governance initiatives, prospective deals and potential developments.

The profiles of each of the Directors are set out on page 10 of this Annual Report.

**Chairman and Chief Executive Officer ("CEO")**

***Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

Mr. Ong Bok Siong is the Executive Director and Managing Director ("**MD**") of the Company and he has also assumed the roles and responsibilities of the CEO, including the execution of strategic business directions as well as oversee of the day-to-day business operations and business development of the property and investment holding segments of the Group.

The Group's Chairman, Dato' Sri Adam Sani bin Abdullah, is a Non-Executive Director and was appointed as Chairman of the Board on 7 January 2011. He is consulted on the Group's strategic direction and formulation of policies. The Chairman also ensures the smooth running of the Board. His responsibilities include:

(i) setting the meeting agenda and ensuring that all Board meetings are convened and held as and when required;

(ii) ensuring that the Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

(iii) ensuring that proper procedures are set to comply with the Code; and

(iv) acting in the best interest of the Group and the shareholders.

The Company Secretary may be called to assist the Non-Executive Chairman in any of the above.

The roles of the Chairman and MD are separate and distinct, each having their own areas of responsibilities. The Company believes that a distinctive separation of responsibilities between the Chairman and the MD will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. As such, the decision-making process of the Group would not be unnecessarily hindered.

The Board had appointed General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) as the Lead Independent Director to co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and the Non-Executive Chairman. He will also be available to shareholders who have concerns in the event that normal interactions with the Non-Executive Chairman, MD or Financial Controller have failed to resolve their concerns or where such channel of communication is considered inappropriate.

# Corporate Governance Report (cont'd)

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary and the Lead Independent Director will provide feedback to the Non-Executive Chairman after such meetings.

**Board Membership**

***Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.***

The NC comprises the following members:

1. General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)
   (Chairman) (Lead Independent Director)

2. Dato' Sri Adam Sani bin Abdullah
   (Member) (Non-Executive Chairman)

3. Mr. Chew Soo Lin
   (Member) (Independent Director)

All three members of the NC are Non-Executive Directors, and the majority of whom, including the Chairman of the NC, are independent.

The NC is responsible for:

(a) re-nominating Directors (including Independent Directors) taking into consideration each Director's contribution and performance;

(b) determining annually whether or not a Director is independent;

(c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;

(d) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board;

(e) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company;

(f) recommending to the Board the review of Board succession plans for the Company's Directors, in particular, for the Non-Executive Chairman and the Managing Director; and

(g) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between the Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Company.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities.

The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next Annual General Meeting of the Company ("**AGM**").

# Corporate Governance Report (cont'd)

Pursuant to the Regulations of the Company:

(a) one third of the Directors shall retire from office at every AGM; and

(b) a new Director who is appointed by the Board during the financial year is subject to and must submit themselves for re-election by the shareholders at the next AGM following his appointment.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

The NC has recommended to the Board that Dato' Sri Adam Sani bin Abdullah and Mr. Chew Soo Lin be nominated for re-election at the forthcoming AGM. The Board has accepted the recommendation and the retiring Directors will be offering themselves for re-election.

The NC, in considering the re-appointment of any Director, considers factors including but not limited to attendance record at meetings of the Board and Board Committees, participation at meetings, and the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and the experience each Director possesses which is crucial to the Group's business.

For the financial year under review, the NC is of the view that the Independent Directors are independent as defined in the Code and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

There is no alternate Director being appointed to the Board for FY2018.

The names and the key information as well as shareholdings of the Directors in office as at the date of this report are set out in pages 10 and 32 of this Annual Report.

**Board Performance**

***Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each director to the effectiveness of the Board.***

While the Code recommends that the NC be responsible for assessing the Board as a whole and its Board Committees and also assessing the individual evaluation of each Directors' contribution, the NC is of the view that it is more appropriate and effective to assess the Board as a whole and its Board Committees, bearing in mind that each member of the Board and the Board Committee contributes in different ways to the success of the Company and Board and Board Committee decisions are made collectively.

The Board and Board Committees have implemented a process for assessing the effectiveness of the Board as a whole and each Board Committee respectively. Each Director was required to complete the Board Evaluation Forms adopted by the NC and the Board Committees' Evaluation Forms adopted by the AC, NC and RC, which would be collated by the Chairman for review or discussion. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board and its Board Committees, the access to information, processes and accountability, performance in relation to discharging its principle responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole and the performance of the Board Committees. Following the review, the Board is of the view that the Board and Board Committees operate effectively and each Director is contributing to the effectiveness of the Board and the Board Committee due to the active participation of each member during each meeting. No external facilitator was used during the evaluation process in FY2018.

The Board and the NC have endeavored to ensure that the Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

# Corporate Governance Report (cont'd)

Although the Directors are not evaluated individually, the performance of the Directors is evaluated using agreed criteria, aligned as far as possible with appropriate corporate objectives. The criteria include short-term and long-term measures and cover financial and non-financial performance indicators such as the strength of his experience and stature, and his contribution to the proper guidance of the Group and its businesses.

**Access to Information**

***Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

The Board is provided with complete and adequate information on a timely manner, prior to Board meetings and kept informed of on-going developments within the Group. Board papers are generally made available to Directors on a timely manner, before the meetings and would include financial management reports, reports on performance of the Group, papers pertaining to matters requiring the Board's decision, updates on key outstanding issues, strategic plans and developments in the Group. This is to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees meetings.

The Directors have separate and independent access to the Management and the Company Secretary at all times to address any enquiries. Should the Directors, whether as a group or individually, require independent professional advice, such professionals (who will be selected with the concurrence of the Non-Executive Chairman or the Chairman of the Board Committees requiring such advice) will be appointed at the Company's expense. The appointment and removal of the Company Secretary is subject to the approval of the Board.

The Company Secretary or her representative administers, attend and prepare minutes of all Board and Board Committees meetings and assist the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively and the relevant requirements of the Companies Act, Chapter 50 ("**Companies Act**") and Listing Manual are complied with.

**(B) REMUNERATION MATTERS**

**Procedures for Developing Remuneration Policies**

***Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

The RC comprises the following members:

1. General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)
   (Chairman) (Lead Independent Director)

2. Dato' Sri Adam Sani bin Abdullah
   (Member) (Non-Executive Chairman)

3. Dato' Megat Hisham bin Megat Mahmud
   (Member) (Independent Director)

All three members of the RC are Non-Executive Directors, and the majority of whom, including the Chairman of the RC, are independent.

# Corporate Governance Report (cont'd)

The RC is responsible for:

(a) reviewing and submitting to the Board for endorsement, a framework of remuneration and the specific remuneration packages and terms of employment (where applicable) for each Director (including CEO) and key management personnel;

(b) reviewing and approving annually the total remuneration of the Directors and key management personnel; and

(c) reviewing and submitting its recommendations for endorsement by the Board, any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

No Director will be involved in determining his own remuneration. The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. During the financial year under review, the RC did not engage the service of an external remuneration consultant.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

**Level and Mix of Remuneration**

***Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages.

The remuneration for the Executive Directors and certain key management personnel comprises a fixed and variable component. The variable component is performance related and is linked to the Group's performance as well as the performance of each individual Executive Director and key management personnel.

The Company does not have any employee share option scheme or any long-term incentive scheme in place.

The Independent Directors and Non-Executive Directors receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. The Independent Directors shall not be over-compensated to the extent that their independence may be compromised. There were no share-based compensation schemes in place for the Independent Directors and Non-Executive Directors.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

# Corporate Governance Report (cont'd)

**Disclosure on Remuneration**

***Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

A breakdown of the level and mix of remuneration paid/payable to each Director in remuneration bands of S$250,000 for FY2018 are as follows:

| Remuneration Band and Name of Director | Salary and Bonus | Directors' Fees | Others Benefits | Total |
|---|---|---|---|---|
| | % | % | % | % |
| | | | | |
| **Above S$250,000 and Below S$500,000** | | | | |
| Mr. Ong Bok Siong | 99 | – | 1 | 100 |
| | | | | |
| **Below S$250,000** | | | | |
| Dato' Sri Adam Sani bin Abdullah | – | 100 | – | 100 |
| Mr. Lee Sze Siang | 100 | – | – | 100 |
| General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) | – | 100 | – | 100 |
| Mr. Chew Soo Lin | – | 100 | – | 100 |
| Dato' Megat Hisham bin Megat Mahmud | – | 100 | – | 100 |

The total Directors' fees for FY2018, which will be put to shareholders for approval at the forthcoming AGM, amounted to S$145,000 (FY2017: S$145,000).

For FY2018, the Group had identified four key management personnel (who are not Directors or the CEO of the Company). The details of remuneration paid to the key management personnel of the Group (who are not Directors or the CEO of the Company) for FY2018 are set out below:

| Remuneration Band and Name of Key Management Personnel | Salary and Bonus | Other Benefits | Total |
|---|---|---|---|
| | % | % | % |
| **Below S$250,000** | | | |
| Mr. Andreas Curt Winnen | 86 | 14 | 100 |
| Ms. Cheah Im Bee | 100 | – | 100 |
| Mr. Hendrik Korbinian Heyde | 91 | 9 | 100 |
| Mr. Stuart Saw Teik Siew | 100 | – | 100 |

For FY2018, the aggregate total remuneration paid to the key management personnel of the Group (who are not Directors or the CEO of the Company) amounted to approximately S$983,000.

There were no employees who are immediate family members of the CEO or a Director whose remuneration exceeds S$50,000 in the Group's employment during FY2018.

There were no terminations, retirement or post-employment benefits granted to the Directors, CEO and key management personnel.

# Corporate Governance Report (cont'd)

The Board, has on review, is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors and key management personnel in the Annual Report in view of the confidentiality of remuneration matters and as the Board believes that such disclosure may be prejudicial to the Group's business interests given the competitive environment it is operating in as well as the disadvantages this might bring.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

***Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

Accountability to shareholders is demonstrated through the presentation of the Group's quarterly and full year financial statements, results announcements and all announcements on the Group's business and operations.

The Management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances.

The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the Listing Manual. For example, in line with the Listing Manual, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance as well as Management's achievements of the goals and objectives determined and set by the Board.

### Risk Management and Internal Controls

***Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The Board as a whole is responsible for the governance of risk. The Board will:

(i) ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets;

(ii) determine the nature and extent of the significant risks, and the level of risk tolerance, which the Board is willing to take in achieving its strategic objectives;

(iii) provide oversight in the design, implementation and monitoring of the risk management framework, and system of internal controls (including financial, operational, compliance and information technology controls), including ensuring that Management puts in place action plans to mitigate the risks identified where possible;

(iv) review the adequacy and effectiveness of the risk management and internal controls systems annually; and

(v) set and instill the appropriate risk-aware culture throughout the Company for effective risk governance.

The Company's internal auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls, and a risk assessment at least annually to ensure the adequacy thereof. The findings of the review conducted by the internal auditors together with the review undertaken by the external auditors as part of their statutory audit are presented in their findings to the AC. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditors and external auditors in this respect.

# Corporate Governance Report (cont'd)

The AC is responsible for reviewing the audit reports from the internal auditors and external auditors and assists the Board in overseeing the Management in the formulation, updating and maintenance of an adequate and effective risk management framework and internal controls. The Board, with the assistance of the AC, is responsible for the governance of risk by ensuring the adequacy and effectiveness of the system of risk management and internal controls.

In this regard, the AC is assisted by the Risk Management Team ("**RMT**"), as part of the Group's efforts to strengthen its risk management processes and policy framework.

The RMT is tasked to:

(i) provide executive oversight and coordination of risk management efforts across the Group;

(ii) conduct review of its risk management framework and processes to ensure their adequacy and effectiveness on regular basis;

(iii) maintain a risk register which identifies the material risks facing the Group and the internal controls in place to manage or mitigate those risks; and

(iv) review and update risk register regularly by the business and corporate heads in the Group.

The Board notes that the system of risk management and internal controls established by the Management provides reasonable, but not absolute assurance that the Group will not be significantly affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision-making, human error, losses, fraud or other irregularities.

The MD, Finance Director and Financial Controller have assured the Board that:

(i) the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view in all material respects, of the Company's operations and finances; and

(ii) the Group's risk management and internal control systems are adequate and operating effectively in all material respects given its current business environment.

Based on the risk management processes and policy framework, internal controls system established and maintained by the Group, reviews performed by the Management, and work performed by the external auditors and internal auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group as at 28 February 2018.

**Audit Committee**

***Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.***

The AC comprises the following members:

1. Dato' Megat Hisham bin Megat Mahmud
   (Chairman) (Independent Director)

2. General Tan Sri Dato' Seri Mohd Azumi Bin Mohamed (Retired)
   (Member) (Lead Independent Director)

3. Mr. Chew Soo Lin
   (Member) (Independent Director)

# Corporate Governance Report (cont'd)

All three members of the AC are Independent Directors. The AC members have had many years of experience in accounting, business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

The AC assists the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

(i) to review with the external auditors:

  (a) the audit plan, including the nature and scope of the audit before the audit commences;

  (b) their evaluation of the system of internal accounting controls;

  (c) their audit report; and

  (d) their management letters and the Management's response;

(ii) to discuss with the external auditors any problems or concerns arising from their quarterly reviews, interim and final audits, and any other matters which the external auditors may wish to discuss;

(iii) to ensure co-ordination where more than one audit firm is involved;

(iv) assess the adequacy and effectiveness of the internal controls (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks;

(v) to monitor the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors annually and give recommendations to the Board and the Company in general meeting regarding the appointment, re-appointment or removal of the external auditors;

(vi) to review and ensure that assurance has been received from the MD, Finance Director and Financial Controller in relation to the financial statements of the Group;

(vii) to review the internal audit programme and ensure co-ordination between the internal auditors and external auditors and the Management;

(viii) to review the quarterly, half-yearly and full year financial statements of the Company and of the Group, including announcements relating thereto, to shareholders and the SGX-ST, and thereafter to submit them to the Board for approval;

(ix) to review interested person transactions (as defined in Chapter 9 of the Listing Manual) and report its findings to the Board;

(x) to undertake such other reviews and projects as may be requested by the Board or as the Committees may consider appropriate; and

(xi) to undertake such other functions and duties as may be required by law or by the Listing Manual, as amended from time to time.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

The AC has full access to and the co-operation of Management and the full discretion to invite any Director or Executive Officer to attend its meetings, and has reasonable resources to enable it to discharge its functions properly. The external auditors have unrestricted access to the AC.

# Corporate Governance Report (cont'd)

The AC recommends to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors and approving the remuneration of the external auditors. In July 2010, SGX-ST and ACRA had launched the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" ("**Guidance**") which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality and guidance, where relevant, as set out in the Guidance. Accordingly, the AC has recommended to the Board the nomination of Ernst & Young LLP for reappointment as external auditors of the Company at the forthcoming AGM. The Company confirms that Rule 712 and Rule 715 of the Listing Manual in relation to the appointment of audit firms for the Group have been complied with.

The AC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors.

