ANNUAL REPORT 2016

LAPORAN TAHUNAN

DFI (200102393E)

DUTY FREE INTERNATIONAL LIMITED

the ZON

CONTENTS

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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 30 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 strategic located near the Malaysia-Thailand border at Bukit Kayu Hitam.

OUR **PRESENCE**

the ZON Duty Free

CORPORATE **STRUCTURE**

(As at 7 June 2016)

DFI
DUTY FREE INTERNATIONAL LIMITED
(200102393E)

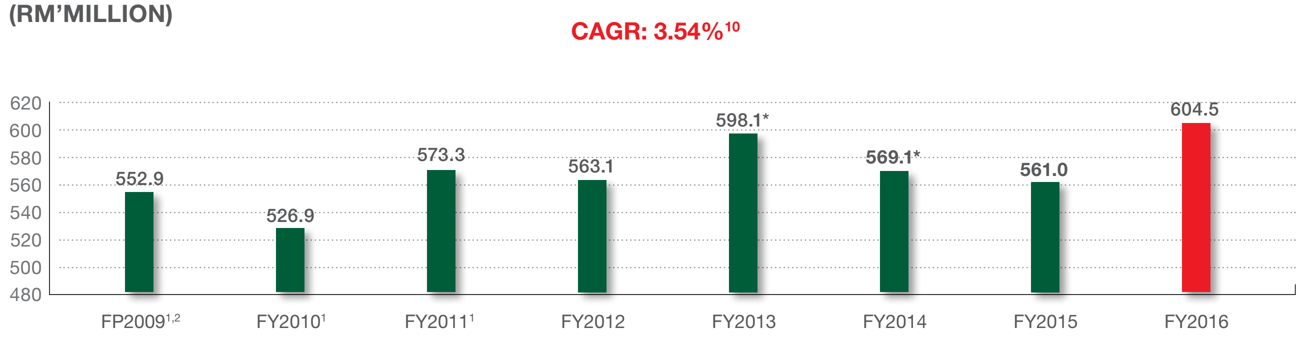
- 90%* DFZ Capital Berhad
  - 100% Selasih Ekslusif Sdn Bhd
  - 100% Winner Prompt Sdn Bhd
  - 100% DFZ Trading Sdn Bhd
  - 69.90% Emas Kerajang Sdn Bhd
  - 69.80% Seruntun Maju Sdn Bhd
  - 100% DFZ Utara Sdn Bhd
  - 100% DFZ Duty Free Supplies Sdn Bhd
  - 100% Jasa Duty Free Sdn Bhd
  - 100% Zon Emporium Sdn Bhd
  - 100% Jelita Duty Free Supplies Sdn Bhd
  - 100% DFZ Duty Free (Langkawi) Sdn Bhd
  - 100% Cergasjaya Sdn Bhd
  - 69.89% DFZ (M) Sdn Bhd
  - 51% Melaka Duty Free Sdn Bhd
  - 29.30% DFZ Emporium Sdn Bhd
  - 28.60% Wealthouse Sdn Bhd
- 100% Darul Metro Sdn Bhd
- 100% Orchard Boulevard Sdn Bhd
  - 100% Tenggara Senandung Sdn Bhd
  - 100% Binamold Sdn Bhd
  - 100% First Influx Sdn Bhd (In Members' Voluntary Winding Up)
  - 100% Media Zone Sdn Bhd (In Members' Voluntary Winding Up)
  - 100% Kelana Megah Sdn Bhd
  - 100% Cergasjaya Properties Sdn Bhd
  - 100% Black Forest Golf And Country Club Sdn Bhd
  - 100% Gold Vale Development Sdn Bhd
  - 100% DFZ Asia Sdn Bhd
    - 1% PT DFZ Indon
  - 99% PT DFZ Indon

* Represents 90% equity interest in DFZ Capital Berhad ("DFZ") less one DFZ Share.

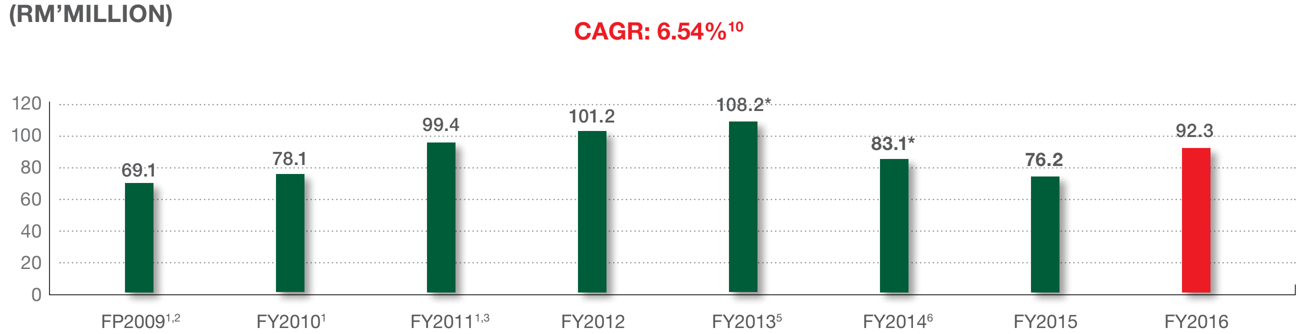
FINANCIAL **HIGHLIGHTS**

Year ended 28/29 February

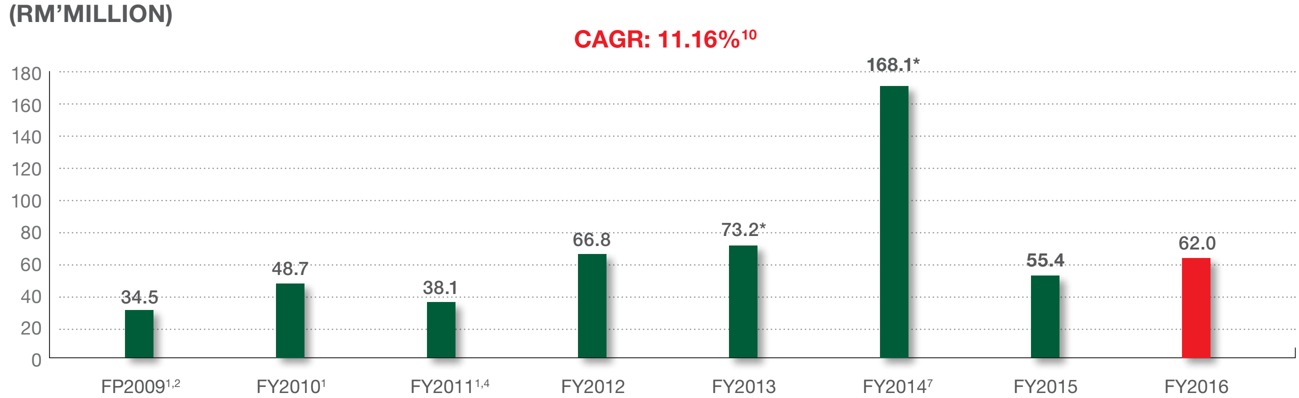
REVENUE (RM'MILLION)



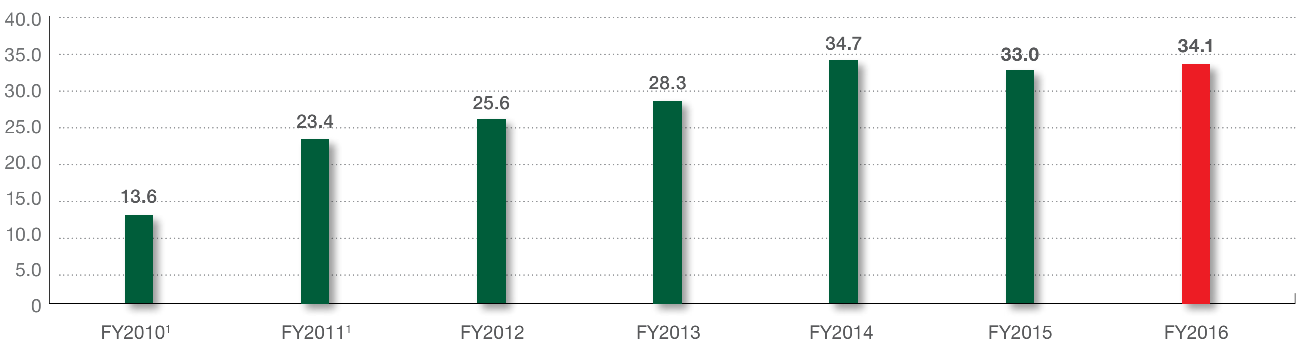
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (BEFORE EXCEPTIONAL ITEMS) (RM'MILLION)



PROFIT AFTER TAX (RM'MILLION)

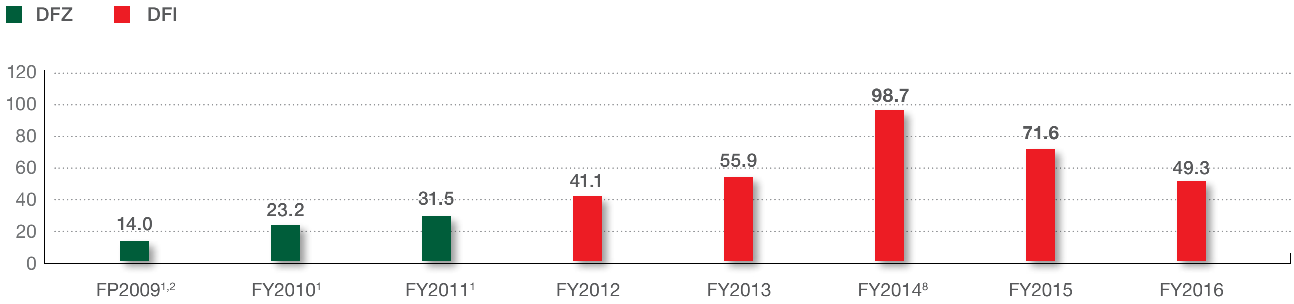


NET TANGIBLE ASSETS PER SHARE (RM SEN)

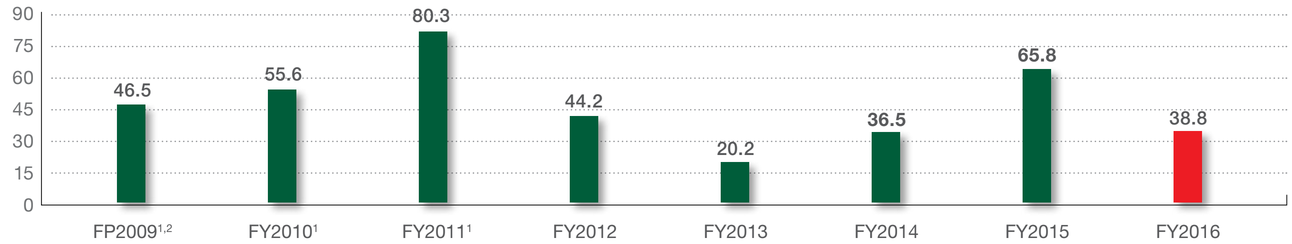


* includes financial results of Discontinued Operations

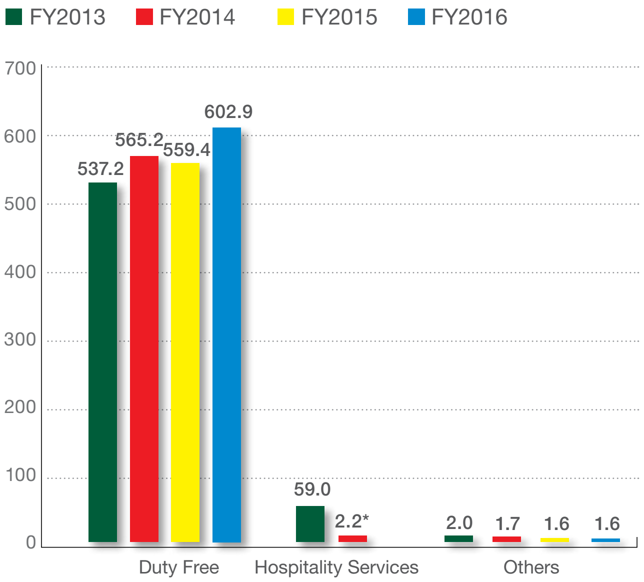
DIVIDEND PAYOUT FOR DFZ & DFI (RM'MILLION)



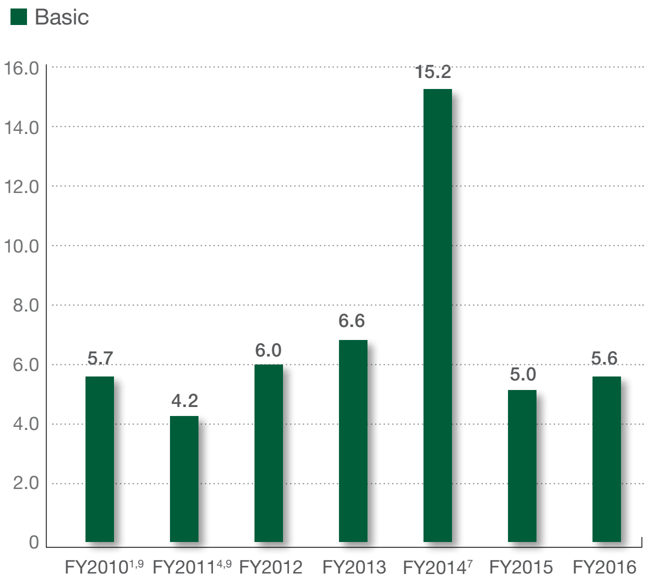
CASH AND CASH EQUIVALENTS (RM'MILLION)



REVENUE BREAKDOWN BY BUSINESS SEGMENTS (RM'MILLION)



BASIC EARNINGS PER SHARE (RM SEN)



Notes:

1 Basis of preparation of the financial statements: The financial results of Duty Free International Limited for the 12 months ended 28 February 2011 have been presented as a continuation of the DFZ Group's and DMSB's financial position, results and operations and as such, the historical financial information has also been presented as a continuation of the financial performance and position of DFZ Group and DMSB.
2 FP2009: 14-months from 1 January 2008 to 28 February 2009.
3 Excludes one time costs for the reverse acquisition amounting to RM40.8 million and gains from disposal of assets of RM20.6 million.
4 Includes one time costs for the reverse acquisition amounting to RM40.8 million and gains from disposal of assets of RM20.6 million.
5 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.
6 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.
7 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.
8 Includes a special dividend of RM42.1 million.
9 For the purpose of calculating weighted average number of ordinary shares for FY2010 and from 1 March 2010 to the completion date (7 January 2011), the weighted average number of shares of the Group was calculated from the weighted average number of outstanding shares of DFZ and DMSB multiplied by the respective exchange ratios set in the sale and purchase agreements for the reverse acquisition. From the completion date to 28 February 2011, the weighted average number of ordinary shares outstanding was based on the actual number of ordinary shares of the Company outstanding during the said period.
10 CAGR is based on a pro-rated 12 month FY2009 results as FP2009 represented consist of 14 months.

