ANNUAL REPORT 2019

LAPORAN TAHUNAN

DUTY FREE INTERNATIONAL LIMITED (200102393E)

the ZON

CONTENTS

CORPORATE PROFILE AND **OUR CORE BUSINESS**

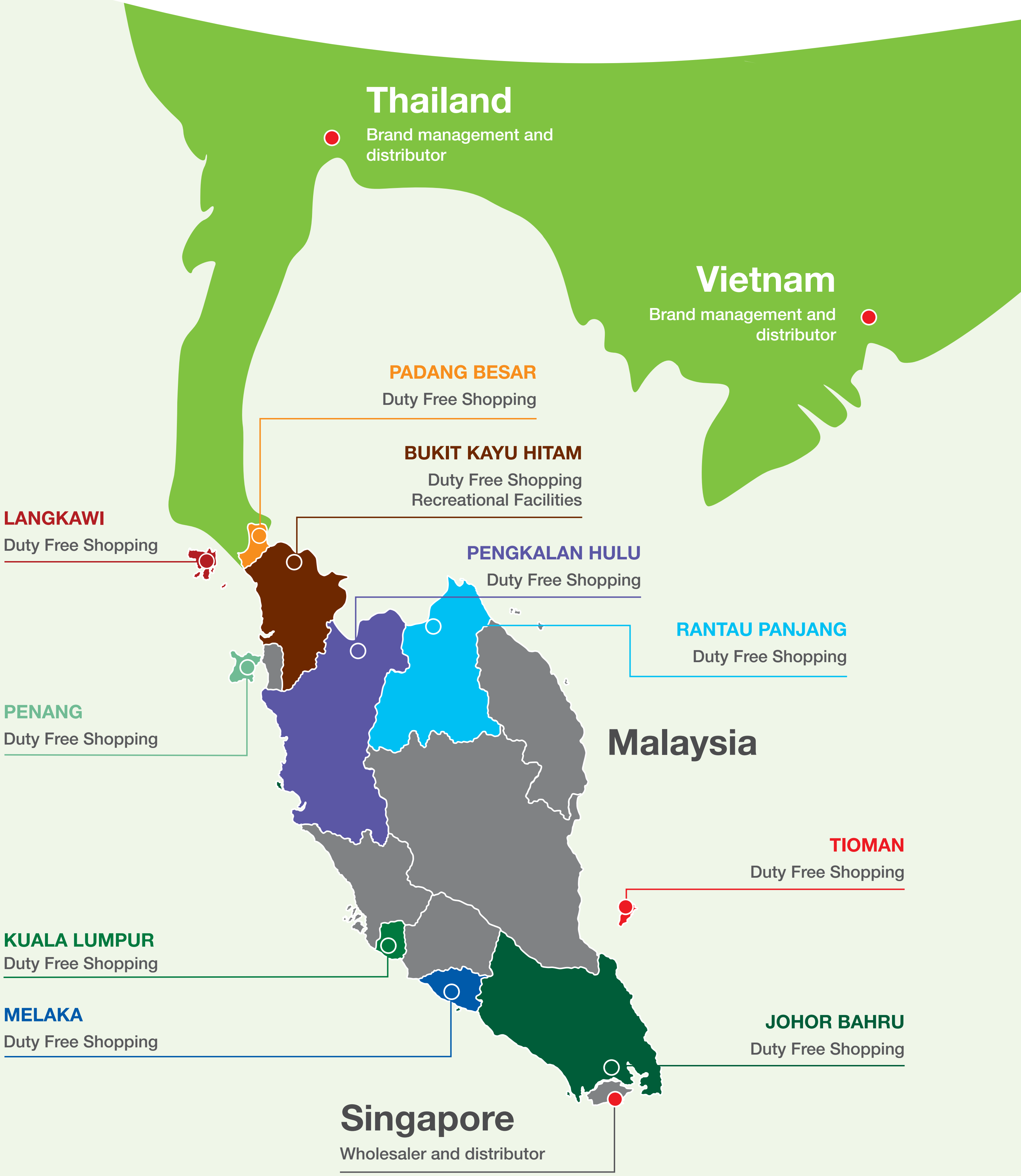
Duty Free International Limited ("**DFI**" and together with its subsidiaries, the "**Group**"), one of the largest duty free trading group in Malaysia, has established a premium travel retail brand "**The Zon**" that is strategically located across Peninsular Malaysia. A duty free retail specialist with over 40 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.

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.

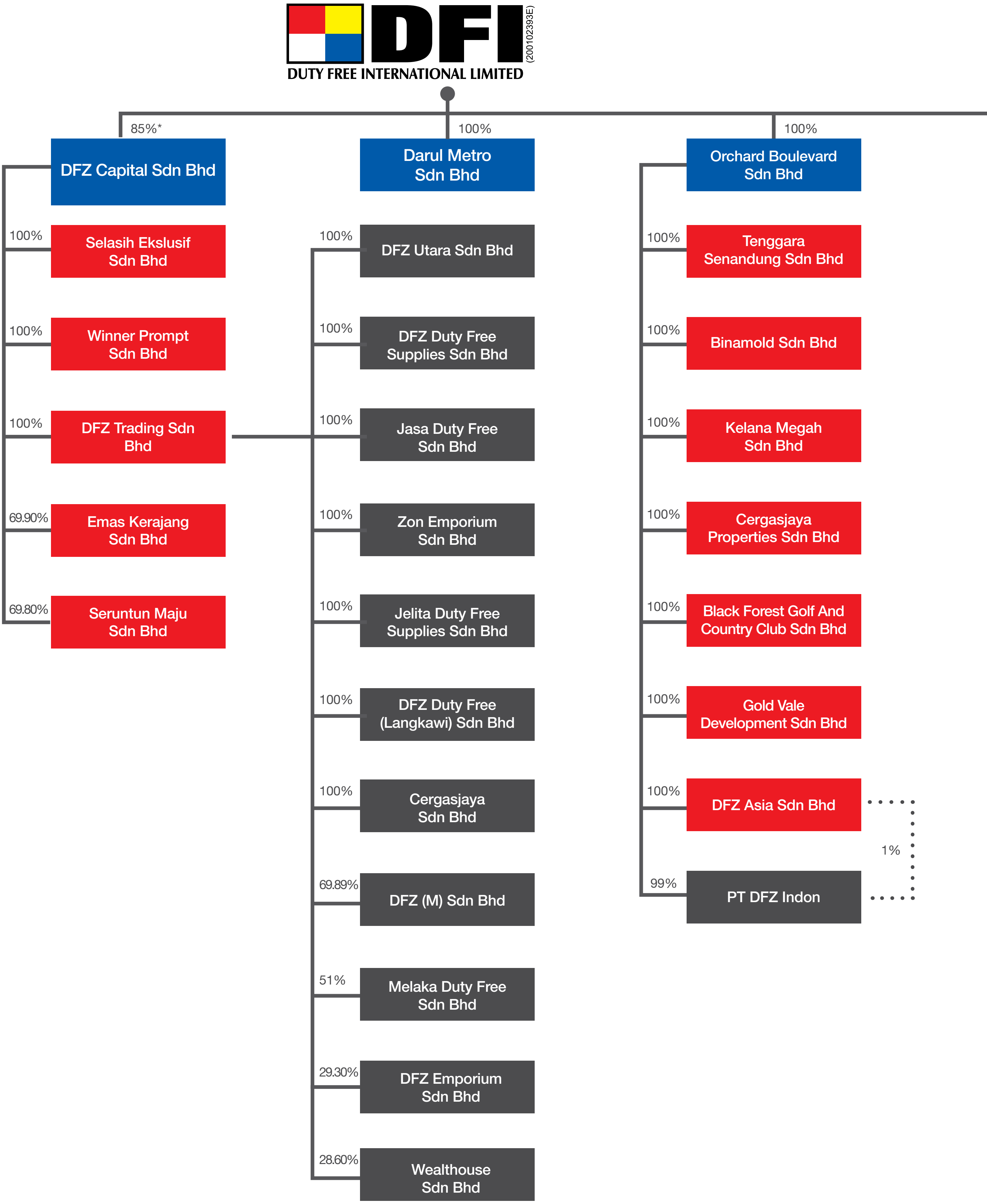
In addition to the Group's trading of duty free goods and non-dutiable merchandise, DFI owns the Black Forest Golf and Country Club and an oil palm plantation. The combined land mass of the sprawling 18-hole Golf and Country Club and oil palm plantation assets adds up to more than 700 acres, all of which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

OUR PRESENCE

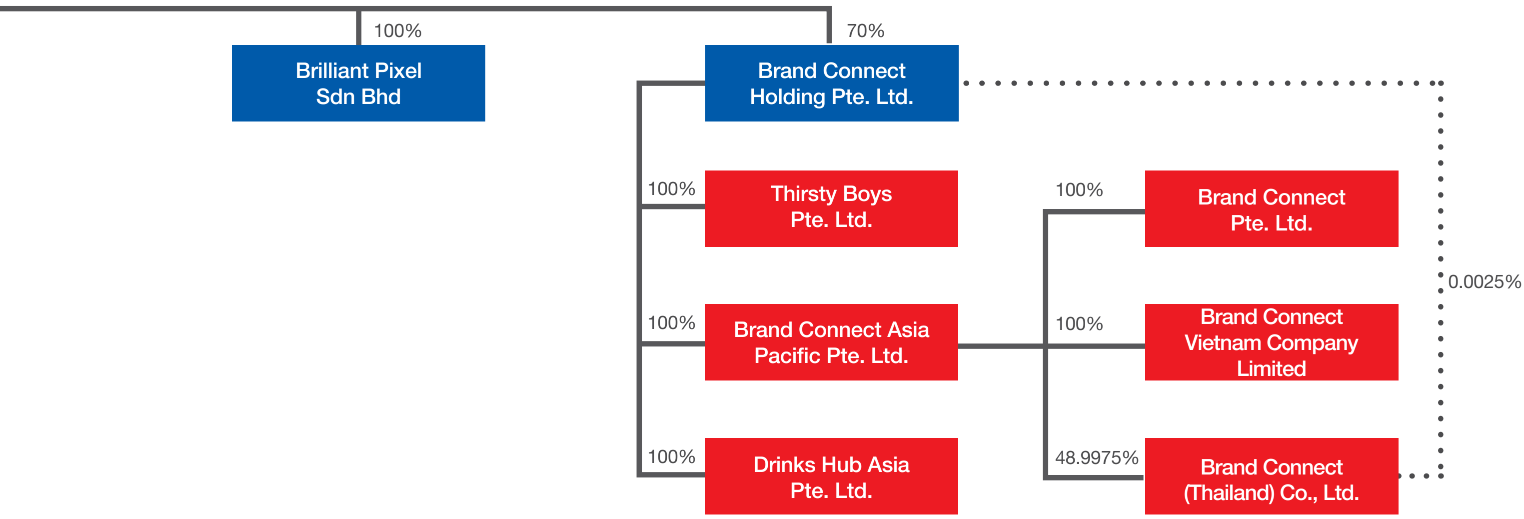


OUR PRESENCE

CORPORATE STRUCTURE



CORPORATE STRUCTURE

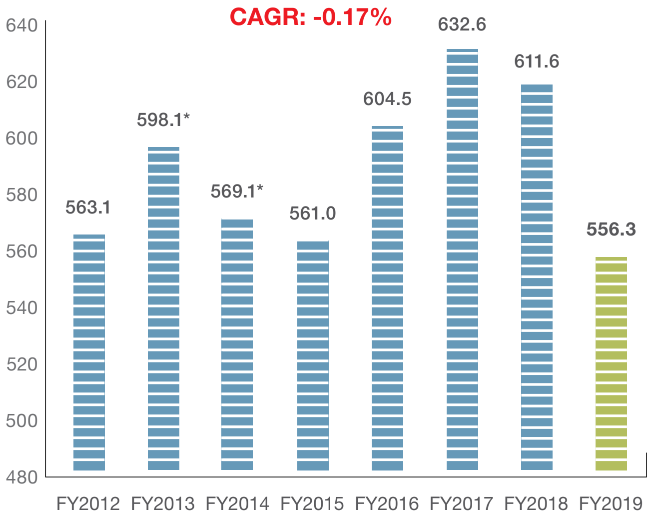


* Represents 85% equity interest in DFZ Capital Sdn Bhd ("DFZ") less one DFZ share

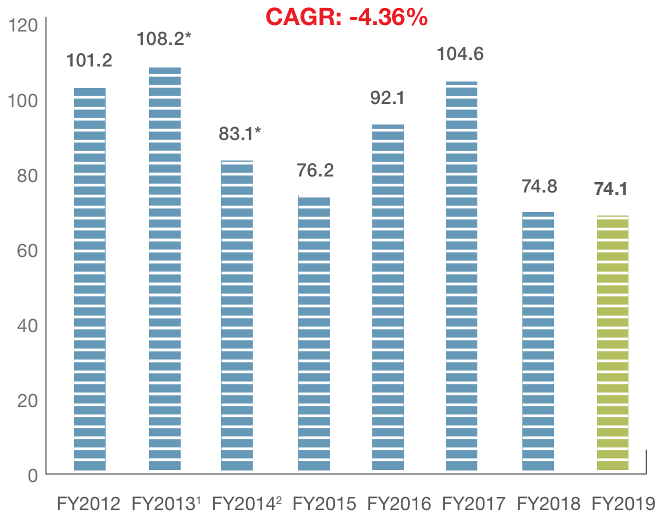
FINANCIAL **HIGHLIGHTS**

Year ended 28/29 February

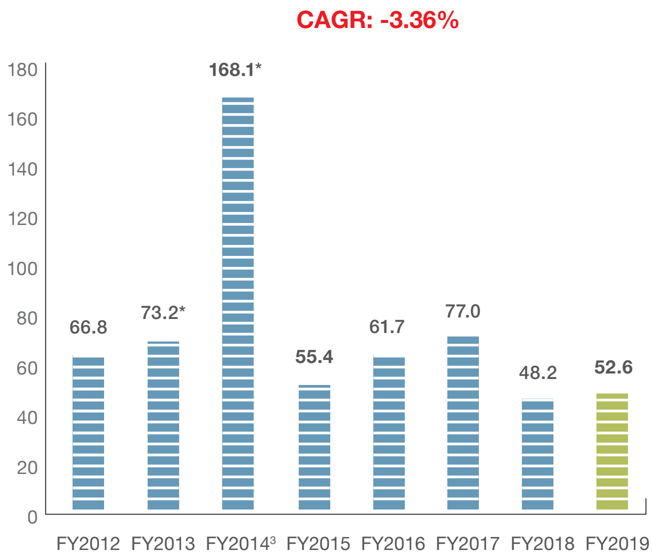
REVENUE (RM'MILLION)