In the review of the financial statements for FY2018, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the AC is satisfied that those matters as follow had been properly dealt with. The Board had approved the financial statements.

| **Key Audit Matters** | |
|---|---|
| Key Audit Matters | Approach and measurements |
| Valuation of call options | The AC considered the approach and methodology applied to the valuation of call options. The fair value of call options are determined by using the Binomial tree model. The accounting for derivative transactions was also an area of focus for the external auditor. The external auditor has included this as a key audit matter in its audit report for Financial Year 2018. Please refer to Page 36 of this Annual Report. |
| Impairment assessment of goodwill | The AC considered the approach and methodology applied in goodwill impairment assessment. It was determined using cash flow projections based on financial forecasts such as long-term growth rate and discounted rate. The impairment review was also an area of focus for the external auditor. The external auditor has included this as a key audit matter in its audit report for Financial Year 2018. Please refer to Page 36 of this Annual Report. |

For FY2018, the AC has met with the external auditors and internal auditors without the presence of the Management and conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. In FY2018, the aggregate amount of fees paid or payable to the Company's external auditors, Ernst & Young LLP, was S$89,000, comprising approximately S$84,000 of audit fees and S$5,000 of non-audit fees; whereas the aggregate amount of fees paid or payable to other auditors of the Group was S$224,000, comprising approximately S$206,000 of audit fees, and S$18,000 of non-audit fees.

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

(i) independent investigations are carried out in an appropriate and timely manner;

(ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

# Corporate Governance Report (cont'd)

(iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

No whistle blowing letter was received in FY2018.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. The external auditors will work with the Management to ensure that the Group complies with the new accounting standards, if applicable. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

**Internal Audit**

***Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

The Company has an Internal Audit Department which reports directly to the Chairman of the AC. The Internal Audit Department has unfettered access to all the Company's documents, records, properties and personnel including access to the AC.

The AC will review the adequacy and effectiveness of the internal audit function annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

The AC is satisfied that the internal audit function is staffed with suitably qualified and experienced professionals with the relevant experience. The Internal Audit Department carried out its function according to its Group Internal Audit Charter which was drawn up in accordance to the Standards for the Professional Practice of Internal Auditing set out by The Institute of Internal Auditors.

The annual audit plan is established in consultation with, but independent of the Management and tabled to the AC for approval prior to the beginning of the each financial year. The AC has reviewed and approved the audit plan. Significant findings, recommendations and status of remediation are circulated to the AC, the Board and relevant Management.

**(D) SHAREHOLDER RIGHTS AND RESPONSIBILITES**

**SHAREHOLDER RIGHTS**

***Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the Listing Manual and the Companies Act, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through announcements released via SGXNet and notices contained in the Annual Reports or circulars sent to all shareholders.

All shareholders are entitled to attend the Company's general meetings and are provided the opportunity to participate in the general meetings. Shareholders are also briefed by the Company on the rules, including voting procedures that govern general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licences in providing nominee and custodial services and Central Provident Fund ("**CPF**") Board which purchases shares on behalf of the CPF investors.

# Corporate Governance Report (cont'd)

## COMMUNICATION WITH SHAREHOLDERS

***Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders via the SGXNet and press where appropriate, in compliance with the requirements set out in the Listing Manual, with particular reference to the Corporate Disclosure Policy set out therein. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

Communication to shareholders by the Company is made through:

(i) annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Companies Act and Singapore Financial Reporting Standards;

(ii) quarterly announcements containing a summary of the financial information and affairs of the Group for that period;

(iii) notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGMs**"). The notices of AGMs and EGMs are also advertised in a national newspaper; and

(iv) the Company's website at http://www.dfi.com.sg at which shareholders can access financial information, corporate announcements, press releases, annual reports and the profile of the Group.

The Board welcomes the views of shareholders on matters affecting the Group, whether at the general meetings of shareholders or on an ad-hoc basis. At the general meetings, shareholders will be given the opportunity to express their views and ask Directors or the Management questions regarding the Group.

The Company does not practise selective disclosure. Price sensitive information is first publicly released through the SGXNet before the Company meets with any investors or analysts. All shareholders will receive the annual report with notice of AGM by post and published in the newspapers within the mandatory period, and AGMs are held within four months after the close of the financial year.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Although final dividends were not declared for FY2018, the Company had on 12 July 2017, 11 October 2017 and 10 January 2018, declared a first, second and third one-tier tax exempt interim dividends of S$0.0035, S$0.005 and S$0.01 per ordinary share which were paid to shareholders on 16 August 2017, 2 November 2017 and 6 March 2018 respectively.

## CONDUCT OF SHAREHOLDER MEETINGS

***Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

Shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), providing at least 14 days' notice in writing (exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given). The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the shareholders' identities through the web are not compromised.

# Corporate Governance Report (cont'd)

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of the proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will make available minutes of general meetings to shareholders upon their requests.

The Chairman of the Board and the respective Chairman of the AC, NC and RC are normally present and available to address questions from shareholders at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries by shareholders.

The Company adheres to the requirements of the Listing Manual and the Code whereby all resolutions at the Company's general meetings held on or after 1 August 2015 are put to vote by poll. For cost effectiveness, the voting of the resolutions at the general meetings is conducted by manual polling. The detailed results of each resolution are announced via SGXNet after the general meetings on the same day.

## (E) DEALINGS IN COMPANY'S SECURITIES

The Company has adopted and implemented policies in line with the SGX-ST's best practices in relation to dealing in the securities of the Company. The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results. Officers of the Company are also discouraged from dealing in the Company's securities on short-term considerations and in circumstances where they are in possession of unpublished price-sensitive information of the Group. They are also advised to be mindful of the laws on insider-trading at all times.

In addition, the Company will not undertake any purchase or acquisition of its own shares pursuant to its share buyback mandate at any time after a price sensitive development has occurred or has been the subject of a decision, until the price sensitive information has been publicly announced.

## (F) INTERESTED PERSON TRANSACTIONS

The Company has established procedures for recording and reporting interested person transactions in a timely manner to the AC and such transactions are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of the interested person transactions entered into by the Group during the financial year was as follows:

| Name of interested person | Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RM'000) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 92 (excluding transactions less than $100,000) (RM'000) |
|---|---|---|
| Atlan Holdings Bhd | 2,000 | – |

The Company does not have any existing general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual.

# Corporate Governance Report (cont'd)

## (G) MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors and the Company, there was no material contract entered into by the Company and any of its subsidiaries involving the interests of any Director or controlling shareholders, either still subsisting at the end of FY2018, or if not then subsisting, entered into since the end of the previous financial year ended 28 February 2017.

## (H) USE OF PROCEEDS FROM PLACEMENT EXERCISES

The Company had, on 7 March 2016, 24 March 2016, 11 August 2016, 26 August 2016, and 23 March 2017 completed five placement exercises of (i) 39 million new ordinary shares, (ii) 5.5 million treasury shares, (iii) 20 million new ordinary shares, (iv) 30 million new ordinary shares and (v) 34.15 million new ordinary shares in the capital of the Company respectively (total 128.65 million new ordinary shares), raising a total net proceeds of S$43.6 million. As at the date of this report, the Company has not utilised any of the net proceeds of S$43.6 million from the abovementioned placement exercises. The Company will make periodic announcements as and when the net proceeds from the abovementioned placement exercises is materially disbursed.

# Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Duty Free International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 28 February 2018.

**Opinion of the directors**

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 28 February 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

The directors of the Company in office at the date of this statement are:

| | |
|---|---|
| Dato' Sri Adam Sani bin Abdullah | Non-Executive Chairman |
| Ong Bok Siong | Managing Director |
| Lee Sze Siang | Executive Director |
| General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) | Lead Independent Director |
| Dato' Megat Hisham bin Megat Mahmud | Independent Director |
| Chew Soo Lin | Independent Director |

**Arrangements to enable directors to acquire shares or debentures**

Except as described aforesaid and below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

# Directors' Statement (cont'd)

**Directors' interests in shares, warrants or debentures**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares, warrants or debentures of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name of director** | **As at 01.03.2017** | **As at 28.02.2018** | **As at 01.03.2017** | **As at 28.02.2018** |
| *Ordinary shares of the Company* | | | | |
| Dato' Sri Adam Sani bin Abdullah | – | – | 905,028,113 | 905,028,113 |
| Chew Soo Lin | 2,669,399 | 2,669,399 | 133,000 | 133,000 |
| *Ordinary shares of RM1.00 each in the immediate holding company (Atlan Holdings Bhd)* | | | | |
| Dato' Sri Adam Sani bin Abdullah | 64,061 | 64,061 | 130,255,153 | 130,255,153 |
| Chew Soo Lin[(1)] | 3,842,966[(1)] | 3,842,966[(1)] | – | – |
| *Ordinary shares of RM1.00 each in the ultimate holding company (Distinct Continent Sdn Bhd)* | | | | |
| Dato' Sri Adam Sani bin Abdullah[(2)] | 1 | 1 | 999 | 999 |

(1) Mr Chew Soo Lin is the sole beneficial owner of the ordinary shares in Atlan Holdings Bhd held in nominee accounts.

(2) Distinct Continent Sdn Bhd is a private limited company incorporated in Malaysia whose director is Dato' Sri Adam Sani bin Abdullah. As such, Dato' Sri Adam Sani bin Abdullah is deemed to be interested in the shares held by the Company in all its subsidiary companies by virtue of Section 7 of the Singapore Companies Act, Chapter 50.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 March 2018.

Except as disclosed in this report, no director who held office at the end of the financial year had an interest in shares, warrants or debentures of the Company or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

**Options**

There is presently no option scheme on unissued shares of the Company or any related corporation in the Group.

# Directors' Statement (cont'd)

**Audit Committee**

The Audit Committee (the "AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

(a) Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

(b) Reviewed the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board of Directors (the "Board");

(c) Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational, information technology and compliance controls and risk management via reviews carried out by the internal auditors;

(d) Met with the external auditors, internal auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(f) Reviewed the cost effectiveness and the independence and objectivity of the external auditors;

(g) Reviewed the nature and extent of non-audit services provided by the external auditors;

(h) Recommended to the Board the external auditors to be nominated, approved the compensation of the external auditors and reviewed the scope and results of the audit;

(i) Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

(j) Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened five meetings during the financial year with full attendance from all members.  The AC has also met with internal auditors and external auditors, without the presence of the Company's management, at least once during the financial year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

# Directors' Statement (cont'd)

**Auditor**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board:

Ong Bok Siong
Director

Lee Sze Siang
Director

Singapore
15 May 2018

# Independent Auditors' Report

For the financial year ended 28 February 2018
To the Members of Duty Free International Limited

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Duty Free International Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the statements of financial position of the Group and the Company as at 28 February 2018, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 28 February 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

**Basis of Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# Independent Auditors' Report (cont'd)

For the financial year ended 28 February 2018
To the Members of Duty Free International Limited

**Key Audit Matters (cont'd)**

Valuation of call options

As disclosed in Note 23, on 1 June 2016, the Company issued two tranches of call options to Heinemann Asia Pacific Pte Ltd (HAP). The call options gave HAP the right to acquire up to a maximum additional interest of 15% in the Company's subsidiary, DFZ Capital Sdn Bhd (DFZ). These options were derivatives and accounted for at fair value through profit or loss. HAP exercised one tranche of the call options and acquired additional 5% interest in DFZ on 30 November 2017. Management estimated the fair value of the option for HAP to acquire the remaining 10% interest in DFZ to be RM1.0 million as at 28 February 2018, which represented 0.7% of the Group's total liabilities.

We considered the valuation of these options to be a key audit matter because the valuation involves a high degree of management judgement and estimation uncertainty due to unobservable inputs.

We assessed the valuation method used by the Group and evaluated the key assumptions used in the valuation, in particular the value of DFZ's share. We involved our internal specialist team to assist us in assessing the valuation method and the key assumptions used. We evaluated the key assumption on the value of DFZ's share with reference to DFZ's recent performance, latest actual transaction price with HAP and industry outlook. We also reviewed management's analysis of the sensitivity of the valuation to changes in the respective key assumptions. Finally, we reviewed the adequacy of the disclosures made on the valuation of these options in Notes 23 and 29.

Impairment assessment of goodwill

As at 28 February 2018, the Group recorded goodwill of RM28.8 million, which represents 17% of the non-current assets and 5% of net assets. We considered the audit of management's annual impairment assessment of goodwill to be a key audit matter because the assessment process involved significant management judgment, and is based on assumptions that are affected by future market and economic conditions.

As disclosed in Note 14, goodwill is allocated to three cash-generating units (CGUs). The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections approved by management. We assessed the valuation method used by the Group and evaluated the key assumptions used in the impairment analysis, in particular the revenue growth rates, budgeted gross margin, discount rates and long-term growth rates. We checked that the cash flow projections were based on approved management budgets. We reviewed the robustness of management's budgeting process by comparing previous forecasts to actual results. We evaluated the reasonableness of the revenue growth rate and budgeted gross margin by comparing them to historical data as well as local economic development and industry outlook. For the assumption on renewal of the Group's duty free licence agreement, we inquired with senior management on their historical renewal experience and their assessment of the Group's ability to renew the agreement. We involved our internal valuation specialists to assess the reasonableness of the discount rates and long-term growth rates used by the Group. We also reviewed management's analysis of the sensitivity of the value in use calculations to changes in the respective key assumptions. Furthermore, we reviewed the adequacy of the disclosures made on the goodwill impairment test in Note 14.