CHAIRMAN'S **MESSAGE**

Dear Shareholders,

On behalf of the Board of Directors of Duty Free International Limited ("DFI", and together with its subsidiaries, the "Group"), I am pleased to present to you our annual report and audited financial statements for the financial year ended 29 February 2016 ("FY2016").

In 2015, the global economy was faced with a sequence of adverse market dynamics that had affected the Malaysian economy. The volatile raw material and commodity costs as well as decline in global oil prices worsened the domestic economy and the Ringgit.

Despite a challenging economic landscape, DFI's business remained resilient and delivered a credible and profitable performance for the financial year under review. The Group's turnover for FY2016 of RM604.5 million saw a 7.8% increase as compared to RM561.0 million for the financial year ended 28 February 2015 ("FY2015").

Reflecting the Group's increasing topline performance, DFI's earnings before interest, tax, depreciation and amortisation (EBITDA) of RM92.3 million and profit before tax (PBT) of RM84.9 million registered a 15.0% and 15.8% growth in FY2016 respectively as compared to FY2015. The increase in profits was largely due to an increase in demand and selling prices for certain products as well as contributions from the Group's new outlets in Kuala Lumpur International Airport 2 (KLIA2), which commenced operations in 2014 and 2015.

OUR YEAR IN FOCUS

Amidst a challenging landscape, the Group continued to leverage on its operational efficiency whilst maintaining its focus on expanding the Group's product range and services to deliver sustained growth in FY2016. During the financial year under review, the Group continued to focus on improving operational efficiency, upgrading of existing outlets and expansion of new outlets in KLIA2. Moving forward, we will continue to drive our focus in expanding our retail business through strategic analysis and applications of our product range and mix.

HEINEMANN ASIA PACIFIC PTE. LTD.'S STRATEGIC INVESTMENT IN DFZ CAPITAL BERHAD

On 17 March 2016, DFI entered into a sale and purchase agreement ("SPA") to dispose of 10% equity interest plus one share in DFZ Capital Berhad ("DFZ"), a wholly-owned subsidiary of DFI, to Heinemann Asia Pacific Pte. Ltd. ("HAP") for EUR19.7 million. Under the terms of the SPA, DFI has also granted HAP two options to acquire up to an additional 15% of DFZ's shares.

This initiative is one of our first steps to further improve DFZ's duty free business and in taking our brand to the next level. With the completion of the corporate exercise, it is a proud recognition and achievement for DFZ in securing an international business partnership while providing a wider avenue of opportunities for growth moving forward.

HAP is one of the leading multi-category duty free retailers in KLIA2 retailing under the brand "Be Duty Free". HAP, a wholly-owned subsidiary of Gebr. Heinemann SE & Co. KG ("Gebr. Heinemann"), which is a prominent global travel retail player, is also the retail and distribution arm of Gebr. Heinemann's business in the entire Asia Pacific region.

Our partnership with a global industry player like HAP will provide a platform for DFI to further enhance its operations by benefiting from the combined management resources and expertise of Gebr. Heinemann and HAP. HAP's investment into DFZ will allow Malaysians and visitors to Malaysia an enhanced retail experience, one on par with the best available in the world. Furthermore, the strategic investment from HAP has strengthened the Group's financial position, enabling us to consider further business opportunities.

SHARE PLACEMENT

On 7 March 2016, DFI issued and allotted 39 million new ordinary shares pursuant to the shareholders' general mandate to issue shares passed at the Group's annual general meeting on 25 June 2015 at SGD0.32 each ("New Issue Shares"). On 24 March 2016, DFI placed out 5.5 million treasury shares at a placement price of SGD0.32 each ("Share Placement"). Following the completion of the New Issue Shares and Share Placement exercises, the number of issued ordinary shares of the Group, excluding treasury shares, has increased from 1,099,850,393 to 1,144,350,393, while the number of treasury shares has decreased from 6,198,000 to 698,000.

The total net proceeds raised from the abovementioned exercise amounting to SGD13.8 million further strengthened the Group's capital position to undertake potential business expansion and acquisition opportunities. Furthermore, an increased public spread is expected to enhance the trading liquidity of DFI's shares.

DIVIDEND

We are committed in building and delivering long term value to both our clients and shareholders. In maintaining our continued efforts of rewarding our shareholders for their continued support, I am pleased to inform that DFI has paid out a total dividend of RM49.3 million, representing SGD0.016 per ordinary share for FY2016.

OUTLOOK AND STRATEGY

While we expect the economic environment to remain challenging for the financial year ending 28 February 2017 ("FY2017") with the negative market sentiments spilling over from FY2016, we believe that DFI is firmly positioned to weather out the challenges and we remain resilient to external market factors. DFI has fostered a proven track record of more than three decades in the duty free business and a dominant market position as a result of our outlet locations at key international gateways in Peninsular Malaysia. Merged together with a healthy balance sheet and experienced management team, the Group has developed a stable and resilient business model that positions DFI as a market leader in the duty free sector. I believe that with the combination of our market position and prevailing business strength, DFI is well-positioned to capitalise on the imminent growth opportunities in the duty free sector in Malaysia.

We will continue to drive our efforts in enhancing cost and operating efficiencies, intensify marketing efforts and improve our customer services quality. As we strive to build our market position and competitive edge, we will continue to execute our business strategy in expanding our product offerings and explore opportunities to expand our distribution channels in duty free retailing.

Our recent strategic partnership with HAP has provided an avenue for the Group to enhance DFI's overall performance by leveraging on the operational synergies to reinforce our platform for future growth. Employing the same business practices and philosophies, together DFI and HAP are poised for a stronger performance and to explore other travel retail business opportunities both within Malaysia and if opportunity arise, outside of Malaysia.

APPRECIATION

On behalf of the Group, I have great pleasure in extending a warm welcome to Gebr. Heinemann and HAP to our Group. This strategic partnership will enable us to combine our respective resources and capabilities to further strengthen our business presence and achieve greater heights in the travel retail industry. I would like to thank Mr. Claus Heinemann, Mr. Gunnar Heinemann and Mr. Max Heinemann for working together with us in making this partnership between DFI and HAP a success.

I would also like to take this opportunity to convey my sincere appreciation to all our bankers, suppliers, business partners, customers and the various government agencies that have provided valuable support, advice and guidance throughout the years. To my fellow board of directors, your guidance and advice is greatly appreciated. I would like to extend my heartfelt gratitude to our employees for your commitment, dedication and hard work that has contributed to the success of DFI and our shareholders for your endless support and trust in DFI. We will continue to commit and work hard in building 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" bersama-sama anak-anak syarikatnya atau "Kumpulan"), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan untuk tahun berakhir 29 Februari 2016.

Dalam tahun 2015, ekonomi global telah berhadapan dengan beberapa rentetan keadaan pasaran dinamik yang buruk, yang telah memberi kesan kepada ekonomi Malaysia. Turun naik kos bahan mentah dan komoditi berserta dengan pernurunan harga minyak global yang ketara telah memburukkan lagi ekonomi domestik dan keadaan Ringgit.

Walaupun di dalam keadaan ekonomi yang mencabar, perniagaan DFI kekal berdaya tahan dengan mencapai prestasi yang membanggakan dan menguntungkan untuk tahun kewangan 2016. Kumpulan telah mencatatkan kenaikan perolehan sebanyak 7.8% di dalam tahun kewangan 2016 iaitu RM604.5 juta berbanding dengan RM561.0 juta pada tahun kewangan berakhir 28 Februari 2015.

Selaras dengan kenaikan prestasi Kumpulan DFI, syarikat telah mencatatkan pendapatan sebelum faedah, susut nilai dan perlunasan (EBITDA) sebanyak RM92.3 juta dan keuntungan sebelum cukai sebanyak RM84.9 juta yang merekodkan pertumbuhan masing-masing 15.0% and 15.8%, berbanding dengan tahun kewangan sebelumnya. Kenaikan keuntungan ini adalah disebabkan oleh pertambahan permintaan dan harga jualan untuk beberapa produk dan juga keuntungan dari outlet-outlet baru di Lapangan Terbang Antarabangsa Kuala Lumpur 2 (KLIA2), yang telah memulakan operasi pada tahun 2014 dan 2015.

FOKUS DI TAHUN KEWANGAN

Meskipun di dalam keadaan ekonomi yang mencabar, Kumpulan DFI terus memanfaatkan keberkesanan operasinya di samping meneruskan tumpuan dalam mengembangkan rangkaian produk dan perkhidmatannya, dalam usaha ke arah pertumbuhan yang mampan untuk tahun kewangan 2016. Di dalam tahun kewangan yang dikaji, Kumpulan DFI terus memberi tumpuan untuk meningkatkan kecekapan operasi, menaik taraf kedai-kedai yang sedia ada dan memperluaskan kedai-kedai baru di KLIA2. Kumpulan DFI akan terus berusaha untuk mengembangkan perniagaan runcit melalui analisis strategik dan aplikasi ke atas rangkaian produk dan sebagainya.

PELABURAN STRATEGIK HEINEMANN ASIA PACIFIC PTE. LTD. DI DALAM DFZ CAPITAL BERHAD

Pada 17 Mac 2016, DFI telah memeterai satu perjanjian jual beli ("SPA") untuk melupuskan 10% kepentingan ekuiti ditambah satu (1) saham di dalam DFZ Capital Berhad ("DFZ"), sebuah anak syarikat milik penuh DFI, kepada Heinemann Asia Pacific Pte. Ltd. ("HAP") dengan imbalan tunai sebanyak EUR19.7 juta. Di bawah syarat-syarat perjanjian jual beli itu, DFI juga telah memberikan HAP dua pilihan untuk memperolehi sehingga 15% tambahan saham di dalam DFZ.

Inisiatif ini merupakan salah satu langkah pertama untuk mengembangkan perniagaan bebas cukai dan memperkenalkan jenama DFZ ke peringkat seterusnya. Apabila selesainya perlaksanaan korporat ini, ia menjadi satu pengiktirafan dan pencapaian yang membanggakan untuk DFZ dalam menjayakan satu perniagaan perkongsian antarabangsa dan menyediakan peluang yang lebih luas untuk pertumbuhan di masa hadapan.

HAP ialah salah satu peruncit bebas cukai pelbagai kategori di KLIA2 di bawah jenama 'Be Duty Free". HAP, sebuah anak syarikat milik penuh Gebr. Heinemann SE & Co. KG ("Gebr. Heinemann"), yang mana ia merupakan peruncit perlancongan yang terkemuka di peringkat global, yang juga cabang peruncitan dan pengedaran perniagaan Gebr. Heinemann di seluruh rantau Asia Pasifik.

Perkongsian di antara DFZ dengan handalan industri global seperti HAP akan menyediakan satu platform kepada DFI untuk terus meningkatkan lagi operasinya dengan mendapat manafaat dari gabungan sumber pengurusan dan kepakaran Gebr. Heinemann dan HAP. Pelaburan HAP di dalam DFZ akan membolehkan rakyat Malaysia dan pelancong asing merasai suatu pengalaman runcit yang dipertingkatkan, yang setara dengan pengalaman terbaik di dunia. Tambahan pula, pelaburan strategik dari HAP ini akan mengukuhkan kedudukan kewangan Kumpulan dan membolehkan Kumpulan DFI mempertimbangkan peluang-peluang perniagaan yang seterusnya.