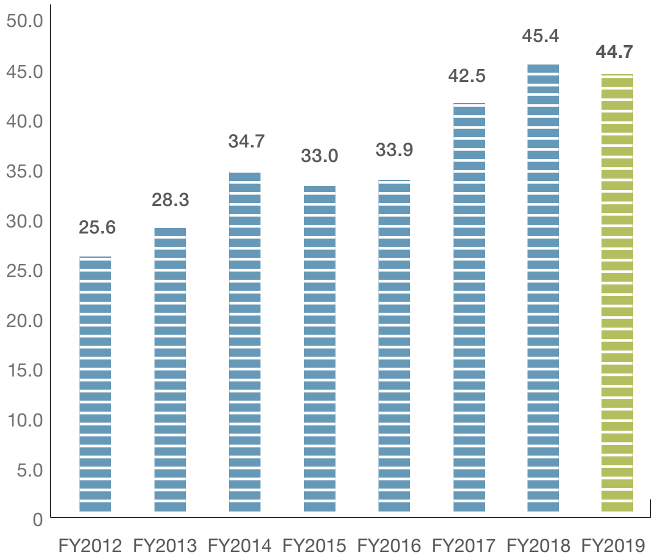
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (BEFORE EXCEPTIONAL ITEMS) (RM'MILLION)



PROFIT AFTER TAX (RM'MILLION)



NET TANGIBLE ASSETS PER SHARE (RM SEN)

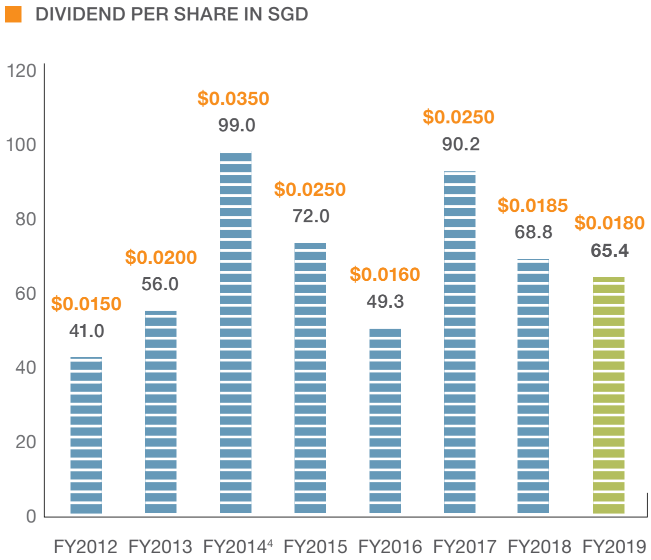


* includes financial results of Discontinued Operations

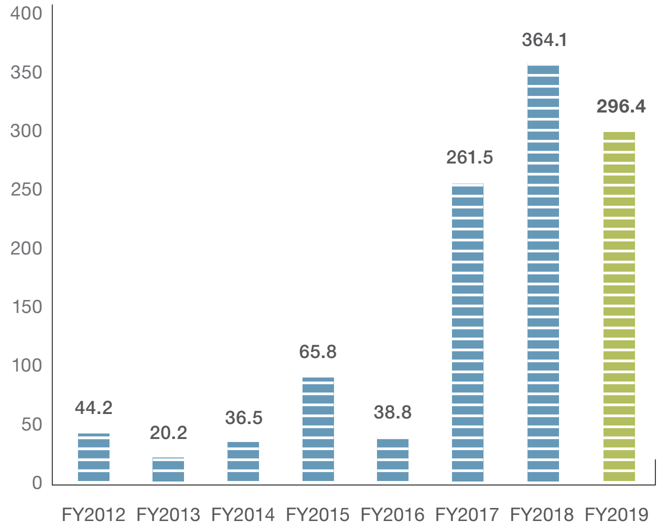
FINANCIAL HIGHLIGHTS

Year ended 28/29 February

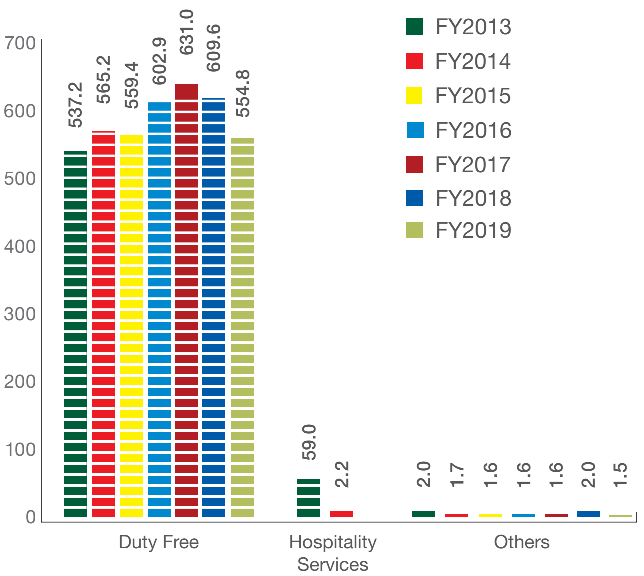
DIVIDEND PAYOUT FOR DFI (RM'MILLION)



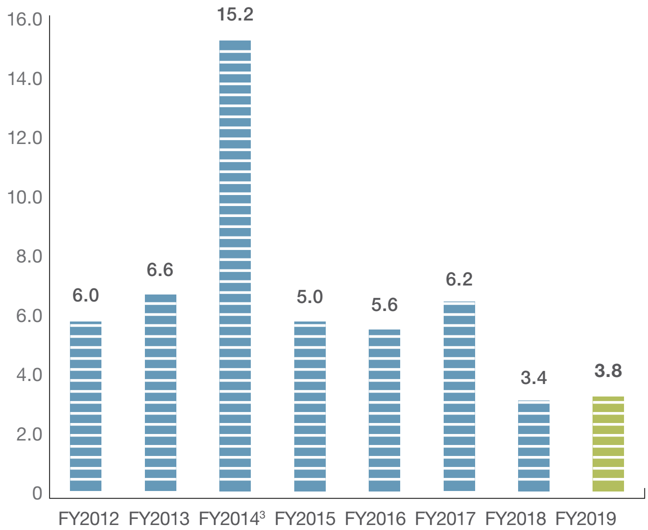
CASH AND CASH EQUIVALENTS (RM'MILLION)



REVENUE BY OPERATING SEGMENTS (RM'MILLION)



BASIC EARNINGS PER SHARE (RM SEN)



Notes:

1 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.

2 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.

3 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.

4 Includes a special dividend of RM42.1 million.

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 2019 ("FY2019").

FY2019 was a challenging year for the Group, especially on the local economic landscape, coupled with general cautious purchasing sentiment from consumers combined with a fluctuating Malaysian Ringgit. Further, the uncertainties in US monetary policy, slowdown in China's economic growth, and continuing US-China trade tensions also affected the global economy.

Despite the challenges in FY2019, the Group managed to achieve a commendable profit after tax of RM52.6 million on the back of a revenue of RM556.3 million as compared to profit after tax of RM48.2 million and revenue of RM611.6 million in financial year ended 28 February 2018 ("FY2018"). FY2019 earnings before interest, tax, depreciation and amortisation ("EBITDA") was at RM74.1 million as compared to RM74.8 million in the previous FY2018. The decrease in revenue in FY2019 was partly due to unavailability of certain popular products for sale in the first half of the financial year and lower demand from consumers in general during the period under review. The higher profit after tax for FY2019 reported was mainly due to the absence of net foreign exchange loss suffered in FY2018.

For FY2019, the Group has also declared a total dividend payout of approximately S$21.8 million (or RM65.4 million), which translates to S$0.018 per ordinary share for the year or an approximate 9.5% dividend yield.

ACQUISITION OF THE BRAND CONNECT GROUP OF COMPANIES

On 9 July 2018, the Company announced that it had entered into a conditional subscription agreement ("Agreement") with Mr Robert Justin Frizelle and Meridian Compass Ltd ("Founders"), and Brand

CHAIRMAN'S MESSAGE

Connect Holding Pte. Ltd. ("Brand Connect") pursuant to which the Company was to subscribe for 2.8 million new ordinary shares in the capital of Brand Connect ("Acquisition"). On 8 August 2018, the Acquisition was completed and Brand Connect became a 70% subsidiary of DFI.

Brand Connect group of companies ("Brand Connect Group") is engaged in the business of marketing and the trading, wholesale and retail distribution of beverage products across countries in the Asia Pacific region. The acquisition of Brand Connect Group by the Company is to develop and grow the Group's beverage distribution business as well as to expand the Group's market operations beyond the current sales channels in the duty free market of Malaysia to include the duty paid market across South East Asia.

OUTLOOK AND STRATEGY

Malaysian economy is expected to experience moderate growth in year 2019 due to challenging external factors, and the country's economic growth for 2019 is expected to be supported by domestic growth. DFI Group continues to be a major player in Malaysia's travel retail industry as a result of the Group's geographical and multi-diversification of the Group's duty free and duty paid retailing outlets at all entry and exit points of Malaysia. Together, with Brand Connect Group, DFI Group is able to develop and grow the Group's beverage distribution business as well as expand the Group's market operations beyond the current sales channels in the duty free market of Malaysia to include the duty paid market across South East Asia. The Group will constantly seek ways to enhance its service levels whilst continuing to focus on its strategies of improving operational efficiency and expand its customer base by improving on product and service quality while intensifying efforts to strengthen its distribution network and marketing, expand product offerings and explore opportunities to expand the Group's distribution channels.

Moving forward into the new financial year, after taking into consideration the challenging economic landscape, DFI Group will carry on its efforts in enhancing operational efficiency and cost management, as well as managing business risks prudently as the Group gears towards another year with commitment and confidence.

Furthermore, the Group with its strong balance sheet and low gearing will have the liberty to explore and capitalise on any valuable opportunities it encounters.

IN APPRECIATION

On behalf of the Board of Directors, I wish to convey my heartfelt appreciation to our shareholders, bankers, suppliers, business associates, customers and the various government agencies who have provided valuable support, advice and guidance to the Group over the years. I would also like to express my gratitude towards the Board of Directors for your continuous advice and support, the management and staff for your continuous hard work and commitment that has contributed significantly to the success of the Group. To our shareholders who have been supportive and loyal to the Company – we appreciate your unwavering support and confidence in DFI. We will continue to strive to further develop sustainable growth, value and success for the Group.

Thank you.

Adam Sani Abdullah
Non-Executive Chairman

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 bagi tahun kewangan berakhir 28 Februari 2019 ("tahun kewangan 2019").

Tahun kewangan 2019 merupakan tahun yang mencabar bagi Kumpulan, terutamanya dari segi landskap ekonomi tempatan, ini ditambah pula dengan sentimen belian berhati-hati oleh pengguna dan perubahan turun naik matawang Ringgit Malaysia. Selanjutnya, ketidakpastian polisi kewangan Amerika Syarikat, pertumbuhan ekonomi di China yang perlahan, dan ketegangan hubungan perdagangan yang berterusan antara Amerika Syarikat dan China juga menjejaskan ekonomi global.

Walaupun pelbagai cabaran dihadapi pada tahun kewangan 2019, Kumpulan berjaya memperolehi keuntungan selepas cukai yang memberangsangkan sebanyak RM52.6 juta ke atas pendapatan yang diperolehi sebanyak RM556.3 juta berbanding kepada keuntungan selepas cukai sebanyak RM48.2 juta dan pendapatan sebanyak RM611.6 juta pada tahun kewangan berakhir 28 Februari 2018 ("kewangan 2018"). Pendapatan sebelum faedah, cukai dan susut nilai ("EBITDA") untuk tahun kewangan 2019 ialah RM74.1 juta berbanding RM74.8 juta yang diperolehi pada tahun kewangan 2018. Penurunan hasil pendapatan pada tahun kewangan 2019 sebahagiannya adalah disebabkan oleh ketiadaan produk popular tertentu yang dijual pada separuh pertama tahun kewangan dan permintaan yang lebih rendah daripada pengguna secara amnya semasa tempoh yang dikaji. Keuntungan tinggi selepas cukai bagi tahun kewangan 2019 yang dilaporkan terutamanya disebabkan oleh ketiadaaan kerugian bersih pertukaran mata wang asing seperti yang dilaporkan di tahun kewangan 2018.

Bagi tahun kewangan 2019, Kumpulan juga telah mengisytiharkan pembayaran dividen berjumlah S$21.8 juta (atau RM65.4 juta), yang diterjemahkan kepada S$0.018 sesaham biasa untuk tahun tersebut atau anggaran hasil dividen sebanyak 9.5%.

PEMEROLEHAN KUMPULAN SYARIKAT BRAND CONNECT

Pada 9 Julai 2018, Syarikat mengumumkan bahawa ia telah memeterai satu perjanjian langganan bersyarat ("Perjanjian") bersama Encik Robert Justin Frizelle dan Meridian Compass Ltd. ("Pengasas"), dan Brand Connect Holding Pte. Ltd. ("Brand Connect") dimana Syarikat akan melanggan 2.8 juta saham biasa baru di dalam modal Brand Connect ("Pemerolehan"). Pada 8 Ogos 2018, proses pemerolehan tersebut telah selesai dan Brand Connect menjadi 70% anak syarikat di bawah DFI.

Kumpulan syarikat Brand Connect terlibat dalam perniagaan pemasaran dan perdagangan, pengedaran borong dan runcit produk minuman di seluruh negara di rantau Asia Pasifik. Pemerolehan kumpulan syarikat Brand Connect oleh Syarikat adalah untuk mengembangkan dan membangunkan perniagaan pengedaran Kumpulan dan juga mengembangkan operasi pasaran di luar saluran jualan semasa di dalam pasaran bebas cukai di Malaysia termasuk pasaran duti berbayar di seluruh Asia Tenggara.