**Other Information**

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditors' Report (cont'd)

For the financial year ended 28 February 2018
To the Members of Duty Free International Limited

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Auditors' Report (cont'd)

For the financial year ended 28 February 2018
To the Members of Duty Free International Limited

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Soon Seng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 May 2018

# Consolidated Income Statement

For the financial year ended 28 February 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|---|
| Revenue | 4 | 620,124 | 632,588 |
| Changes in inventories | | (64,086) | (95,492) |
| Inventories purchased and materials consumed | | (370,143) | (335,225) |
| Other income | 5 | 14,146 | 12,319 |
| Employee benefits expenses | 6 | (36,020) | (37,581) |
| Depreciation of property, plant and equipment | 11 | (4,961) | (4,975) |
| Amortisation of land use rights | 13 | (465) | (465) |
| Rental of premises | | (45,896) | (47,079) |
| Commission expenses | | (1,908) | (2,284) |
| Professional fees | | (394) | (1,304) |
| Promotional expenses | | (1,417) | (1,354) |
| Utilities and maintenance expenses | | (5,505) | (5,474) |
| Realised foreign exchange gain | | 1,721 | 2,738 |
| Unrealised foreign exchange (loss)/gain | | (19,525) | 7,154 |
| Gain arising from changes in fair value of call options | | 7,976 | 4,044 |
| Other operating expenses | 7 | (24,313) | (28,468) |
| **Operating profit** | | 69,334 | 99,142 |
| Finance costs | 8 | (345) | (1,311) |
| **Profit before tax** | | 68,989 | 97,831 |
| Income tax expense | 9 | (20,769) | (20,865) |
| **Profit for the year** | | 48,220 | 76,966 |
| **Attributable to:** | | | |
| Owners of the Company | | 41,668 | 72,734 |
| Non-controlling interests | | 6,552 | 4,232 |
| | | 48,220 | 76,966 |
| **Earnings per share attributable to owners of the Company (sen per share)** | | | |
| Basic | 10 | 3.42 | 6.23 |
| Diluted | 10 | 3.42 | 6.23 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Statement of Comprehensive Income

For the financial year ended 28 February 2018

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Profit for the year | 48,220 | 76,966 |
| Other comprehensive income, net of tax | – | – |
| Total comprehensive income for the year | 48,220 | 76,966 |
| **Attributable to:** | | |
| Owners of the Company | 41,668 | 72,734 |
| Non-controlling interests | 6,552 | 4,232 |
| Total comprehensive income for the year | 48,220 | 76,966 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position

As at 28 February 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 71,842 | 74,379 | – | – |
| Land use rights | 13 | 23,349 | 23,814 | – | – |
| Goodwill | 14 | 28,816 | 28,816 | – | – |
| Investments in subsidiaries | 15 | – | – | 840,617 | 895,187 |
| Prepayments | 17 | 39,489 | 49,270 | – | – |
| Deferred tax assets | 18 | 1,259 | 853 | – | – |
| | | 164,755 | 177,132 | 840,617 | 895,187 |
| **Current assets** | | | | | |
| Biological assets | 12 | 152 | 187 | – | – |
| Trade and other receivables | 16 | 58,919 | 56,698 | 17,000 | 36,148 |
| Prepayments | 17 | 12,338 | 11,705 | 15 | 12 |
| Inventories | 19 | 135,443 | 199,987 | – | – |
| Cash and bank balances | 20 | 373,041 | 272,194 | 277,388 | 187,954 |
| Tax recoverable | | 4,412 | 3,641 | – | – |
| | | 584,305 | 544,412 | 294,403 | 224,114 |
| **Total assets** | | 749,060 | 721,544 | 1,135,020 | 1,119,301 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Borrowings | 21 | 15,610 | 5,977 | – | – |
| Trade and other payables | 22 | 124,886 | 144,848 | 37,018 | 48,904 |
| Derivative liabilities | 23 | 1,043 | 9,003 | 1,017 | 8,993 |
| Income tax payable | | 2,697 | 3,954 | 232 | 61 |
| | | 144,236 | 163,782 | 38,267 | 57,958 |
| **Net current assets** | | 440,069 | 380,630 | 256,136 | 166,156 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position (cont'd)

As at 28 February 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 18 | 4,383 | 4,368 | – | – |
| Borrowings | 21 | 756 | 1,097 | – | – |
| | | 5,139 | 5,465 | – | – |
| **Total liabilities** | | 149,375 | 169,247 | 38,267 | 57,958 |
| **Net assets** | | 599,685 | 552,297 | 1,096,753 | 1,061,343 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 24 | 616,752 | 576,941 | 1,107,574 | 1,067,763 |
| Share premium | 24(b) | – | – | – | – |
| Treasury shares | 24(c) | (10,517) | (532) | (10,517) | (532) |
| Other reserves | 24(a) | (141,723) | (110,674) | 661 | 31,710 |
| Retained earnings/(accumulated losses) | | 117,514 | 70,345 | (965) | (37,598) |
| | | 582,026 | 536,080 | 1,096,753 | 1,061,343 |
| Non-controlling interests | | 17,659 | 16,217 | – | – |
| **Total equity** | | 599,685 | 552,297 | 1,096,753 | 1,061,343 |
| **Total equity and liabilities** | | 749,060 | 721,544 | 1,135,020 | 1,119,301 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity

For the financial year ended 28 February 2018

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary shares | Share premium | Treasury shares | Total other reserves | Foreign currency translation reserve | Net premium paid/received on transactions with non-controlling interests | Gain on reissuance of treasury shares | Warrants reserve | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interests | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | (Note 24) | | | | | | | | | | | |
| Opening balance at 1 March 2017 | 576,941 | – | (532) | (110,674) | 29 | (142,413) | 661 | 31,049 | 70,345 | 536,080 | 16,217 | 552,297 |
| Profit for the year | – | – | – | – | – | – | – | – | 41,668 | 41,668 | 6,552 | 48,220 |
| Other comprehensive income for the year | – | – | – | – | – | – | – | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | – | – | – | – | – | 41,668 | 41,668 | 6,552 | 48,220 |
| Transfer of reserve arising from expiry of warrants | – | – | – | (31,049) | – | – | – | (31,049) | 31,049 | – | – | – |
| Transactions with owners: | | | | | | | | | | | | |
| Purchase of treasury shares | – | – | (9,985) | – | – | – | – | – | – | (9,985) | – | (9,985) |
| Issuance of new ordinary shares | 41,032 | – | – | – | – | – | – | – | – | 41,032 | – | 41,032 |
| Share issuance expenses | (1,221) | – | – | – | – | – | – | – | – | (1,221) | – | (1,221) |
| Dividends on ordinary shares (Note 33) | – | – | – | – | – | – | – | – | (68,784) | (68,784) | – | (68,784) |
| Total transactions with owners | 39,811 | – | (9,985) | – | – | – | – | – | (68,784) | (38,958) | – | (38,958) |
| Transactions with non-controlling interests: | | | | | | | | | | | | |
| Disposal of equity shares of subsidiary to non-controlling interests without loss of control (Note 15) | – | – | – | – | – | – | – | – | 43,236 | 43,236 | 3,100 | 46,336 |
| Dividends payable to non-controlling interests (Note 15) | – | – | – | – | – | – | – | – | – | – | (8,210) | (8,210) |
| Total transactions with non-controlling interests | – | – | – | – | – | – | – | – | 43,236 | 43,236 | (5,110) | 38,126 |
| **Closing balance at 28 February 2018** | 616,752 | – | (10,517) | (141,723) | 29 | (142,413) | 661 | – | 117,514 | 582,026 | 17,659 | 599,685 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity (cont'd)

For the financial year ended 28 February 2018

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary shares | Share premium | Treasury shares | Total other reserves | Foreign currency translation reserve | Net premium paid/received on transactions with non-controlling interests | Gain on reissuance of treasury shares | Warrants reserve | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interests | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| | (Note 24) | | | | | | | | | | | |
| **Group** | | | | | | | | | | | | |
| Opening balance at 1 March 2016 | 486,340 | 2,778 | (4,838) | (111,335) | 29 | (142,413) | – | 31,049 | 31,387 | 404,332 | 86 | 404,418 |
| Adoption of Amendments to FRS16 and FRS 41 | – | – | – | – | – | – | – | – | (2,611) | (2,611) | – | (2,611) |
| At 1 March 2016 (restated) | 486,340 | 2,778 | (4,838) | (111,335) | 29 | (142,413) | – | 31,049 | 28,776 | 401,721 | 86 | 401,807 |
| Profit for the year | – | – | – | – | – | – | – | – | 72,734 | 72,734 | 4,232 | 76,966 |
| Other comprehensive income for the year | – | – | – | – | – | – | – | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | – | – | – | – | – | 72,734 | 72,734 | 4,232 | 76,966 |
| Adjustments for effects of Companies Act 2016 (Note 24(b)) | 2,778 | (2,778) | – | – | – | – | – | – | – | – | – | – |
| Transactions with owners: | | | | | | | | | | | | |
| Placement of treasury shares | – | – | 4,306 | 793 | – | – | 793 | – | – | 5,099 | – | 5,099 |
| Issuance of new ordinary shares | 90,659 | – | – | – | – | – | – | – | – | 90,659 | – | 90,659 |
| Share issuance expenses | (2,836) | – | – | (132) | – | – | (132) | – | – | (2,968) | – | (2,968) |
| Dividends on ordinary shares (Note 33) | – | – | – | – | – | – | – | – | (90,222) | (90,222) | – | (90,222) |
| Total transactions with owners | 87,823 | – | 4,306 | 661 | – | – | 661 | – | (90,222) | 2,568 | – | 2,568 |
| Transactions with non-controlling interests: | | | | | | | | | | | | |
| Disposal of equity shares of subsidiary to non-controlling interests without loss of control (Note 15) | – | – | – | – | – | – | – | – | 59,057 | 59,057 | 15,616 | 74,673 |
| Dividends payable to non-controlling interests (Note 15) | – | – | – | – | – | – | – | – | – | – | (3,717) | (3,717) |
| Total transactions with non-controlling interests | – | – | – | – | – | – | – | – | 59,057 | 59,057 | 11,899 | 70,956 |
| **Closing balance at 28 February 2017** | 576,941 | – | (532) | (110,674) | 29 | (142,413) | 661 | 31,049 | 70,345 | 536,080 | 16,217 | 552,297 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity (cont'd)

For the financial year ended 28 February 2018

| Company | Ordinary shares RM'000 (Note 24) | Treasury shares RM'000 | Others reserves RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| Opening balance at 1 March 2017 | 1,067,763 | (532) | 31,710 | (37,598) | 1,061,343 |
| Profit for the year | – | – | – | 74,368 | 74,368 |
| Other comprehensive income for the year | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | 74,368 | 74,368 |
| Transfer of reserve arising from expiry of warrants | – | – | (31,049) | 31,049 | – |
| Transactions with owners: | | | | | |
| Purchase of treasury shares | – | (9,985) | – | – | (9,985) |
| Issuance of new ordinary shares | 41,032 | – | – | – | 41,032 |
| Share issuance expenses | (1,221) | – | – | – | (1,221) |
| Dividends on ordinary shares (Note 33) | – | – | – | (68,784) | (68,784) |
| Total transactions with owners | 39,811 | (9,985) | – | (68,784) | (38,958) |
| **Closing balance at 28 February 2018** | 1,107,574 | (10,517) | 661 | (965) | 1,096,753 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity (cont'd)

For the financial year ended 28 February 2018

| Company | Ordinary shares RM'000 (Note 24) | Treasury shares RM'000 | Others reserves RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| Opening balance at 1 March 2016 | 979,940 | (4,838) | 31,049 | (55,034) | 951,117 |
| Profit for the year | – | – | – | 107,658 | 107,658 |
| Other comprehensive income for the year | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | 107,658 | 107,658 |
| Transactions with owners: | | | | | |
| Placement of treasury shares | – | 4,306 | 793 | – | 5,099 |
| Issuance of new ordinary shares | 90,659 | – | – | – | 90,659 |
| Share issuance expenses | (2,836) | – | (132) | – | (2,968) |
| Dividends on ordinary shares (Note 33) | – | – | – | (90,222) | (90,222) |
| Total transactions with owners | 87,823 | 4,306 | 661 | (90,222) | 2,568 |
| **Closing balance at 28 February 2017** | 1,067,763 | (532) | 31,710 | (37,598) | 1,061,343 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

For the financial year ended 28 February 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 68,989 | 97,831 |
| Adjustments for: | | | |
| Allowances for doubtful receivables | 7 | – | 11 |
| Amortisation of land use rights | 13 | 465 | 465 |
| Depreciation of property, plant and equipment | 11 | 4,961 | 4,975 |
| Finance costs | 8 | 345 | 1,311 |
| Gain arising from changes in fair values of call options | | (7,976) | (4,044) |
| Loss/(gain) arising from changes in fair values of biological assets | 12 | 35 | (5) |
| (Gain)/loss on disposal of property, plant and equipment | | (25) | 7 |
| Interest income | | (7,638) | (5,615) |
| Inventories written off | 7 | 157 | 88 |
| Net unrealised foreign exchange loss/(gain) | | 19,525 | (7,154) |
| Property, plant and equipment written off | | 29 | 38 |
| Inventories written down | 7 | 581 | 1,850 |
| Reversal of short term accumulating compensated absences | | (19) | (20) |
| Reversal of inventories written down | 7 | (280) | (250) |
| **Operating cash flows before changes in working capital** | | 79,149 | 89,488 |
| Changes in working capital | | | |
| (Increase)/decrease in trade and other receivables | | (2,168) | 7,082 |
| Decrease in prepayments | | 9,148 | 9,687 |
| Decrease in inventories | | 64,086 | 95,492 |
| Decrease in trade and other payables | | (3,078) | (50,810) |
| **Cash flows from operations** | | 147,137 | 150,939 |
| Interest paid | | (345) | (1,343) |
| Income taxes paid | | (23,188) | (26,219) |
| **Net cash flows from operating activities** | | 123,604 | 123,377 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement (cont'd)

For the financial year ended 28 February 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Interest received | | 7,638 | 5,625 |
| Proceeds from disposal of property, plant and equipment | | 25 | 4 |
| Purchase of property, plant and equipment | 11 | (2,373) | (4,281) |
| **Net cash flows generated from investing activities** | | 5,290 | 1,348 |
| **Cash flows from financing activities** | | | |
| Repayment of term loans | | – | (16,000) |
| Decrease/(increase) in pledged fixed deposits | | 1,777 | (217) |
| Proceeds from/(repayment of) other short term borrowings | | 9,662 | (29,104) |
| Purchase of treasury shares | | (9,985) | – |
| Net repayment of obligations under finance leases | | (450) | (222) |
| Dividends paid to the owners of the Company | | (79,777) | (43,228) |
| Dividends paid to non-controlling interests of subsidiaries | | (11,927) | – |
| Proceeds from issuance of new ordinary shares | | 39,811 | 87,823 |
| Proceeds from disposal of equity shares of subsidiary to non-controlling interests and issuance of call options | | 46,336 | 87,711 |
| Proceeds from placement of treasury shares | | – | 4,967 |
| **Net cash (used in)/from financing activities** | | (4,553) | 91,730 |
| **Net increase in cash and cash equivalents** | | 124,341 | 216,455 |
| Effects of foreign exchange rate changes | | (21,717) | 6,243 |
| Cash and cash equivalents at beginning of the year | | 261,516 | 38,818 |
| **Cash and cash equivalents at end of the year** | 20 | 364,140 | 261,516 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

For the financial year ended 28 February 2018

## 1. Corporate information

Duty Free International Limited (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The ultimate holding company is Distinct Continent Sdn Bhd ("DCSB") and the immediate holding company is Atlan Holdings Bhd ("Atlan"). DCSB is a private limited company incorporated in Malaysia whereas Atlan is a public limited company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Six Battery Road #10-01, Singapore 049909.

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 15 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Malaysian Ringgit (RM) and all values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

<u>Convergence with International Financial Reporting Standards</u>

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 March 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 March 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance of the Group and the Company.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions* | 1 January 2018 |
| Amendments to FRS 40: *Transfers of Investment Property* | 1 January 2018 |
| FRS 109 *Financial Instruments* | 1 January 2018 |
| FRS 115 *Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 116 *Leases* | 1 January 2019 |
| Improvements to FRSs (December 2016) | |
| - Amendments to FRS 28: *Investments in Associates and Joint Ventures* | 1 January 2018 |
| - Amendments to FRS 109: *Prepayment Features with Negative Compensation* | 1 January 2019 |
| - Amendments to FRS 28: *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| INT FRS 122 *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| INT FRS 123 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Improvements to FRSs (March 2018) | |
| - Amendments to FRS 103: *Business Combinations* | 1 January 2019 |
| - Amendments to FRS 111: *Joint Arrangements* | 1 January 2019 |
| - Amendments to FRS 12: *Income Taxes* | 1 January 2019 |
| - Amendments to FRS 23: *Borrowing Costs* | 1 January 2019 |
| Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 March 2018. Upon adoption of SFRS(I) on 1 March 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

**2. Summary of significant accounting policies (cont'd)**

**2.3 Standards issued but not yet effective (cont'd)**

**FRS 109 *Financial Instruments***

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a material impact on the financial statements.