PENEMPATAN SAHAM

Pada 7 Mac 2016, DFI telah menerbitkan dan memperuntukkan 39 juta saham biasa baru menurut mandat awam pemegang saham yang telah diluluskan pada mesyuarat agung tahunan pada 25 Jun 2015, untuk menerbitkan saham pada harga S$0.32 setiap satu (" Saham Terbitan Baru"). Pada 24 Mac 2016, DFI telah menempatkan 5.5 juta saham perbendaharaannya pada harga penempatan S$0.32 setiap satu ('Penempatan Saham"). Berikutan dengan selesainya Saham Terbitan Baru dan perlaksanaan Penempatan Saham, jumlah saham biasa yang diterbitkan untuk Kumpulan DFI, tidak termasuk saham perbendaharaan, telah bertambah dari 1,099,850,393 kepada 1,144,350,393. Manakala, jumlah saham perbendaharaan telah berkurang dari 6,198,000 kepada 698,000.

Jumlah bersih yang diperolehi dari perlaksanaan korporat di atas yang berjumlah S$13.8 juta, akan mengukuhkan lagi kedudukan modal Kumpulan DFI dalam memperkembangan perniagaan yang berpotensi dan peluang-peluang pengambilalihan. Tambahan lagi, dengan peningkatan tebaran awam ini, ia dijangka akan meningkatkan kecairan dagangan DFI terhadap saham syarikat.

DIVIDEN

Kami komited dalam membina dan menyediakan nilai jangka panjang kepada pelanggan-pelanggan dan pemegang saham Kumpulan DFI. Dalam memberikan pulangan yang konsisten kepada para pemegang saham sebagai ganjaran di atas sokongan yang berterusan kepada syarikat ini, saya dengan sukacitanya memaklumkan bahawa DFI telah membayar dividen sebanyak RM49.3 juta, yang mewakili

S$0.016 untuk satu saham biasa bagi tahun kewangan 2016.

TINJAUAN DAN STRATEGI

Meskipun keadaan ekonomi dijangka kekal mencabar untuk tahun kewangan berakhir 28 Februari 2017, dengan sentimen pasaran yang negatif kesan dari tahun 2016, kami percaya yang DFI akan terus kukuh menghadapi cabaran-cabaran tersebut dan kekal berdaya tahan mengharungi faktor luar pasaran. DFI telah menunjukkan rekod prestasi yang baik lebih dari tiga dekad dalam perniagaan bebas cukai dan mendominasikan kedudukan di pasaran disebabkan oleh lokasi kedai-kedainya terletak di pintu masuk antarabangsa di Semenanjung Malaysia. Digabungkan bersama-sama dengan kedudukan kewangan yang baik dan pihak pengurusan yang berpengalaman, Kumpulan DFI telah membentuk satu contoh perniagaan yang stabil dan berdaya tahan yang telah meletakkan DFI sebagai peneraju di sektor bebas cukai. Saya percaya dengan kombinasi kedudukan pasaran dan kekukuhan perniagaan semasa, DFI berada di kedudukan yang baik untuk mengambil peluang dalam pertumbuhan yang berlaku di sektor bebas cukai di Malaysia.

Kami akan terus berusaha meningkatkan kecekapan kos dan operasi, meningkatkan usaha pemasaran dan memperbaiki kualiti khidmat pelanggan kami. Kami akan bekerja keras untuk membina kedudukan pasaran dan daya saing kami, dan akan terus berusaha untuk melaksanakan strategi perniagaan dalam mengembangkan produk-produk dan meneroka peluang-peluang untuk menambah rangkaian pengedaran di dalam peruncitan bebas cukai.

Perkongsian usaha sama dengan HAP telah menyediakan satu peluang bagi Kumpulan DFI untuk menjana keuntungan dan meningkatkan keseluruhan prestasi DFI dengan memanfaatkan sinergi operasi dalam mengukuhkan platform kami untuk pertumbuhan masa depan. Dengan menggunakan amalan perniagaan dan falsafah yang sama, DFI dan HAP bersedia untuk memupuk prestasi yang lebih kukuh dan juga meneroka perniagaan runcit perlancongan yang lain di Malaysia, mahupun di luar negara jika berpeluang.

PENGHARGAAN

Bagi pihak Kumpulan, saya dengan sukacitanya mengalu-alukan kedatangan Gebr. Heinemann dan HAP ke Kumpulan DFI. Usaha sama yang strategik ini membolehkan kami menggabungkan sumber-sumber dan keupayaan masing-masing untuk terus mengukuhkan perniagaan kami dan meletakkan industri runcit pelancongan ini di tahap yang lebih tinggi. Saya ingin mengucapkan terima kasih kepada Encik Claus Heinemann, Encik Gunnar Heinemann dan Encik Max Heinemann di atas kerjasama yang diberikan dalam menjadikan usahasama antara DFI dan HAP suatu kejayaan.

Saya juga ingin mengambil kesempatan ini untuk menyampaikan penghargaan ikhlas kepada pihak bank, para pembekal, rakan kongsi perniagaan, para pelanggan dan para agensi kerajaan yang telah memberi sokongan yang tak terhingga, nasihat dan bimbingan kepada kami semua selama ini. Saya ingin mengucapkan terima kasih kepada Lembaga Pengarah atas nasihat dan bimbingan, sumbangan dan komitmen pekerja di atas kerja keras dan dedikasi, dan kepada para pemegang saham di atas sokongan dan kepercayaan mereka yang berterusan kepada Kumpulan DFI. Kami akan terus komited dan bekerja keras dalam membina pertumbuhan, nilai dan kejayaan kepada Kumpulan DFI.

Terima Kasih

Adam Sani Abdullah
Pengerusi

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 30 years. In 2000, he acquired a controlling stake in Atlan Holdings Bhd ("Atlan"), and was subsequently appointed as chairman and non-executive director of Atlan in June 2000. Atlan is listed on Bursa Malaysia and its subsidiaries are involved in a wide array of businesses in duty free trading and retailing, property development, investment and hospitality as well as manufacturing of automotive component parts.

Mr Ong Bok Siong

(Managing Director)

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

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

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

Mr Lee Sze Siang

Executive Director (Finance and Corporate Services)

Mr Lee Sze Siang, a Malaysian citizen, is the Executive Director (Finance and Corporate Services) of the Company and is responsible for the Group's financial management and corporate services function. He is presently the finance director and an executive director of Atlan. He was appointed as the executive director of Atlan on 16 June 2000, re-designated as a non-executive director on 27 December 2004 and subsequently re-designated as an executive director of Atlan on 8 October 2008. He holds a professional qualification from the Australian Society of Certified Practising Accountants. He is also a member of the Malaysian Institute of Accountants. Previously, he was with KPMG, a public accounting firm. He obtained a Bachelor of Economics degree from Monash University in 1994.

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

(Lead Independent Director)

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

Dato' Megat Hisham bin Megat Mahmud

(Independent Director)

Dato' Megat Hisham bin Megat Mahmud, a Malaysian citizen, joined the Board as an Independent 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 as a foreign exchange dealer in Bank Bumiputra Malaysia Berhad and swiftly worked his way up to become the head of the foreign bonds department. After a short stint at PROTON as the deputy manager of international finance, 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 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 the chief executive officer in 2005. He served the investment bank for 6 years until his early retirement in 2011. He currently serves as the non-executive and independent director of Alkhair International Islamic Bank Berhad (formerly known as Unicorn International Islamic Bank Malaysia Berhad).

Mr Chew Soo Lin

(Independent Director)

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

KEY **MANAGEMENT TEAM**

Mr Ong Bok Siong
Managing Director

Mr Ong Bok Siong, a Malaysian citizen, is the Managing Director of the Group. He joined the Group in year 2013 and is tasked with executing strategic business directions set by the Board, and overseeing the operations and business development 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.

Ms Cheah Im Bee
Financial Controller

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

Mr Stuart Saw Teik Siew
Assistant General Manager – Group Merchandising

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

CORPORATE **INFORMATION**

Board of Directors

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

Mr Ong Bok Siong
(Managing Director)

Mr Lee Sze Siang
(Executive Director)

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

Dato' Megat Hisham bin Megat Mahmud
(Independent Director)

Mr Chew Soo Lin
(Independent Director)

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Company Secretary

Ms Shirley Tan Sey Liy (ACIS)

Registered Office

Six Battery Road
#10-01
Singapore 049909

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

Share Registrar

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

Auditors

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

Partner-in-charge

Ms. Lee Lai Hiang
(Date of appointment: since financial year ended 29 February 2012)

Sponsor

Canaccord Genuity Singapore Pte. Ltd.
77 Robinson Road
#21-02
Singapore 068896

Principal Bankers

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

FINANCIAL STATEMENTS **CONTENTS**

Duty Free International Limited (the "**Company**") and its subsidiaries (collectively, the "**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 29 February 2016 ("**FY2016**") with specific reference to each of the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**"). The Board of Directors (the "**Board**" or "**Directors**") of the Company confirms that, for FY2016, the corporate governance practices in place by the Group are in line with the recommendations of the Code. Where there are deviations from the Code, appropriate explanations are provided.

(A) BOARD MATTERS

The Board's Conduct of Affairs

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

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises the management of the Company (the "**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, the "**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.

In line with the recent changes of the Companies Act, Chapter 50 of Singapore, all references to Memorandum and Articles of Association will be superseded with Constitution and Regulation.

The Board currently holds at least 4 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 (the "**Constitution**") has provision for Board meetings to be held via telephone or videoconference.

During FY2016, 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	5	5	5	*1	1	1	1	0
Mr. Ong Bok Siong	5	5	5	*5	1	–	1	–
Mr. Lee Sze Siang	5	5	5	*5	1	–	1	–
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed(Retired)	5	5	5	5	1	1	1	1
Mr. Chew Soo Lin	5	5	5	5	1	1	1	–
Dato' Megat Hisham bin Megat Mahmud	5	5	5	5	1	–	1	1

* 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 Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"), 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.

Board Composition and Guidance

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

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

Name of Director	Date of First Appointment	Date of Last Re-election	Board	AC	NC	RC
Dato' Sri Adam Sani bin Abdullah	7 January 2011	25 June 2015	Non-Executive Chairman	–	Member	Member
Mr. Ong Bok Siong	27 June 2013	24 June 2014	Managing Director	–	–	–
Mr. Lee Sze Siang	13 August 2010	24 June 2014	Executive Director	–	–	–
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)	7 January 2011	25 June 2013	Lead Independent Director	Member	Chairman	Chairman
Mr. Chew Soo Lin	26 August 2011	25 June 2015	Independent Director	Member	Member	–
Dato' Megat Hisham bin Megat Mahmud	9 July 2013	24 June 2014	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 page 10 of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

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

Mr. Ong Bok Siong is the 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 oversight of the operations and business development of the Group.

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 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 MD, Mr. Ong Bok Siong, is an Executive Director and his responsibilities, amongst others, include:

(i) running the day-to-day business of the Group, within the authorities delegated to him by the Board;

(ii) making business and operational decisions of the Group;

(iii) ensuring implementation of policies and strategies across the Group;

(iv) management of the executive and key management team;

(v) leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of the Group's business and reviewing the performance of its existing business; and

(vi) ensuring that the Chairman is kept apprised in a timely manner of issues faced by the Group and any important events and developments.

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

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

Board Membership

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

The NC comprises the following members:

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

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

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.

General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired), being the Chairman of the NC who is retiring at the AGM, have abstained from voting on the resolution in respect of his re-nomination as Director.

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 FY2016.

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

Board Performance

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

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

The Board and Board Committees have implemented a process for assessing the effectiveness of the Board as a whole and each Board Committee respectively. Each Director was required to complete the Board Evaluation Forms adopted by the NC and the Board Committees' Evaluation Forms adopted by the AC, NC and RC, which would be collated by the Chairman for review or discussion. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board and its Board Committees, the access to information, processes and accountability, performance in relation to discharging its principle responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole and the performance of the Board Committees. Following the review, the Board is of the view that the Board and Board Committees operate effectively and each Director is contributing to the effectiveness of the Board and the Board Committee due to the active participation of each member during each meeting. No external facilitator was used during the evaluation process in FY2016.

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.

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

Access to Information

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

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

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

The Company Secretary or her representative administers, attend and prepare minutes of all Board and Board Committees meetings and assist the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises the following members:

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

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

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

Level and Mix of Remuneration

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

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

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

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

The Independent Directors and Non-Executive 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 Director.

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

A breakdown of the level and mix of remuneration paid/payable to each Director in remuneration bands of S$250,000 for FY2016 are as follows:

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

The total Directors' fees for FY2016, which will be put to shareholders for approval at the forthcoming AGM, amounted to S$145,000 (FY2015: S$145,000).

For FY2016, the Group had identified two key management personnel (who are not Directors or the CEO). The details of remuneration paid to the key management personnel of the Group (who are not Directors or the CEO) for FY2016 are set out below:

Remuneration Band and Name of Key Management Personnel	Salary and Bonus	Other Benefits	Total
	%	%	%
Below S$250,000			
Ms. Cheah Im Bee	100	–	100
Mr. Stuart Saw Teik Siew	100	–	100

For FY2016, the aggregate total remuneration paid to the key management personnel of the Group (who are not Directors or the CEO) amounted to S$230,000.

There were no employees who are immediate family members of the CEO or a Director whose remuneration exceeds S$50,000 in the Group's employment during FY2016.

There were no termination, 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

Accountability

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

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

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

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

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

Risk Management and Internal Controls

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

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

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

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

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

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

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

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

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 (the "**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 FY2016 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 29 February 2016.

Audit Committee

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

The AC comprises the following members:

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

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

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.