TINJAUAN DAN STRATEGI

Ekonomi Malaysia dijangka mengalami pertumbuhan sederhana pada tahun 2019 disebabkan oleh factor-faktor luaran yang mencabar, dan pertumbuhan ekonomi negara untuk 2019 dijangka akan disokong oleh pertumbuhan domestik. Kumpulan DFI terus menjadi pemain utama dalam industri pelancongan runcit Malaysia hasil dari kepelbagaian geografi dan kepelbagaian saluran kedai bebas cukai dan kedai cukai berbayar di semua pintu masuk dan keluar Malaysia. Bersama-sama, dengan Kumpulan Brand Connect, Kumpulan DFI mampu untuk mengembangkan dan membangunkan perniagaan pengedaran Kumpulan dan juga mengembangkan operasi pasaran di luar saluran jualan semasa dalam pasaran bebas cukai di Malaysia termasuk pasaran duti berbayar di seluruh Asia Tenggara. Kumpulan akan sentiasa mencari jalan untuk meningkatkan tahap perkhidmatannya dan terus memberi tumpuan kepada strategi untuk memperbaiki kualiti produk

PENYATA PENGERUSI

dan perkhidmatan sambil meningkatkan usaha untuk mengukuhkan rangkaian pengedaran dan pemasaran, mengembangkan produk-pruduk yang ditawarkan dan meneroka peluang-peluang untuk memperluaskan saluran pengedaran Kumpulan.

Melangkah ke hadapan ke dalam tahun kewangan yang baru, selepas mengambil kira landskap ekonomi yang mencabar, Kumpulan DFI akan terus melaksanakan usaha untuk meningkatkan kecekapan operasi dan pengurusan kos, dan juga menguruskan risiko perniagaan secara berhemah apabila Kumpulan beralih ke tahun yang baru dengan penuh komitmen dan berkeyakinan.

Tambahan pula, Kumpulan dengan kunci kira-kiranya yang kukuh dan gearing yang rendah akan mempunyai kebebasan untuk menerokai dan memanfaatkan sebarang peluang berharga yang ditemui.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk menyampaikan penghargaan yang ikhlas kepada para pemegang saham kami, pihak bank, para pembekal, rakan kongsi perniagaan, para pelanggan dan pelbagai agensi kerajaan yang telah memberikan sokongan yang teramat berharga, nasihat dan bimbingan kepada Kumpulan selama ini. Saya juga ingin mengucapkan terima kasih kepada Lembaga Pengarah atas nasihat dan sokongan berterusan yang diberi, pihak pengurusan dan kakitangan atas kerja keras dan komitmen berterusan mereka yang banyak menyumbang kepada kejayaan Kumpulan. Kepada pemegang saham kami yang sentiasa menyokong dan setia kepada Syarikat – kami menghargai sokongan dan keyakinan anda yang di teguh dalam DFI. Kami akan terus berusaha untuk membangunkan pertumbuhan yang mampan, nilai dan kejayaan untuk Kumpulan.

Terima kasih.

Adam Sani Abdullah
Pengerusi Bukan Eksekutif

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 39 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 the Immediate Past 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.

BOARD OF DIRECTORS

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 National Resource and Strategy from the Dwight D Eishenhower School For National Security and Resource National Defense University Washington DC. He is the current Chairman of Cyber Security Malaysia, an agency under the Ministry of Multimedia and Communications Malaysia. He is also the Advisor to the Organization of Islamic Cooperation Computer Emergency Response Team and its Past Chairman. He also sits on several private companies in the Construction, Food Industry and Event Management.

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 trading companies located all over Asia. Mr Chew is currently the executive chairman of Khong Guan Limited and is also an independent director and audit committee member of China Real Estate Grp Ltd 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 ("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 ("DFZ")

Mr Hendrik Korbinian Heyde, a German Citizen, is the Operations Director of DFZ, a subsidiary of Duty Free International Limited. He joined the Group in year 2016 and is responsible for the duty free Operations of DFZ and its subsidiaries in Malaysia. Since 2018 he is the leading head of the Purchasing / Category Management and Marketing department.

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 Thum Sook Fun

Registered Office

138 Cecil Street
#12-01A Cecil Court
Singapore 069538

Tel No : (65) 6534 0181
Fax No : (65) 6725 0522

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

Ms Lee Lai Hiang
(Date of appointment: since financial year ended 28 February 2019)

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


ORIGINS
CLARINS
YvesSaintLaurent
KOUROS
BIOTHERM
AQUASOURCE

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 2019 ("**FY2019**") with specific reference to each of the principles of the Singapore Code of Corporate Governance 2018 ("**Code**") as applied to annual reports of issuers listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**") covering financial years commencing from 1 January 2019. The Board of Directors ("**Board**" or "**Directors**") of the Company confirms that, for FY2019, 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 which is collectively responsible and works with Management for the long-term success of the Company.

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 FY2019, 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**	**No. of Meetings attended**
Dato' Sri Adam Sani bin Abdullah	6	6	6	*1	1	1	1	1
Mr Ong Bok Siong	6	6	6	*6	1	–	1	–
Mr Lee Sze Siang	6	6	6	*6	1	–	1	–
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)	6	6	6	6	1	1	1	1
Mr Chew Soo Lin	6	6	6	6	1	1	1	*1
Dato' Megat Hisham bin Megat Mahmud	6	6	6	6	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.

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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	28 June 2018	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	28 June 2018	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.

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 pages 12 to 13 of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

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: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of 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 Director 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**").

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 General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) and Mr Ong Bok Siong 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 FY2019.

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 12 to 13 and 35 of this Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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 FY2019.

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.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her 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.

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, Managing Director 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 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company.

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 Director 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.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

A breakdown of the level and mix of remuneration paid/payable to each Director in remuneration bands of S$250,000 for FY2019 are as follows:

Remuneration Band and Name of Director	Salary and Bonus	Directors' Fees	Others Benefits	Total
	%	%	%	%
Below S$250,000				
Dato' Sri Adam Sani bin Abdullah	–	100	–	100
Mr Ong Bok Siong	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 FY2019, which will be put to shareholders for approval at the forthcoming AGM, amounted to S$145,000 (FY2018: S$145,000).

For FY2019, 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 FY2019 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	75	25	100
Ms Cheah Im Bee	100	–	100
Mr Hendrik Korbinian Heyde	88	12	100
Mr Stuart Saw Teik Siew	100	–	100

CORPORATE GOVERNANCE REPORT (CONT'D)

For FY2019, 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$1,030,781.

There were no employees who are immediate family members of the CEO or a Director whose remuneration exceeds S$100,000 in the Group's employment during FY2019.

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

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

Risk Management and Internal Controls

Principle 9: 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 interests of the company and its shareholders.

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.

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 FY2019 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 2019.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

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)

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

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, Rule 715 and Rule 716 of the Listing Manual in relation to the appointment of audit firms for the Group have been complied with. The Board and the AC are satisfied that the appointment of different auditing firms for its Singapore-incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

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 FY2019, 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	**Approach and measurements**
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 external auditor. The external auditor has included this as key audit matter in its audit report for FY2019. Please refer to the Page 38 of this Annual Report.
Acquisition of Brand Connect Holding Pte. Ltd.	The AC considered the approach and methodology applied in the Purchase Price Allocation ("PPA") exercise to the fair valuation of acquired assets and liabilities including the fair value of call and put options as well as determination of the financial liability amount of the put options. The valuation methodologies was reviewed by external auditor as well as their internal specialist. The external auditor has included this as key audit matter in its audit report for FY2019. Please refer to the Page 39 of this Annual Report.

For FY2019, the AC has met with the external auditor and internal auditor without the presence of the Management and conducted a review of all non-audit services provided by the external auditor and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor. In FY2019, the aggregate amount of fees paid or payable to the Company's external auditor, Ernst & Young LLP, was S$99,000, comprising approximately S$84,000 of audit fees and S$15,000 of non-audit fees; whereas the aggregate amount of fees paid or payable to other auditors of the Group was S$287,000, comprising approximately S$260,000 of audit fees, and S$27,000 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

(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 FY2019.

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

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 ENGAGEMENT

Shareholder rights and conduct of General Meetings

Principle 11: Companies should treat all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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.

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.

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.

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.

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 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.

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. Save for the Non-Executive Chairman who was abroad and has appointed General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) to chair the AGM 2018, all the other directors have attended the AGM 2018 held on 28 June 2018.

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 FY2019, the Company had on 11 July 2018 and 9 January 2019, declared a first and second one-tier tax exempt interim dividends of S$0.008 and S$0.01 per ordinary share which were paid to shareholders on 8 August 2018 and 7 March 2019 respectively.

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 licenses in providing nominee and custodial services and Central Provident Fund ("**CPF**") Board which purchases shares on behalf of the CPF investors.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The companies communicates regularly with its shareholders and facilities the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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.

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

CORPORATE GOVERNANCE REPORT (CONT'D)

(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.

Apart from the mandatory announcements through SGX-ST, the Company also established a dedicated section on "Investor Relations Enquiries" at its website http://www.dfi.com.sg to further enhance communication with the investors or other stakeholders.

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.

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.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interest of the company are served.

The Company has its materiality assessment process to identify their key stakeholders a who have direct influence on the business and operations but not limited to customers, employees, Board of Directors, Government, Investors, Suppliers and Financiers via the engagement platforms, areas of concern and its frequency announced to SGX-ST via its Sustainability Report 2018 announced on 15 August 2018 for financial year ended 28 February 2018.

Also, the stakeholders can access the said Sustainability Report 2018 and other relevant announcement such as financial information, corporate announcements, press releases, annual reports and the profile of the Group via Company's website at http://www.dfi.com.sg.

(F) 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.

(G) 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.

(H) MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors (including Managing Director) 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 FY2019, or if not then subsisting, entered into since the end of the previous financial year ended 28 February 2018.

(I) 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 utilised the net proceeds from the placement exercises as detailed below:-

(i) US$2.80 million (or approximately S$3.82 million) for the subscription for 2,800,000 new ordinary shares in Brand Connect Holding Pte. Ltd. announced on 8 August 2018;

(ii) US$0.85 million (or approximately S$1.16 million) for the purchase of inventories and payment of professional fees in relation to the acquisition of Brand Connect Holdings Pte. Ltd. Group announced on 9 November 2018; and

(iii) US$0.80 million (or approximately S$1.10 million) for the purchase of inventories for Brand Connect Holding Pte. Ltd. Group announced on 5 December 2018.

The amount remaining from the net proceeds as at date of this report is approximately S$37.52 million and 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 2019.

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 2019 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 01.03.2018	As at 28.02.2019	As at 01.03.2018	As at 28.02.2019
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 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 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 ("DCSB") is a private limited company incorporated in Malaysia whose director is Dato' Sri Adam Sani bin Abdullah. His son, Sebastian Paul Lim Chin Foo, has majority interest in DCSB. 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 2019.

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 six 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
27 May 2019

INDEPENDENT AUDITORS' REPORT

For the financial year ended 28 February 2019
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 statement of financial position of the Group and the Company as at 28 February 2019, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2019 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 for 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 matter. 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.

Impairment assessment of goodwill

As at 28 February 2019, the Group recorded goodwill of RM28.8 million, which represents 18% 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, pre-tax 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 assessed 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 specialist 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

For the financial year ended 28 February 2019
To the Members of Duty Free International Limited

Key Audit Matters (cont'd)

Acquisition of Brand Connect Holding Pte. Ltd.

In August 2018, the Group acquired a 70% controlling interest in Brand Connect Holding Pte. Ltd. ("BCH"). The acquisition of BCH was accounted for using the acquisition method. The Group engaged an independent external valuer to perform the Purchase Price Allocation ("PPA") exercise as disclosed in Note 15(d) to the financial statements. As part of the acquisition, the Company granted put options to the remaining shareholders of BCH ("the Vendors"), which gave the Vendors the right to sell their interests in BCH to the Group under various conditions. The Vendors also granted call options to the Group, which gave the Company the right to acquire the remaining interest in BCH from the Vendors under the same terms of the put options. We considered the accounting for this acquisition to be a key audit matter as this is significant transaction during the year and significant judgement and estimate is involved in the provisional PPA exercise. The significant management judgement and estimate involved mainly related to the identification of intangible assets and the determination of the fair value of the identifiable assets as well as determination of the financial liability amount of the put options.

As part of our audit procedures, we reviewed the sales and purchase agreement to obtain an understanding of the transactions and the key terms. We assessed the competency, capabilities and objectivity of the external valuer engaged by management. We tested the identification and fair valuation of the identifiable assets and liabilities, including intangible assets by corroborating this identification based on our discussion with management and understanding of the business of BCH. We involved our internal specialists to assist us in reviewing the valuation methodologies used by management and the external valuer in the fair valuation of acquired assets and liabilities including the fair value of call and put options. We also reviewed management's determination of the financial liability amount of the put options.

We also assessed the adequacy of the related disclosures in the financial statements regarding the acquisition in Note 15(d).

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.