**FRS 115 *Revenue from Contracts with Customers***

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018. The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

The Group is in a business of distributing or retailing duty free and non-dutiable merchandisers. The Group expects the following impact upon adoption of FRS 115:

Presentation of revenue

The Group has reassessed each contract under the requirements of SFRS(I) equivalent of IFRS 15. For sales of goods, the Group is an agent in some transactions with customers. Upon adoption of FRS 115, the Group will recognise the net consideration as revenue. This will result in a decrease in revenue and cost of sales accordingly.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.3 Standards issued but not yet effective (cont'd)**

**FRS 116 *Leases***

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short- term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019. The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

**2.4 Basis of consolidation and business combinations**

*(a) Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Reecognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.4 Basis of consolidation and business combinations (cont'd)**

*(b) Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 2. Summary of significant accounting policies (cont'd)

### 2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 2.6 Foreign currency

The Group's consolidated financial statements are presented in Malaysian Ringgit ("RM"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit of loss.

### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Property, plant and equipment (cont'd)

Subsequent to recognition, property, plant and equipment other than leasehold land are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold land is measured at cost less accumulated amortisation and accumulated impairment losses.

Capital-work-in-progress, which comprise the refurbishment and renovation of building and land improvements are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, as follows:

| | |
|---|---|
| Leasehold land | amortised over 99 years |
| Buildings | over 27 to 48 years |
| Golf course | over the remaining lease term of 60 years |
| Furniture and fittings | 5 to 20 years |
| Electrical installation and air conditioner | 5 to 20 years |
| Other assets | 5 to 20 years |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

### 2.8 Bearers trees and biological assets

Bearer trees are living plants used in the production or supply of agricultural produce are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Bearer trees mainly include mature and oil palm plantations and are recognised as non-current assets measured at cost less accumulated depreciation. Mature plantations are depreciated on a straight-line basis over its estimated useful life of 25 years.

In general, oil palms are considered mature over 30 to 36 months after field planting.

The carrying values of bearer trees are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits.

Bearer trees are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer trees is included in the income statement in the year the bearer plant is derecognised.

Produce that grows on mature plantations are recognised as biological assets measured at fair value less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the produce.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.9 Land use rights**

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the respective lease terms of 37 to 99 years.

**2.10 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**2.11 Subsidiaries**

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.12 Financial assets**

**Initial recognition and measurement**

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

**(b) Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

**Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**Regular way purchase or sale of a financial asset**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.13 Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**2.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

**2.15 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 2. Summary of significant accounting policies (cont'd)

### 2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.17 Financial liabilities

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

**(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

**(b) Financial liabilities at amortised cost**

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.18 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.19 Classification of financial instruments**

Financial liabilities and equity instruments issued by the Group are classified as liabilities or equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Derivative liabilities are stated at fair value at each balance sheet date with changes in fair value charged to profit or loss.

The classification of a financial instrument as financial liability or equity is not revised for changes in circumstances which, had they occurred before initial recognition of the instrument, would have changed its classification.

**2.20 Employee benefits**

**(a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(b) Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

**(c) Employee leave entitlements**

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. An accrual is made for estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**(d) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date in accordance with the provisions of the employment contract and/or local labour laws.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.21 Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

**(i) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(ii) As lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22 (ii).

**2.22 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sale of goods**

Revenue from sale of goods is recognised upon transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(ii) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.22 Revenue (cont'd)**

**(iii) Revenue from parking operations**

Revenue from parking operations is recognised as and when the services are rendered.

**(iv) Management income**

Management income is received from a third party operator who manages the golf course of a subsidiary. The income is recognised on an accrual basis.

**(v) Sale of fresh oil palm fruit bunches**

Revenue from sale of fresh oil palm fruit bunches is recognised when significant risks and rewards of ownership of goods are transferred to the customer.

**(vi) Interest income**

Interest income is recognised using the effective interest method.

**2.23 Taxes**

**(a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**2. Summary of significant accounting policies (cont'd)**

**2.23 Taxes (cont'd)**

**(b) Deferred tax (cont'd)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

**(c) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods & services tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of goods & services tax included.

**2.24 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results for the purpose of making decisions about resource allocation and performance assessment.

Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**2. Summary of significant accounting policies (cont'd)**

**2.25 Share capital and share issuance expenses**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

The Group's own equity instruments, which are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase or cancellation of ordinary shares.

**2.26 Contingencies**

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

**2.27 Treasury shares**

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

**3. Significant accounting judgments and estimates**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

**3.1 Judgments made in applying accounting policies**

In the process of applying the Group's accounting policies, management is of the opinion that there is no significant judgment made in applying accounting policies.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**3. Significant accounting judgments and estimates (cont'd)**

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) ***Impairment of goodwill***

Goodwill is tested for impairment annually and whenever there is an indication of impairment, the Group estimates the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The impairment tests are sensitive to budgeted gross margin, revenue growth rates, long-term growth rates and discount rates. Changes in these assumptions may result in changes in recoverable values. The carrying amount of the goodwill as at 28 February 2018 is disclosed in Note 14 to the financial statements.

(b) ***Valuation of call options***

The fair values of call options are determined using the Binomial Tree valuation technique with unobservable inputs that require judgment and estimation in establishing the fair values. The key assumptions applied in the determination of the valuation of these call options and sensitivity analysis are described in more detail in Note 29. The valuation of call options is sensitive to changes in the underlying DFZ share value. Changes in this assumption may result in changes to the carrying value. The carrying amount of the unquoted call options as at 28 February 2018 is RM1.0 million.

**4. Revenue**

| | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Sale of goods | 616,051 | 629,124 |
| Parking operations | 2,082 | 1,890 |
| Sale of fresh oil palm fruit bunches | 1,773 | 1,236 |
| Management income | 215 | 335 |
| Rental income | 3 | 3 |
| | 620,124 | 632,588 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 5. Other income

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Interest income from bank balances | 4,038 | 2,025 |
| Interest income from Berjaya Waterfront Sdn Bhd (Note 16) | 3,600 | 3,590 |
| Rental income | | |
| - advertisement space | 3,446 | 3,210 |
| - property, plant and equipment | 574 | 578 |
| Commission income | 431 | 607 |
| Promotion income | 391 | 492 |
| Incentive income received from suppliers | 248 | 225 |
| Warehousing and logistics income | 55 | 75 |
| (Loss)/gain arising from changes in fair value of biological assets | (35) | 5 |
| Gain/(loss) on disposal of property, plant and equipment | 25 | (7) |
| Miscellaneous income | 1,373 | 1,519 |
| | 14,146 | 12,319 |

## 6. Employee benefits expenses

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Wages and salaries | 29,008 | 29,726 |
| Contributions to defined contribution plan | 3,403 | 3,629 |
| Accommodation benefits | 435 | 349 |
| Staff welfare and employee meals | 395 | 505 |
| Social security contributions | 363 | 373 |
| Medical benefits | 132 | 145 |
| Staff uniforms | 81 | 161 |
| Reversal of short term accumulating compensated absences | (19) | (20) |
| Other benefits | 2,222 | 2,713 |
| | 36,020 | 37,581 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 7. Other operating expenses

The following items have been included in arriving at other operating expenses:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Non-executive directors' remuneration | 430 | 459 |
| Allowance for doubtful receivables | – | 11 |
| Assessment and quit rent | 1,026 | 1,033 |
| Auditors' remuneration: | | |
| Audit fees: | | |
| - Auditors of the Company | 259 | 263 |
| - Other auditors | 612 | 589 |
| - Other auditors (special audit) | – | 305 |
| Non-audit fees: | | |
| - Auditors of the Company | 18 | 19 |
| - Other auditors | 52 | 125 |
| Bank charges | 1,321 | 1,575 |
| Donations | 1,071 | 2,133 |
| Insurance | 1,730 | 2,219 |
| Inventories written down | 581 | 1,850 |
| Inventories written off | 157 | 88 |
| Management fee paid to related companies | 4,199 | 3,185 |
| Packing materials | 780 | 887 |
| Printing and stationery | 414 | 434 |
| Property, plant and equipment written off | 29 | 38 |
| Reversal of inventories written down | (280) | (250) |
| Transportation costs | 1,987 | 4,204 |
| Travelling expenses | 1,260 | 1,165 |

## 8. Finance costs

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Interest expense on: | | |
| - Bank borrowings | 269 | 1,230 |
| - Obligations under finance leases | 76 | 81 |
| | 345 | 1,311 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 28 February 2018 and 28 February 2017 are:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| **Consolidated income statement:** | | |
| Current income tax: | | |
| - Current income taxation | 21,389 | 22,642 |
| - Over provision in respect of previous years | (229) | (1,601) |
| | 21,160 | 21,041 |
| Deferred income tax (Note 18): | | |
| - Origination and reversal of temporary differences | (29) | (259) |
| - (Over)/under provision in respect of previous years | (362) | 83 |
| | (391) | (176) |
| Income tax expense recognised in profit or loss | 20,769 | 20,865 |

Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 28 February 2018 and 28 February 2017 is as follows:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Profit before tax | 68,989 | 97,831 |
| Tax at the Malaysia's statutory rate of 24% | 16,557 | 23,479 |
| Adjustments: | | |
| Income not subject to taxation | (2,460) | (3,396) |
| Non-deductible expenses | 7,020 | 3,029 |
| Effect of different tax rates in other country | (85) | (883) |
| Deferred tax assets not recognised | 328 | 154 |
| (Over)/under provision of deferred tax in respect of previous years | (362) | 83 |
| Over provision of current tax in respect of previous years | (229) | (1,601) |
| Income tax expense recognised in profit or loss | 20,769 | 20,865 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 10. Earnings per share

Basic earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. Diluted earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 28 February 2018 and 28 February 2017, respectively:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Profits net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share from continuing operations | 41,668 | 72,734 |
| | No. of shares | No. of shares |
| | '000 | '000 |
| Weighted average number of ordinary shares for basic earnings per share computation ('000) | 1,219,408 | 1,167,064 |
| Weighted average number of ordinary shares for diluted earnings per share computation ('000) | 1,219,408 | 1,167,064 |

## 11. Property, plant and equipment

| Group | Leasehold land | Buildings | Golf course | Bearer trees | Capital work-in-progress | Furniture and fittings | Electrical installation and air conditioner | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cost or valuation:** | | | | | | | | | |
| At 1 March 2016 | 384 | 35,764 | 44,648 | 2,825 | 5,223 | 8,844 | 4,929 | 40,629 | 143,246 |
| Additions | – | 160 | – | – | 960 | 42 | 121 | 3,593 | 4,876 |
| Disposals | – | – | – | – | (2) | – | – | (15) | (17) |
| Write offs | – | – | – | – | – | (90) | (4) | (314) | (408) |
| Reclassifications | – | – | – | – | (861) | (138) | – | 999 | – |
| Adjustment | – | (211) | – | – | – | – | – | – | (211) |
| At 28 February 2017 and 1 March 2017 | 384 | 35,713 | 44,648 | 2,825 | 5,320 | 8,658 | 5,046 | 44,892 | 147,486 |
| Additions | – | 12 | – | – | 1,235 | 92 | 136 | 978 | 2,453 |
| Disposals | – | – | – | – | – | – | – | (517) | (517) |
| Write offs | – | – | – | – | – | (4,577) | (2,453) | (6,414) | (13,444) |
| Reclassifications | – | – | – | – | (57) | – | 23 | 34 | – |
| At 28 February 2018 | 384 | 35,725 | 44,648 | 2,825 | 6,498 | 4,173 | 2,752 | 38,973 | 135,978 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 11. Property, plant and equipment (cont'd)

| Group | Leasehold Land | Buildings | Golf course | Bearer trees | Capital work-in-progress | Furniture and fittings | Electrical installation and air conditioner | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Accumulated depreciation:** | | | | | | | | | |
| At 1 March 2016 | 126 | 16,420 | 11,948 | 518 | – | 6,402 | 4,456 | 28,638 | 68,508 |
| Depreciation charge for the year | 4 | 735 | 806 | 113 | – | 382 | 96 | 2,839 | 4,975 |
| Disposals | – | – | – | – | – | – | – | (6) | (6) |
| Write offs | – | – | – | – | – | (84) | (3) | (283) | (370) |
| Reclassifications | – | – | – | – | – | (7) | – | 7 | – |
| At 28 February 2017 and 1 March 2017 | 130 | 17,155 | 12,754 | 631 | – | 6,693 | 4,549 | 31,195 | 73,107 |
| Depreciation charge for the year | 4 | 738 | 766 | 113 | – | 338 | 102 | 2,900 | 4,961 |
| Disposals | – | – | – | – | – | – | – | (517) | (517) |
| Write offs | – | – | – | – | – | (4,573) | (2,444) | (6,398) | (13,415) |
| At 28 February 2018 | 134 | 17,893 | 13,520 | 744 | – | 2,458 | 2,207 | 27,180 | 64,136 |
| **Net carrying amount:** | | | | | | | | | |
| At 28 February 2018 | 250 | 17,832 | 31,128 | 2,081 | 6,498 | 1,715 | 545 | 11,793 | 71,842 |
| At 28 February 2017 | 254 | 18,558 | 31,894 | 2,194 | 5,320 | 1,965 | 497 | 13,697 | 74,379 |

Other assets comprise of office equipment, computer, renovations, and motor vehicles.

**11. Property, plant and equipment (cont'd)**

| Company | Office equipment and computer RM'000 |
|---|---|
| **Cost:** | |
| At 1 March 2016, 28 February 2017, 1 March 2017 and 28 February 2018 | 5 |
| **Accumulated depreciation:** | |
| At 1 March 2016 | 5 |
| Depreciation charge for the year | – |
| At 28 February 2017 and 1 March 2017 | 5 |
| Depreciation charge for the year | – |
| At 28 February 2018 | 5 |
| **Net carrying amount:** | |
| At 28 February 2018 | – |
| At 28 February 2017 | – |

(a) Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment by the following means:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Cash payment | 2,373 | 4,281 |
| Obligations under finance leases | 80 | 595 |
| | 2,453 | 4,876 |

The net carrying amount of motor vehicles held by the Group under finance leases at the end of the reporting period was RM1,288,000 (2017: RM1,747,000).

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 12. Biological assets

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| At fair value: | | |
| At 1 March | 187 | 182 |
| (Loss)/gain arising from changes in fair values | (35) | 5 |
| At 28 February | 152 | 187 |

Mature oil palm trees produce fresh fruit bunches ("FFB"), which are used to produce Crude Palm Oil ("CPO") and Palm Kernel ("PK"). The Group adopted the Amendments to FRS16 and FRS 41 on 1 March 2016, which changed the accounting requirements for biological assets. Bearer plants will now be within the scope of FRS 16 Property, Plant and Equipment whereas agricultural produce growing on bearer trees (e.g. fruit growing on a tree) will remain within the scope of FRS 41 Agriculture. The fair values of bearer fruits are determined by using the total sales figure in the following month with the assumptions that all the fruits harvested are sold subsequently to the customer.

During the year, the Group's bearer fruits produced approximately 3,400 tonnes (2017: 2,200 tonnes) of FFB. The selling prices per tonne for those FFB ranged between RM2,000 to RM2,900 (2017: RM2,300 to RM3,500). The selling prices per tonne for those FFB are based on a calculation using the periodic market prices of CPO and PK and contracted pre-determined extraction rates of CPO and PK as agreed with the buyer of FFB crop.