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 Catalist Rules) 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 Catalist Rules, 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 re-appointment as external auditors of the Company at the forthcoming AGM. The Company confirms that Rule 712 and Rule 715 of the Catalist Rules in relation to the appointment of audit firms for the Group have been complied with.

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

For FY2016, the AC has met with the external auditors and internal auditors without the presence of the Management and conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. In FY2016, the aggregate amount of fees paid or payable to the Company's external auditors, Ernst & Young LLP, was S$84,000, comprising approximately S$78,000 of audit fees and S$6,000 of non-audit fees; whereas the aggregate amount of fees paid or payable to other auditors of the Group was S$267,000, comprising approximately S$190,000 of audit fees and S$77,000 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 FY2016.

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. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Internal Audit

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

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

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

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

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITES

SHAREHOLDER RIGHTS

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

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the Catalist Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders via the SGXNet and press where appropriate, in compliance with the requirements set out in the Catalist Rules, 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, Chapter 50 of Singapore and Singapore Financial Reporting Standards;

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

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

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

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

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

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Although final dividends were not declared for FY2016, the Company had, on 7 May 2015 and 11 August 2015, declared first and second one-tier tax exempt interim dividends of S$0.01 and S$0.006 per ordinary share which were paid to shareholders on 29 May 2015 and 10 September 2015 respectively.

CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

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

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

The Company adheres to the requirements of the Catalist Rules 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. The detailed results of each resolution are announced via SGXNet after the general meetings on the same day.

(E) DEALINGS IN COMPANY'S SECURITIES

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

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

(F) INTERESTED PERSON TRANSACTIONS

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

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

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RM'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (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 Catalist Rules.

(G) MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors and the Company, there was no material contract entered into by the Company and any of its subsidiaries involving the interests of any Director or controlling shareholders, either still subsisting at the end of FY2016, or if not then subsisting, entered into since the end of the previous financial year ended 28 February 2015.

(H) CATALIST SPONSOR

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid/ payable to the Company's sponsor in FY2016.

(I) USE OF PROCEEDS FROM PLACEMENT EXERCISES

The Company had, on 7 March 2016 and 24 March 2016, completed a placement exercise of (i) 39 million new ordinary shares in the capital of the Company; and (ii) 5.5 million treasury shares in the capital of the Company respectively, raising a total net proceeds of S$13.8 million. As at 31 May 2016, the Company has not utilised any of the net proceeds of S$13.8 million from the abovementioned placement exercises. The Company will make periodic announcements as and when the net proceeds from the abovementioned placement exercises is materially disbursed.

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 29 February 2016.

Opinion of the Directors

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the statement of financial positions 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 29 February 2016 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 report are:

Dato' Sri Adam Sani bin Abdullah	Non-Executive Chairman
Ong Bok Siong	Managing Director
Lee Sze Siang	Executive Director
Chew Soo Lin	Independent Director
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)	Lead Independent Director
Dato' Megat Hisham bin Megat Mahmud	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' 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 01.03.2015**	**As at 29.02.2016**	**As at 01.03.2015**	**As at 29.02.2016**
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
Warrants of the Company				
Dato' Sri Adam Sani bin Abdullah	–	–	90,502,811*	–
*The Warrants had expired on 6 January 2016				
Ordinary shares of RM1.00 each in the immediate holding company (Atlan Holdings Bhd)				
Dato' Sri Adam Sani bin Abdullah	64,061	64,061	130,255,153	130,255,153
Chew Soo Lin[(1)]	3,842,966[(1)]	3,842,966[(1)]	–	–
Ordinary shares of RM1.00 each in the ultimate holding company (Distinct Continent Sdn Bhd)				
Dato' Sri Adam Sani bin Abdullah[(2)]	1	1	999	999

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

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 March 2016.

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.

Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the Director has a substantial financial interest, except that the Executive Directors have employment relations with the Group and have received remuneration in those capacities.

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.

Audit Committee (cont'd)

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

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

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

Options

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

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
30 May 2016

For the financial year ended 29 February 2016
To the Members of Duty Free International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Duty Free International Limited (the "Company") and its subsidiary companies (collectively the "Group") set out on pages 37 to 101, which comprise the statement of financial position of the Group and the Company as at 29 February 2016, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 29 February 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

For the financial year ended 29 February 2016
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 have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
30 May 2016

CONSOLIDATED **INCOME STATEMENT**

For the financial year ended 29 February 2016

	Note	Group 29.02.2016 RM'000	Group 28.02.2015 RM'000
Revenue	4	604,508	561,006
Changes in inventories		126,173	(62,748)
Inventories purchased and materials consumed		(531,903)	(336,443)
Other income	5	10,715	16,644
Amortisation of land use rights	14	(465)	(454)
Depreciation of property, plant and equipment	12	(4,416)	(4,319)
Employee benefits expenses	6	(33,422)	(31,429)
Rental of premises		(43,478)	(37,653)
Commission expenses		(2,296)	(1,996)
Professional fees		(2,870)	(1,184)
Promotional expenses		(1,217)	(1,587)
Utilities and maintenance expenses		(5,338)	(4,732)
Gain arising from changes in fair values of biological assets	13	300	–
Other operating expenses	8	(28,883)	(19,607)
Operating profit		87,408	75,498
Finance expense	9	(2,556)	(2,224)
Profit before tax		84,852	73,274
Income tax expense	10	(22,863)	(17,843)
Profit for the year		61,989	55,431
Attributable to:			
Owners of the Company		62,070	54,997
Non-controlling interests		(81)	434
		61,989	55,431
Earnings per share attributable to owners of the Company (sen per share)			
Basic	11	5.64	4.99
Diluted	11	5.64	4.99

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 29 February 2016

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Profit for the year	61,989	55,431
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	–	–
Total comprehensive income for the year	61,989	55,431
Attributable to:		
Owners of the Company	62,070	54,997
Non-controlling interests	(81)	434
Total comprehensive income for the year	61,989	55,431

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

STATEMENTS OF **FINANCIAL POSITION**

As at 29 February 2016

	Note	Group 29.02.2016 RM'000	Group 28.02.2015 RM'000	Company 29.02.2016 RM'000	Company 28.02.2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	72,431	70,650	–	–
Biological assets	13	5,100	4,800	–	–
Land use rights	14	24,279	24,744	–	–
Goodwill	15	28,816	28,816	–	–
Investments in subsidiaries	16	–	–	969,242	965,924
Prepayments	18	59,050	68,831	–	–
Deferred tax assets	19	948	608	–	–
		190,624	198,449	969,242	965,924
Current assets					
Inventories	20	297,167	170,994	–	–
Tax recoverable		1,721	1,288	–	–
Trade and other receivables	17	63,372	64,022	3,732	–
Prepayments	18	11,612	11,572	67	63
Cash and bank balances	21	49,279	76,055	136	3,795
Derivative assets	24	–	168	–	–
		423,151	324,099	3,935	3,858
Total assets		613,775	522,548	973,177	969,782
Equity and liabilities					
Current liabilities					
Income tax payable		7,212	2,870	13	13
Borrowings	22	38,958	31,684	–	3,595
Trade and other payables	23	144,105	74,943	22,047	19,018
Derivative liabilities	24	1,632	–	–	–
		191,907	109,497	22,060	22,626
Net current assets/(liabilities)		231,244	214,602	(18,125)	(18,768)
Non-current liabilities					
Deferred tax liabilities	19	4,639	4,588	–	–
Borrowings	22	12,811	16,749	–	–
		17,450	21,337	–	–
Total liabilities		209,357	130,834	22,060	22,626
Net assets		404,418	391,714	951,117	947,156

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

As at 29 February 2016

	Note	Group 29.02.2016 RM'000	Group 28.02.2015 RM'000	Company 29.02.2016 RM'000	Company 28.02.2015 RM'000
Equity attributable to owners of the Company					
Share capital	25	486,340	486,331	979,940	979,931
Share premium	25(b)	2,778	2,778	–	–
Treasury share	25(c)	(4,838)	(4,838)	(4,838)	(4,838)
Other reserves	25(a)	(111,335)	(111,335)	31,049	31,049
Retained earnings/(accumulated losses)		31,387	18,611	(55,034)	(58,986)
		404,332	391,547	951,117	947,156
Non-controlling interests		86	167	–	–
Total equity		404,418	391,714	951,117	947,156
Total equity and liabilities		613,775	522,548	973,177	969,782

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

For the financial year ended 29 February 2016

Group	Attributable to owners of the Company									Non-controlling interests	Total equity
	Ordinary shares RM'000 (Note 25)	Share premium RM'000	Treasury Share RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Net premium paid/ received on transactions with non-controlling interests RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000
At 1 March 2015	486,331	2,778	(4,838)	(111,335)	29	(142,413)	31,049	18,611	391,547	167	391,714
Profit, net of tax	–	–	–	–	–	–	–	62,070	62,070	(81)	61,989
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	62,070	62,070	(81)	61,989
Transactions with owners:											
Exercise of warrants	9	–	–	–	–	–	–	–	9	–	9
Dividends on ordinary shares (Note 34)	–	–	–	–	–	–	–	(49,294)	(49,294)	–	(49,294)
Total transactions with owners	9	–	–	–	–	–	–	(49,294)	(49,285)	–	(49,285)
Transactions with non-controlling Interests (Note 16)	–	–	–	–	–	–	–	–	–	–	–
At 29 February 2016	486,340	2,778	(4,838)	(111,335)	29	(142,413)	31,049	31,387	404,332	86	404,418

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

For the financial year ended 29 February 2016

Group	Attributable to owners of the Company										
	Ordinary shares RM'000 (Note 25)	Share premium RM'000	Treasury Share RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Net premium paid/ received on transactions with non-controlling interests RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 March 2014	486,329	2,778	–	(111,666)	29	(142,745)	31,050	35,197	412,638	3,002	415,640
Profit, net of tax	–	–	–	–	–	–	–	54,997	54,997	434	55,431
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	54,997	54,997	434	55,431
Transactions with owners:											
Purchase of treasury shares (Note 25(c))	–	–	(4,838)	–	–	–	–	–	(4,838)	–	(4,838)
Exercise of warrants	2	–	–	(1)	–	–	(1)	–	1	–	1
Dividends on ordinary shares (Note 34)	–	–	–	–	–	–	–	(71,583)	(71,583)	–	(71,583)
Dividends payable to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(205)	(205)
Total transactions with owners	2	–	(4,838)	(1)	–	–	(1)	(71,583)	(76,420)	(205)	(76,625)
Transactions with non-controlling Interests (Note 16)	–	–	–	332	–	332	–	–	332	(3,064)	(2,732)
At 28 February 2015	486,331	2,778	(4,838)	(111,335)	29	(142,413)	31,049	18,611	391,547	167	391,714

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

For the financial year ended 29 February 2016

Company	**Ordinary shares** RM'000 (Note 25)	**Treasury shares** RM'000	**Warrant reserves** RM'000	**Accumulated losses** RM'000	**Total equity** RM'000
At 1 March 2015	979,931	(4,838)	31,049	(58,986)	947,156
Profit, net of tax	–	–	–	53,246	53,246
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	53,246	53,246
Transactions with owners:					
Exercise of warrants	9	–	–	–	9
Dividends on ordinary shares (Note 34)	–	–	–	(49,294)	(49,294)
	9	–	–	(49,294)	(49,285)
At 29 February 2016	979,940	(4,838)	31,049	(55,034)	951,117

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

For the financial year ended 29 February 2016

Company	**Ordinary shares** RM'000 (Note 25)	**Treasury shares** RM'000	**Warrant reserves** RM'000	**Accumulated losses** RM'000	**Total equity** RM'000
At 1 March 2014	979,929	–	31,050	(62,962)	948,017
Profit, net of tax	–	–	–	75,559	75,559
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	75,559	75,559
Transactions with owners:					
Purchase of treasury shares (Note 25(c))	–	(4,838)	–	–	(4,838)
Exercise of warrants	2	–	(1)	–	1
Dividends on ordinary shares (Note 34)	–	–	–	(71,583)	(71,583)
	2	(4,838)	(1)	(71,583)	(76,420)
At 28 February 2015	979,931	(4,838)	31,049	(58,986)	947,156

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

For the financial year ended 29 February 2016

	Note	Group 29.02.2016 RM'000	Group 28.02.2015 RM'000
Cash flows from operating activities			
Profit before tax		84,852	73,274
Adjustments for:			
Allowances for doubtful receivables	8	225	–
Amortisation of land use rights	14	465	454
Bad debts written off		8	56
Deposit forfeited		(1)	(4)
Depreciation of property, plant and equipment	12	4,416	4,319
Finance costs	9	2,556	2,224
Gain arising from changes in fair values of biological assets	13	(300)	–
Loss/(gain) on disposal of property, plant and equipment		6	(4)
Interest income		(4,354)	(4,067)
Inventories written down	8	450	625
Inventories written off	8	256	210
Net unrealised foreign exchange loss		367	960
Property, plant and equipment written off		81	206
Provision of short term accumulating compensated absences		21	2
Reversal of allowance for doubtful receivables	8	(268)	–
Reversal of inventories written down	8	(927)	(101)
Reversal of impairment losses for property, plant and equipment	12	(302)	(5,862)
Reversal of impairment losses for land use rights	14	–	(323)
Reversal of provision for liquidated damages	5	–	(547)
Operating cash flows before working capital changes		87,551	71,422
Increase in receivables		(6,747)	(1,386)
Decrease in prepayments		9,740	9,223
(Increase)/decrease in inventories		(125,951)	66,859
Increase/(decrease) in payables		69,390	(8,804)
Cash generated from operations		33,983	137,314
Interest paid		(2,546)	(2,436)
Taxes paid		(19,244)	(25,490)
Net cash generated from operating activities		12,193	109,388

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

For the financial year ended 29 February 2016

	Note	Group 29.02.2016 RM'000	Group 28.02.2015 RM'000
Cash flows from investing activities			
Interest received		4,254	8,324
Proceeds from the disposal of the Zon Johor Bahru properties	17	7,500	32,500
Proceeds from disposal of property, plant and equipment		155	11
Purchase of property, plant and equipment	12	(5,437)	(6,440)
Net cash generated from investing activities		6,472	34,395
Cash flows from financing activities			
Proceeds from term loans		–	20,000
Repayment of term loans		(7,645)	(32,845)
Increase in pledged fixed deposits		(245)	(360)
Proceeds from other short term borrowings		12,159	4,551
Proceeds from exercise of warrants		9	1
Net repayment of hire purchase and lease financing		(679)	(455)
Dividends paid to the owners of the Company		(49,294)	(100,382)
Dividends paid to non-controlling interests of subsidiaries		–	(190)
Purchase of treasury shares	25(c)	–	(4,838)
Net cash used in financing activities		(45,695)	(114,518)
Net (decrease)/increase in cash and cash equivalents		(27,030)	29,265
Effects of foreign exchange rate changes		9	117
Cash and cash equivalents at beginning of the year		65,839	36,457
Cash and cash equivalents at end of the year	21	38,818	65,839

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

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

The registered office of the Company is located at 6 Battery Road #10-01, Singapore 049909.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies are disclosed in Note 16 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 March 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company. Apart from this, there was a change in inventory costing method as described in Note 2.15.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

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

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

Except for Amendments to FRS 16 and FRS 41, FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendment to FRS 16 and FRS 41, FRS 115 and FRS 109 are described below.

Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, FRS 16 will apply. After initial recognition, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity) and subject to annual depreciation over the bearer plant's remaining economic useful lives. The amendments also require that produce that grows on bearer plants will remain in the scope of FRS 41 measured at fair value less costs to sell. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Group's bearer plants relate to palm oil trees. The Group plans to adopt the amendments on the required effective date. Upon adoption of the amendments, the Group expects to measure these bearer plants at cost less accumulated depreciation and impairment instead of fair value less costs to sell, where costs is deemed to be based on the fair value at the beginning of the earliest period presented, which is 1 March 2015.

Based on the Group's estimate, the retroactive application of the amendments is not expected to result in any significant change to the Group's total assets and retained earnings at 1 March 2015 except for a reclassification of bearer plants from biological assets to property, plant and equipment. The Group is currently assessing the impact of the changes the adoption will have on the financial statements at 1 March 2016. Based on preliminary assessment, this will not have a material impact on the financial statements.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements may require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

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 controls 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;

– Recognises 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.

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

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)

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

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

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

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

2.5 Transactions with non-controlling interests

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

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

For consolidated 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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences is re-attributed to the non-controlling interest and is not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to 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 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment other than leasehold land and buildings 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.

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

2.7 Property, plant and equipment (cont'd)

Certain buildings are stated at revalued amount, which is the fair value at the date of revaluation less accumulated depreciation and any impairment losses. The buildings of the Group have not been revalued since they were first revalued in 1991. The Directors have not adopted the policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under FRS 16 (Revised) *Property, Plant and Equipment,* these assets continue to be stated at their 1991 valuation less accumulated depreciation.

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

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital-work-in-progress, which comprise the refurbishment and renovation of building and land improvements are also not depreciated as these assets are not available for use.

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

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% - 20%
Electrical installation and air conditioner	5% - 20%
Other assets	5% - 20%

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 Biological assets

Biological assets, which comprise mature and immature oil palm plantations, are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in profit or loss.

The fair value of the oil palm plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations is determined using the market price and the estimated yield of the agricultural produce, being fresh fruit bunches ("FFB"), net of maintenance and harvesting costs and any costs required to bring the oil palm plantations to maturity. The estimated yield of the oil palm plantations is dependent on the age of the oil palm trees, the location of the plantations, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel.

2.9 Land use rights

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

2.10 Impairment of non-financial assets

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

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

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

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

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

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

2.11 Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.12 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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.

Initial recognition and measurement

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

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

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

2.12 Financial assets (cont'd)

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

(b) Loans and receivables

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

Derecognition

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

Regular way purchase or sale of a financial asset

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

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

2.13 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

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

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

2.14 Cash and cash equivalents

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

2.15 Inventories

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

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

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

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

2.15 Inventories (cont'd)

Change in costing method

In FY2016, the Group had changed the method of recording of the cost of inventories from First-in First-Out ("FIFO") method to weighted average method in accordance to the new inventory system implemented by the Group recently. The application of the new costing method has no material effect on the amounts reported for the current period or prior years. The weighted average method is widely used in the retail industry and this method results in more relevant and comparable information.

2.16 Provisions

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

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

2.17 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

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

2.17 Financial liabilities (cont'd)

(b) Financial liabilities at amortised cost

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

Derecognition

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

2.18 Borrowing costs

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

2.19 Classification of financial instruments

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

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

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

2.20 Employee benefits

(a) Short term benefits

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

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

2.20 Employee benefits (cont'd)

(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

Employees entitlements to annual leave are recognised when they accrue 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

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

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

(i) As lessee

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

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

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

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

2.21 Leases (cont'd)

(ii) As lessor

Leases where the Group retains 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 2.23 (ii).

2.22 Assets held for sale and discontinued operations

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as "discontinued operations" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.23 Revenue

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

(i) Sale of goods

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

(ii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease. 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.

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

2.23 Revenue (cont'd)

(iii) Revenue from parking operations

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

(iv) Management income

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

(v) Sale of fresh oil palm fruit bunches

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

(vi) Interest income

Interest income is recognised using the effective interest method.

2.24 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales 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 sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

2.25 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 in order to allocate resources to the segments and to assess the segment performance. 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.

2.26 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.

2.27 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.

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. However, 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 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.

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 growth rates and discount rates. Changes in these assumptions may result in changes in recoverable values.

4. Revenue

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Sale of goods	601,146	557,677
Parking operations	1,781	1,764
Sale of fresh oil palm fruit bunches	1,328	962
Management income	250	600
Rental income	3	3
	604,508	561,006

5. Other income

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Commission income	196	171
(Loss)/gain on disposal of property, plant and equipment	(6)	4
Incentive income received from suppliers	240	372
Interest income from bank balances	1,036	1,008
Interest income from Berjaya Waterfront (Note 17)	3,318	3,059
Rental income		
- advertisement space	3,851	3,732
- property, plant and equipment	616	609
Reversal of allowance for doubtful receivables (Note 17)	268	–
Reversal of impairment losses for property, plant and equipment	302	5,862
Reversal of impairment losses for land use rights	–	323
Reversal of provision for liquidated damages	–	547
Warehousing and logistics income	79	371
Miscellaneous	815	586
	10,715	16,644

6. Employee benefits expenses

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Wages and salaries	26,645	25,999
Social security contributions	326	301
Short term accumulating compensated absences	21	2
Contributions to defined contribution plan	3,341	3,154
Staff welfare and employee meals	715	418
Staff uniforms	75	151
Accommodation benefits	204	201
Medical benefits	124	112
Other benefits	1,971	1,091
	33,422	31,429

Included in employee benefits expenses are executive directors' remuneration as further disclosed in Note 7.

7. Directors' remuneration

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Executive directors' remuneration:		
Other emoluments	2,597	2,886
Non-executive directors' remuneration:		
Fees	434	386
Total directors' remuneration	3,031	3,272

8. Other operating expenses

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

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Non-executive directors' remuneration	434	386
Allowance for doubtful receivables	225	–
Assessment and quit rent	1,054	913
Auditors' remuneration:		
- Statutory audit	795	717
- Non-audit services	152	168
Bad debts written off	8	56
Bank charges	1,478	1,010
Donations	1,561	559
Insurance	1,950	1,746
Inventories written down	450	625
Inventories written off	256	210
Net foreign exchange loss	7,039	176
Management fee paid to a related company	2,000	2,000
Packing materials	950	926
Printing and stationery	403	354
Property, plant and equipment written off	81	206
Reversal of inventories written down	(927)	(101)
Transportation costs	3,891	4,680
Travelling expenses	892	956

9. Finance expense

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Interest expense on:		
- Bank borrowings	2,506	2,171
- Hire purchase and finance lease liabilities	50	53
	2,556	2,224

10. Income tax expense

Major components of income tax expense

The major components of income tax expenses for the financial years ended 29/28 February 2016 and 2015 are:

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Consolidated income statement:		
Current income tax:		
- Current income taxation	24,144	19,267
- Over provision in respect of prior years	(992)	(756)
	23,152	18,511
Deferred tax :		
- Origination and reversal of temporary differences	(319)	(655)
- Under/(over) provision in respect of prior years	30	(13)
	(289)	(668)
Income tax expense recognised in profit or loss	22,863	17,843

10. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Profit before tax	84,852	73,274
Tax at the domestic rate applicable to profits in the country where the Group operates	20,364	18,319
Adjustments:		
Effect of income not subject to tax	(967)	(2,405)
Effect of expenses not deductible for tax purposes	2,963	2,486
Effect of different tax rates in other country	271	169
Effect of changes in tax rate	–	10
Utilisation of previously unrecognised deferred tax assets	–	(91)
Deferred tax assets not recognised during the year	1,194	126
Over provision of deferred tax in prior years	30	(13)
Over provision of current tax in prior years	(992)	(756)
Income tax expense for the year	22,863	17,843

The nature of expenses that are not deductible for income tax purposes are as follows:

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Non tax-deductible corporate expenses	518	538
Non-qualified depreciation	772	676
Non tax-deductible legal and consultancy fees	532	260
Tax and secretary fees	58	79
Donation	15	15
Interest restriction	262	253
Others	806	665
	2,963	2,486

11. 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.

11. Earnings per share (cont'd)

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 29/28 February 2016 and 2015, respectively:

	Group	
	29.02.2016	**28.02.2015**
	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	62,070	54,997
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,099,845	1,102,321
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,099,845	1,102,321

12. Property, plant and equipment

Group	**Leasehold land**	**Buildings**	**Golf course**	**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
Cost or valuation:								
At 1 March 2014	384	38,757	44,648	1,573	8,623	4,800	33,913	132,698
Additions	–	–	–	3,624	231	129	3,056	7,040
Disposals	–	–	–	–	(246)	(1)	(89)	(336)
Write offs	–	–	–	–	(233)	(50)	(2,260)	(2,542)
Reclassifications	–	–	–	(1,320)	–	–	1,320	–
At 28 February 2015	384	38,757	44,648	3,877	8,376	4,878	35,940	136,860
Additions	–	–	–	2,132	825	154	3,025	6,136
Disposals	–	–	–	–	–	–	(294)	(294)
Write offs	–	–	–	–	(333)	(80)	(1,868)	(2,281)
Reclassifications	–	(2,993)	–	(786)	(24)	(23)	3,826	–
At 29 February 2016	384	35,764	44,648	5,223	8,844	4,929	40,629	140,421

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

Group	Leasehold Land	Buildings	Golf course	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
Accumulated depreciation								
At 1 March 2014	118	16,783	16,706	–	6,493	4,402	25,915	70,417
Depreciation charge for the year	4	963	628	–	314	104	2,306	4,319
Reversal of impairment losses*	–	(75)	(5,787)	–	–	–	–	(5,862)
Disposals	–	–	–	–	(245)	(1)	(82)	(328)
Write offs	–	–	–	–	(226)	(38)	(2,072)	(2,336)
At 1 March 2015	122	17,671	11,547	–	6,336	4,467	26,067	66,210
Depreciation charge for the year	4	812	628	–	355	89	2.528	4,416
Reversal of impairment losses*	–	(75)	(227)	–	–	–	–	(302)
Disposals	–	–	–	–	–	–	(133)	(133)
Write offs	–	–	–	–	(273)	(77)	(1,851)	(2,201)
Reclassifications	–	(1,988)	–	–	(16)	(23)	2,027	–
At 29 February 2016	126	16,420	11,948	–	6,402	4,456	28,638	67,990
Net carrying amount								
At 29 February 2016	258	19,344	32,700	5,223	2,442	473	11,991	72,431
At 28 February 2015	262	21,086	33,101	3,877	2,040	411	9,873	70,650

* reversal of impairment loss has been made to increase the carrying value of the golf course to its estimated recoverable amount based on indicative valuation provided by an independent firm of valuers.

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

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

Company	**Office equipment and computer** RM'000
At 29 February 2016	
Cost	
At 1 March 2015 and 29 February 2016	5
Accumulated depreciation	
At 1 March 2015	5
Depreciation charge for the year	–
At 29 February 2016	5
Net carrying amount	–
At 28 February 2015	
Cost	
At 1 March 2014 and 28 February 2015	5
Accumulated depreciation	
At 1 March 2014	4
Depreciation charge for the year	1
At 28 February 2015	5
Net carrying amount	–

(a) Assets held under finance leases

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

	Group	
	29.02.2016 RM'000	**28.02.2015** RM'000
Cash payment	5,436	6,440
Obligations under finance leases	700	600
	6,136	7,040

The net carrying amount of motor vehicles held by the Group under finance leases at reporting date was RM1,660,000 (28.02.2015: RM1,435,000).