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 SFRS(I)s, 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

For the financial year ended 28 February 2019
To the Members of Duty Free International Limited

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.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

For the financial year ended 28 February 2019
To the Members of Duty Free International Limited

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 Lee Lai Hiang.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
27 May 2019

CONSOLIDATED INCOME STATEMENT
For the financial year ended 28 February 2019

	Note	Group 2019 RM'000	Group 2018 RM'000
Revenue	4	556,326	611,577
Changes in inventories		37,954	(64,086)
Inventories purchased and materials consumed		(418,457)	(361,596)
Other income	5	17,542	14,146
Employee benefits expenses	6	(36,720)	(36,020)
Depreciation of property, plant and equipment	11	(5,447)	(4,961)
Amortisation of land use rights	13	(465)	(465)
Amortisation of intangible assets		(158)	–
Impairment loss on property, plant and equipment		(162)	–
Rental of premises		(47,818)	(45,896)
Commission expenses		(2,661)	(1,908)
Professional fees		(2,981)	(394)
Promotional expenses		(1,865)	(1,417)
Utilities and maintenance expenses		(5,361)	(5,505)
Realised foreign exchange gain		1,076	1,721
Unrealised foreign exchange gain/(loss)		4,229	(19,525)
Gain arising from changes in fair value of call options		1,017	7,976
Other operating expenses	7	(28,045)	(24,313)
Operating profit		68,004	69,334
Finance costs	8	(552)	(345)
Profit before tax		67,452	68,989
Income tax expense	9	(14,877)	(20,769)
Profit for the year		52,575	48,220
Attributable to:			
Owners of the Company		46,517	41,668
Non-controlling interests		6,058	6,552
		52,575	48,220
Earnings per share attributable to owners of the Company (sen per share)			
Basic	10	3.84	3.42
Diluted	10	3.84	3.42

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 2019

	Group	
	2019	**2018**
	RM'000	RM'000
Profit for the year	52,575	48,220
Other comprehensive income:		
Foreign currency translation	(168)	–
Total comprehensive income for the year	52,407	48,220
Attributable to:		
Owners of the Company	46,365	41,668
Non-controlling interests	6,042	6,552
Total comprehensive income for the year	52,407	48,220

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

STATEMENTS OF FINANCIAL POSITION

As at 28 February 2019

		Group			Company		
	Note	28 February 2019	28 February 2018	1 March 2017	28 February 2019	28 February 2018	1 March 2017
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Non-current assets							
Property, plant and equipment	11	70,538	71,842	74,379	–	–	–
Land use rights	13	22,884	23,349	23,814	–	–	–
Goodwill	14	28,816	28,816	28,816	–	–	–
Investments in subsidiaries	15	–	–	–	840,038	840,617	895,187
Intangible assets	16	888	–	–	–	–	–
Prepayments	18	29,709	39,489	49,270	–	–	–
Deferred tax assets	19	2,709	1,259	853	–	–	–
		155,544	164,755	177,132	840,038	840,617	895,187
Current assets							
Biological assets	12	103	152	187	–	–	–
Trade and other receivables	17	104,020	58,919	56,698	70,738	17,000	36,148
Prepayments	18	12,780	12,338	11,705	25	15	12
Inventories	20	170,805	135,443	199,987	–	–	–
Cash and bank balances	21	305,617	373,041	272,194	218,417	277,388	187,954
Tax recoverable		3,975	4,412	3,641	–	–	–
		597,300	584,305	544,412	289,180	294,403	224,114
Total assets		752,844	749,060	721,544	1,129,218	1,135,020	1,119,301
Equity and liabilities							
Current liabilities							
Borrowings	22	21,288	15,610	5,977	–	–	–
Trade and other payables	23	151,690	124,886	144,848	37,257	37,018	48,904
Contract liabilities		3,347	–	–	–	–	–
Derivative liabilities	24	13	1,043	9,003	–	1,017	8,993
Income tax payable		1,429	2,697	3,954	354	232	61
		177,767	144,236	163,782	37,611	38,267	57,958
Net current assets		419,533	440,069	380,630	251,569	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 2019

	Note	Group			Company		
		28 February 2019	28 February 2018	1 March 2017	28 February 2019	28 February 2018	1 March 2017
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current liabilities							
Deferred tax liabilities	19	4,613	4,383	4,368	–	–	–
Derivative liabilities	24	515	–	–	515	–	–
Borrowings	22	650	756	1,097	–	–	–
		5,778	5,139	5,465	515	–	–
Total liabilities		183,545	149,375	169,247	38,126	38,267	57,958
Net assets		569,299	599,685	552,297	1,091,092	1,096,753	1,061,343
Equity attributable to owners of the Company							
Share capital	25	616,752	616,752	576,941	1,107,574	1,107,574	1,067,763
Share premium	25(b)	–	–	–	–	–	–
Treasury shares	25(c)	(16,503)	(10,517)	(532)	(16,503)	(10,517)	(532)
Other reserves	25(a)	(144,433)	(141,723)	(110,674)	661	661	31,710
Retained earnings/ (accumulated losses)		98,636	117,514	70,345	(640)	(965)	(37,598)
		554,452	582,026	536,080	1,091,092	1,096,753	1,061,343
Non-controlling interests		14,847	17,659	16,217	–	–	–
Total equity		569,299	599,685	552,297	1,091,092	1,096,753	1,061,343
Total equity and liabilities		752,844	749,060	721,544	1,129,218	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 2019

	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	Capital 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												
Opening balance at 1 March 2018	616,752	–	(10,517)	(141,723)	29	(142,413)	661	–	117,514	582,026	17,659	599,685
Profit for the year	–	–	–	–	–	–	–	–	46,517	46,517	6,058	52,575
Other comprehensive income for the year	–	–	–	(152)	(152)	–	–	–	–	(152)	(16)	(168)
Total comprehensive income for the year	–	–	–	(152)	(152)	–	–	–	46,517	46,365	6,042	52,407
Transactions with owners:												
Purchase of treasury shares	–	–	(5,986)	–	–	–	–	–	–	(5,986)	–	(5,986)
Dividends on ordinary shares (Note 34)	–	–	–	–	–	–	–	–	(65,395)	(65,395)	–	(65,395)
Total transactions with owners	–	–	(5,986)	–	–	–	–	–	(65,395)	(71,381)	–	(71,381)
Transactions with non-controlling interests:												
Acquisition of a subsidiary (Note 15(d))	–	–	–	–	–	–	–	–	–	–	5,056	5,056
Transfer to reserves	–	–	–	(2,558)	–	–	–	(2,558)	–	(2,558)	2,558	–
Transfer to payables	–	–	–	–	–	–	–	–	–	–	(7,348)	(7,348)
Dividends payable to non-controlling interests (Note 15)	–	–	–	–	–	–	–	–	–	–	(9,120)	(9,120)
Total transactions with non-controlling interests	–	–	–	(2,558)	–	–	–	(2,558)	–	(2,558)	(8,854)	(11,412)
Closing balance at 28 February 2019	616,752	–	(16,503)	(144,433)	(123)	(142,413)	661	(2,558)	98,636	554,452	14,847	569,299

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 2019

	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												
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	–	–	–
<u>Transactions with owners:</u>												
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 34)	–	–	–	–	–	–	–	–	(68,784)	(68,784)	–	(68,784)
Total transactions with owners	39,811	–	(9,985)	–	–	–	–	–	(68,784)	(38,958)	–	(38,958)
<u>Transactions with non-controlling interests</u>:												
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 2019

Company	Ordinary shares RM'000 (Note 25)	Treasury shares RM'000	Others reserves RM'000	Accumulated losses RM'000	Total equity RM'000
Opening balance at 1 March 2018	1,107,574	(10,517)	661	(965)	1,096,753
Profit for the year	–	–	–	65,720	65,720
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	65,720	65,720
Transfer of reserve arising from expiry of warrants	–	–	–	–	–
Transactions with owners:					
Purchase of treasury shares	–	(5,986)	–	–	(5,986)
Issuance of new ordinary shares	–	–	–	–	–
Share issuance expenses	–	–	–	–	–
Dividends on ordinary shares (Note 34)	–	–	–	(65,395)	(65,395)
Total transactions with owners	–	(5,986)	–	(65,395)	(71,381)
Closing balance at 28 February 2019	1,107,574	(16,503)	661	(640)	1,091,092

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 2019

Company	Ordinary shares RM'000 (Note 25)	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	–
<u>Transactions with owners:</u>					
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 34)	–	–	–	(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.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 28 February 2019

	Note	Group 2019 RM'000	Group 2018 RM'000
Cash flows from operating activities			
Profit before tax		67,452	68,989
Adjustments for:			
Amortisation of land use rights	13	465	465
Depreciation of property, plant and equipment	11	5,447	4,961
Impairment loss on property, plant and equipment	11	162	–
Amortisation of intangible assets		158	–
Finance costs	8	552	345
Gain arising from changes in fair values of call options		(1,017)	(7,976)
Loss arising from changes in fair values of biological assets	12	49	35
Gain on disposal of property, plant and equipment	5	(29)	(25)
Interest income		(11,546)	(7,638)
Inventories written off	7	124	157
Net unrealised foreign exchange (gain)/loss		(4,229)	19,525
Property, plant and equipment written off	7	1,092	29
Inventories written down	7	2,469	301
Provision/(reversal) of short term accumulating compensated absences	6	20	(19)
Operating cash flows before changes in working capital		61,169	79,149
Changes in working capital			
Increase in trade and other receivables		(7,438)	(2,168)
Decrease in prepayments		9,338	9,148
(Increase)/decrease in inventories		(30,176)	64,086
Increase/(decrease) in trade and other payables		13,398	(3,078)
Cash flows from operations		46,291	147,137
Interest paid		(552)	(345)
Income taxes paid		(16,927)	(23,188)
Net cash flows from operating activities		28,812	123,604

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the financial year ended 28 February 2019

	Note	Group 2019 RM'000	Group 2018 RM'000
Cash flows from investing activities			
Net cash outflow on acquisition of a subsidiary	15	(3,760)	–
Interest received		11,546	7,638
Proceeds from disposal of property, plant and equipment		42	25
Purchase of property, plant and equipment	11	(4,831)	(2,373)
Investment in debt securities	17	(30,000)	–
Net cash flows (used in)/generated from investing activities		(27,003)	5,290
Cash flows from financing activities			
(Increase)/decrease in pledged fixed deposits		(292)	1,777
Proceeds from other short term borrowings		1,177	9,662
Purchase of treasury shares		(5,986)	(9,985)
Net repayment of obligations under finance leases		(390)	(450)
Dividends paid to the owners of the Company		(65,137)	(79,777)
Dividends paid to non-controlling interests of subsidiaries		(4,425)	(11,927)
Proceeds from issuance of new ordinary shares		–	39,811
Proceeds from disposal of equity shares of subsidiary to non-controlling interests and issuance of call options		–	46,336
Net cash used in financing activities		(75,053)	(4,553)
Net (decrease)/increase in cash and cash equivalents		(73,244)	124,341
Effects of foreign exchange rate changes		5,528	(21,717)
Cash and cash equivalents at beginning of the year		364,140	261,516
Cash and cash equivalents at end of the year	21	296,424	364,140

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 2019

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 138 Cecil Street #12-01A Cecil Court, Singapore 069538.

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 (International) ("SFRS(I)").

For all periods up to and including the year ended 28 February 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 28 February 2019 are the first financial statement that the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 28 February 2019 are the first financial statement that the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 28 February 2019, together with the comparative period data for the year ended 28 February 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening statement of financial positions were prepared as at 1 March 2017, the Group and the Company's date of transition to SFRS(I).

The adoption of the new standards that are effective on 1 March 2018 are disclosed below.

<u>New accounting standards effective on 1 March 2018</u>

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 March 2018. Except for the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 9 Financial Instruments

On 1 March 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 March 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 March 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 March 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 March 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. For debt instruments that were measured at FVOCI previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. Upon application of the expected credit loss model, there is no material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 March 2018 and has applied SFRS(I) 15 retrospectively.

The Group is in a business of distributing or retailing duty free and non-dutiable merchandisers. The key impact of adopting SFRS(I) 15 is detailed as follows:

Principal versus agent considerations

The Group has certain contracts with customers to sell non-dutiable merchandise. Before the adoption of SFRS(I) 15, the Group concluded that, based on the existence of credit risk and the nature of the consideration in the contract, it had an exposure to the significant risks and rewards associated with the sale of goods to its customers, and accounted for the contracts as a principal. Upon the adoption of SFRS(I) 15, the Group determined that it did not control the goods before they are transferred to customers. Hence, it is an agent in these contracts as it does not have the ability to direct the use of the goods. This change did not affect the statement of financial position. However, this change will result in decrease in revenue from the sale of goods and cost of sales.

For the year ended 28 February 2019, upon adoption of SFRS(I) 15, both revenue from contracts with customers and cost of sales decreased by RM7,167,000. The statement of comprehensive income for the year ended 28 February 2018 was also restated, resulting a decrease in revenue and cost of sales of RM8,547,000.

Contract liabilities

Contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract liabilities are recognised as revenue as the Group performs under the contract. Upon adoption of SFRS(I) 15, the Group recognised contract liabilities of RM3,347,000 related to advances received from customers as at 28 February 2019.

Revenue from sale of goods are recognised upon customer acceptance. Unearned revenue from these contracts were previously accounted for under FRS 18 Revenue. Under SFRS(I) 15, the Group accounts for these services as separate performance obligation to which the Group allocates a portion of the transaction price based on standalone selling price and would recognise contract liabilities to unfulfilled performance obligations.

Upon adoption of SFRS(I) 15, the Group reclassified RM3,347,000 from trade and other payables to contract liabilities as at 28 February 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards to the comprehensive income of the Group for the year ended 28 February 2018.

	2018 (FRS) RM'000	SFRS(I) 15 adjustments RM'000	2018 (SFRS(I)) RM'000
Revenue	620,124	(8,547)	611,577
Changes in inventories	(64,086)	–	(64,086)
Inventories purchased and materials consumed	(370,143)	8,547	(361,596)
Other income	14,146	–	14,146
Employee benefits expenses	(36,020)	–	(36,020)
Depreciation of property, plant and equipment	(4,961)	–	(4,961)
Amortisation of land use rights	(465)	–	(465)
Amortisation of intangible assets	–	–	–
Impairment loss on property, plant and equipment	–	–	–
Rental of premises	(45,896)	–	(45,896)
Commission expenses	(1,908)	–	(1,908)
Professional fees	(394)	–	(394)
Promotional expenses	(1,417)	–	(1,417)
Utilities and maintenance expenses	(5,505)	–	(5,505)
Realised foreign exchange gain	1,721	–	1,721
Unrealised foreign exchange gain/(loss)	(19,525)	–	(19,525)
Gain arising from changes in fair value of call options	7,976	–	7,976
Other operating expenses	(24,313)	–	(24,313)
Operating profit	69,334	–	69,334
Finance costs	(345)	–	(345)
Profit before tax	68,989	–	68,989
Income tax expense	(20,769)	–	(20,769)
Profit for the year	48,220	–	48,220
Attributable to:			
Owners of the Company	41,668	–	41,668
Non-controlling interests	6,552	–	6,552
	48,220	–	48,220

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

	2018 (FRS) RM'000	SFRS(I) 15 adjustments RM'000	2018 (SFRS(I)) RM'000
Earnings per share (cents per share)			
Basic	3.42	–	3.42
Diluted	3.42	–	3.42
Profit for the year	48,220	–	48,220
Other comprehensive income, net of tax	–	–	–
Total comprehensive income for the year	48,220	–	48,220
Attributable to:			
Owners of the Company	41,668	–	41,668
Non-controlling interests	6,552	–	6,552
Total comprehensive income for the year	48,220	–	48,220

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*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

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

Except for 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) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on statement of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

The Group expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, EBITDA and gearing ratio. The payment of operating lease previously included within operating cash flows, will be reclassified to payment of lease liabilities within financing cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

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.