## 13. Land use rights

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| **Cost** | | |
| At 1 March | 35,510 | 35,510 |
| Additions | – | – |
| At 28 February | 35,510 | 35,510 |
| **Accumulated amortisation** | | |
| At 1 March | 11,696 | 11,231 |
| Amortisation charge for the year | 465 | 465 |
| At 28 February | 12,161 | 11,696 |
| **Net carrying amount** | 23,349 | 23,814 |
| Amount to be amortised: | | |
| - Not later than one year | 465 | 465 |
| - Later than one year but not later than five years | 1,860 | 1,860 |
| - Later than five years | 21,024 | 21,489 |
| | 23,349 | 23,814 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 14. Goodwill

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **Cost** | | |
| At 1 March and 28 February | 28,816 | 28,816 |

Impairment testing of goodwill

**(a) Allocation of goodwill**

The carrying amounts of goodwill acquired through business combinations have been allocated to the Group's cash generating unit ("CGU") identified according to business segment as follows:

| | **2018** | **2017** |
|---|---|---|
| | RM'000 | RM'000 |
| Trading of duty free goods and non-dutiable merchandise | 28,816 | 28,816 |

The recoverable amount of the CGUs is determined based on value in use calculations using cash flow projections from financial forecasts with key assumptions approved by management covering a five-year period, with a growth rate of approximately 5% to 12% (2017: 5%). The forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 2.5% (2017: 1%).

**(b) Key assumptions used in the value in use calculations**

Key assumptions and management's approach to determine the values assigned to each key assumption are as follows:

**(i) Budgeted gross margin**

The basis used to determine the values assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. The budgeted gross margins for the trading of duty free goods and non-dutiable merchandise segment are in the range of 7% to 32% (2017: 7% to 33%).

**(ii) Revenue growth rates**

The growth rates are based on the management's estimated products prices and sales forecast. The selling prices used to calculate the cash inflows from operations were determined after taking into consideration price trends of the industries, which the CGUs are exposed to. Values assigned are consistent with the external sources of information.

**(iii) Long-term growth rates**

The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

**(iv) Duty-free licences**

The duty-free business requires a number of licences, which include duty-free shop licence, wholesale dealer's licence, bonded warehouse licence and/or liquor import licence. It is assumed that the licences will be renewed upon their expiry on terms and conditions which are not less favourable.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 14. Goodwill (cont'd)

### (b) Key assumptions used in the value in use calculations (cont'd)

#### (v) Discount rates

The discount rate applied to the cash flow projections of 7.5% (2017: 5.8%) is based on the weighted average cost of capital (WACC) of the Group.

### (c) Sensitivity to changes in assumptions

With regard to the assessment of value in use of all CGUs, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amounts.

## 15. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Equity shares, at cost | 862,765 | 899,949 |
| Allowance for impairment losses | (22,148) | (4,762) |
| Total | 840,617 | 895,187 |
| Movement in allowance accounts: | | |
| At 1 March | (4,762) | (5,074) |
| (Charge)/reversal for the year | (17,386) | 312 |
| At 28 February | (22,148) | (4,762) |

The Company has the following subsidiary companies as at 28 February 2018:

| Name of company | Country of incorporation and principal place of business | Principal activities | Proportion of ownership interest | | Cost of investment | |
|---|---|---|---|---|---|---|
| | | | **2018** | **2017** | **2018** | **2017** |
| | | | % | % | RM'000 | RM'000 |
| **Held by the Company** | | | | | | |
| DFZ Capital Sdn Bhd (formerly known as DFZ Capital Berhad)^*** | Malaysia | Investment holding | 85.00 | 90.00 | 632,120 | 669,304 |
| Darul Metro Sdn Bhd ^ | Malaysia | Dormant | 100.00 | 100.00 | 230,645 | 230,645 |
| Orchard Boulevard Sdn Bhd ^ | Malaysia | Investment holding and resort development | 100.00 | 100.00 | – | – |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 15. Investments in subsidiaries (cont'd)

| Name of company | Country of incorporation and principal place of business | Principal activities | Proportion of ownership interest 2018 % | Proportion of ownership interest 2017 % |
|---|---|---|---|---|
| **Held by DFZ Capital Sdn Bhd** | | | | |
| DFZ Trading Sdn Bhd ^ | Malaysia | Investment holding and management services | 100.00 | 100.00 |
| Selasih Ekslusif Sdn Bhd ^ | Malaysia | Retailer of duty free and non-dutiable merchandise | 100.00 | 100.00 |
| Winner Prompt Sdn Bhd ^ | Malaysia | Licensed distributor and wholesaler of duty free merchandise | 100.00 | 100.00 |
| Emas Kerajang Sdn Bhd ^** | Malaysia | Retailer of duty free and non-dutiable merchandise | 69.90 | 69.90 |
| Seruntun Maju Sdn Bhd ^** | Malaysia | Retailer of duty free and non-dutiable merchandise | 69.80 | 69.80 |
| **Held by Orchard Boulevard Sdn Bhd** | | | | |
| Gold Vale Development Sdn Bhd ^ | Malaysia | Dormant | 100.00 | 100.00 |
| Kelana Megah Sdn Bhd ^ | Malaysia | Dormant | 100.00 | 100.00 |
| Cergasjaya Properties Sdn Bhd ^ | Malaysia | Resort development and properties management and cultivation of oil palm | 100.00 | 100.00 |
| Black Forest Golf And Country Club Sdn Bhd ^ | Malaysia | Dormant | 100.00 | 100.00 |
| Binamold Sdn Bhd ^ | Malaysia | Property investment | 100.00 | 100.00 |
| Tenggara Senandung Sdn Bhd ^ | Malaysia | Dormant | 100.00 | 100.00 |
| DFZ Asia Sdn Bhd ^ | Malaysia | Investment holding | 100.00 | 100.00 |
| PT DFZ Indon | Indonesia | Dormant | 99.00 | 99.00 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**15. Investments in subsidiaries (cont'd)**

| Name of company | Country of incorporation and principal place of business | Principal activities | Proportion of ownership interest 2018 % | Proportion of ownership interest 2017 % |
|---|---|---|---|---|
| **Held by DFZ Trading Sdn Bhd** | | | | |
| Cergasjaya Sdn Bhd ^ | Malaysia | Wholesaler and retailer of duty free and non-dutiable merchandise | 100.00 | 100.00 |
| Melaka Duty Free Sdn Bhd ^ | Malaysia | Retailer of duty free and non-dutiable merchandise | 51.00 | 51.00 |
| DFZ Duty Free Supplies Sdn Bhd ^ | Malaysia | Wholesaler and distributor of duty free and non-dutiable merchandise | 100.00 | 100.00 |
| Jasa Duty Free Sdn Bhd ^ | Malaysia | Retailer of duty free and non-dutiable merchandise | 100.00 | 100.00 |
| DFZ Emporium Sdn Bhd ^** | Malaysia | Retailer of duty free and non-dutiable merchandise | 29.30 | 29.30 |
| DFZ (M) Sdn Bhd ^** | Malaysia | Retailer of duty free and non-dutiable merchandise | 69.89 | 69.89 |
| Wealthouse Sdn Bhd ^** | Malaysia | Retailer of duty free and non-dutiable merchandise | 28.60 | 28.60 |
| Jelita Duty Free Supplies Sdn Bhd ^ | Malaysia | Wholesaler and distributor of duty free and non-dutiable merchandise | 100.00 | 100.00 |
| DFZ Duty Free (Langkawi) Sdn Bhd ^ | Malaysia | Retailer of duty free and non-dutiable merchandise | 100.00 | 100.00 |
| Zon Emporium Sdn Bhd ^ | Malaysia | Retailer of duty free and non-dutiable merchandise | 100.00 | 100.00 |
| DFZ Utara Sdn Bhd ^ | Malaysia | Dormant | 100.00 | 100.00 |
| **Held by DFZ Asia Sdn Bhd** | | | | |
| PT DFZ Indon | Indonesia | Dormant | 1.00 | 1.00 |

^ Audited by Ernst & Young, Chartered Accountants (Malaysia), a member firm of the Malaysian Institute of Accountants

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 15. Investments in subsidiaries (cont'd)

** The terms of non-voting Convertible Redeemable Preference Shares has led to the total effective ownership interest held as shown below:

| | Total effective ownership interest held | |
|---|---|---|
| | **FY2018** | **FY2017** |
| | % | % |
| **Name of company** | | |
| Emas Kerajang Sdn. Bhd. | 85.00 | 90.00 |
| Seruntun Maju Sdn. Bhd. | 85.00 | 90.00 |
| DFZ Emporium Sdn. Bhd. | 85.00 | 90.00 |
| DFZ (M) Sdn. Bhd. | 85.00 | 90.00 |
| Wealthouse Sdn. Bhd. | 85.00 | 90.00 |

The Group assessed that these investees are subsidiaries as control was retained by the Group through stipulations in the shareholder agreement, signed by the Group and the non-controlling interests.

*** On 30 November 2017, Heinemann Asia Pacific Pte Ltd ("HAP") exercised the Second Tranche Call Option, requiring the Company to sell to HAP 5% of the issued and paid-up share capital of DFZ Capital Sdn Bhd ("DFZ"), being 10,498,181 shares in DFZ, for an aggregate cash consideration of EUR9,850,000. The disposal was successfully completed on 29 December 2017.

**Disposal of Interest in DFZ Capital Sdn Bhd**

In prior year, the Company disposed of 10% equity interest plus one share in DFZ Capital Sdn Bhd ("DFZ") to Heinemann Asia Pacific Pte Ltd ("HAP") for an aggregate cash consideration of EUR19,700,000. In addition, the Company has granted call options to HAP, in which the aggregate number of shares in DFZ which may be acquired by HAP under the call options shall not exceed 15% of the issued and paid-up share capital of DFZ. The details of the two tranches of call options granted to HAP are as follows:

(i) Exercise period from 1 June 2016 to 30 November 2017 with the disposal consideration based on agreed enterprise value of EUR197,000,000 ("Second Tranche Call Option").

(ii) Exercise period from 1 December 2017 to 30 November 2018 with the disposal consideration based on agreed enterprise value of EUR216,700,000 ("Third Tranche Call Option").

In addition, the Company has also granted put option to HAP where HAP can require the Company to purchase the DFZ shares held by HAP in the event of change of control or substantial violation to the terms of agreements between HAP and the Group. The fair value of put option was assessed to be nil as the exercise price was based on the fair value of DFZ shares at the exercise date.

The carrying amount of the net assets of DFZ was RM15,616,000.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**15. Investments in subsidiaries (cont'd)**

**Disposal of Interest in DFZ Capital Sdn Bhd (cont'd)**

During the year, the Company disposed of additional 5% equity interest in DFZ to HAP for an aggregate cash consideration of EUR9,850,000 after HAP exercised the Second Tranche Call Option. The carrying amount of the net assets of DFZ was RM3,100,000.

Following is a schedule of interest disposed in DFZ:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Proceeds received from non-controlling shareholders | 46,336 | 87,711 |
| Carrying amount of interest disposed in DFZ | (3,100) | (15,616) |
| Fair value of call option issued | – | (13,038) |
| Differences recognised in retained earnings | 43,236 | 59,057 |

The Group has the following subsidiaries that have NCI that are material to the Group:

| Name of subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit allocated to NCI during the reporting period | Accumulated NCI at the end of reporting period | Dividends payable to NCI |
|---|---|---|---|---|---|
| | | % | RM'000 | RM'000 | RM'000 |
| **28 February 2018:** | | | | | |
| DFZ Capital Sdn Bhd and subsidiaries | Malaysia | 15 | 6,367 | (1,318) | 8,210 |
| **28 February 2017:** | | | | | |
| DFZ Capital Sdn Bhd and subsidiaries | Malaysia | 10 | 4,241 | 525 | 3,717 |

**Impairment testing of investment in subsidiaries**

During the financial year, the management performed a review on the recoverable amount of the investments in subsidiaries. As a result, impairment losses of RM17,386,000 (2017: RM312,000) were provided.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 15. Investments in subsidiaries (cont'd)

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

**Summarised statement of financial position**

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **Current** | | |
| Assets | 245,765 | 300,711 |
| Liabilities | (102,921) | (136,436) |
| Net current assets | 142,844 | 164,275 |
| **Non-current** | | |
| Assets | 112,242 | 123,314 |
| Liabilities | (5,137) | (5,465) |
| Net non-current assets | 107,105 | 117,849 |
| Net assets | 249,949 | 282,124 |

**Summarised statement of comprehensive income**

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Revenue | 618,297 | 631,087 |
| Profit before income tax | 79,134 | 82,924 |
| Income tax expense | (20,321) | (20,702) |
| Profit after tax | 58,813 | 62,222 |
| Other comprehensive income | – | – |
| Total comprehensive income | 58,813 | 62,222 |

**Other summarised information**

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Net cash flows from operations | 150,966 | 202,371 |
| Acquisition of significant property, plant and equipment | (2,244) | (4,149) |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 16. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade receivables:** | | | | |
| Third parties | 5,804 | 6,855 | – | – |
| Allowance for impairment | (333) | (333) | – | – |
| Trade receivables, net | 5,471 | 6,522 | – | – |
| **Other receivables:** | | | | |
| Deposits | 3,187 | 3,539 | – | – |
| Dividend receivable from subsidiaries | – | – | 17,000 | 36,148 |
| Due from subsidiaries | – | – | 6,176 | 6,176 |
| Due from Berjaya Waterfront Sdn Bhd | 40,434 | 40,434 | – | – |
| Sundry receivables | 9,940 | 6,316 | – | – |
| Allowance for impairment | (113) | (113) | (6,176) | (6,176) |
| Other receivables, net | 53,448 | 50,176 | 17,000 | 36,148 |
| Total trade and other receivables | 58,919 | 56,698 | 17,000 | 36,148 |
| *Add:* Cash and bank balances (Note 20) | 373,041 | 272,194 | 277,388 | 187,954 |
| *Less:* Goods and Services Tax receivable | (2,977) | (3,873) | – | – |
| Total loans and receivables | 428,983 | 325,019 | 294,388 | 224,102 |

Trade receivables

Trade receivables are non-interest bearing and are generally on 14 to 90 days' terms. Other credit terms are assessed and approved on a case-by-case basis.

Trade receivables are recognised at their original invoice amounts, which represent their fair values on initial recognition.

Related party balances and staff loans

Amounts due from subsidiaries are advances, which are unsecured, non-interest bearing and are repayable on demand.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**16. Trade and other receivables (cont'd)**

Due from Berjaya Waterfront Sdn Bhd

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. This balance had been subject to interest throughout the term that the balance was outstanding. The interest rate was initially at 6% per annum, but has been revised to 9% per annum from 16 July 2015 onwards. In April 2018, Darul Metro Sdn Bhd received RM0.9 million, being accrued interest up to 15 April 2018.

The balance of RM40.0 million was scheduled to be due on 15 April 2018. On 3 April 2018, both parties have mutually agreed that Berjaya Waterfront Sdn Bhd shall pay the remaining deferred consideration of RM40.0 million on or before 15 April 2019 and Berjaya Waterfront Sdn Bhd will continue to pay interest at the rate of 9% per annum on the unpaid consideration on a quarterly basis.

The amount is guaranteed by Berjaya Waterfront Sdn Bhd's holding company.

Goods and Services Tax ("GST") receivable

(i) During the financial year, a subsidiary of the Company, Seruntun Maju Sdn. Bhd. ("SMSB") had received Bills of Demand dated 2 November 2017 from the Royal Malaysian Customs of Perak Darul Ridzuan ("Customs") which demanded payments of GST amounting to RM1,225,000 for the period from 1 April 2015 to 31 December 2016.

