ANNUAL REPORT 2020

LAPORAN TAHUNAN

DFI (200102393E)

DUTY FREE INTERNATIONAL LIMITED

the ZON

CONTENTS

CORPORATE PROFILE AND OUR CORE BUSINESS

Duty Free International Limited ("**DFI**" and together with its subsidiaries, the "**Group**"), one of the largest duty free trading group in Malaysia, has established a premium travel retail brand "**The Zon**" that is strategically located across Peninsular Malaysia. A duty free retail specialist with over 41 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.

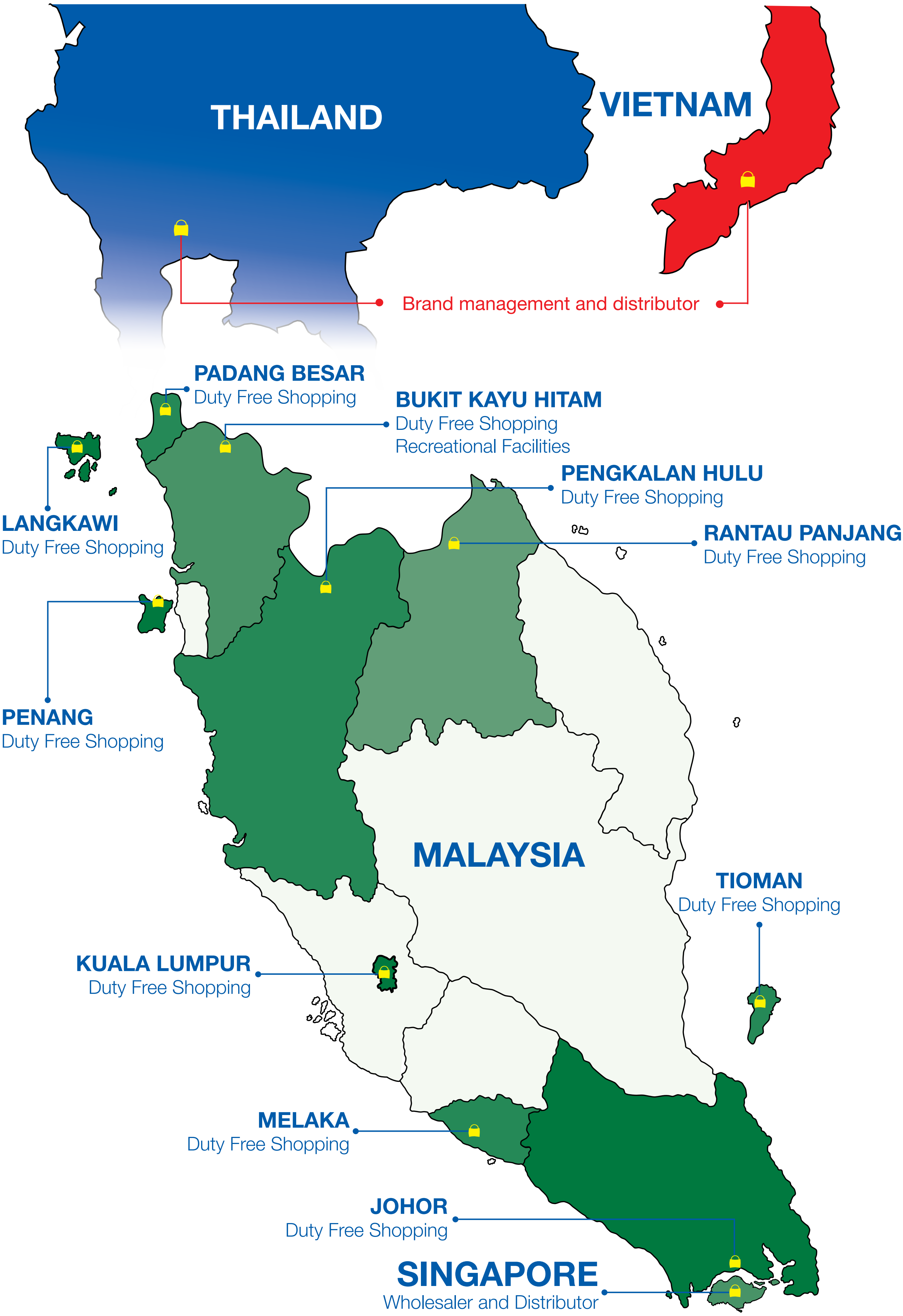
DFI has created and defined its own unique and exclusive travel retail concept that offers travellers an extensive premium selection of international brands - imported duty free beverages, tobacco products, chocolates and confectionary products, perfumery, cosmetics and souvenirs. DFI's duty free retail 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 reviews and develops its core propositions to meet and manage the ever-changing market trends and consumer demands.