(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.

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 an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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 acquire (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.

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

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

(b) Business combinations and goodwill (cont'd)

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.

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.

Acquisitions of subsidiaries that includes put options to acquire non-controlling interests in the future are accounted for in accordance with SFRS(I) 10 Consolidated Financial Statements. During the period the non-controlling interests put options remain unexercised, the non-controlling interests are calculated and immediately derecognised as though it was acquired at that date. A financial liability with respect to put options is recognised in accordance with SFRS(I) 9 Financial Instruments: Recognition and Measurement. The difference between derecognition of the non-controlling interests and recognition of the financial liabilities is accounted for as an equity transaction, and disclosed under capital reserve in equity.

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 statement of financial position, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at 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 or 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 2.19. 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.

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 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 10 years
Electrical installation and air conditioner	5 to 10 years
Other assets	5 to 10 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. Summary of significant accounting policies (cont'd)

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

<u>Distribution rights</u>

The distribution rights were acquired in business combinations and amortised on a straight line basis over its finite useful life of 3 years. The useful lives of the distribution rights are estimated based on the current contract duration.

2.9 Bearers trees and biological assets

Bearer trees are living plants used in the production or supply of agricultural produce which 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 2019

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

2.10 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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

2.12 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.

2.13 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.

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

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

(a) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(b) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 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.

2.16 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.

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

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.

Financial liabilities at fair value through profit or loss include 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 measurement

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.

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.18 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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

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.

2.21 Leases

(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(iii). Contingent rents are recognised as revenue in the period in which they are earned.

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

2.22 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. 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) Consignment sales

The Group acts as an agent to provide a service of arranging for another party to transfer goods or services to a customer. The Group recognises the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

(iii) 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.

(iv) Revenue from parking operations

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

(v) 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.

(vi) 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.

(vii) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

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.

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.

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

2.23 Taxes (cont'd)

(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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

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 has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

<u>Purchase price allocation</u>

As disclosed in note 15(d), put options are granted to the Group to acquire remaining interest in BCH. Judgement has been made by the Group to determine the earliest possible date for the put options to be exercised. In the computation of the liability amount, estimates used during the review of purchase price allocation, are disclosed in Note 3.2(b).

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 pre-tax discount rates. Changes in these assumptions may result in changes in recoverable values. The carrying amount of the goodwill as at 28 February 2019 is disclosed in Note 14 to the financial statements.

(b) Purchase price allocation

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair values of the assets and liabilities acquired, including intangible assets. Significant estimates have been made to determine the fair value adjustments amount. Details of purchase price allocation are disclosed in Note 15(d).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 28 February 2019

4. Revenue

	Group	
	2019	**2018**
	RM'000	RM'000
Sale of goods	552,400	607,504
Parking operations	2,366	2,082
Sale of fresh oil palm fruit bunches	1,342	1,773
Management income	215	215
Rental income	3	3
	556,326	611,577
Timing of transfer of goods and services		
At a point in time	556,326	611,577

5. Other income

	Group	
	2019	**2018**
	RM'000	RM'000
Interest income from bank balances	7,946	4,038
Interest income from Berjaya Waterfront Sdn Bhd (Note 17)	3,600	3,600
Rental income		
- advertisement space	3,017	3,446
- property, plant and equipment	521	574
Commission income	187	431
Promotion income	1,085	391
Incentive income received from suppliers	298	248
Warehousing and logistics income	12	55
Gain on disposal of property, plant and equipment	29	25
Miscellaneous income	847	1,338
	17,542	14,146

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

6. Employee benefits expenses

	Group	
	2019	**2018**
	RM'000	RM'000
Wages and salaries	28,706	29,008
Contributions to defined contribution plan	3,382	3,403
Accommodation benefits	485	435
Staff welfare	380	395
Social security contributions	416	363
Medical benefits	121	132
Staff uniforms	75	81
Provision/(reversal) of short term accumulating compensated absences	20	(19)
Other benefits	3,135	2,222
	36,720	36,020

7. Other operating expenses

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

	Group	
	2019	**2018**
	RM'000	RM'000
Non-executive directors' remuneration	438	430
Assessment and quit rent	1,013	1,026
Auditors' remuneration:		
Audit fees:		
- Auditors of the Company	252	259
- Other auditors	785	612
Non-audit fees:		
- Auditors of the Company	44	18
- Other auditors	81	52
Bank charges	1,764	1,321
Donations	3,072	1,071
Insurance	1,346	1,730
Inventories written down	2,469	301
Inventories written off	124	157
Loss arising from changes in fair value of biological assets	49	35
Management fee paid to related companies	3,341	4,199
Packing materials	1,091	780
Printing and stationery	398	414
Property, plant and equipment written off	1,092	29
Transportation costs	2,698	1,987
Travelling expenses	1,362	1,260

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 28 February 2019

8. Finance costs

	Group	
	2019	**2018**
	RM'000	RM'000
Interest expense on:		
- Bank borrowings	406	269
- Obligations under finance leases	66	76
- Other borrowings	80	–
	552	345

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 28 February 2019 and 28 February 2018 are:

	Group	
	2019	**2018**
	RM'000	RM'000
Consolidated income statement:		
Current income tax:		
- Current income taxation	16,881	21,389
- Over provision in respect of previous years	(784)	(229)
	16,097	21,160
Deferred income tax (Note 19):		
- Origination and reversal of temporary differences	(1,537)	(29)
- Under/(over) provision in respect of previous years	317	(362)
	(1,220)	(391)
Income tax expense recognised in profit or loss	14,877	20,769

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

9. Income tax expense (cont'd)

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 2019 and 28 February 2018 is as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
Profit before tax	67,452	68,989
Tax at Malaysia's statutory rate of 24%	16,188	16,557
Adjustments:		
Income not subject to taxation	(2,766)	(2,460)
Non-deductible expenses	2,239	7,020
Effect of different tax rates in other country	(586)	(85)
Deferred tax assets not recognised	269	328
Under/(over) provision of deferred tax in respect of previous years	317	(362)
Over provision of current tax in respect of previous years	(784)	(229)
Income tax expense recognised in profit or loss	14,877	20,769

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 2019 and 28 February 2018, respectively:

	Group	
	2019	**2018**
	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	46,517	41,668
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,211,642	1,219,408
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,211,642	1,219,408

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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 and 1 March 2019	384	35,725	44,648	2,825	6,498	4,173	2,752	38,973	135,978
Additions	–	–	–	–	–	64	780	4,327	5,171
Acquisition of subsidiaries	–	–	–	–	–	–	–	239	239
Disposals	–	–	–	–	–	–	–	(194)	(194)
Write offs	–	–	–	–	–	(44)	(572)	(1,522)	(2,138)
Reclassification	–	–	–	–	(6,387)	–	–	6,387	–
At 28 February 2019	384	35,725	44,648	2,825	111	4,193	2,960	48,210	139,056

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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 and 1 March 2018	134	17,893	13,520	744	–	2,458	2,207	27,180	64,136
Depreciation charge for the year	4	540	766	113	–	334	129	3,561	5,447
Disposals	–	–	–	–	–	-	-	(181)	(181)
Write offs	–	–	–	–	–	(44)	(549)	(453)	(1,046)
Impairment losses	–	–	–	–	–	–	21	141	162
At 28 February 2019	138	18,433	14,286	857	-	2,748	1,808	30,248	68,518
Net carrying amount:									
At 28 February 2019	246	17,292	30,362	1,968	111	1,445	1,152	17,962	70,538
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

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

Company	**Office equipment and computer** RM'000
Cost:	
At 1 March 2016, 28 February 2017, 1 March 2017, 28 February 2018, 1 March 2018 and 28 February 2019	5
Accumulated depreciation:	
At 1 March 2016	5
Depreciation charge for the year	–
At 1 March 2017	5
Depreciation charge for the year	–
At 28 February 2018 and 1 March 2018	5
Depreciation charge for the year	–
At 28 February 2019	5
Net carrying amount:	
At 28 February 2019	–
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		
	28 February 2019 RM'000	**28 February 2018** RM'000	**1 March 2017** RM'000
Cash payment	4,831	2,373	4,281
Obligations under finance leases	340	80	595
	5,171	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 RM1,198,000 (28 February 2018: RM1,288,000, 1 March 2017: RM1,747,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 28 February 2019

12. Biological assets

	Group		
	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000
At fair value:			
At 1 March	152	187	182
(Loss)/gain arising from changes in fair values	(49)	(35)	5
At 28 February	103	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 3,100 tonnes (28 February 2018: 3,400 tonnes, 1 March 2017: 2,200 tonnes) of FFB. The selling prices per tonne for those FFB ranged between RM1,200 to RM2,500 (28 February 2018: RM2,000 to RM2,900, 1 March 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		
	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000
Cost			
At 1 March	35,510	35,510	35,510
Additions	–	–	–
At 28 February	35,510	35,510	35,510
Accumulated amortisation			
At 1 March	12,161	11,696	11,231
Amortisation charge for the year	465	465	465
At 28 February	12,626	12,161	11,696
Net carrying amount	22,884	23,349	23,814

13. Land use rights (cont'd)

	Group		
	28 February 2019	**28 February 2018**	**1 March 2017**
	RM'000	RM'000	RM'000
Amount to be amortised:			
- Not later than one year	465	465	465
- Later than one year but not later than five years	1,860	1,860	1,860
- Later than five years	20,559	21,024	21,489
	22,884	23,349	23,814

14. Goodwill

	Group		
	28 February 2019	**28 February 2018**	**1 March 2017**
	RM'000	RM'000	RM'000
Cost			
At 1 March and 28 February	28,816	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:

	Group		
	28 February 2019	**28 February 2018**	**1 March 2017**
	RM'000	RM'000	RM'000
Emas Kerajang Sdn. Bhd.	20,114	20,114	20,114
Seruntun Maju Sdn. Bhd.	7,738	7,738	7,738
DFZ Duty Free Supplies Sdn. Bhd.	964	964	964

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% (28 February 2018: 5% to 12%, 1 March 2017: 5%). The forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 2.5% (28 February 2018: 2.5%, 1 March 2017: 1%).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

14. Goodwill (cont'd)

(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 8% to 34% (28 February 2018: 7% to 32%, 1 March 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.

(v) Pre-tax discount rates

The pre-tax discount rate applied to the cash flow projections of 14.5% to 14.9% (28 February 2018: 7.5%, 1 March 2017: 5.8%) is based on the weighted average cost of capital (WACC) of the Group.

(c) Sensitivity to changes in assumptions

With regards 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		
	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000
Equity shares, at cost	874,684	862,765	899,949
Allowance for impairment losses	(34,646)	(22,148)	(4,762)
Total	840,038	840,617	895,187
Movement in allowance accounts:			
At 1 March	(22,148)	(4,762)	(5,074)
(Charge)/reversal for the year	(12,498)	(17,386)	312
At 28 February	(34,646)	(22,148)	(4,762)

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 RM12,498,000 (2018: RM17,386,000, 2017: reversal of RM312,000) were provided.

(a) Composition of the Group

The Group has the following significant investments in subsidiaries.

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest			Cost of investment		
			28 February 2019	28 February 2018	1 March 2017	28 February 2019	28 February 2018	1 March 2017
			%	%	%	RM'000	RM'000	RM'000
Held by the Company								
DFZ Capital Sdn Bhd ^***	Malaysia	Investment holding	85.00	85.00	90.00	632,120	632,120	669,304
Darul Metro Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	100.00	230,645	230,645	230,645
Orchard Boulevard Sdn Bhd ^	Malaysia	Investment holding and resort development	100.00	100.00	100.00	–	–	–
Brilliant Pixel Sdn Bhd ^	Malaysia	Investment holding	100.00	–	–	*	–	–
Brand Connect Holding Pte Ltd #	Singapore	Investment holding	70.00	–	–	11,919	–	–
						874,684	862,765	899,949

* Cost of investment less than RM500.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

15. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest		
			28 February 2019 %	28 February 2018 %	1 March 2017
Held by DFZ Capital Sdn Bhd					
DFZ Trading Sdn Bhd ^	Malaysia	Investment holding and management services	100.00	100.00	100.00
Selasih Ekslusif Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00	100.00
Winner Prompt Sdn Bhd ^	Malaysia	Licensed distributor and wholesaler of duty free merchandise	100.00	100.00	100.00
Emas Kerajang Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	69.90	69.90	69.90
Seruntun Maju Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	69.80	69.80	69.80
Held by Orchard Boulevard Sdn Bhd					
Gold Vale Development Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	100.00
Kelana Megah Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	100.00
Cergasjaya Properties Sdn Bhd ^	Malaysia	Resort development and properties management and cultivation of oil palm	100.00	100.00	100.00
Black Forest Golf And Country Club Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	100.00
Binamold Sdn Bhd ^	Malaysia	Property investment	100.00	100.00	100.00
Tenggara Senandung Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

15. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest		
			28 February 2019	28 February 2018	1 March 2017
			%	%	%
Held by Orchard Boulevard Sdn Bhd (cont'd)					
DFZ Asia Sdn Bhd ^	Malaysia	Investment holding	100.00	100.00	100.00
PT DFZ Indon	Indonesia	Dormant	99.00	99.00	99.00
Held by Brand Connect Holding Pte Ltd					
Drinks Hub Asia Pte Ltd #	Singapore	Wholesale of liquor and soft drinks	100.00	–	–
Brand Connect Asia Pacific Pte Ltd #	Singapore	Retail Sale of beverages	100.00	–	–
Thirsty Boys Pte Ltd #	Singapore	Wholesale of liquor, soft drinks and beverages	100.00	–	–
Held by DFZ Trading Sdn Bhd					
Cergasjaya Sdn Bhd ^	Malaysia	Wholesaler and retailer of duty free and non-dutiable merchandise	100.00	100.00	100.00
Melaka Duty Free Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	51.00	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	100.00
Jasa Duty Free Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

15. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest		
			28 February 2019	28 February 2018	1 March 2017
			%	%	%
Held by DFZ Trading Sdn Bhd (cont'd)					
DFZ Emporium Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	29.30	29.30	29.30
DFZ (M) Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	69.89	69.89	69.89
Wealthouse Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	28.60	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	100.00
DFZ Duty Free (Langkawi) Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00	100.00
Zon Emporium Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00	100.00
DFZ Utara Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	100.00
Held by DFZ Asia Sdn Bhd					
PT DFZ Indon	Indonesia	Dormant	1.00	1.00	1.00
Held by Brand Connect Asia Pacific Pte Ltd					
Brand Connect Pte Ltd #	Singapore	Retail sale of beverages	100.00	–	–
Brand Connect Vietnam Company Limited #	Vietnam	Brand management and distributor of premium alcoholic beverages	100.00	–	–

15. Investments in subsidiaries (cont'd)

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

Audited by other firms of Certified Public Accountants

** 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	
	FY2019	FY2018
	%	%
Name of company		
Emas Kerajang Sdn. Bhd.	85.00	85.00
Seruntun Maju Sdn. Bhd.	85.00	85.00
DFZ Emporium Sdn. Bhd.	85.00	85.00
DFZ (M) Sdn. Bhd.	85.00	85.00
Wealthouse Sdn. Bhd.	85.00	85.00

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

On 1 June 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

15. Investments in subsidiaries (cont'd)

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

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

In prior year, the Company disposed 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		
	28 February 2019	28 February 2018	1 March 2017
	RM'000	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

(b) Interest in subsidiaries with material non-controlling interest (NCI)

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 2019:					
DFZ Capital Sdn Bhd and subsidiaries	Malaysia	15	6,339	(4,099)	9,120
28 February 2018:					
DFZ Capital Sdn Bhd and subsidiaries	Malaysia	15	6,367	(1,318)	8,210
1 March 2017:					
DFZ Capital Sdn Bhd and subsidiaries	Malaysia	10	4,241	525	3,717

15. Investments in subsidiaries (cont'd)

(c) Summarised financial information about subsidiary with material NCI

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		
	28 February 2019 RM'000	**28 February 2018** RM'000	**1 March 2017** RM'000
Current			
Assets	246,663	245,765	300,711
Liabilities	(128,836)	(102,921)	(136,436)
Net current assets	117,827	142,844	164,275
Non-current			
Assets	103,307	112,242	123,314
Liabilities	(5,008)	(5,137)	(5,465)
Net non-current assets	98,299	107,105	117,849
Net assets	216,126	249,949	282,124

Summarised statement of comprehensive income

	Group		
	28 February 2019 RM'000	**28 February 2018** RM'000	**1 March 2017** RM'000
Revenue	541,549	609,750	631,087
Profit before income tax	56,574	79,134	82,924
Income tax expense	(14,317)	(20,321)	(20,702)
Profit after tax	42,257	58,813	62,222
Other comprehensive income	–	–	–
Total comprehensive income	42,257	58,813	62,222

Other summarised information

	Group		
	28 February 2019 RM'000	**28 February 2018** RM'000	**1 March 2017** RM'000
Net cash flows from operations	58,969	150,966	202,371
Acquisition of significant property, plant and equipment	(3,689)	(2,244)	(4,149)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 28 February 2019

15. Investments in subsidiaries (cont'd)

(d) Acquisition of subsidiary

On 8 August 2018 (the "acquisition date"), the Company subscribed 2,800,000 new ordinary shares in the capital of Brand Connect Holding Pte. Ltd. ("BCH") at a consideration of US$2,800,000 following the satisfaction of the conditions precedent to the Agreement ("Acquisition"). Following the completion of the Acquisition, BCH became a 70% owned subsidiary of the Company.

Brand Connect group of companies is engaged in the business of marketing, wholesale and retail distribution of alcohol and other beverage products across countries in the Asia Pacific region. The Company has acquired BCH to develop and grow the Group's alcohol distribution business. The acquisition is also expected to expand the Group's market operations beyond the current sales channels in the duty-free market of Malaysia, to include the duty paid market across South East Asia.

The fair value of the identifiable assets and liabilities of Brand Connect group of companies as at the acquisition date were:

	Fair value recognised on acquisition RM'000
Property, plant and equipment	239
Intangible assets- distribution rights	1,046
Cash and cash equivalents	7,773
Trade and other receivables	7,971
Inventories	7,875
	24,904
Deferred tax liabilities	(198)
Borrowings	(4,437)
Trade and other payables	(3,087)
Income tax payable	(78)
	(7,800)
Total identifiable net assets at fair value	17,104
Non-controlling interest measured at the non-controlling interest's proportionate share of BCH's net idenfiable assets	(5,056)
Goodwill arising from acquisition	–
	12,048
Consideration transferred for the acquisition of BCH	
Cash paid	11,533
Put options	618
Call options	(103)
Total consideration transferred	12,048

15. Investments in subsidiaries (cont'd)

(d) Acquisition of subsidiary (cont'd)

	Fair value recognised on acquisition RM'000
Effect of the acquisition of BCH on cash flows	
Total consideration for 70% equity interest acquired	12,048
Less: non-cash consideration	(515)
Consideration settled in cash	11,533
Less: Cash and cash equivalents of subsidiary acquired	(7,773)
Net cash inflow on acquisition	3,760

Put and call options as part of consideration transferred

In connection with the acquisition, the Company granted put options to the remaining shareholders of BCH ("the Vendors"), which gave the Vendors the right to sell their interests in BCH to the Group under various conditions. The Vendors also granted call options to the Group, which gave the Group the right to buy the remaining interest in BCH from the Vendors under the same terms of the put options. As at the acquisition date, the fair value of the options was RM515,000 and recognised as derivative liability in the statement of financial position. There is no material change in fair value of the options as at 28 February 2019.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of RM6,079,000. Their gross proceeds of RM6,079,000 is expected to be collected.

Impact of the acquisition on profit or loss

From the acquisition date, BCH has contributed RM31,914,000 of revenue and net loss of RM884,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the Group's revenue would have been RM564,620,000 and the Group's profit for the year would have been RM51,507,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

16. Intangible assets

Group	Distribution rights RM'000
Cost:	
At 1 March 2016, 28 February 2017, 1 March 2017, 28 February 2018 and 1 March 2018	–
Additions- acquisition of subsidiaries	1,046
At 28 February 2019	1,046
Accumulated amortisation:	
At 1 March 2016, 28 February 2017, 1 March 2017, 28 February 2018 and 1 March 2018	–
Amortisation	158
At 28 February 2019	158
Net carrying amount:	
At 28 February 2019	888
At 28 February 2018	–
At 28 February 2017	–

Distribution rights relate to the various distribution contracts for the Group's alcohol distribution business that were acquired in business combination. As explained in Note 2.8, the useful life of these rights is estimated to be 3 years. The amortisation of distribution rights is included in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

17. Trade and other receivables

	Group			Company		
	28 February 2019	28 February 2018	1 March 2017	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables:						
Third parties	17,022	5,804	6,855	–	–	–
Allowance for impairment	(220)	(333)	(333)	–	–	–
Trade receivables, net	16,802	5,471	6,522	–	–	–
Other receivables:						
Deposits	4,391	3,187	3,539	–	–	–
Dividend receivable from subsidiaries	–	–	–	39,605	17,000	36,148
Due from subsidiaries	–	–	–	6,176	6,176	6,176
Due from Berjaya Waterfront Sdn Bhd	40,434	40,434	40,434	–	–	–
Debts securities	30,000	–	–	30,000	–	–
Sundry receivables	12,503	9,937	6,316	1,133	–	–
Allowance for impairment	(110)	(110)	(113)	(6,176)	(6,176)	(6,176)
Other receivables, net	87,218	53,448	50,176	70,738	17,000	36,148
Total trade and other receivables	104,020	58,919	56,698	70,738	17,000	36,148
Add: Cash and bank balances (Note 21)	305,617	373,041	272,194	218,417	277,388	187,954
Less: Goods and Services Tax receivable	(1,321)	(2,977)	(3,873)	–	–	–
Total loans and receivables	408,316	428,983	325,019	289,155	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

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 2019

17. 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 2019, Darul Metro Sdn Bhd received RM0.9 million, being accrued interest up to 15 April 2019.

The balance of RM40.0 million was scheduled to be due on 15 April 2019. On 11 March 2019, 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 2020 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.

Debt securities

Debt securities are investment in medium term note, which are interest bearing at 6.0% per annum and expired on 25 March 2019.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,768,000 (28 February 2018: RM372,000, 1 March 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		
	28 February 2019	**28 February 2018**	**1 March 2017**
	RM'000	RM'000	RM'000
Trade receivables past due but not impaired:			
Less than 30 days	4,945	72	4,472
30 to 60 days	1,482	110	508
61 to 90 days	260	35	162
More than 90 days	81	155	346
	6,768	372	5,488

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

17. 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:

	Group		
	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000
Trade receivables – nominal amounts	220	333	333
Less: Allowance for impairment	(220)	(333)	(333)
	–	–	–
Movement in allowance accounts:			
At 1 March	333	333	322
(Write-off)/Charge for the year	(113)	–	11
At 28 February	220	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		
	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000
Other receivables – nominal amounts	110	110	221	6,176	6,176	6,176
Less: Allowance for impairment	(110)	(110)	(221)	(6,176)	(6,176)	(6,176)
	–	–	–	–	–	–
Movement in allowance accounts:						
At 1 March	110	221	221	6,176	6,176	6,176
Write-off for the year	–	(111)	–	–	–	–
At 28 February	110	110	221	6,176	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. The Group has provided for lifetime expected credit losses for all trade receivables using a provision matrix. Please refer to Note 31(a).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 28 February 2019

18. Prepayments

	Group			Company		
	28 February 2019	28 February 2018	1 March 2017	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current:						
Prepaid rental	10,160	9,785	9,780	–	–	–
Prepaid other operating expenses	2,620	2,553	1,925	25	15	12
	12,780	12,338	11,705	25	15	12
Non-current:						
Prepaid rental	29,709	39,489	49,270	–	–	–
Total prepayments	42,489	51,827	60,975	25	15	12
Amount to be charged out to income statement:						
- Not later than one year	12,780	12,338	11,705	25	15	12
- Later than one year but not later than five years	29,709	39,122	39,122	–	–	–
- Later than five years	–	367	10,148	–	–	–
	42,489	51,827	60,975	25	15	12

Included in prepaid rental was the balance rental paid in advance by the Group to Berjaya Waterfront Sdn Bhd amounting to RM35,567,000 (28 February 2018: RM44,367,000, 1 March 2017: RM53,167,000).

19. Deferred tax assets/(liabilities)

	Group			Company		
	28 February 2019	28 February 2018	1 March 2017	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 March	(3,124)	(3,515)	(3,691)	–	–	–
Recognised in income statement	1,220	391	176	–	–	–
At 28 February	(1,904)	(3,124)	(3,515)	–	–	–
Presented after appropriate offsetting as follows:						
Deferred tax assets	2,709	1,259	853	–	–	–
Deferred tax liabilities	(4,613)	(4,383)	(4,368)	–	–	–
Net deferred tax liabilities	(1,904)	(3,124)	(3,515)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

19. 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 RM'000	Unused tax losses and unabsorbed capital allowances RM'000	Others RM'000	Total 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 and 1 March 2018	4,558	(192)	(1,242)	3,124
Recognised in income statement	385	–	(1,605)	(1,220)
At 28 February 2019	4,943	(192)	(2,847)	1,904

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

	Group		
	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000
Unutilised tax losses	227,152	226,161	224,389
Unabsorbed capital allowances	47,957	47,948	47,981
Other deductible temporary differences	110,078	109,955	110,296
	385,187	384,064	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 (2018: nil) attached to the dividends, proposed to the shareholders of the Company, which are recognised as a liability in the financial statements (Note 23).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

20. Inventories

	Group		
	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000
Statement of financial position:			
Trading goods	170,029	135,304	199,829
Consumables	776	139	158
Total inventories at lower of cost and net realisable value	170,805	135,443	199,987

	Group		
	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000
Consolidated income statement:			
Inventories recognised as an expense in cost of sales	380,503	425,682	430,717
Inventories recognised as an expense in other operating expenses			
Inclusive of the following charge:			
- Inventories written down	2,469	301	1,600
- Inventories write off	124	157	88

21. Cash and bank balances

	Group			Company		
	28 February 2019	28 February 2018	1 March 2017	28 February 2019	28 February 2018	1 March 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	192,061	231,264	91,359	120,115	144,671	17,821
Deposits with licensed banks	113,556	141,777	180,835	98,302	132,717	170,133
	305,617	373,041	272,194	218,417	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 RM9,193,000 (28 February 2018: RM8,901,000, 1 March 2017: RM10,678,000) are pledged to banks for credit facilities granted to certain subsidiaries as disclosed in Note 22. 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 2019 for the Group and the Company were 3.05% (28 February 2018: 2.25%, 1 March 2017: 2.05%) and 2.79% (28 February 2018: 1.42%, 1 March 2017: 0.83%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 28 February 2019

21. Cash and bank balances (cont'd)

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

	Group			Company		
	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000
Cash and deposits with licensed banks	305,617	373,041	272,194	218,417	277,388	187,954
Deposits pledged with licensed banks	(9,193)	(8,901)	(10,678)	–	–	–
Cash and cash equivalents	296,424	364,140	261,516	218,417	277,388	187,954

Cash and short term deposits denominated in foreign currencies at the end of reporting period are as follows:

	Group			Company		
	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000
Euro (EUR)	–	47,060	–	–	47,060	–
Singapore Dollar (SGD)	4,899	8,069	2,590	4,416	8,069	2,590
United States Dollar (USD)	118,772	136,503	178,596	108,534	125,234	170,185
	123,671	191,632	181,186	112,950	180,363	172,775

22. Borrowings

		Group		
	Maturity	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000
Current				
Secured:				
Bankers' acceptances	FY2020	7,547	15,202	5,540
Short term loan	FY2020	13,277	–	–
Obligations under finance leases (Note 26)	FY2020	464	408	437
		21,288	15,610	5,977
Non-current				
Secured:				
Obligations under finance leases (Note 26)	FY2021 – FY2024	650	756	1,097
		650	756	1,097
Total loan and borrowings		21,938	16,366	7,074

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

22. Borrowings (cont'd)

Bankers' acceptances

Bankers' acceptances are denominated in RM with weighted average effective interest rate of 3.64% p.a. (28 February 2018: 3.34% p.a., 1 March 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 2.96% p.a. (28 February 2018: 2.90% p.a., 1 March 2017: 2.84% p.a.).