The said Bills of Demand were raised by the Customs who alleged that SMSB did not comply with certain conditions of a duty-free shop located at the border.

On 27 November 2017, SMSB had appealed to the Director-General of Customs in respect of GST pursuant to Section 124 of the GST Act. To-date, the matter is still pending a decision from the Director-General of Customs.

The Company, after consultation with its solicitors, strongly believes that there is no legal and/or factual basis for the Customs to arrive at their decision to raise the said Bills of Demand. The solicitors of SMSB are taking the necessary defence actions on its behalf.

As at 28 February 2018, SMSB had paid RM476,000 out of the RM1,225,000 demand by the Customs and this is included in GST receivable.

(ii) Also, included in GST receivable is RM895,000, relating to the GST paid for the Bills of Demand which were raised by the Customs Department as disclosed in Note 27.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM372,000 (2017: RM5,488,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Trade receivables past due but not impaired: | | |
| Less than 30 days | 72 | 4,472 |
| 30 to 60 days | 110 | 508 |
| 61 to 90 days | 35 | 162 |
| More than 90 days | 155 | 346 |
| | 372 | 5,488 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 16. Trade and other receivables (cont'd)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

| | Individually impaired Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Trade receivables – nominal amounts | 333 | 333 |
| Less: Allowance for impairment | (333) | (333) |
| | – | – |
| Movement in allowance accounts: | | |
| At 1 March | 333 | 322 |
| Charge for the year | – | 11 |
| At 28 February | 333 | 333 |

Other receivables that are impaired

The Group's other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

| | Individually impaired | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables – nominal amounts | 113 | 113 | 6,176 | 6,176 |
| Less: Allowance for impairment | (113) | (113) | (6,176) | (6,176) |
| | – | – | – | – |
| Movement in allowance accounts: | | | | |
| At 1 March | 113 | 113 | 6,176 | 6,176 |
| Charge for the year | – | – | – | – |
| At 28 February | 113 | 113 | 6,176 | 6,176 |

Receivables that are impaired

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in legal dispute or financial difficulties, and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 17. Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current:** | | | | |
| Prepaid rental | 9,785 | 9,780 | – | – |
| Prepaid other operating expenses | 2,553 | 1,925 | 15 | 12 |
| | 12,338 | 11,705 | 15 | 12 |
| **Non-current:** | | | | |
| Prepaid rental | 39,489 | 49,270 | – | – |
| Total prepayments | 51,827 | 60,975 | 15 | 12 |
| Amount to be charged out to income statement: | | | | |
| - Not later than one year | 12,338 | 11,705 | 15 | 12 |
| - Later than one year but not later than five years | 39,122 | 39,122 | – | – |
| - Later than five years | 367 | 10,148 | – | – |
| | 51,827 | 60,975 | 15 | 12 |

Included in prepaid rental was the balance rental paid in advance by the Group to Berjaya Waterfront Sdn Bhd amounting to RM44,367,000 (2017: RM53,167,000).

## 18. Deferred tax assets/(liabilities)

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| At 1 March | (3,515) | (3,691) |
| Recognised in income statement | 391 | 176 |
| At 28 February | (3,124) | (3,515) |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | 1,259 | 853 |
| Deferred tax liabilities | (4,383) | (4,368) |
| Net deferred tax liabilities | (3,124) | (3,515) |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**18. Deferred tax assets/(liabilities) (cont'd)**

The components and movements of deferred tax liabilities and assets during the year is analysed as follows:

| | Deferred tax liabilities | Deferred tax assets | | |
|---|---|---|---|---|
| | **Property, plant and equipment** | **Unused tax losses and unabsorbed capital allowances** | **Others** | **Total** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 March 2016 | 4,965 | (192) | (1,082) | 3,691 |
| Recognised in income statement | 94 | – | (270) | (176) |
| At 28 February 2017 and 1 March 2017 | 5,059 | (192) | (1,352) | 3,515 |
| Recognised in income statement | (501) | – | 110 | (391) |
| At 28 February 2018 | 4,558 | (192) | (1,242) | 3,124 |

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Unutilised tax losses | 224,944 | 224,389 |
| Unabsorbed capital allowances | 48,755 | 47,981 |
| Other deductible temporary differences | 110,337 | 110,296 |
| | 384,036 | 382,666 |

The unused tax losses, unabsorbed capital allowances and other deductible temporary differences relate to a discontinued business segment and are not available to offset against the profits in the Group's duty free business for which no deferred tax assets have been recognised. It is available for offsetting against future taxable profits of the respective company subject to no substantial change in shareholdings under the Malaysian Income Tax Act, 1967 and guidelines issued by the tax authority.

Tax consequences of proposed dividends

There are no income tax consequences (2017: nil) attached to the dividends, proposed to the shareholders of the Company, which are recognised as a liability in the financial statements (Note 22).

## 19. Inventories

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| **Statement of financial position:** | RM'000 | RM'000 |
| Trading goods | 135,304 | 199,829 |
| Consumables | 139 | 158 |
| Total inventories at lower of cost and net realisable value | 135,443 | 199,987 |
| **Consolidated income statement:** | | |
| Inventories recognised as an expense in cost of sales | 434,229 | 430,717 |
| Inventories recognised as an expense in other operating expenses | | |
| Inclusive of the following charge/(credit): | | |
| - Inventories written down | 581 | 1,850 |
| - Reversal of inventories written down | (280) | (250) |
| - Inventories write off | 157 | 88 |

The reversal of inventories written down was made after re-assessment of saleability of the selected inventories that were previously written down.

## 20. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash at banks and on hand | 231,264 | 91,359 | 144,671 | 17,821 |
| Deposits with licensed banks | 141,777 | 180,835 | 132,717 | 170,133 |
| | 373,041 | 272,194 | 277,388 | 187,954 |

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Deposits with licensed banks of the Group amounting to RM8,901,000 (2017: RM10,678,000) are pledged to banks for credit facilities granted to certain subsidiaries as disclosed in Note 21. Deposits with licensed banks are readily convertible to cash and are subject to insignificant risk of changes in value, and earn interest at the respective deposit rates. The weighted average effective interest rate as at 28 February 2018 for the Group and the Company were 2.25% (2017: 2.05%) and 1.42% (2017: 0.83%) per annum respectively.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | 2018 | 2017 |
|---|---|---|
| | RM'000 | RM'000 |
| Cash and deposits with licensed banks | 373,041 | 272,194 |
| Deposits pledged with licensed banks | (8,901) | (10,678) |
| Cash and cash equivalents | 364,140 | 261,516 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**20. Cash and bank balances (cont'd)**

Cash and short term deposits denominated in foreign currencies at 28 February 2018 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Euro (EUR) | 47,060 | – | 47,060 | – |
| Singapore Dollar (SGD) | 8,069 | 2,590 | 8,069 | 2,590 |
| United States Dollar (USD) | 136,503 | 178,596 | 125,234 | 170,185 |
| | 191,632 | 181,186 | 180,363 | 172,775 |

**21. Borrowings**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | **Maturity** | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current** | | | | | |
| Secured: | | | | | |
| Bankers' acceptances | FY2019 | 15,202 | 5,540 | – | – |
| Obligations under finance leases (Note 25) | FY2019 | 408 | 437 | – | – |
| | | 15,610 | 5,977 | – | – |
| **Non-current** | | | | | |
| Secured: | | | | | |
| Obligations under finance leases (Note 25) | FY2020 – FY2023 | 756 | 1,097 | – | – |
| | | 756 | 1,097 | – | – |
| Total loan and borrowings | | 16,366 | 7,074 | – | – |

## 21. Borrowings (cont'd)

Bankers' acceptances

Bankers' acceptances are denominated in RM with weighted average effective interest rate of 3.34% p.a. (2017: 4.05% p.a.).

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 11). The average discount rate implicit in the leases of the Group is 2.90% p.a. (2017: 2.84% p.a.).

The bankers' acceptances, bank overdrafts and other bank facilities are secured by way of:

- deposits with licensed banks amounting to RM8,901,000 (2017: RM10,678,000); and
- corporate guarantees from a subsidiary, DFZ Capital Sdn Bhd, the Company and Atlan.

Other information on financial risks of borrowings is disclosed in Note 30.

A reconciliation of liabilities arising from financing activities is as follows:

| | **2017** | | **Non-cash changes** | | **2018** |
|---|---|---|---|---|---|
| | | **Cash flows** | **Acquisition/ additions** | **Foreign exchange movement** | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Other short term borrowings | 5,540 | 9,662 | – | – | 15,202 |
| Obligations under finance leases | 1,534 | (450) | 80 | – | 1,164 |
| Dividends payable to the owners of the Company | 46,995 | (79,777) | 68,784 | 217 | 36,219 |
| Dividends payable to non-controlling interests of subsidiaries | 3,717 | (11,927) | 8,210 | – | – |
| Total | 57,786 | (82,492) | 77,074 | 217 | 52,585 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 22. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade payables** | | | | |
| Third parties | 66,418 | 69,373 | – | – |
| **Other payables** | | | | |
| Accruals | 12,031 | 13,117 | 643 | 573 |
| Accrued payroll related expenses | 3,991 | 3,886 | – | – |
| Contribution costs payable | 209 | 209 | – | – |
| Rental payables | 476 | 1,589 | – | – |
| Deposit received for the proposed disposal # | 560 | 560 | – | – |
| Other deposits received | 566 | 571 | – | – |
| Dividend payable to ordinary shareholders * | 36,219 | 46,995 | 36,219 | 46,995 |
| Dividends payable to non-controlling interests by a subsidiary * | – | 3,717 | – | – |
| Royalty payables | 28 | 28 | – | – |
| Sundry payables | 4,388 | 4,803 | 156 | 1,336 |
| | 58,468 | 75,475 | 37,018 | 48,904 |
| Total trade and other payables | 124,886 | 144,848 | 37,018 | 48,904 |
| *Add:* Borrowings (Note 21) | 16,366 | 7,074 | – | – |
| *Less:* Goods and Services Tax payable | (645) | (957) | – | – |
| Total financial liabilities carried at amortised cost | 140,607 | 150,965 | 37,018 | 48,904 |

# This deposit 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.

* There are no income tax consequences attached to the dividends to the shareholders proposed by the Company and it is recognised as a liability in the financial statements (Note 33).

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 22. Trade and other payables (cont'd)

### (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2017: 30 to 90 days).

Trade payables denominated in foreign currencies as at 28 February 2018 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Singapore Dollar (SGD) | 14 | 865 | – | – |
| United States Dollar (USD) | 47,996 | 48,079 | – | – |
| | 48,010 | 48,944 | – | – |

### (b) Amounts due to subsidiaries

The amounts due to subsidiaries are mainly advances which are non-interest bearing, unsecured and are repayable on demand.

Further details on related party transactions are disclosed in Note 28.

Other information on financial risks of trade and other payables are disclosed in Note 30.

## 23. Derivatives

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Notional amount | Assets | Liabilities | Notional amount | Assets | Liabilities |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | |
| Forward currency contracts | 8,788 | – | (26) | 23,377 | – | (10) |
| Call option | (1,017) | – | (1,017) | (8,993) | – | (8,993) |
| | | – | (1,043) | | – | (9,003) |

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Notional amount | Assets | Liabilities | Notional amount | Assets | Liabilities |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Company** | | | | | | |
| Call option | (1,017) | – | (1,017) | (8,993) | – | (8,993) |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 23. Derivatives (cont'd)

The Group uses forward foreign exchange contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The derivatives represent total financial (liabilities)/assets at fair value through profit or loss, classified held for trading.

The call option was in relation to the fair value of call options issued which gives Heinemann Asia Pacific Pte Ltd ("HAP") the option to acquire a maximum of 15% additional equity interest in DFZ Capital Sdn Bhd ("DFZ"), a subsidiary of the Company.

During the financial year, HAP has exercise the Second Tranche Call Option and purchase 5% of equity interest in DFZ.

## 24. Share capital

| | Number of ordinary shares with no par value | | Amount | |
|---|---|---|---|---|
| **Company** | **2018** | **2017** | **2018** | **2017** |
| | '000 | '000 | RM'000 | RM'000 |
| At 1 March | 1,194,350 | 1,099,850 | 1,067,763 | 979,940 |
| Issuance of new ordinary shares | 34,150 | 89,000 | 39,811 | 87,823 |
| Placement of treasury shares | – | 5,500 | – | – |
| Purchase of treasury shares | (10,454) | – | – | – |
| At 28 February | 1,218,046 | 1,194,350 | 1,107,574 | 1,067,763 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

### (a) Other reserves

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Foreign currency translation reserve | (i) | 29 | 29 | – | – |
| Premium paid on acquisition of non-controlling interests | (ii) | (142,413) | (142,413) | – | – |
| Gain on reissuance of treasury shares | (iii) | 661 | 661 | – | – |
| Other reserves | (iv) | – | 31,049 | 661 | 31,710 |
| | | (141,723) | (110,674) | 661 | 31,710 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**24. Share capital (cont'd)**

**(a) Other reserves (cont'd)**

(i) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(ii) Pursuant to the MGO ("Compulsory Acquisition") exercise undertaken by the Company, the difference between the carrying amount of non-controlling interests at the point of acquisition and the consideration paid was reflected as premium paid. The Compulsory Acquisition was completed on 1 April 2011.

This reserve also includes the excess of the consideration received over the carrying value of the equity interest disposed to non-controlling interests.

(iii) This represents the gain arising from the sale of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

(iv) Other reserves mainly comprise warrants reserve which relates to the fair value at initial recognition of warrants issued pursuant to the reverse acquisition exercise (inclusive of warrants issued to advisers) and MGO for shares of DFZ Capital Sdn Bhd. The unexercised portion of the warrants expired on 6 January 2016.

On 16 May 2017, the Board made a bonus issue of 491,400,042 warrants ("Bonus Warrants"), on the basis of two bonus warrants for every five existing ordinary shares in the capital of the Company held by the shareholders of the Company. The number of warrants outstanding amounted to 491,400,042 as at 28 February 2018.

**(b) Share premium**

Share premium represents the excess of consideration received from the issue of shares over the nominal (par) value, which is based on the Companies Act 1965 (Malaysia). This is presented in the consolidated financial statements consistent with reverse acquisition accounting principles, which reflect the equity balances of DFZ Capital Sdn Bhd and Darul Metro Sdn Bhd. On 31 January 2017, the Companies Act 2016 (Malaysia's CA2016) came into force. As a result, the share premium was reclassified under share capital balances.

**(c) Treasury shares**

Treasury shares relate to ordinary shares of the Company that is held by the Company.

In the previous financial year, the Company placed out 5,500,000 treasury shares at a placement price of $0.32 per share. Subsequent to the completion of the placement, total treasury shares was reduced to 698,000 as at 28 February 2017.