13. Biological assets

	Group	
	29.02.2016	28.02.2015
	RM'000	RM'000
At fair value:		
At beginning of year	4,800	4,800
Gain arising from changes in fair values	300	–
At end of year	5,100	4,800

Mature oil palm trees produce fresh fruit bunches ("FFB"), which are used to produce Crude Palm Oil ("CPO") and Palm Kernel. The fair values of oil palm plantations are determined by an independent valuer using the discounted future cash flows of the underlying plantations. The expected future cash flows of the oil palm plantations are determined using the forecast market price of FFB, which is largely dependent on the projected selling prices of CPO and Palm Kernel in the market.

Significant assumptions made in determining the fair values of the oil palm plantations are as follows:

(a) oil palm trees have an average life of 25 years, with the first 3 to 4 years as immature and the remaining years as mature;

(b) discount rate per annum of 12.0% (28.02.2015: 12.0%). Such a discount rate represents the asset specific rate for the Group's oil palm plantation operations which is applied in the discounted future cash flows calculation;

(c) average selling price of CPO at RM2,400 to RM2,500 (28.02.2015: RM2,500) per tonne;

(d) average selling price of Palm Kernel at RM1,500 to RM1,600 (28.02.2015: RM1,500) per tonne; and

(e) average yield is 17.2 (28.02.2015: 17.2) tonnes of FFB per hectare over the average life of 25 years.

During the year, the Group's oil palm plantations produced approximately 3,600 tonnes (28.02.2015: 2,100 tonnes) of FFB. The selling prices per tonne for those FFB ranged between RM1,300 to RM2,700 (28.02.2015: RM1,300 to RM2,900). The selling price per tonne for those FFB are based on a calculation using the periodic market prices of CPO and Palm Kernel and contracted pre-determined extraction rates of CPO and Palm Kernel as agreed with the buyer of FFB crop.

At the end of the financial year, the Group's total planted area and related value of mature and immature plantations are as follows:

	Group	
	29.02.2016	28.02.2015
	Hectares	Hectares
Planted area:		
Mature	130.3	130.3
Immature	36.8	36.8
	167.1	167.1

14. Land use rights

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Cost		
At beginning of year	35,510	35,510
Additions	–	–
At end of year	35,510	35,510
Accumulated amortisation and impairment losses		
At beginning of year		
Accumulated amortisation	10,766	9,752
Accumulated impairment losses	–	883
	10,766	10,635
Amortisation charge for the year	465	454
Reversal of impairment losses	–	(323)
At end of year	11,231	10,766
Analysed as:		
Accumulated amortisation	11,231	10,206
Accumulated impairment losses	–	560
	11,231	10,766
Net carrying amount at end of year	24,279	24,744
Amount to be amortised:		
- Not later than one year	483	454
- Later than one year but not later than five years	1,932	1,814
- Later than five years	21,864	22,476
	24,279	24,744

15. Goodwill

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Cost		
At beginning of year and at end of year	28,816	28,816

15. Goodwill (cont'd)

Impairment tests for goodwill

(a) Allocation of goodwill

Goodwill has been allocated to the Group's cash generating unit ("CGU") identified according to business segment as follows:

	29.02.2016 RM'000	**28.02.2015** RM'000
Trading of duty free goods and non-dutiable merchandise	28,816	28,816

(b) Key assumptions used in value-in-use calculations

The recoverable amount of the CGUs is determined based on value-in-use calculations using cash flow projections based on financial forecasts with key assumptions approved by management covering a 5-year period with a growth rate of approximately 5%. The forecasted growth rate used to extrapolate cash flow beyond the 5-year period is 1% (28.02.2015: 1%).

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 value 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 margin for trading of duty free goods and non-dutiable merchandise segment are in the range of 7% to 29% (28.02.2015: 7% to 26%).

(ii) Selling price

The selling price used to calculate the cash inflows from operations was 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) Discount rate

The discount rate applied to the cash flow projections of 7.4% (28.02.2015: 7.6%) is based on the weighted average cost of capital of the Group.

(c) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of all CGUs, management believes that any reasonable change in any of the above key assumptions would not cause the carrying value of the units to materially exceed their recoverable amounts.

16. Investments in subsidiaries

	Company 29.02.2016 RM'000	Company 28.02.2015 RM'000
Equity shares, at cost	974,316	974,316
Impairment losses	(5,074)	(8,392)
Total	969,242	965,924

The Company has the following subsidiary companies as at 29 February 2016:

Name of company	Country of incorporation and place of business	Principal activities	Percentage of ordinary shares held 29.02.2016 %	Percentage of ordinary shares held 28.02.2015 %	Cost of investment 29.02.2016 RM'000	Cost of investment 28.02.2015 RM'000
Held by the Company						
DFZ Capital Berhad ^	Malaysia	Investment holding	100	100	743,671	743,671
Darul Metro Sdn Bhd ^	Malaysia	Dormant	100	100	230,645	230,645
Orchard Boulevard Sdn Bhd ^	Malaysia	Investment holding and resort development	100	100	–	–

16. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of ordinary shares held 29.02.2016 %	Percentage of ordinary shares held 28.02.2015 %
Held by DFZ Capital Berhad				
DFZ Trading Sdn Bhd ^	Malaysia	Investment holding and management services	100.00	100.00
Selasih Ekslusif Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00
Winner Prompt Sdn Bhd ^	Malaysia	Licensed distributor and wholesaler of duty free merchandise	100.00	100.00
Emas Kerajang Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	69.90	69.90
Seruntun Maju Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	69.80	69.80
Held by Orchard Boulevard Sdn Bhd				
Gold Vale Development Sdn Bhd ^	Malaysia	Dormant	100.00	100.00
Kelana Megah Sdn Bhd ^	Malaysia	Dormant	100.00	100.00
Cergasjaya Properties Sdn Bhd ^	Malaysia	Resort development and properties management and cultivation of oil palm	100.00	100.00
Black Forest Golf And Country Club Sdn Bhd ^	Malaysia	Dormant	100.00	100.00
Binamold Sdn Bhd ^	Malaysia	Property investment	100.00	100.00
Tenggara Senandung Sdn Bhd ^	Malaysia	Dormant	100.00	100.00
DFZ Asia Sdn Bhd ^	Malaysia	Investment holding	100.00	100.00
Media Zone Sdn Bhd ^*	Malaysia	Dormant	100.00	100.00

16. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of ordinary shares held 29.02.2016 %	Percentage of ordinary shares held 28.02.2015 %
Held by Orchard Boulevard Sdn Bhd (cont'd)				
DFZ Tours & Travel Sdn Bhd ^**	Malaysia	Dormant	–	100.00
First Influx Sdn Bhd ^*	Malaysia	Dormant	100.00	100.00
Front Top (M) Sdn Bhd ^*	Malaysia	Dormant	100.00	100.00
PT DFZ Indon	Indonesia	Dormant	99.00	99.00
Held by DFZ Trading Sdn Bhd				
Cergasjaya Sdn Bhd ^	Malaysia	Wholesaler and retailer of duty free and non-dutiable merchandise	100.00	100.00
Melaka Duty Free Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	51.00	51.00
DFZ Duty Free Supplies Sdn Bhd ^	Malaysia	Wholesaler and distributor of duty free and non-dutiable merchandise	100.00	100.00
Jasa Duty Free Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00
DFZ Emporium Sdn Bhd ^***	Malaysia	Retailer of duty free and non-dutiable merchandise	29.30	29.30
DFZ (M) Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	69.89	69.89
Wealthouse Sdn Bhd ^***	Malaysia	Retailer of duty free and non-dutiable merchandise	28.60	28.60
Jelita Duty Free Supplies Sdn Bhd ^	Malaysia	Wholesaler and distributor of duty free and non-dutiable merchandise	100.00	100.00

16. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of ordinary shares held 29.02.2016 %	28.02.2015 %
Held by DFZ Trading Sdn Bhd (cont'd)				
DFZ Duty Free (Langkawi) Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00
Zon Emporium Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00
DFZ Utara Sdn Bhd ^	Malaysia	Dormant	100.00	100.00
Held by DFZ Asia Sdn Bhd				
PT DFZ Indon***	Indonesia	Dormant	1.00	1.00

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

* Company which was placed under Members' Voluntary Winding-up during the financial year ended 29 February 2016.

** Company was liquidated with effect from 17 February 2016.

*** 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.

Impairment testing of investment in subsidiaries

During the year, reversal of impairment loss of RM3,318,000 (28.02.2015: RM4,187,000) was recognised as the recoverable amount of Darul Metro Sdn Bhd increased during the year due to interest income earned from Berjaya Waterfront (Notes 17).

17. Trade and other receivables

	Group 29.02.2016 RM'000	Group 28.02.2015 RM'000
Trade receivables:		
Third parties	10,832	9,212
Allowance for impairment	(322)	(413)
Trade receivables, net	10,510	8,799

17. Trade and other receivables (cont'd)

	Group		Company	
	29.02.2016	**28.02.2015**	**29.02.2016**	**28.02.2015**
	RM'000	RM'000	RM'000	RM'000
Other receivables:				
Deposits	3,427	3,084	–	–
Dividend receivable from subsidiaries	–	–	3,000	–
Due from subsidiaries	–	–	6,908	6,176
Due from Berjaya Waterfront	40,444	47,844	–	–
Staff loans	–	4	–	–
Sundry receivables	9,104	4,356	–	–
Allowance for impairment	(113)	(65)	(6,176)	(6,176)
Other receivables, net	52,862	55,223	3,732	–
Total trade and other receivables	63,372	64,022	3,732	–
Add: Cash and bank balances (Note 21)	49,279	76,055	136	3,795
Total loans and receivables	112,651	140,077	3,868	3,795

Trade receivables

Trade receivables are non-interest bearing and are generally on 14 to 90 days' terms. Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are recognised at their original invoice amounts, which represent their fair values on initial recognition.

Related party balances and staff loans

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

In the previous financial year, staff loans are unsecured and bear interest at 2.0% per annum.

Due from Berjaya Waterfront

The amount due from Berjaya Waterfront 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 this has been revised to 9% per annum from 16 July 2015 onwards. In April 2016, DMSB received RM0.9 million, being accrued interest up to 15 April 2016.

The balance of RM40.0 million was scheduled to be due on 15 April 2016. Subsequent to year end, both parties had mutually agreed that Berjaya Waterfront shall pay the remaining deferred consideration of RM40.0 million on or before 15 April 2017 and Berjaya Waterfront will continue to pay interest at the rate of 9% per annum on unpaid consideration on quarterly basis commencing on or before 15 July 2016.

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

17. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM5,020,000 (28.02.2015: RM7,254,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Trade receivables past due:		
Less than 30 days	4,120	6,390
30 to 60 days	323	297
61 to 90 days	237	116
More than 90 days	340	451
	5,020	7,254

Trade receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Trade receivables – nominal amounts	322	413
Less: Allowance for impairment	(322)	(413)
	–	–
Movement in allowance accounts:		
At beginning of year	413	413
Charge for the year	177	–
Reversal	(268)	–
At end of year	322	413

17. Trade and other receivables (cont'd)

Other receivables that are impaired

The Group's other receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired			
	Group		Company	
	29.02.2016	28.02.2015	29.02.2016	28.02.2015
	RM'000	RM'000	RM'000	RM'000
Other receivables – nominal amounts	113	65	6,167	6,167
Less: Allowance for impairment	(113)	(65)	(6,167)	(6,167)
	–	–	–	–
Movement in allowance accounts:				
At beginning of year	65	65	6,176	6,176
Charge for the year	48	–	–	–
At end of year	113	65	6,176	6,176

Trade and other receivables that are individually determined to be impaired at the balance sheet date 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.

18. Prepayments

	Group		Company	
	29.02.2016	28.02.2015	29.02.2016	28.02.2015
	RM'000	RM'000	RM'000	RM'000
Current:				
Prepaid rental	9,840	9,980	–	–
Prepaid other operating expenses	1,772	1,592	67	63
	11,612	11,572	67	63
Non-current:				
Prepaid rental	59,050	68,831	–	–
Total prepayments	70,662	80,403	67	63
Amount to be charged out to income statement:				
- Not later than one year	11,612	11,572	67	63
- Later than one year but not later than five years	39,122	39,122	–	–
- Later than five years	19,928	29,709	–	–
	70,662	80,403	67	63

Included in prepaid rental was the balance rental paid in advance by the Group to Berjaya Waterfront amounting to RM61,967,000 (28.02.2015: RM70,767,000).

19. Deferred tax

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
At beginning of year	3,980	4,648
Recognised in income statement	(289)	(668)
At end of year	3,691	3,980
Presented after appropriate offsetting as follows:		
Deferred tax assets	(948)	(608)
Deferred tax liabilities	4,639	4,588
Net deferred tax liabilities	3,691	3,980

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows:

Deferred tax liabilities/(assets):

	Deferred tax liabilities		**Deferred tax assets**		
	Property, plant and equipment	**Revaluation surplus**	**Unused tax losses and unabsorbed capital allowances**	**Others**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 March 2014	637	4,922	(199)	(712)	4,648
Recognised in income statement	(166)	(350)	7	(159)	668
At 28 February 2015 and 1 March 2015	471	4,572	(192)	(871)	3,980
Recognised in income statement	105	(183)	–	(211)	(289)
At 29 February 2016	576	4,389	(192)	(1,082)	3,691

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

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Unused tax losses	224,193	223,676
Unabsorbed capital allowances	296	268
Other deductible temporary differences	4,692	258
	229,181	224,202

19. Deferred tax (cont'd)

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

The unused tax losses, unabsorbed capital allowances and other deductible temporary differences of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Malaysian Income Tax Act, 1967 and guidelines issued by the tax authority.