Short term loan

Short term loan are denominated in USD and SGD with weighted average effective interest rate of 3.87% p.a. (28 February 2018: Nil, 1 March 2017: Nil).

The bankers' acceptances, bank overdrafts and short term loan are secured by way of:

- deposits with licensed banks amounting to RM9,193,000 (28 February 2018: RM8,901,000, 1 March 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 31.

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

	2018		Non-cash changes		2019
		Cash flows	Acquisition/ additions	Acquisition of subsidiary	
	RM'000	RM'000	RM'000	RM'000	RM'000
Other short term borrowings	15,202	1,177	8	4,437	20,824
Obligations under finance leases	1,164	(390)	340	–	1,114
Dividends payable to the owners of the Company	36,219	(65,137)	65,395	–	36,477
Dividends payable to non-controlling interests of subsidiaries	–	(4,425)	9,120	–	4,695
Total	52,585	(68,775)	74,863	4,437	63,110

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

23. Trade and other payables

	Group			Company		
	28 February 2019	**28 February 2018**	**1 March 2017**	**28 February 2019**	**28 February 2018**	**1 March 2017**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables						
Third parties	78,894	66,418	69,373	–	–	–
Other payables						
Accruals	14,062	12,031	13,117	608	643	573
Accrued payroll related expenses	2,804	3,991	3,886	–	–	–
Contribution costs payable	209	209	209	–	–	–
Rental payables	652	476	1,589	–	–	–
Deposit received for the proposed disposal #	560	560	560	–	–	–
Other deposits received	2,151	566	571	–	–	–
Dividend payable to ordinary shareholders *	36,477	36,219	46,995	36,477	36,219	46,995
Dividends payable to non-controlling interests by a subsidiary *	4,695	–	3,717	–	–	–
Royalty payables	28	28	28	–	–	–
Sundry payables	3,810	4,388	4,803	172	156	1,336
Put option liability ^	7,348	–	–	–	–	–
	72,796	58,468	75,475	37,257	37,018	48,904
Total trade and other payables	151,690	124,886	144,848	37,257	37,018	48,904
Add: Borrowings (Note 22)	21,938	16,366	7,074	–	–	–
Less: Goods and Services Tax payable	(175)	(645)	(957)	–	–	–
Total financial liabilities carried at amortised cost	173,453	140,607	150,965	37,257	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 34).

^ The put option liability reflects the carrying value of the put option to acquire the 30% non-controlling interest in a subsidiary Brand Connect Holding Pte. Ltd. ("BCH"). The carrying value of the liability has been calculated based on expected financial performance of BCH and expected exercise date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

23. 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 (28 February 2018: 30 to 90 days, 1 March 2017: 30 to 90 days).

Trade payables denominated in foreign currencies as at 28 February 2019 are as follows:

	Group		
	28 February 2019 RM'000	28 February 2018 RM'000	1 March 2017 RM'000
Singapore Dollar (SGD)	4	14	865
United States Dollar (USD)	52,925	47,996	48,079
	59,929	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 29.

Other information on financial risks of trade and other payables are disclosed in Note 31.

24. Derivatives

	28 February 2019		28 February 2018		1 March 2017	
	Notional amount RM'000	Assets/ (liabilities) RM'000	Notional amount RM'000	Liabilities RM'000	Notional amount RM'000	Liabilities RM'000
Group						
Forward currency contracts	3,675	(13)	8,788	(26)	23,377	(10)
Call option	103	103	(1,017)	(1,017)	(8,993)	(8,993)
Put option	(618)	(618)	–	–	–	–
		(528)		(1,043)		(9,003)

	28 February 2019 Liabilities RM'000	28 February 2018 Liabilities RM'000	1 March 2017 Liabilities RM'000
Group			
Current	(13)	(1,043)	(9,003)
Non-current	(515)	–	–
	(528)	(1,043)	(9,003)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

24. Derivatives (cont'd)

	28 February 2019		28 February 2018		1 March 2017	
	Notional amount	Assets/ (liabilities)	Notional amount	Liabilities	Notional amount	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Call options	103	103	(1,017)	(1,017)	(8,993)	(8,993)
Put options	(618)	(618)	–	–	–	–
		(515)		(1,017)		(8,993)

	28 February 2019 Liabilities	28 February 2018 Liabilities	1 March 2017 Liabilities
	RM'000	RM'000	RM'000
Company			
Current	–	(1,017)	(8,993)
Non-current	(515)	–	–
	(515)	(1,017)	(8,993)

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 options in previous years were 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 previous financial year, HAP exercised the Second Tranche Call Option and purchase 5% of equity interest in DFZ (Note 15). The call option expired during the current financial year.

During the current financial year, in connection with the acquisition of BCH, call and put options were granted to the Group and non-controlling interests. Please refer to Note 23 for the financial liability recognised on the put options.

25. Share capital

	Number of ordinary shares with no par value		Amount	
Company	**2019**	**2018**	**2019**	**2018**
	'000	'000	RM'000	RM'000
At 1 March	1,218,046	1,194,350	1,107,574	1,067,763
Issuance of new ordinary shares	–	34,150	–	39,811
Placement of treasury shares	–	–	–	–
Purchase of treasury shares	(9,600)	(10,454)	–	–
At 28 February	1,208,446	1,218,046	1,107,574	1,107,574

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

25. Share capital (cont'd)

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

		28 February 2019	28 February 2018	1 March 2017
		RM'000	RM'000	RM'000
Group				
Foreign currency translation reserve	(i)	(123)	29	29
Premium paid on acquisition of non-controlling interests	(ii)	(142,413)	(142,413)	(142,413)
Gain on reissuance of treasury shares	(iii)	661	661	661
Capital reserves	(iv)	(2,558)	–	–
Other reserves	(v)	–	–	31,049
		(144,433)	(141,723)	(110,674)
Company				
Other reserves	(v)	661	661	31,710
		661	661	31,710

(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) This represents the difference between derecognition of the non-controlling interest and the recognition of financial liability for the put options associated with acquisition of BCH.

(v) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 28 February 2019

25. Share capital (cont'd)

(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.

During the full year ended 28 February 2019, the Company acquired 9,600,800 shares in the Company through purchases on the open market. The total amount paid to acquire the shares in the current financial year was RM5,986,000 and the shares were held as treasury shares. Total treasury shares have increased from 11,151,900 as at 28 February 2018 to 20,752,700 as at 28 February 2019 and this was presented as a component within shareholder's equity.

26. Obligations under finance leases

	Group	
	2019	**2018**
	RM'000	RM'000
Future minimum lease payments:		
Not later than 1 year	520	462
Later than 1 year and not later than 2 years	369	395
Later than 2 year and not later than 5 years	323	408
Total future minimum lease payments	1,212	1,265
Less: Future finance charges	(98)	(101)
Present value of finance lease liabilities	1,114	1,164
Analysis of present value of finance lease liabilities:		
Not later than 1 year	464	408
Later than 1 year and not later than 2 years	343	363
Later than 2 year and not later than 5 years	307	393
	1,114	1,164
Less: Amount due within 12 months	(464)	(408)
Amount due after 12 months	650	756

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

27. 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	
	2019 RM'000	**2018** RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	23	1,982
Approved but not contracted for:		
Property, plant and equipment	490	362
	513	2,344

(b) The Group as lessee

Operating lease payments represent rentals payable by the Group for use of buildings. There was a turnover rent of RM5,453,000 (2018: RM5,241,000) 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	
	2019 RM'000	**2018** RM'000
Not later than one year	1,402	–
Later than one year but not later than five years	8,627	–
Later than five years	152,375	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 18), the future minimum lease commitment relate to lease payable from year 11 to the end of the tenancy period.

28. Contingent liabilities

	Company	
	2019 RM'000	**2018** RM'000
Corporate guarantees for borrowings and banking facilities to certain subsidiaries	25,318	35,536

28. Contingent liabilities (cont'd)

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.

The High Court subsequently postponed the date for decision on the matter from 25 May 2018 to 29 June 2018.

On 29 June 2018, the decision of the High Court was not to grant an application for judicial review to SMSB. On 2 July 2018, SMSB filed an appeal to the Court of Appeal against the High Court's decision of not granting an application for judicial review. Simultaneously, SMSB also filed a formal application to stay the effect and enforcement of the bills of demand raised on SMSB for import and excise duties.

On 28 August 2018, the High Court granted interim stay pending the disposal of the stay application, which was to be heard on 5 October 2018 before a new Judge. The hearing was postponed from 4 December 2018 to 17 January 2019, which was subsequently again postponed to 20 February 2019. On 20 February 2019, upon hearing the submission for both parties, the Court granted an interim stay to SMSB pending the disposal of its Court of Appeal hearing. Parties were to update the Court after the Court of Appeal hearing.

On 13 March 2019, the High Court was briefed on the status of the hearing of the Court of Appeal. As there was no tentative date fixed by the Court of Appeal for the decision, the High Court has then granted an interim stay until the disposal of the hearing.

In addition, SMSB also filed a Notice of Motion before the Court of Appeal to stay the effect and enforcement of the said notices of additional assessment pending the appeal on stay before the Court of Appeal.

On 6 March 2019, the Court of Appeal conducted the hearing, whereby both SMSB and Customs submitted their respective legal arguments. The Court of Appeal then instructed parties to file additional supplementary submission on one novel point of law before 20 March 2019. SMSB has already submitted the said supplementary submission. The Court of Appeal will inform parties once they are ready to deliver a decision.

In addition, 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 payment of the Bills of Demand raised by the Customs is possible, but not probable, and accordingly no provision for any liability has been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

29. 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	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Subsidiaries:				
- Dividends received	–	–	67,680	94,790
Related companies:				
- Management fee	2,000	2,000	–	–
Related party:				
- Donation to Yayasan Harmoni *	3,000	1,000	–	–
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	261,020	244,160	–	–
- Management fee paid/payable to HAP	1,341	2,199	–	–
- Ad-space rental received/receivable from HAP	1,799	2,079	–	–
- Reimbursement of costs from HAP	3,948	4,244	–	–

* 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 2019 and 28 February 2018 are disclosed in Notes 17 and 23.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

29. 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	
	2019	2018
	RM'000	RM'000
Short-term employee benefits	4,029	3,878
Defined contribution plan	195	194
	4,224	4,072
Comprise amounts paid to:		
Directors of the Company	1,111	1,155
Other key management personnel	3,113	2,917
	4,224	4,072

30. 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 2019

30. 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 2019				
Non-financial assets:				
- Biological assets (Note 12)	–	–	103	103
Financial liabilities:				
Derivatives (Note 24)				
- Forward currency contracts	–	(13)	–	(13)
- Call and put options	–	–	(515)	(515)
	–	(13)	(515)	(528)
At 28 February 2018				
Non-financial assets:				
- Biological assets (Note 12)	–	–	152	152
Financial liabilities:				
Derivatives (Note 24)				
- 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 24)				
- Forward currency contracts	–	(10)	–	(10)
- Call option	–	–	(8,993)	(8,993)
	–	(10)	(8,993)	(9,003)

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

(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 24): 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.

(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 and put options (Note 24): The fair values of call and put options are determined by using Black-Scholes 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 2019** RM'000	**Valuation techniques**	**Unobservable inputs**	**Range (weighted average)**
Call and put options	515	Black-Scholes	Exercise price	USD 3,040,000
			Time to expiry	10.6 years
			Volatility	31.1%
			Risk free rate	1.82%
			Dividend yield	0%

A significant increase in the expected dividend yield would result in a significantly higher fair value measurement. A significant increase (decrease) in risk free rate would result in a significantly lower (higher) fair value measurement.

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

If the underlying exercise price had been increased by 10% (2018: nil) with all other variables held constant, the fair value of options will increase by approximately RM77,000 (2018: nil) as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

(d) Level 3 fair value measurements (cont'd)

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%

Sensitivity analysis for call option

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% with all other variables held constant, the fair value of call options will increase by approximately RM 1.0 million as at the end of the reporting period. During the year, the call option has expired.

(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

		2019		2018	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities:					
Obligations under finance leases	26	1,114	1,134	1,164	1,196

31. 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.

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

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 arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all borrowers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of borrowers in the group and changes in the operating results of the customer.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

(a) Credit risk (cont'd)

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

A summary of the Group's basis for recognition of the Group's expected credit loss ("ECL") for trade receivables, debt securities and other receivables is as follows:

Assets classifications	Basis for recognition of expected credit loss provision
Trade receivables	Lifetime ECL (simplified approach)
Debt securities	12-month ECL
Other receivables	12-month ECL
Due from Berjaya Waterfront Sdn Bhd	Lifetime ECL

The gross carrying amount of trade and other receivables are disclosed in Note 17.

<u>Trade receivables</u>

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 28 February 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix.

28 February 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	4,945	1,482	260	301	6,988
Loss allowance provision	–	–	–	(220)	(220)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

(a) Credit risk (cont'd)

Debt securities and other receivables

The company's debt securities at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for the debt securities when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

As for other receivables including amount due from Berjaya Waterfront Sdn Bhd, the Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in. The Group measured the impairment loss allowance using general approach of ECL and determined that the ECL is insignificant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

– A nominal amount of RM25,318,000 (28 February 2018: RM35,536,000, 1 March 2017: RM33,132,000) relating to a corporate guarantee provided by the Group to the bank on subsidiaries' loans

– A nominal amount of RM25,318,000 (28 February 2018: RM35,536,000, 1 March 2017: RM33,132,000) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

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 17.

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 17.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

(b) Liquidity risk (cont'd)

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.