During the full year ended 28 February 2018, the Company acquired 10,453,900 shares in the Company through purchases on the open market. The total amount paid to acquire the shares in the current financial year was RM9,985,000 and the shares were held as treasury shares. Total treasury shares have increased from 698,000 as at 28 February 2017 to 11,151,900 as at 28 February 2018 and this was presented as a component within shareholder's equity.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 25. Obligations under finance leases

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| **Future minimum lease payments:** | | |
| Not later than 1 year | 462 | 511 |
| Later than 1 year and not later than 2 years | 395 | 452 |
| Later than 2 year and not later than 5 years | 408 | 736 |
| Total future minimum lease payments | 1,265 | 1,699 |
| Less: Future finance charges | (101) | (165) |
| Present value of finance lease liabilities | 1,164 | 1,534 |
| **Analysis of present value of finance lease liabilities:** | | |
| Not later than 1 year | 408 | 437 |
| Later than 1 year and not later than 2 years | 363 | 402 |
| Later than 2 year and not later than 5 years | 393 | 695 |
| | 1,164 | 1,534 |
| Less: Amount due within 12 months | (408) | (437) |
| Amount due after 12 months | 756 | 1,097 |

The Group has hire purchase contracts on property, plant and equipment. There were no restrictions placed upon the Group by entering into these leases.

## 26. Commitments

### (a) Capital commitments

Capital expenditure approved as at the end of the reporting period but not recognised in the financial statements are as follows:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| **Capital expenditure** | | |
| Approved and contracted for: | | |
| Property, plant and equipment | 1,982 | 310 |
| Approved but not contracted for: | | |
| Property, plant and equipment | 362 | 8 |
| | 2,344 | 318 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**26. Commitments (cont'd)**

**(b) The Group as lessee**

Operating lease payments represent rentals payable by the Group for use of buildings. There was a turnover rent of RM5,251,000 (2017: RM7,698,000) recognised as an expense during the period.

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Future minimum rentals payable: | | |
| Later than 5 years | 161,000 | 161,000 |

This commitment relates to the Group's 25-year tenancy over certain premises within the Zon Johor Bahru starting March 2013. As the first 10 years of lease was prepaid (Note 17), the future minimum lease commitment relate to lease payable from year 11 to the end of the tenancy period.

**27. Contingent liabilities**

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Corporate guarantees for borrowings and banking facilities to certain subsidiaries | 35,536 | 33,132 |

Bills of Demand in respect of import duties, excise duties, sales tax and GST

On 30 November 2017, the Company announced that the Company's subsidiary, Seruntun Maju Sdn. Bhd. ("SMSB") had received Bills of Demand dated 14 November 2017 from the Royal Malaysian Customs State of Perak ("Customs"), which SMSB received on 21 November 2017, demanding payments of customs duties, excise duties, sales tax and Goods and Services Tax ("GST") all totalling RM41,595,000 for the period from 15 November 2014 to 30 September 2016.

The said Bills of Demand were raised by the Customs who alleged that SMSB did not comply with certain conditions of a duty-free shop located at the border.

The Group, after consultation with its solicitors, strongly believes that there is no legal and/or factual basis for the Customs to arrive at their decision to raise the said Bills of Demand. This is especially so since SMSB's duty free shop is located after the last customs station en-route out of Malaysia and before the first customs station en-route into Malaysia, where no duties are payable. The solicitors of SMSB are taking the necessary defence actions on its behalf.

On 29 November 2017, the High Court granted leave to SMSB's application for judicial review, as well as an interim stay of the enforcement of the Bills of Demand until the disposal of the inter partes stay hearing under the Customs Act 1967 and Excise Act, 1976.

The High Court has on 4 January 2018 fixed the case for hearing on 12 April 2018 and subsequently postponed to 17 April 2018. During the hearing on 17 April 2018, SMSB argued that the Bills of Demand are illegal and are raised beyond the scope of the Customs' jurisdiction. This is on the premise that the alleged conditions were not attached to the duty free shop licences issued to SMSB, as required under Section 65D(2) of the Customs Act 1967.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**27. Contingent liabilities (cont'd)**

Bills of Demand in respect of import duties, excise duties, sales tax and GST (cont'd)

The High Court subsequently fixed for decision of the matter on 25 May 2018. In addition, the High Court also granted interim stay of enforcement of the Bills of Demand until the date of decision. On 12 December 2017, SMSB had also appealed to the Director-General of Customs in respect of the sales tax pursuant to Section 68 of the Sales Tax Act and had submitted an application to the Director-General of Customs in respect of GST pursuant to Section 124 of the GST Act. To-date, the matter is still pending a decision from the Director-General of Customs.

The Board, having obtained advice from its solicitor, is of the opinion that the demand payment from the Customs is possible, but not probable, that the Customs will succeed and accordingly no provision for any liability has been made in the financial statements.

**28. Related party disclosures**

An entity or individual is considered a related party of the Group for the purpose of the financial statements if: i) it possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control.

**(a) Significant transactions**

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties, who are not members of the Group, took place at terms agreed between the parties during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Subsidiaries:** | | | | |
| - Dividends received | – | – | 94,790 | 94,469 |
| **Related companies:** | | | | |
| - Management fee | 2,000 | 2,000 | – | – |
| **Related party:** | | | | |
| - Donation to Yayasan Harmoni * | 1,000 | 2,000 | – | – |
| - Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP") | 244,160 | 122,008 | – | – |
| - Management fee paid/payable to HAP | 2,199 | 1,185 | – | – |
| - Ad-space rental received/receivable from HAP | 2,079 | 1,173 | – | – |
| - Reimbursement of costs from HAP | 4,244 | 1,583 | – | – |

* The Non-Executive Chairman of the Company is the founder and executive chairman of Yayasan Harmoni.

(i) Management fees were made according to negotiated prices between the parties.

(ii) Rental income was made in accordance with prices negotiated between the parties.

Information regarding outstanding balances arising from related party transactions as at 28 February 2018 and 28 February 2017 are disclosed in Notes 16 and 22.

**28. Related party disclosures (cont'd)**

**(b) Compensation of key management personnel**

The remuneration of certain directors and other members of key management during the year are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Short-term employee benefits | 3,878 | 2,900 |
| Defined contribution plan | 194 | 217 |
| | 4,072 | 3,117 |
| *Comprise amounts paid to:* | | |
| Directors of the Company | 1,155 | 1,380 |
| Other key management personnel | 2,917 | 1,737 |
| | 4,072 | 3,117 |

**29. Fair value of assets and liabilities**

**(a) Fair value hierarchy**

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**29. Fair value of assets and liabilities (cont'd)**

**(b) Assets and liabilities measured at fair values**

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

| Group | Quoted prices in active markets for identical instruments (Level 1) RM'000 | Significant observable inputs other than quoted prices (Level 2) RM'000 | Significant un-observable inputs (Level 3) RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 28 February 2018** | | | | |
| **Non-financial assets:** | | | | |
| - Biological assets (Note 12) | – | – | 152 | 152 |
| **Financial liabilities:** | | | | |
| Derivatives (Note 23) | | | | |
| - Forward currency contracts | – | (26) | – | (26) |
| - Call option | – | – | (1,017) | (1,017) |
| | – | (26) | (1,017) | (1,043) |
| **At 28 February 2017** | | | | |
| **Non-financial assets:** | | | | |
| - Biological assets (Note 12) | – | – | 187 | 187 |
| **Financial liabilities:** | | | | |
| Derivatives (Note 23) | | | | |
| - Forward currency contracts | – | (10) | – | (10) |
| - Call option | – | – | (8,993) | (8,993) |
| | – | (10) | (8,993) | (9,003) |

**(c) Level 2 fair value measurements**

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

*Forward currency contracts (Note 23)*: Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**29. Fair value of assets and liabilities (cont'd)**

**(d) Level 3 fair value measurements**

The following is a description of the fair value measurements using significant unobservable inputs (Level 3):

*Biological assets (Note 12):* The fair values of bearer fruits are determined by using the total sales figure in the following month with the assumptions of all the fruits harvested are sold subsequently to the customer.

*Call option (Note 23)*: The fair values of call option are determined by using Binomial tree model, which includes some assumptions that are supported by observable market data. The key inputs used in determining the fair value are as follows:

| Description | Fair value as at 28 February 2018 RM'000 | Valuation techniques | Unobservable inputs | Range (weighted average) |
|---|---|---|---|---|
| Call option | 1,017 | Binomial Tree | Exercise price | EUR1.0321 |
| | | | Underlying DFZ share value | EUR0.7125 |
| | | | Volatility | 36.97% |
| | | | Risk free rate | 3.26% |
| | | | Dividend yield | 12.07% |

| Description | Fair value as at 28 February 2017 RM'000 | Valuation techniques | Unobservable inputs | Range (weighted average) |
|---|---|---|---|---|
| Call option | 8,993 | Binomial Tree | Exercise price | EUR0.9852 |
| | | | Underlying DFZ share value | EUR0.7884 |
| | | | Volatility | 34.17% |
| | | | Risk free rate | 3.35% |
| | | | Dividend yield | 9.47% |

<u>Sensitivity analysis for call options</u>

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable input used in the fair value measurement:

If the underlying share value had been increased by 10% (2017: 10%) with all other variables held constant, the fair value of call options will increase by approximately RM1.0 million (2017: RM4.5 million) as at the end of the reporting period.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**29. Fair value of assets and liabilities (cont'd)**

**(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value**

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | **Note** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial liabilities:** | | | | | |
| Obligations under finance leases | 25 | 1,164 | 1,196 | 1,534 | 1,553 |

**30. Financial risk management objectives and policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Credit risk is the risk of loss that may rise on outstanding financial instruments should a counterparty default in its obligations. The Group's exposure to credit risk arises primarily from trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets, except for the amount due from Berjaya Waterfront Sdn Bhd as described in Note 16.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 30. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted obligations.

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Total** | **One year or less** | **One to five years** | **Total** |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial assets** | | | | | | |
| Trade and other receivables | 55,942 | – | 55,942 | 52,825 | – | 52,825 |
| Cash and bank balances | 373,041 | – | 373,041 | 272,194 | – | 272,194 |
| Total undiscounted financial assets | 428,983 | – | 428,983 | 325,019 | – | 325,019 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 124,241 | – | 124,241 | 143,891 | – | 143,891 |
| Borrowings | 15,664 | 803 | 16,467 | 6,060 | 1,179 | 7,239 |
| Derivatives – forward currency contracts | | | | | | |
| - gross payments | 8,788 | – | 8,788 | 23,377 | – | 23,377 |
| - gross receipts | (8,762) | – | (8,762) | (23,367) | – | (23,367) |
| Total undiscounted financial liabilities | 139,931 | 803 | 140,734 | 149,961 | 1,179 | 151,140 |
| Total net undiscounted financial assets/(liabilities) | 289,052 | (803) | 288,249 | 175,058 | (1,179) | 173,879 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

**30. Financial risk management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

Analysis of financial instruments by remaining contractual maturities (cont'd)

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Total** | **One year or less** | **One to five years** | **Total** |
| **Company** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial assets** | | | | | | |
| Trade and other receivables | 17,000 | – | 17,000 | 36,148 | – | 36,148 |
| Cash and bank balances | 277,388 | – | 277,388 | 187,954 | – | 187,954 |
| Total undiscounted financial assets | 294,388 | – | 294,388 | 224,102 | – | 224,102 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 37,018 | – | 37,018 | 48,904 | – | 48,904 |
| Total undiscounted financial liabilities | 37,018 | – | 37,018 | 48,904 | – | 48,904 |
| Total net undiscounted financial assets | 257,370 | – | 257,370 | 175,198 | – | 175,198 |

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Total** | **One year or less** | **One to five years** | **Total** |
| **Company** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Corporate guarantees | 35,536 | – | 35,536 | 33,132 | – | 33,132 |

**(c) Interest rate risks**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from interest-bearing borrowings. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 10 (2017: 10) basis points lower/higher with all other variables held constant, the Group's and the Company's profit before tax would have been RM96,000 (2017: RM133,000) and RM101,000 (2017: RM129,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on fixed and floating rate loans and borrowings, lower/higher interest income from fixed deposit. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 30. Financial risk management objectives and policies (cont'd)

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the functional currency of the operations to which they relate, primarily United States Dollars ("USD") and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly USD and SGD. Approximately 68% (2017: 60%) of the Group's purchases are denominated in foreign currencies. Foreign currency exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

At the end of the reporting period, the Group does not have balance of short term borrowings which are denominated in USD.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, SGD and EUR exchange rates against the functional currency of the Group entities, with all other variables held constant.

| | | **2018** RM'000 | **2017** RM'000 |
|---|---|---|---|
| USD/RM | - strengthened 3% | 2,741 | 3,918 |
| | - weakened 3% | (2,741) | (3,918) |
| SGD/RM | - strengthened 3% | 236 | 16 |
| | - weakened 3% | (236) | (16) |
| EUR/RM | - strengthened 3% | 1,412 | – |
| | - weakened 3% | (1,412) | – |

## 31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year/period under review.

The Group monitors capital using a gearing ratio, which is total external debt divided by total capital.

The Group's ensure that the gearing ratio shall not be more than 2.00 times to comply with covenants from its borrowings.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 31. Capital management (cont'd)

The Group includes within total external debt, all financial borrowings of the Group. Total external debt due and payable within 12 months consists of bankers' acceptances, USD trade loans, bank overdrafts, interest payable and current portion of finance lease liabilities. Capital includes equity attributable to the owners of the parent.

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Borrowings (non-current) (Note 21) | 756 | 1,097 |
| Borrowings (current excluding term loan, i.e. due and payable within 12 months) | 15,610 | 5,977 |
| Total external debt | 16,366 | 7,074 |
| Total equity attributable to the owners of the Company | 582,026 | 536,080 |
| **Gearing ratio (times)** | 0.03 | 0.01 |

## 32. Segment information

### (a) Operating segments

For management purposes, the operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's risks and rates of return are affected predominantly by differences in the products and services produced. The Group has the following reportable operating segments:

(i) *Trading of duty free goods and non-dutiable merchandise*

This segment includes revenues from sale of goods.

The Group comprises the following main business segments:

(ii) *Investment holding and others*

This segment includes revenues from the following:

– management fee income; and

– sale of fresh oil palm fruit bunches.

The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical locations is not presented. The Group has no major customers.

### (b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The directors are of the opinion that transfer prices between operating segments are based on negotiated prices. Segment revenue, expenses and results include transfers between operating segments. These transfers are eliminated on consolidation.