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

OUR PRESENCE

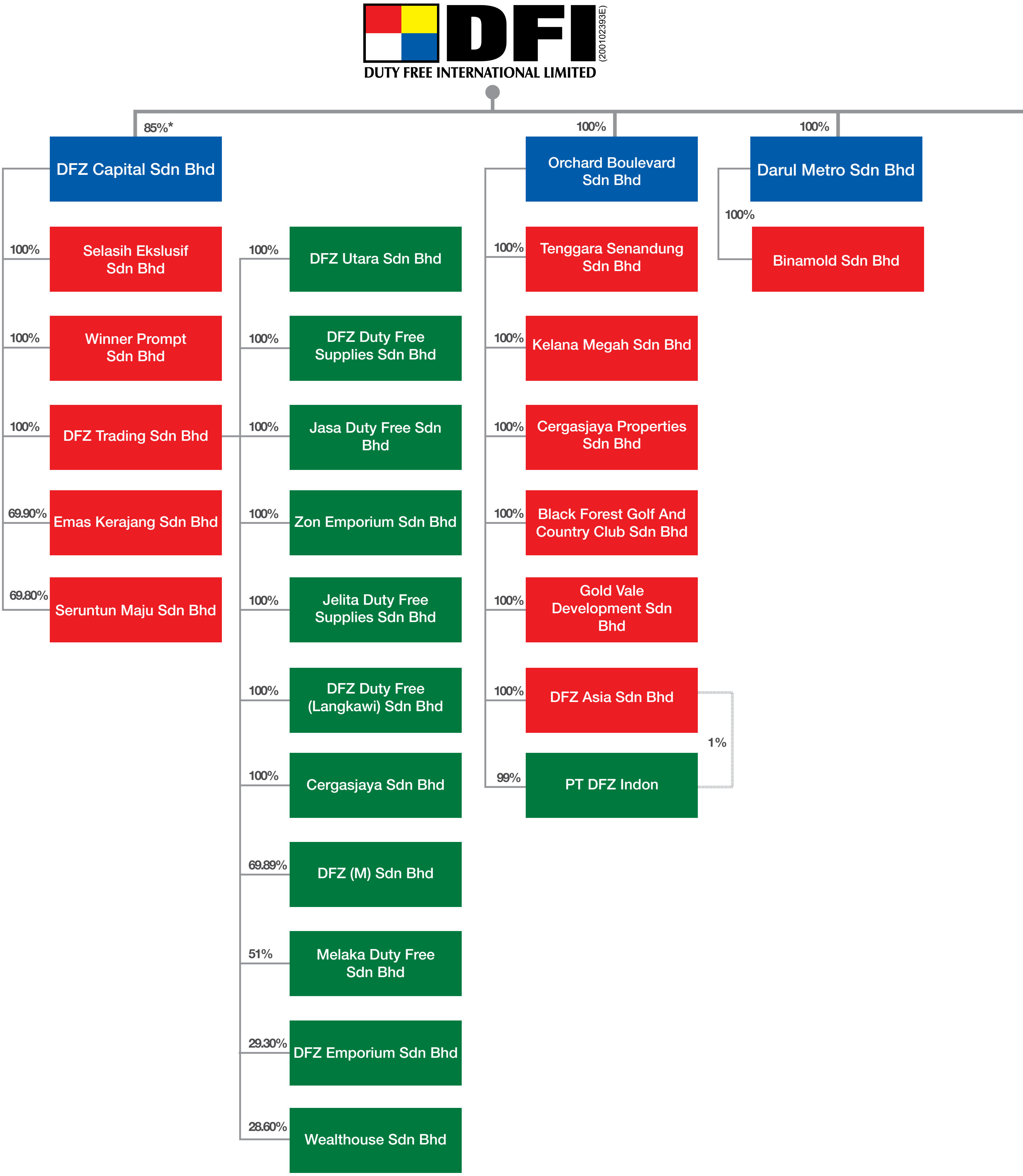
As at 29 February 2020




ORIGINS
CLARINS
YVES SAINT LAURENT
KOUROS
BVLGARI
BIOTHERM
AQUASOURCE

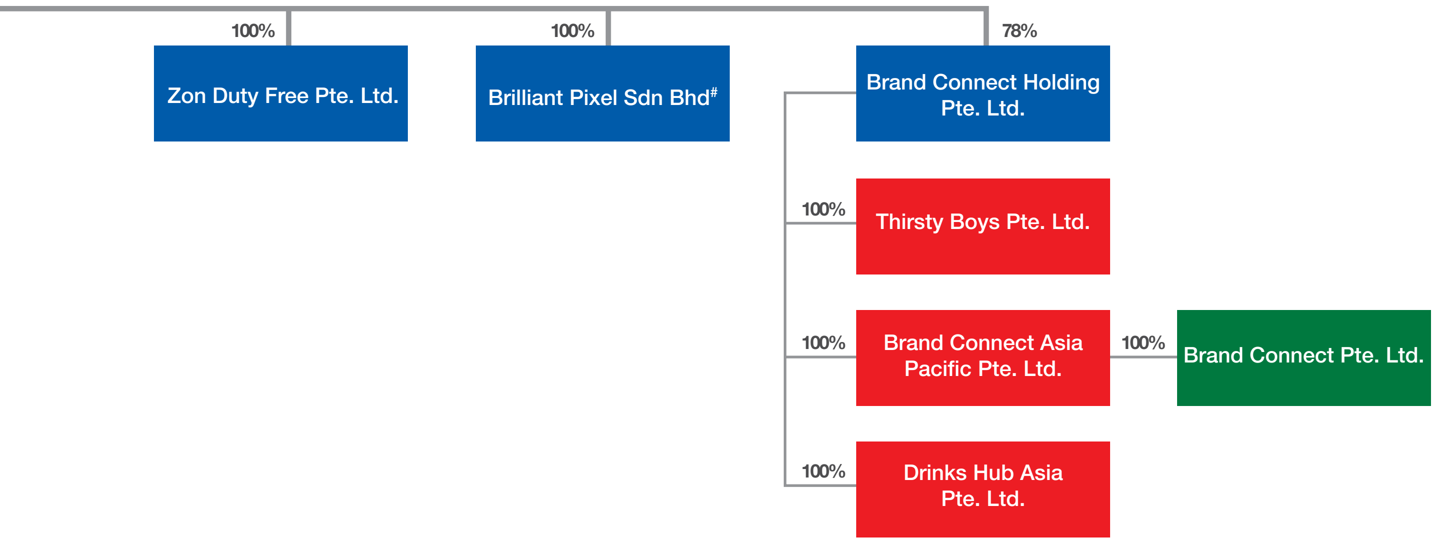