	28 February 2019			28 February 2018			1 March 2017		
	One year or less	One to five years	Total	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	RM'000	RM'000	RM'000
Financial assets									
Trade and other receivables	102,699	–	102,699	55,942	–	55,942	52,825	–	52,825
Cash and bank balances	305,617	–	305,617	373,041	–	373,041	272,194	–	272,194
Total undiscounted financial assets	408,316	–	408,316	428,983	–	428,983	325,019	–	325,019
Financial liabilities									
Trade and other payables	151,515	–	151,515	124,241	–	124,241	143,891	–	143,891
Borrowings	21,344	692	22,036	15,664	803	16,467	6,060	1,179	7,239
Derivatives – forward currency contracts									
- gross payments	3,675	–	3,675	8,788	–	8,788	23,377	–	23,377
- gross receipts	(3,662)	–	(3,662)	(8,762)	–	(8,762)	(23,367)	–	(23,367)
Total undiscounted financial liabilities	172,872	692	173,564	139,931	803	140,734	149,961	1,179	151,140
Total net undiscounted financial assets/ (liabilities)	235,444	(692)	234,752	289,052	(803)	288,249	175,058	(1,179)	173,879

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

(b) Liquidity risk (cont'd)

	28 February 2019			28 February 2018			1 March 2017		
	One year or less	One to five years	Total	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	RM'000	RM'000	RM'000
Financial assets									
Trade and other receivables	70,738	–	70,738	17,000	–	17,000	36,148	–	36,148
Cash and bank balances	218,417	–	218,417	277,388	–	277,388	187,954	–	187,954
Total undiscounted financial assets	289,155	–	289,155	294,388	–	294,388	224,102	–	224,102
Financial liabilities									
Trade and other payables	37,257	–	37,257	37,018	–	37,018	48,904	–	48,904
Total undiscounted financial liabilities	37,257	–	37,257	37,018	–	37,018	48,904	–	48,904
Total net undiscounted financial assets	251,898	–	251,898	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.

	28 February 2019			28 February 2018			1 March 2017		
	One year or less	One to five years	Total	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	RM'000	RM'000	RM'000
Corporate guarantees	25,318	–	25,318	35,536	–	35,536	33,132	–	33,132

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

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

(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 (2018: 10) basis points lower/higher with all other variables held constant, the Group's and the Company's profit before tax would have been RM71,000 (2018: RM96,000) and RM75,000 (2018: RM101,000) 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.

(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 71% (2018: 68%) 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.

The Group also hold short-term borrowings denominated in USD and SGD as at the end of the reporting period.

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.

		2019 RM'000	2018 RM'000
USD/RM	- strengthened 3%	1,917	2,741
	- weakened 3%	(1,917)	(2,741)
SGD/RM	- strengthened 3%	228	236
	- weakened 3%	(228)	(236)
EUR/RM	- strengthened 3%	–	1,412
	- weakened 3%	–	(1,412)

32. 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.

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, short term loans, interest payable and current portion of finance lease liabilities. Capital includes equity attributable to the owners of the parent.

		Group	
	28 February 2019	**28 February 2018**	**1 March 2017**
	RM'000	RM'000	RM'000
Borrowings (non-current) (Note 22)	650	756	1,097
Borrowings (current excluding term loan, i.e. due and payable within 12 months)	21,288	15,610	5,977
Total external debt	21,938	16,366	7,074
Total equity attributable to the owners of the Company	554,452	582,026	536,080
Gearing ratio (times)	0.04	0.03	0.01

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

33. 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.

(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 2019

33. 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 & duty paid goods and non-dutiable merchandise		Investment holdings and others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2019	2018	2019	2018	2019	2018		2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue:									
Sales to external customers	554,853	609,589	1,473	1,988	–	–		556,326	611,577
Inter-segment sales	158	2	62,160	83,630	(62,318)	(83,632)	A	–	–
Total revenue	555,011	609,591	63,633	85,618	(62,318)	(83,632)		556,326	611,577
Results:									
Interest income	852	831	11,586	6,807	(892)	–		11,546	7,638
Depreciation and amortisation	(4,640)	(4,163)	(1,430)	(1,263)	–	–		(6,070)	(5,426)
Impairment loss on property, plant and equipment	(162)	–	–	–	–	–		(162)	–
Loss arising from changes in fair values of biological assets	–	–	(49)	(35)	–	–		(49)	(35)
Gain arising from changes in fair values of option	–	–	1,017	7,976	–	–		1,017	7,976
Other non-cash (expenses)/ income	(2,464)	2,941	6,130	(21,189)	–	–	B	3,666	(18,248)
Segment profit/(loss)	56,641	79,879	73,365	73,085	(62,554)	(83,975)	C	67,452	68,989
Assets									
Additions to non-current assets	5,324	2,325	86	128	–	–	D	5,410	2,453
Segment assets	389,844	362,604	356,316	380,785	6,684	5,671	E	752,844	749,060
Segment liabilities	124,741	101,188	52,762	41,107	6,042	7,080	F	183,545	149,375

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

33. 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, 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:

	2019 RM'000	2018 RM'000
Inter-segment transactions	(158)	(2)
Inter-segment dividend income	62,160	83,632
Inter-segment interest expense	(892)	–
Finance costs	1,444	345
	62,554	83,975

D Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	5,410	2,453

33. Segment information (cont'd)

Operating segments (cont'd)

Notes **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

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

	2019 RM'000	**2018** RM'000
Deferred tax assets	2,709	1,259
Tax recoverable	3,975	4,412
	6,684	5,671

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

	2019 RM'000	**2018** RM'000
Deferred tax liabilities	4,613	4,383
Income tax payable	1,429	2,697
	6,042	7,080

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 28 February 2019

34. Dividends

Group and Company	**2019** RM'000
Declared and paid/payable during the financial year:	
Dividends on ordinary shares	
- First interim one tier tax exempt dividend for FY2019: S$0.0080 cents per share	28,918
- Second interim one tier tax exempt dividend for FY2019: S$0.0100 cents per share	36,477
	65,395

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 FY2018: S$0.0035 cents per share	13,591
- Second interim one tier tax exempt dividend for FY2018: S$0.0050 cents per share	18,974
- Third interim one tier tax exempt dividend for FY2018: S$0.0100 cents per share	36,219
	68,784

35. Authorisation of financial statements

The financial statements for the financial year ended 28 February 2019 were authorised for issue in accordance with a resolution of the directors on 27 May 2019.

STATISTICS OF SHAREHOLDINGS

As at 16 May 2019

Class of Shares	:	Ordinary Share
Number of Issued Shares (excluding treasury shares and subsidiary holdings)	:	1,205,500,393
Issued and fully paid-up capital	:	SGD410,216,199
Voting Rights	:	One vote per share
Number of Treasury Shares and Percentage	:	23,698,000 (1.93%)
Number of Subsidiary Holdings and Percentage	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	169	8.76	1,831	0.00
100 - 1,000	242	12.55	128,463	0.01
1,001 - 10,000	582	30.17	3,234,735	0.27
10,001 - 1,000,000	910	47.17	62,178,591	5.16
1,000,001 AND ABOVE	26	1.35	1,139,956,773	94.56
TOTAL	**1,929**	**100.00**	**1,205,500,393**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	ATLAN HOLDINGS BHD	905,028,113	75.07
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	113,394,332	9.41
3.	MAYBANK KIM ENG SECURITIES PTE. LTD.	25,937,345	2.15
4.	DB NOMINEES (SINGAPORE) PTE LTD	13,542,400	1.12
5.	OCBC SECURITIES PRIVATE LIMITED	10,968,674	0.91
6.	UOB KAY HIAN PRIVATE LIMITED	8,872,630	0.74
7.	DBS NOMINEES (PRIVATE) LIMITED	8,370,155	0.69
8.	IFAST FINANCIAL PTE. LTD.	6,514,900	0.54
9.	RAFFLES NOMINEES (PTE.) LIMITED	5,796,405	0.48
10.	PHILLIP SECURITIES PTE LTD	5,696,350	0.47
11.	SOH CHONG CHAI	5,499,080	0.46
12.	RHB SECURITIES SINGAPORE PTE. LTD.	3,718,732	0.31
13.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,599,400	0.30
14.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,038,332	0.25
15.	ELLPHA INVESTMENTS PTE LTD	2,600,000	0.22
16.	E-FOS SDN BHD	2,472,722	0.21
17.	HSBC (SINGAPORE) NOMINEES PTE LTD	2,410,300	0.20
18.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,837,351	0.15
19.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,788,752	0.15
20.	IWAN RUSLI @ LIE TJIN VAN	1,520,000	0.13
	TOTAL	**1,132,605,973**	**93.96**

STATISTICS OF SHAREHOLDINGS

As at 16 May 2019

SUBSTANTIAL SHAREHOLDERS AS AT 16 MAY 2019
(As recorded in the Register of Substantial Shareholders)

NAME	DIRECT INTERESTS NO. OF SHARES HELD	%	DEEMED INTERESTS NO. OF SHARES HELD	%
Atlan Holdings Bhd	905,028,113	75.07	–	–
Distinct Continent Sdn Bhd	–	–	905,028,113	75.07(1)
Sebastian Paul Lim Chin Foo	–	–	905,028,113	75.07(2)
Dato' Sri Adam Sani bin Abdullah	–	–	905,028,113	75.07(3)
Berjaya Corporation Berhad	–	–	905,028,113	75.07(4)
Tan Sri Dato' Seri Vincent Tan Chee Yioun	–	–	905,028,113	75.07(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 16 May 2019, approximately 24.69% 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 16 May 2019

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	125	11.09	3,699	0.00
100 - 1,000	342	30.35	165,752	0.03
1,001 - 10,000	441	39.13	1,899,405	0.39
10,001 - 1,000,000	204	18.10	17,589,584	3.58
1,000,001 AND ABOVE	15	1.33	471,741,602	96.00
TOTAL	**1,127**	**100.00**	**491,400,042**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1.	ATLAN HOLDINGS BHD	362,011,245	73.67
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	45,129,212	9.18
3.	MAYBANK KIM ENG SECURITIES PTE. LTD.	13,819,603	2.81
4.	LIM & TAN SECURITIES PTE LTD	11,466,600	2.33
5.	CHAN KENG LOKE	8,662,000	1.76
6.	OCBC SECURITIES PRIVATE LIMITED	7,446,378	1.52
7.	ONG KAH KEONG	5,175,900	1.05
8.	IFAST FINANCIAL PTE. LTD.	4,112,400	0.84
9.	PHILLIP SECURITIES PTE LTD	3,594,575	0.73
10.	RAFFLES NOMINEES (PTE.) LIMITED	3,096,882	0.63
11.	DBS NOMINEES (PRIVATE) LIMITED	2,009,742	0.41
12.	UOB KAY HIAN PRIVATE LIMITED	1,689,437	0.34
13.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,417,828	0.29
14.	DB NOMINEES (SINGAPORE) PTE LTD	1,104,900	0.22
15.	PUA TIAN SENG	1,004,900	0.20
16.	TEOH YEW KWEE (ZHAO YOUGUI)	990,000	0.20
17.	E-FOS SDN BHD	989,088	0.20
18.	YAP MIOW SEN	940,000	0.19
19.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	911,820	0.19
20.	RHB SECURITIES SINGAPORE PTE. LTD.	901,092	0.18
	TOTAL	**476,473,602**	**96.94**

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 Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 on Thursday, 20 June 2019 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 2019 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:

   (a) General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) **(Resolution 2)**
   (b) Mr Ong Bok Siong **(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 2019 (FY2018: 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 Annual General Meeting 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 Annual General Meeting.

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,

   (the "**Share Issue Mandate**")

NOTICE OF ANNUAL GENERAL MEETING

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);

(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 Annual General Meeting ("**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 4 June 2019 ("**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

Thum Sook Fun
Company Secretary
Singapore, 4 June 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) will, upon re-election as a Director of the Company, remains as the Chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit 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 2019 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 138 Cecil Street, #12-01A Cecil Court, Singapore 069538 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

ADDITIONAL INFORMATION RELATING TO THE RETIRING DIRECTORS

General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) and Mr Ong Bok Siong (collectively, the "Retiring Directors"), who are retiring pursuant to Regulation 104 of the Constitution of the Company, will be seeking re-election at the forthcoming Annual General Meeting ("AGM") of the Company scheduled to be held on Thursday, 20 June 2019 under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 4 June 2019. Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Trading Securities Limited ("SGX-ST"), the information relating to the Retiring Directors set out in Appendix 7.4.1 as required under the Listing Manual of the SGX-ST is disclosed below:

Name of the retiring Directors	**General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)**	**Ong Bok Siong**
Date of Appointment	7 January 2011	27 June 2013
Date of last re-appointment (if applicable)	29 June 2016	29 June 2016
Age	70	63
Country of principal residence	Malaysia	Malaysia
Whether appointment is executive, and if so, the area of responsibility	Not applicable	Executive. He is tasked with executing strategic business directions set by the Board, and overseeing the operations and business development of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Nominating Committee Chairman, Remuneration Committee Chairman and Audit Committee Member	Managing Director

There is no change to the declaration or information which were previously made by the Retiring Directors pursuant to the Appendix 7.4.1 other than the changes as disclosed in their profiles. For further details of the Retiring Directors, please refer to their profile as set out in the Annual Report.

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.

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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 Investors**") 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 and purposes if used or purported to be used by them.

I/We, ______________________ (Name) ______________________ (NRIC/Passport No./Company 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 (the "**Meeting**") of the Company to be held at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 on Thursday, 20 June 2019 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 2019 together with the Directors' Statement and Auditors' Report thereon.		
2	To re-elect General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) as a Director of the Company retiring pursuant to Regulation 104 of the Constitution of the Company.		
3	To re-elect Mr Ong Bok Siong 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 2019 (FY2018: 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 ____________ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
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 138 Cecil Street, #12-01A Cecil Court, Singapore 069538 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 authorised 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 authorised. 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 authorise 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 Investors**") 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)

138 Cecil Street
#12-01A Cecil Court
Singapore 069538

*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 4 June 2019.

DUTY FREE INTERNATIONAL LIMITED
(200102393E)

www.dfi.com.sg
138 Cecil Street #12-01A Cecil Court Singapore 069538