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 32. Segment information (cont'd)

### Operating segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment:

| | Trading of duty free goods and non-dutiable merchandise | | Investment holdings and others | | Adjustments and eliminations | | Notes | Per consolidated financial statements | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | RM'000 | RM'000 |
| **Revenue:** | | | | | | | | | |
| Sales to external customers | 618,136 | 631,016 | 1,988 | 1,572 | – | – | | 620,124 | 632,588 |
| Inter-segment sales | 2 | 3 | 83,630 | 97,083 | (83,632) | (97,086) | A | – | – |
| Total revenue | 618,138 | 631,019 | 85,618 | 98,655 | (83,632) | (97,086) | | 620,124 | 632,588 |
| **Results:** | | | | | | | | | |
| Interest income | 831 | 705 | 6,807 | 4,910 | – | – | | 7,638 | 5,615 |
| Depreciation and amortisation | 4,163 | 4,184 | 1,263 | 1,256 | – | – | | 5,426 | 5,440 |
| (Loss)/gain arising from changes in fair values of biological assets | – | – | (35) | 5 | – | – | | (35) | 5 |
| Gain arising from changes in fair values of option | – | – | 7,976 | 4,044 | – | – | | 7,976 | 4,044 |
| Other non-cash (expenses)/ income | (2,941) | (762) | 21,189 | 6,152 | – | – | B | 18,248 | 5,390 |
| Segment profit/(loss) | 79,879 | 85,152 | 73,085 | 111,071 | (83,975) | (98,392) | C | 68,989 | 97,831 |
| **Assets** | | | | | | | | | |
| Additions to non-current assets | 2,325 | 4,773 | 128 | 103 | – | – | D | 2,453 | 4,876 |
| Segment assets | 362,604 | 429,484 | 380,785 | 287,566 | 5,671 | 4,494 | E | 749,060 | 721,544 |
| **Segment liabilities** | 101,188 | 96,481 | 41,107 | 64,444 | 7,080 | 8,322 | F | 149,375 | 169,247 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 32. Segment information (cont'd)

**Operating segments (cont'd)**

| Notes | Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements |
|---|---|
| A | Inter-segment revenues are eliminated on consolidation. |
| B | Other material non-cash income/expenses consist of allowances for doubtful receivables, bad debts written off, deposits forfeited, gains on disposal of non-financial assets, inventories written off, net unrealised foreign exchange gain/loss, reversal of inventories written down, inventories written down, waiver of debts and provisions as presented in the respective notes to the financial statements. |
| C | The following items are deducted from segment profit to arrive at profit before tax presented in the income statement: |

| | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Inter-segment transactions | (2) | (2) |
| Inter-segment dividend income | 83,632 | 97,083 |
| Finance costs | 345 | 1,311 |
| | 83,975 | 98,392 |

D Additions to non-current assets consist of:

| | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Property, plant and equipment | 2,453 | 4,876 |

E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Deferred tax assets | 1,259 | 853 |
| Tax recoverable | 4,412 | 3,641 |
| | 5,671 | 4,494 |

F The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Deferred tax liabilities | 4,383 | 4,368 |
| Income tax payable | 2,697 | 3,954 |
| | 7,080 | 8,322 |

# Notes to the Financial Statements (cont'd)

For the financial year ended 28 February 2018

## 33. Dividends

| *Group and Company* | **2018** RM'000 |
|---|---|
| **Declared and paid/payable during the financial year:** | |
| Dividends on ordinary shares | |
| - First interim one tier tax exempt dividend for 2018: S$0.0035 cents per share | 13,591 |
| - Second interim one tier tax exempt dividend for 2018: S$0.0050 cents per share | 18,974 |
| - Third interim one tier tax exempt dividend for 2018: S$0.0100 cents per share | 36,219 |
| | 68,784 |

| *Group and Company* | **2017** RM'000 |
|---|---|
| **Declared and paid/payable during the financial year:** | |
| Dividends on ordinary shares | |
| - First interim one tier tax exempt dividend for 2017: S$0.0125 cents per share | 43,228 |
| - Second interim one tier tax exempt dividend for 2017: S$0.0125 cents per share | 46,994 |
| | 90,222 |

## 34. Authorisation of financial statements

The financial statements for the financial year ended 28 February 2018 were authorised for issue in accordance with a resolution of the directors on 15 May 2018.

# Statistics of Shareholdings

As at 18 May 2018

| | | |
|---|---|---|
| Class of Shares | : | Ordinary Share |
| Number of Issued Shares (excluding treasury shares and subsidiary holdings) | : | 1,218,046,493 |
| Issued and fully paid-up capital | : | SGD410,216,198 |
| Voting Rights | : | One vote per share |
| Number of Treasury Shares and Percentage | : | 11,151,900 (0.92%) |
| Number of Subsidiary Holdings and Percentage | : | Nil |

**DISTRIBUTION OF SHAREHOLDINGS**

| | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 169 | 8.77 | 1,805 | 0.00 |
| 100 - 1,000 | 240 | 12.46 | 127,302 | 0.01 |
| 1,001 - 10,000 | 597 | 30.98 | 3,329,611 | 0.27 |
| 10,001 - 1,000,000 | 899 | 46.65 | 58,185,352 | 4.78 |
| 1,000,001 AND ABOVE | 22 | 1.14 | 1,156,402,423 | 94.94 |
| **TOTAL** | **1,927** | **100.00** | **1,218,046,493** | **100.00** |

**TWENTY LARGEST SHAREHOLDERS**

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1. | ATLAN HOLDINGS BHD | 905,028,113 | 74.30 |
| 2. | CITIBANK NOMINEES SINGAPORE PTE LTD | 127,438,332 | 10.46 |
| 3. | MAYBANK KIM ENG SECURITIES PTE. LTD. | 23,800,845 | 1.95 |
| 4. | DB NOMINEES (SINGAPORE) PTE LTD | 18,928,700 | 1.55 |
| 5. | UOB KAY HIAN PRIVATE LIMITED | 14,888,030 | 1.22 |
| 6. | OCBC SECURITIES PRIVATE LIMITED | 14,867,174 | 1.22 |
| 7. | RAFFLES NOMINEES (PTE) LIMITED | 8,236,505 | 0.68 |
| 8. | DBS NOMINEES (PRIVATE) LIMITED | 6,868,555 | 0.56 |
| 9. | SOH CHONG CHAI | 5,499,080 | 0.45 |
| 10. | LIM TECK CHAI DANNY | 4,601,900 | 0.38 |
| 11. | RHB SECURITIES SINGAPORE PTE. LTD. | 4,012,732 | 0.33 |
| 12. | PHILLIP SECURITIES PTE LTD | 3,137,853 | 0.26 |
| 13. | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 2,908,428 | 0.24 |
| 14. | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 2,787,900 | 0.23 |
| 15. | E-FOS SDN BHD | 2,472,722 | 0.20 |
| 16. | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 2,387,051 | 0.20 |
| 17. | HSBC (SINGAPORE) NOMINEES PTE LTD | 1,975,200 | 0.16 |
| 18. | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,754,751 | 0.14 |
| 19. | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 1,488,652 | 0.12 |
| 20. | MAH SIEW HOE | 1,175,000 | 0.10 |
| | **TOTAL** | **1,154,257,523** | **94.75** |

# Statistics of Shareholdings

As at 18 May 2018

**SUBSTANTIAL SHAREHOLDERS AS AT 18 MAY 2018**
(As recorded in the Register of Substantial Shareholders)

| | DIRECT INTERESTS | | DEEMED INTERESTS | |
|---|---|---|---|---|
| NAME | NO. OF SHARES HELD | % | NO. OF SHARES HELD | % |
| Atlan Holdings Bhd | 905,028,113 | 74.30 | – | – |
| Distinct Continent Sdn Bhd | – | – | 905,028,113 | 74.30(1) |
| Sebastian Paul Lim Chin Foo | – | – | 905,028,113 | 74.30(2) |
| Dato’ Sri Adam Sani bin Abdullah | – | – | 905,028,113 | 74.30(3) |
| Berjaya Corporation Berhad | – | – | 905,028,113 | 74.30(4) |
| Tan Sri Dato’ Seri Vincent Tan Chee Yioun | – | – | 905,028,113 | 74.30(5) |

**Notes:**

1. Distinct Continent Sdn Bhd is a substantial shareholder of Atlan Holdings Bhd (“Atlan”). Distinct Continent Sdn Bhd is deemed interested in the shares held by Atlan by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

2. Sebastian Paul Lim Chin Foo is deemed interested in the shares held by Atlan through his majority interest in Distinct Continent Sdn Bhd by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

3. Dato’ Sri Adam Sani bin Abdullah is deemed interested in the shares held by Atlan through Distinct Continent Sdn Bhd. His son, Sebastian Paul Lim Chin Foo, has a majority interest in Distinct Continent Sdn Bhd.

4. Berjaya Corporation Berhad (“BCB”) is deemed interested in the shares held by Atlan through its direct and indirect interest totalling 26.69% in Atlan.

5. Tan Sri Dato’ Seri Vincent Tan Chee Yioun is deemed interested in the shares held by Atlan through his interest in BCB. BCB currently has a direct and indirect interest totalling 26.69% in Atlan. Tan Sri Dato’ Seri Vincent Tan Chee Yioun is a major shareholder of BCB.

**PERCENTAGE OF SHAREHOLDING IN PUBLIC’S HANDS**

Based on the information available to the Company as at 18 May 2018, approximately 25.47% of the issued ordinary shares of the Company are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires that at least 10% of the issued ordinary shares (excluding preference shares, convertible equity securities and treasury shares) of the Company in a class that is listed is at all times held in the hands of the public.

# Statistics of Warrantholdings

As at 18 May 2018

## DISTRIBUTION OF WARRANT HOLDINGS

| SIZE OF WARRANT HOLDINGS | NO. OF WARRANT HOLDERS | % | NO. OF WARRANTS | % |
|---|---|---|---|---|
| 1 - 99 | 123 | 10.87 | 3,579 | 0.00 |
| 100 - 1,000 | 343 | 30.33 | 166,092 | 0.03 |
| 1,001 - 10,000 | 441 | 38.99 | 1,908,725 | 0.39 |
| 10,001 - 1,000,000 | 211 | 18.66 | 17,198,704 | 3.50 |
| 1,000,001 AND ABOVE | 13 | 1.15 | 472,122,942 | 96.08 |
| **TOTAL** | **1,131** | **100.00** | **491,400,042** | **100.00** |

## TWENTY LARGEST WARRANT HOLDERS

| NO. | NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 1. | ATLAN HOLDINGS BHD | 362,011,245 | 73.67 |
| 2. | CITIBANK NOMINEES SINGAPORE PTE LTD | 50,992,652 | 10.38 |
| 3. | MAYBANK KIM ENG SECURITIES PTE. LTD. | 12,198,703 | 2.48 |
| 4. | DB NOMINEES (SINGAPORE) PTE LTD | 10,639,280 | 2.17 |
| 5. | OCBC SECURITIES PRIVATE LIMITED | 7,189,978 | 1.46 |
| 6. | LIM & TAN SECURITIES PTE LTD | 7,049,100 | 1.43 |
| 7. | CHAN KENG LOKE | 6,000,000 | 1.22 |
| 8. | RAFFLES NOMINEES (PTE) LIMITED | 4,622,222 | 0.94 |
| 9. | ONG KAH KEONG | 3,675,400 | 0.75 |
| 10. | PHILLIP SECURITIES PTE LTD | 2,842,455 | 0.58 |
| 11. | UOB KAY HIAN PRIVATE LIMITED | 2,129,737 | 0.43 |
| 12. | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 1,417,828 | 0.29 |
| 13. | DBS NOMINEES (PRIVATE) LIMITED | 1,354,342 | 0.28 |
| 14. | E-FOS SDN BHD | 989,088 | 0.20 |
| 15. | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 905,800 | 0.18 |
| 16. | RHB SECURITIES SINGAPORE PTE. LTD. | 901,092 | 0.18 |
| 17. | VINCENT LAWRENCE | 848,000 | 0.17 |
| 18. | NG WEI PONG | 817,600 | 0.17 |
| 19. | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 790,420 | 0.16 |
| 20. | BOEY YIN CHIANG | 683,500 | 0.14 |
| | **TOTAL** | **478,058,442** | **97.28** |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting ("**AGM**") of Duty Free International Limited ("**Company**") will be held at Six Battery Road #10-01 Singapore 049909 on Thursday, 28 June 2018 at 11.00 a.m., for the following purpose:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 28 February 2018 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 104 of the Constitution of the Company and who, being eligible, offer themselves for re-election, as a Director of the Company:

   Dato' Sri Adam Sani Bin Abdullah **(Resolution 2)**
   Mr. Chew Soo Lin **(Resolution 3)**
   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$145,000 for the financial year ended 28 February 2018 (FY2017: S$145,000). **(Resolution 4)**

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to hold office until the conclusion of the next AGM and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an AGM.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

**6. Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")**

That pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual of the SGX-ST ("**Listing Manual**"), the Directors of the Company be authorised and empowered to:

(a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

("**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

# Notice of Annual General Meeting

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under subparagraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Ordinary Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 6)**

**7. Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of AGM of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Appendix to the Notice of AGM dated 12 June 2018 ("**Appendix**"), in accordance with the authority and limits of the renewed Share Purchase Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

**BY ORDER OF THE BOARD**

Shirley Tan Sey Liy
Company Secretary
12 June 2018

# Notice of Annual General Meeting

**Explanatory Notes:**

(i) Dato' Sri Adam Sani bin Abdullah will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee and Remuneration Committee.

Mr. Chew Soo Lin will, upon re-election as a Director of the Company, remains as a member of the Audit Committee and Nominating Committee. The Board considers him independent for the purposes of Rule 704(8) of the Listing Manual.

(ii) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM of the Company until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per cent (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 28 February 2018 are set out in greater detail in the Appendix.

**Notes:-**

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. The instrument appointing a proxy must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than 72 hours before the time appointed for holding the AGM. A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the AGM.

*A Relevant Intermediary is:-

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

# Notice of Annual General Meeting

**Personal Data Privacy**

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. The member's personal data and the proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

# DUTY FREE INTERNATIONAL LIMITED

(Company Registration Number: 200102393E)
(Incorporated in the Republic of Singapore)

# PROXY FORM
# ANNUAL GENERAL MEETING

*(Please see notes overleaf before completing this Form)*

**IMPORTANT:**
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents

I/We, ______________________ (Name ) ______________________ (NRIC/Passport No.)

of ______________________________________________ (Address)

being a member/members of **DUTY FREE INTERNATIONAL LIMITED** ("**Company**"), hereby appoint:-

| Name | NRIC/Passport No. | Proportion of Shareholdings to be represented by proxy (%) |
|---|---|---|
| Address | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings to be represented by proxy (%) |
|---|---|---|
| Address | | |

as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at Six Battery Road #10-01 Singapore 049909 on Thursday, 28 June 2018 at 11.00 a.m and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

**If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

| | | No. of Votes | |
|---|---|---|---|
| **AS ORDINARY BUSINESS** | | **For**** | **Against**** |
| 1 | To receive and adopt the Audited Financial Statements of the Company for the financial year ended 28 February 2018 together with the Directors' Statement and Auditors' Report thereon | | |
| 2 | To re-elect Dato' Sri Adam Sani Bin Abdullah as a Director of the Company retiring pursuant to Regulation 104 of the Constitution of the Company | | |
| 3 | To re-elect Mr. Chew Soo Lin as a Director of the Company retiring pursuant to Regulation 104 of the Constitution of the Company | | |
| 4 | To approve the payment of Directors' fees of S$145,000 for the financial year ended 28 February 2018 (FY2017: S$145,000) | | |
| 5 | To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors of the Company to fix their remuneration | | |
| **AS SPECIAL BUSINESS** | | | |
| 6 | To authorise the Directors of the Company to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited | | |
| 7 | Renewal of Share Purchase Mandate | | |

Dated this ________ day of ____________ 2018

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________

*Signature of Shareholder(s)*
*and/or Common Seal of Corporate Shareholder*

*Delete where inapplicable

**IMPORTANT: PLEASE READ THE NOTES OVERLEAF**

**Notes**:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than 72 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Affix
postage
stamp

THE COMPANY SECRETARY
**DUTY FREE INTERNATIONAL LIMITED**
(Company No.: 200102393E)

Six Battery Road
#10-01
Singapore 049909

*A Relevant Intermediary is:-

(a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**General:-**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:-**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 June 2018.

(200102393E)
DUTY FREE INTERNATIONAL LIMITED

www.dfi.com.sg
Six Battery Road #10-01 Singapore 049909