CORPORATE STRUCTURE

As at 29 July 2020



CORPORATE STRUCTURE

As at 29 July 2020



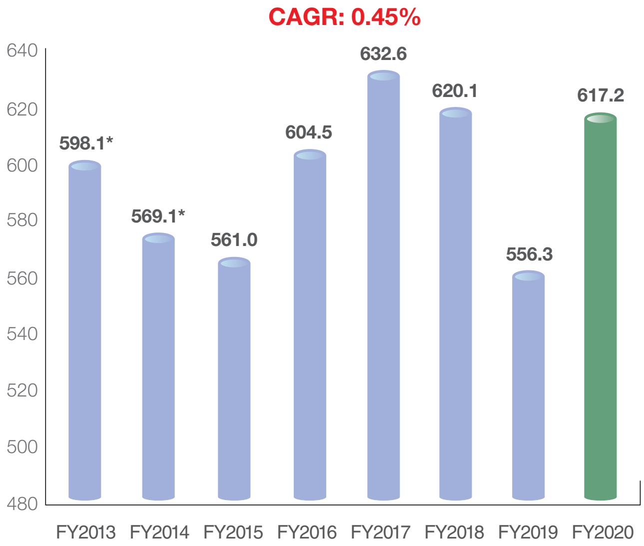
* Represents 85% equity interest in DFZ Capital Sdn Bhd ("DFZ") less one DFZ share.

\# In the process of striking-off.