20. Inventories

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Trading goods	296,981	170,612
Food and beverage	2	2
Consumables	184	380
Total inventories at lower of cost and net realisable value	297,167	170,994
Income statement:		
Inventories recognised as an expense in cost of sales	405,730	399,191
Inventories recognised as an expense in other operating expenses		
Inclusive of the following charge/(credit):		
- Inventories written down	450	625
- Reversal of inventories written down	(927)	(101)
- Inventories write off	256	210

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

21. Cash and bank balances

	Group		**Company**	
	29.02.2016	**28.02.2015**	**29.02.2016**	**28.02.2015**
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	23,893	31,656	136	3,795
Deposits with licensed banks	25,386	44,399	–	–
	49,279	76,055	136	3,795

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

Deposits with licensed banks of the Group amounting to RM10,461,000 (28.02.2015: RM10,216,000) 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 of deposits is 3.11% (28.02.2015: 3.09%) per annum.

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 balance sheet date:

	29.02.2016 RM'000	28.02.2015 RM'000
Cash and deposits with licensed banks	49,279	76,055
Deposits pledged with licensed banks	(10,461)	(10,216)
Cash and cash equivalents	38,818	65,839

22. Borrowings

		Group		Company	
	Maturity	29.02.2016 RM'000	28.02.2015 RM'000	29.02.2016 RM'000	28.02.2015 RM'000
Short term borrowings					
Secured:					
Bankers' acceptances	FY2017	25,330	6,988	–	–
USD trade loans	FY2017	9,247	16,689	–	–
Obligations under finance leases (Note 26)	FY2017	350	391	–	–
Term loans:					
- RM loan at effective cost of funds + 1.50%	FY2017	4,000	4,000	–	–
- SGD bank loan at SIBOR + 2.50%	FY2017	–	3,595	–	3,595
Interest payable	FY2017	31	21	–	–
		38,958	31,684	–	3,595
Long term borrowings					
Secured:					
RM term loan at effective cost of funds + 1.50%	FY2018 – FY2020	12,000	16,000	–	–
Obligations under finance leases (Note 26)	FY2018 – FY2021	811	749	–	–
		12,811	16,749	–	–

<u>Bankers' acceptances</u>

Bankers' acceptances are denominated in RM with weighted average effective interest rate of 4.40% p.a. (28.02.2015: 4.05% p.a.).

<u>Obligations under finance leases</u>

These obligations are secured by a charge over the leased assets (Note 12). The average discount rate implicit in the leases of the Group is 2.76% p.a. (28.02.2015: 2.83% p.a.).

22. Borrowings (cont'd)

<u>USD trade loans</u>

These trade loans are due in the next financial year. The average interest rate for the loans ranged from 1.95% to 2.35% p.a. (28.02.2015: 1.64% to 1.65% p.a.).

<u>RM loan at effective cost of funds + 1.50%</u>

This loan is secured by a corporate guarantee from the Company of RM20,000,000 and is repayable in 20 quarter repayments commencing March 2015. The average interest rate for the loan is 5.23% p.a. (28.02.2015: 5.58% p.a.).

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

- deposits with licensed banks amounting to RM10,461,000 (28.02.2015: RM10,216,000); and
- corporate guarantees from a subsidiary, DFZ Capital Berhad, the Company and Atlan.

Other information on financial risks of borrowings are disclosed in Note 31.

23. Trade and other payables

	Group		Company	
	29.02.2016	**28.02.2015**	**29.02.2016**	**28.02.2015**
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	123,633	57,637	–	–
Other payables				
Due to subsidiaries	–	–	20,301	17,481
Accruals	11,223	7,415	623	587
Accrued payroll related expenses	3,663	3,444	–	–
Contribution costs payable	209	209	–	–
Rental payables	714	1,664	–	–
Deposits received for the proposed disposals #	560	560	–	–
Other deposits received	560	453	–	–
Dividends payable to non-controlling interests by subsidiaries	–	205	–	–
Royalty payables	28	28	–	–
Sundry payables	3,515	3,328	1,123	950
	20,472	17,306	22,047	19,018
Total trade and other payables	144,105	74,943	22,047	19,018
Add: Borrowings (Note 22)	51,769	48,433	–	3,595
Total financial liabilities carried at amortised cost	195,874	123,376	22,047	22,613

This deposit pertains 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 for a consideration of RM27,990,000 ("KMSB Agreement"). The conditions precedent for the sale have not been fulfilled to date.

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 range from 30 to 90 days (28.02.2015: 30 to 90 days).

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are mainly advances which are interest free, 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

	29.02.2016			28.02.2015		
	Notional amount RM'000	**Assets** RM'000	**Liabilities** RM'000	**Notional amount** RM'000	**Assets** RM'000	**Liabilities** RM'000
Group						
Forward currency contracts	115,122	–	(1,632)	14,016	168	–
Company						
Forward currency contracts	–	–	–	–	–	–

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.

25. Share capital

	Number of ordinary shares with no par value		Amount	
Company	**29.02.2016** '000	**28.02.2015** '000	**29.02.2016** RM'000	**28.02.2015** RM'000
At beginning of the year	1,099,844	1,106,040	979,931	979,929
Acquisition and cancellation of shares pursuant to Share Buy-Back Mandate approved by shareholders	–	(6,198)	–	–
Conversion of warrants	6	2	9	2
At end of the year	1,099,850	1,099,844	979,940	979,931

The holders of ordinary 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.

25. Share capital (cont'd)

(a) Other reserves

		Group	
		29.02.2016	**28.02.2015**
		RM'000	RM'000
Foreign currency translation reserve	(i)	29	29
Premium paid on acquisition of non-controlling interests	(ii)	(142,413)	(142,413)
Warrants reserve	(iii)	31,049	31,049
		(111,335)	(111,335)

(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 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) Warrants reserve 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 Berhad. The unexercised portion of the warrants expired on 6 January 2016, and there are no warrants outstanding as at 29 February 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 Berhad and Darul Metro Sdn Bhd.

(c) Treasury share

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

In the previous financial year, the Company acquired 6,198,000 shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares in the previous financial year was RM 4,838,000 and this was presented as a component within shareholder's equity.

26. Obligations under finance leases

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Future minimum lease payments:		
Not later than 1 year	409	442
Later than 1 year and not later than 2 years	335	306
Later than 2 year and not later than 5 years	551	506
Total future minimum lease payments	1,295	1,254
Less: Future finance charges	(134)	(114)
Present value of finance lease liabilities	1,161	1,140
Analysis of present value of finance lease liabilities:		
Not later than 1 year	351	391
Later than 1 year and not later than 2 years	296	274
Later than 2 year and not later than 5 years	514	475
	1,161	1,140
Less: Amount due within 12 months	(350)	(391)
Amount due after 12 months	811	749

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

27. Commitments

(a) Capital commitments

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	488	2,710
Approved but not contracted for:		
Property, plant and equipment	658	1,436
	1,146	4,146

27. Commitments (cont'd)

(b) The Group as lessee

Operating lease payments represent rentals payable by the Group for use of buildings.

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

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Future minimum rentals payable:		
Later than 5 years	161,000	161,000

This commitment relates to the Group's 25-year tenancy over certain premises within the Zon Johor Bahru starting March 2013. As the first 10 years of lease was prepaid (Note 18), the future minimum lease commitment relate to lease payable from year 11 to the end of the tenancy period.

28. Contingent liabilities

	Company	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Corporate guarantees for borrowings and banking facilities to certain subsidiaries	41,773	44,635

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 during the financial year on terms agreed between the parties.

	Group		Company	
	29.02.2016	**28.02.2015**	**29.02.2016**	**28.02.2015**
	RM'000	RM'000	RM'000	RM'000
Subsidiaries:				
- Dividends received	–	–	53,807	73,487
Related companies:				
- Management fee	2,000	2,000	–	–
- Income for licensing of "ZON" trademark	48	48	–	–
- Rental income	3	3	–	–
Related party:				
- Donation to Yayasan Harmoni *	1,500	500	–	–

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

29. Related party disclosures (cont'd)

(a) Significant transactions (cont'd)

(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 29 February 2016 and 28 February 2015 are disclosed in Notes 17 and 23.

(b) Compensation of key management personnel

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

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Short-term employee benefits	2,030	2,609
Defined contribution plan	242	309
	2,272	2,918
Comprise amounts paid to:		
Directors of the Company	1,603	1,754
Other key management personnel	669	1,164
	2,272	2,918

30. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group classifies fair value measurement 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.

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 29 February 2016				
Financial assets:				
Derivatives				
- Forward foreign exchange contracts	–	–	–	–
Non-financial assets:				
- Biological assets	–	–	5,100	5,100
Financial liabilities:				
Derivatives				
- Forward foreign exchange contracts	–	1,632	–	1,632
At 28 February 2015				
Financial assets:				
Derivatives				
- Forward foreign exchange contracts	–	168	–	168
Non-financial assets:				
- Biological assets	–	–	4,800	4,800
Financial liabilities:				
Derivatives				
- Forward foreign exchange contracts	–	–	–	–

(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:

Derivatives (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: The valuation of biological assets are based on the discounted future cash flows of the underlying plantations. The significant assumptions made in determining the fair values of the biological assets are disclosed in Note 13.

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

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

		29.02.2016		28.02.2015	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		RM'000	RM'000	RM'000	RM'000
Financial liabilities:					
Obligations under finance leases	26	1,161	1,172	1,140	1,240

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.

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

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets, except for the amount due from Berjaya Waterfront as described in Note 17.

<u>Financial assets that are neither past due nor impaired</u>

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.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

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

(b) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the balance sheet date based on contractual undiscounted obligations.

	29.02.2016			**28.02.2015**		
	One year or less	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Trade and other receivables	63,372	–	63,372	64,022	–	64,022
Cash and bank balances	49,279	–	49,279	76,055	–	76,055
Derivatives – forward currency contracts:						
- gross payments	–	–	–	(14,016)	–	(14,016)
- gross receipts	–	–	–	14,184	–	14,184
Total undiscounted financial assets	112,651	–	112,651	140,245	–	140,245
Financial liabilities						
Trade and other payables	144,105	–	144,105	74,943	–	74,943
Borrowings	39,724	13,786	53,510	32,480	18,463	50,943
Derivatives – forward currency contracts:						
- gross payments	115,122	–	115,122	–	–	–
- gross receipts	(113,490)	–	(113,490)	–	–	–
Total undiscounted financial liabilities	185,461	13,786	199,247	107,423	18,463	125,886
Total net undiscounted financial (liabilities)/assets	(72,810)	(13,786)	(86,596)	32,822	(18,463)	14,359

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

(b) Liquidity risk (cont'd)

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

	29.02.2016			28.02.2015		
Company	**One year or less** RM'000	**One to five years** RM'000	**Total** RM'000	**One year or less** RM'000	**One to five years** RM'000	**Total** RM'000
Financial assets						
Trade and other receivables	3,732	–	3,732	–	–	–
Cash and bank balances	136	–	136	3,795	–	3,795
Total undiscounted financial assets	3,868	–	3,868	3,795	–	3,795
Financial liabilities						
Trade and other payables	22,047	–	22,047	19,018	–	19,018
Borrowings	–	–	–	3,595	–	3,595
Derivatives – forward currency contracts:						
- gross payments	–	–	–	–	–	–
- gross receipts	–	–	–	–	–	–
Total undiscounted financial liabilities	22,047	–	22.047	22,613	–	22,613
Total net undiscounted financial liabilities	(18,179)	–	(18,179)	(18,818)	–	(18,818)

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.

	29.02.2016			28.02.2015		
Company	**One year or less** RM'000	**One to five years** RM'000	**Total** RM'000	**One year or less** RM'000	**One to five years** RM'000	**Total** RM'000
Corporate guarantees	29,773	12,000	41,773	28,635	16,000	44,635

(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 expose by maintaining a mix of fixed and floating rate borrowings.

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

(c) Interest rate risks (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 10 (28.02.2015: 10) basis points lower/higher with all other variables held constant, the Group's and the Company's profit before tax would have been RM19,000 (28.02.2015: RM8,000) and RM Nil (28.02.2015: RM3,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on 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 52% (28.02.2015: 57%) of the Group's purchases are denominated in foreign currencies. Foreign currency exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

At balance sheet date, the Group have a balance of short term borrowings of RM9.2 million (28.02.2015: RM16.7 million), which are denominated in USD.

Sensitivity analysis for foreign currency risk

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

		29.02.2016 RM'000	**28.02.2015** RM'000
USD/RM	- strengthened 3%	(1,786)	(296)
	- weakened 3%	1,786	296
SGD/RM	- strengthened 3%	(131)	(61)
	- weakened 3%	131	61

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.

32. Capital management (cont'd)

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, USD trade loans, bank overdrafts, interest payable and current portion of hire purchase and finance lease liabilities. Capital includes equity attributable to the owners of the parent.