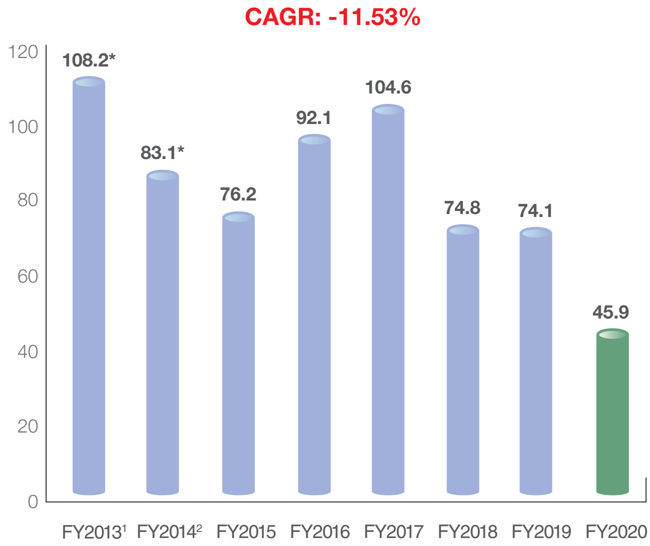
FINANCIAL HIGHLIGHTS

Year ended 28/29 February

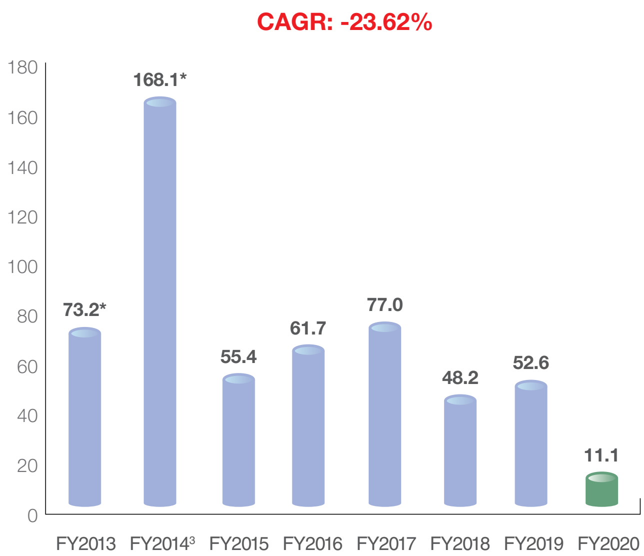
REVENUE (RM'MILLION)



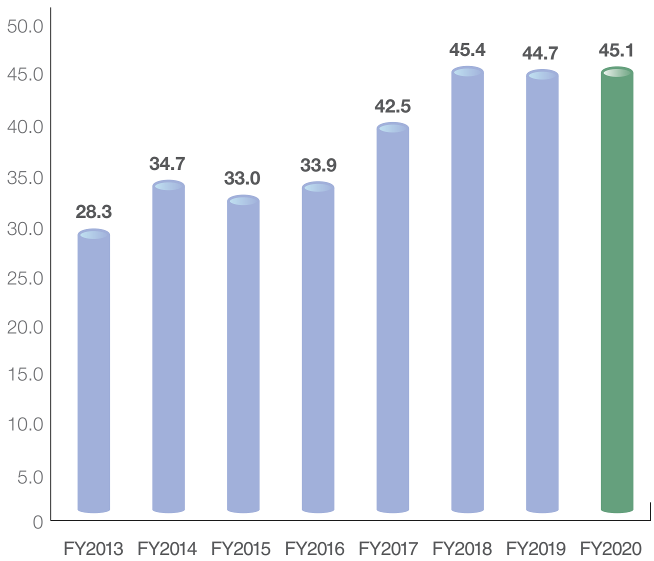
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (BEFORE EXCEPTIONAL ITEMS) (RM'MILLION)



PROFIT AFTER TAX (RM'MILLION)



NET TANGIBLE ASSETS PER SHARE (RM SEN)

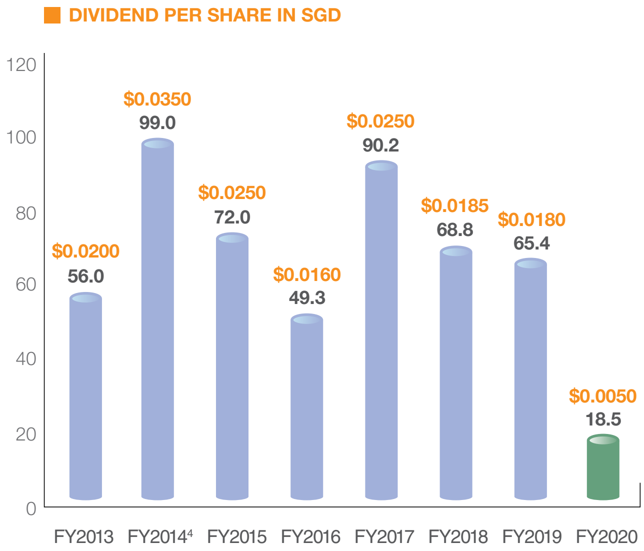


* *Includes financial results of Discontinued Operations*

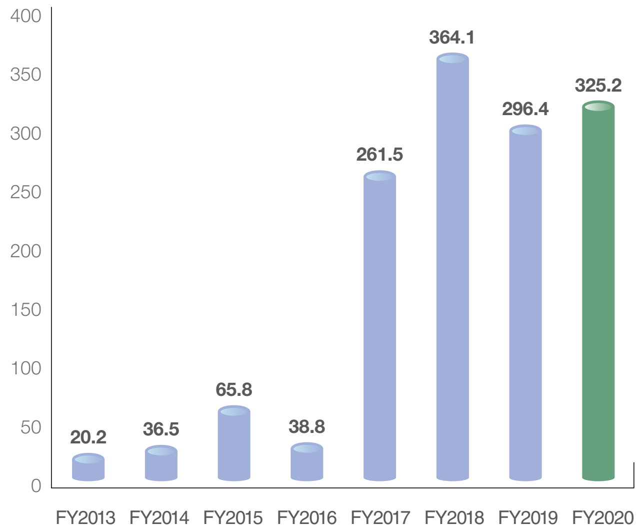
FINANCIAL HIGHLIGHTS

Year ended 28/29 February

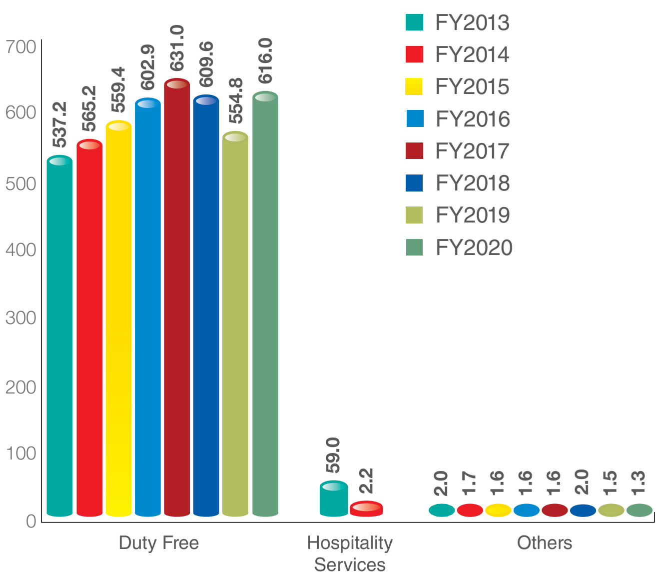
DIVIDEND PAYOUT (RM'MILLION)



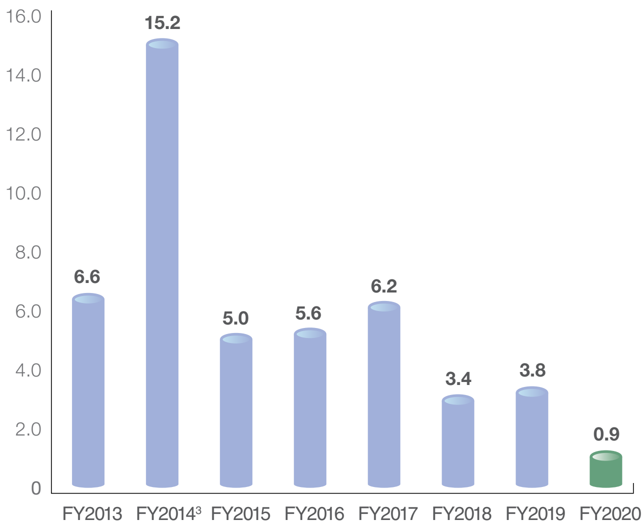
CASH AND CASH EQUIVALENTS (RM'MILLION)



REVENUE BY OPERATING SEGMENTS (RM'MILLION)



BASIC EARNINGS PER SHARE (RM SEN)



Notes:

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

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

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

4 Includes a special dividend of RM42.1 million.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Duty Free International Limited ("DFI" or "Company", and together with its subsidiaries, the "Group"), I am pleased to present you our annual report for the financial year ended 29 February 2020 ("FY2020").

FINANCIAL PERFORMANCE

For FY2020, the Group recorded a revenue of RM617.2 million, an increase of RM60.9 million, or a growth of 10.9% as compared to the financial year ended 28 February 2019 ("FY2019") which was mainly contributed by the increase in revenue from the trading of duty free goods and non-dutiable merchandise.