	Group	
	29.02.2016	**28.02.2015**
	RM'000	RM'000
Borrowings (non-current) (Note 22)	12,811	16,749
Borrowings (current excluding term loan, i.e. due and payable within 12 months)	34,958	24,089
Borrowings (current - term loans) (Note 22)	4,000	7,595
Total external debt	51,769	48,433
Total equity attributable to the owners of the Company	404,332	391,547
Gearing ratio (times)	0.13	0.12

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.

The Group comprises the following main business segments:

(ii) Investment holding and others

This segment includes revenues from the following:

– management fee income; and

– sale of fresh oil palm fruit bunches.

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

33. Segment information (cont'd)

(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.

Operating segments

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

	Trading of duty free goods and non-dutiable merchandise		Investment holdings and others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	29.02.2016	28.02.2015	29.02.2016	28.02.2015	29.02.2016	28.02.2015		29.02.2016	28.02.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue:									
Sales to external customers	602,930	559,444	1,578	1,562	–	–	A	604,508	561,006
Inter-segment sales	2	3	55,016	76,178	(55,018)	(76,181)	B	–	–
Total revenue	602,932	559,447	56,594	77,740	(55,018)	(76,181)		604,508	561,006
Results:									
Interest income	984	903	3,370	3,164	–	–		4,354	4,067
Depreciation and amortisation	3,670	3,585	1,211	1,188	–	–		4,881	4,773
Reversal of impairment losses for non-financial assets	–	–	302	6,185	–	–		302	6,185
Gain arising from changes in fair values of biological assets	–	–	300	–	–	–		300	–
Reversal of provision for liquidated damages	–	–	–	547	–	–		–	547
Other non-cash income/ (expenses)	(128)	1,793	302	(489)	–	–	C	174	1,304
Segment profit/(loss)	89,821	76,412	52,572	81,978	(54,985)	(82,892)	D	87,408	75,498
Assets									
Additions to non-current assets	6,062	7,012	74	28	–	–	E	6,136	7,040
Segment assets	516,105	416,917	95,001	103,735	2,669	1,896	F	613,775	522,548
Segment liabilities	177,015	95,515	4,491	7,861	27,851	27,458	G	209,357	130,834

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	The amounts relating to the properties and hospitality segment has been excluded to arrive at amounts shown in profit or loss as they are presented separately in the income statement within one line item, "profit from discontinued operations, net of tax".
B	Inter-segment revenues are eliminated on consolidation.
C	Other material non-cash income/expenses consist of allowances for doubtful receivables, bad debts written off, deposits forfeited, gains on disposal of non-financial assets, inventories written off, net unrealised foreign exchange gain/loss, reversal of inventories written down, inventories written down, waiver of debts and provisions as presented in the respective notes to the financial statements.
D	The following items are deducted from segment profit to arrive at profit before tax presented in the income statement:

	29.02.2016 RM'000	**28.02.2015** RM'000
Inter-segment transactions	(2,587)	6,040
Inter-segment dividend income	55,016	74,628
Finance costs	2,556	2,224
	54,985	82,892

E Additions to non-current assets consist of:

	29.02.2016 RM'000	**28.02.2015** RM'000
Property, plant and equipment	6,136	7,040

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

	29.02.2016 RM'000	**28.02.2015** RM'000
Deferred tax assets	948	608
Tax recoverable	1,721	1,288
	2,669	1,896

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

	29.02.2016 RM'000	**28.02.2015** RM'000
Deferred tax liabilities	4,639	4,588
Income tax payable	7,212	2,870
Borrowings	16,000	20,000
	27,851	27,458

34. Dividends

Group and Company	**29.02.2016** RM'000
Declared and paid during the financial year:	
Dividends on ordinary shares	
- First interim one tier tax exempt dividend for 29.02.2016: S$0.01 cents per share	29,700
- Second interim one tier tax exempt dividend for 29.02.2016: S$0.006 cents per share	19,594
	49,294

Group and Company	**28.02.2015** RM'000
Declared and paid during the financial year:	
Dividends on ordinary shares	
- First interim one tier tax exempt dividend for 28.02.2015: S$0.01 cents per share	28,235
- Second interim one tier tax exempt dividend for 28.02.2015: S$0.0075 cents per share	21,194
- Third interim one tier tax exempt dividend for 28.02.2015: S$0.0075 cents per share	22,154
	71,583

35. Events occurring after the reporting period

(i) Issuance of new ordinary shares in the capital of the Company

On 7 March 2016, the Company had issued and allotted 39,000,000 new ordinary shares in the capital of the Company (the "**Subscription Shares**"), at an issue price of S$0.32 for each Subscription Shares (the "**Subscription**") to the subscribers pursuant to the Subscription.

The Subscription Shares shall rank pari passu in all respects with and carry all rights similar to the existing issued ordinary shares of the Company ("**Shares**"), except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of completion of the Subscription.

Following the completion of the Subscription, the total number of issued Shares of the Company (excluding treasury shares) has increased from 1,099,850,393 Shares to 1,138,850,393 Shares.

35. Events occurring after the reporting period (cont'd)

(ii) Partial disposal of shareholdings in DFZ Capital Berhad

On 17 March 2016, the Company entered into a sale and purchase agreement ("**SPA**") to dispose of 10% equity interest plus one share, comprising an aggregate of 20,996,384 shares in DFZ Capital Berhad ("**DFZ**"), a wholly-owned subsidiary of the Company, to Heinemann Asia Pacific Pte. Ltd. ("**HAP**") (the "**First Tranche Sale Shares**") for a consideration of EUR19,700,000.

Under the terms of the SPA, the Company has also granted the following call options to HAP ("**Call Options**") for a nominal consideration of EUR1.00 each:

(a) In the 18-month period beginning on the date of completion of the sale of the First Tranche Sale Shares ("**Completion**"), the option to require the Company to sell to HAP a second tranche of shares in DFZ (the "**Second Tranche Sale Shares**") ("**Second Tranche Call Option**"); and

(b) In the 12-month period beginning on the date of expiry of the Second Tranche Call Option period, the option to require the Company to sell to HAP a third tranche of shares in DFZ (the "**Third Tranche Sale Shares**") ("**Third Tranche Call Option**").

(collectively, the "Proposed Disposals")

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 as at the date of the SPA. Each Call Option may only be exercised once. The Third Tranche Call Option will remain valid and binding notwithstanding the Second Tranche Call Option not being exercised.

Upon the completion of the Proposed Disposal (assuming all the Call Options are fully exercised), 75% minus one share of the issued and paid-up share capital of DFZ will be held by the Company while the remaining 25% plus one share will be held by HAP.

The Proposed Disposals were approved at the Extraordinary General Meeting ("EGM") on 30 May 2016. The completion of the sale and purchase of the First Tranche Sale Shares and call option is to take place on 1 June 2016 or such other date as the parties may mutually agree in writing.

On completion, the Group expects that there is no impact to the consolidated income statement, as the partial disposals of interest in subsidiaries with no loss of control are considered equity transactions, as described in Note 2.5.

(iii) Placement of Treasury Shares

On 24 March 2016, the Group placed out an aggregate of 5,500,000 treasury shares in the capital of the Company ("**Placement Shares**"), at a placement price of S$0.32 ("**Placement Price**") for each Placement Shares (the "**Placement**"), representing approximately 0.48% of the existing issued and paid-up share capital (excluding treasury shares) of the Company and will represent approximately 0.48% of the enlarged issued and paid-up share capital (excluding treasury shares) of the Company upon completion of the Placement.

The Placement Shares will be allotted from the Company's treasury shares. As at 29 February 2016, the Company has 6,198,000 treasury shares. Upon completion of the Placement, the Company's treasury shares will be 698,000.

36. Authorisation of financial statements

The financial statements for the financial year ended 29 February 2016 were authorised for issue in accordance with a resolution of the directors on 30 May 2016.

STATISTICS OF **SHAREHOLDINGS**

As at 16 May 2016

Class of shares	:	Ordinary shares
Number of issued shares (excluding treasury shares)	:	1,144,350,393
Issued and fully paid-up capital	:	SGD378,866,998
Voting rights	:	One vote per ordinary share
Number of treasury shares and as a percentage of total number of issued shares (excluding treasury shares)	:	698,000 (0.06%)

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	174	16.93	1,515	0.00
100 – 1,000	237	23.05	127,079	0.01
1,001 – 10,000	363	35.31	1,456,981	0.13
10,001 – 1,000,000	235	22.86	20,814,429	1.82
1,000,001 AND ABOVE	19	1.85	1,121,950,389	98.04
TOTAL	**1,028**	**100.00**	**1,144,350,393**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	ATLAN HOLDINGS BHD	905,028,113	79.09
2	CITIBANK NOMINEES SINGAPORE PTE LTD	53,400,700	4.67
3	BANK OF SINGAPORE NOMINEES PTE. LTD.	35,877,132	3.14
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	28,184,072	2.46
5	OCBC SECURITIES PRIVATE LIMITED	26,405,914	2.31
6	DB NOMINEES (SINGAPORE) PTE LTD	22,581,804	1.97
7	UOB KAY HIAN PRIVATE LIMITED	13,863,581	1.21
8	SOH CHONG CHAI	5,329,780	0.47
9	HSBC (SINGAPORE) NOMINEES PTE LTD	5,033,500	0.44
10	RHB SECURITIES SINGAPORE PTE. LTD.	3,930,153	0.34
11	RAFFLES NOMINEES (PTE) LIMITED	3,898,805	0.34
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,441,658	0.30
13	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,429,647	0.30
14	PHILLIP SECURITIES PTE LTD	2,588,152	0.23
15	E-FOS SDN BHD	2,472,722	0.22
16	HEAH TIEN HUAT	2,429,200	0.21
17	LIM & TAN SECURITIES PTE LTD	1,669,500	0.15
18	DBS NOMINEES (PRIVATE) LIMITED	1,265,956	0.11
19	HONG LEONG FINANCE NOMINEES PTE LTD	1,120,000	0.10
20	LIM CHOK HIANN OR SHIM YI LIAN @ ELAINE SHIM	1,000,000	0.09
	TOTAL	**1,122,950,389**	**98.15**

As at 16 May 2016

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	**%**	**Number of Shares**	**%**
Atlan Holdings Bhd	905,028,113	79.09	–	–
Distinct Continent Sdn Bhd	–	–	905,028,113	79.09[1]
Sebastian Paul Lim Chin Foo	–	–	905,028,113	79.09[2]
Dato' Sri Adam Sani bin Abdullah	–	–	905,028,113	79.09[3]
Berjaya Corporation Berhad	–	–	905,028,113	79.09[4]
Tan Sri Dato' Seri Vincent Tan Chee Yioun	–	–	905,028,113	79.09[5]

Notes:

1 Distinct Continent Sdn Bhd is a substantial shareholder of Atlan Holdings Bhd ("**AHB**"). Distinct Continent Sdn Bhd is deemed interested in the shares held by AHB 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 AHB 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 AHB 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 AHB through its direct and indirect interest totalling 23.93% in AHB.

5 Tan Sri Dato' Seri Vincent Tan Chee Yioun is deemed interested in the shares held by AHB through his interest in BCB. BCB currently has a direct and indirect interest totalling 23.93% in AHB. Tan Sri Dato' Seri Vincent Tan Chee Yioun is a major shareholder of BCB.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 16 May 2016, approximately 20.67% 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 – Section B: Rules of Catalist 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.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Duty Free International Limited (the "**Company**") will be held at Six Battery Road #10-01 Singapore 049909 on Wednesday, 29 June 2016 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 29 February 2016 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:

   General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) **(Resolution 2)**
   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 29 February 2016 (FY2015: 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 - Section B: Rules of Catalist (the "Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST")**

   That pursuant to Section 161 of the Companies Act and Rule 806 of the Catalist Rules of the SGX-ST, the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the capital of 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**")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per cent (100%) of the total number of issued shares (excluding treasury shares) 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 fifty per cent (50%) of the total number of issued shares (excluding treasury shares) 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 sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this 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 which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules of the SGX-ST; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies 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 to the Instruments, made or granted pursuant to this 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) 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 13 June 2016 (the "**Appendix**"), in accordance with the authority and limits of the renewed Share Purchase Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 13 June 2016

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(7) of the Catalist Rules of the SGX-ST.

(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 one hundred per cent (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per cent (50%) 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) 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) 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) 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 29 February 2016 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 proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. 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.

3. 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 and class of shares shall be specified).

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the AGM.

5. 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.

*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.

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 Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (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, and (iii) 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.

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DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)
(Incorporated In the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of **DUTY FREE INTERNATIONAL LIMITED** (the "**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 Six Battery Road #10-01 Singapore 049909 on Wednesday, 29 June 2016 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions 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.

AS ORDINARY BUSINESS:		**For**	**Against**
1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 29 February 2016 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 29 February 2016 (FY2015: 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 Rule 806 of the Listing Manual - Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited		
7	Renewal of Share Purchase Mandate		

Dated this __________ day of ____________ 2016

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

____

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ 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 not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than 48 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 Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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stamp

THE COMPANY SECRETARY
DUTY FREE INTERNATIONAL LIMITED
(Company No.: 200102393E)

Six Battery Road
#10-01
Singapore 049909

*A Relevant Intermediary is:-

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 June 2016.

DFI
(200102393E)
DUTY FREE INTERNATIONAL LIMITED

www.dfi.com.sg
Six Battery Road #10-01 Singapore 049909