The Group reported a profit before income tax of RM24.0 million for FY2020, representing a decrease of 64.4% or RM43.5 million as compared to RM67.5 million recorded in FY2019 despite an increase in revenue. The significant drop in profitability was mainly due to the one-off non-cash items such as impairment of goodwill of RM11.5 million coupled with impairment of property, plant and equipment and right-of-use assets amounting to RM3.7 million. In addition, there were certain inventory write down of RM7.0 million and allowance for doubtful receivables of RM2.2 million in FY2020.

DIVIDEND, CAPITAL REDUCTION AND CASH DISTRIBUTION

In line with our commitment to reward our shareholders, the Board declared an interim dividend of S$0.005 per share or a payout of S$6.01 million (equivalent to approximately RM18.5 million) for FY2020 which was paid out on 7 November 2019. This payment of dividend translates to a dividend yield of approximately 3.55% based on the closing share price of S$0.141 on 29 February 2020.

Further, on 28 November 2019, the Group announced to undertake a capital reduction exercise (the "Capital Reduction") to return to the shareholders of the Company ("Shareholders") surplus capital in excess of the Company's immediate needs by way of a cash distribution of S$0.035 for each ordinary share held by Shareholders ("Cash Distribution"). On 13 May 2020, the Company completed the payout of the Cash Distribution of approximately S$41.9 million to the Shareholders.

OUTLOOK AND STRATEGY

On 3 April 2020, Bank Negara Malaysia reported that the global economy is projected to register negative growth in 2020, due mainly to the significant economic repercussions arising from the unprecedented COVID-19 pandemic. Malaysia's economic growth, as measured by Gross Domestic Product, is projected at between -2% to 0.5% in 2020 against a highly challenging global economic outlook. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion[a].

The implementation and subsequent extension of the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020, has dampened economic activity following the suspension of operations by non-essential service providers. The lockdown restrictions under MCO were eased under a Conditional MCO ("CMCO") from 4 May 2020 to 9 June 2020, which allowed certain business sectors to resume operations but international and interstate travel were mostly prohibited. Beyond the MCO and CMCO periods, reduced social and recreational activities will continue to dampen consumption and investment activity until the pandemic is fully controlled globally and domestically. Due to the impact of COVID-19 on the local and global economy, coupled with the risk of a prolonged and wider spread of the pandemic, the growth outlook is expected to be tilted to the downside, especially for the next 12 months.

Demand for international travel is expected to decline in the near-term following the imposition of travel restrictions and widespread concerns surrounding the COVID-19 outbreak. Amidst the gloomy market, consumer spending is expected to be conservative post pandemic period. While the Group continues to strategise for the future, its immediate focus is to ensure that its core businesses remain resilient in these

CHAIRMAN'S MESSAGE

uncertain times. The Group is focusing its efforts with operational initiatives to ensure business recovery and sustainability during this period by undertaking several measures including but not limited to managing manpower planning, negotiating with landlord on rental rebate, driving promotional activities, closing down non-profitable outlets, and deferral of all discretionary expenses and non-critical capital expenditures.

Supported by the Group's strong balance sheet and low gearing ratio, together with our business partners and associates, we are cautiously optimistic that we will be able to weather through the current challenges facing the global economy by staying vigilant and responsive to market changes.

Foremost on our mind in financial year ending 28 February 2021 is safeguarding the well-being of our employees and the people within our area of operations. We are taking all necessary measures to ensure a safe work environment at all our offices and business units by implementing strict workflows and guidelines relating to COVID-19 prevention across all operations.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to convey my heartfelt appreciation to the management and our staff for their unrelenting efforts, dedication and unwavering support that have steered the Group through challenges. I would also like to express my sincerest gratitude towards our customers, bankers, business partners and various government agencies for their valuable support, advice and steadfast belief in the Group.

To our Shareholders who have been supportive and loyal to the Company, we appreciate your unwavering support and confidence in DFI. We will continue to strive to further develop sustainable growth, value and success for the Group.

Thank You.

Adam Sani Abdullah
Non-Executive Chairman

Note : [a]https://www.bnm.gov.my/ar2019/

PENYATA PENGERUSI

PARA PEMEGANG SAHAM,

Bagi pihak Lembaga Pengarah Duty Free International Limited ("DFI" atau 'Syarikat", dan bersama-sama anak syarikatnya, "Kumpulan"), saya dengan sukacitanya membentangkan laporan tahunan untuk tahun kewangan berakhir 29 Februari 2020 ("tahun kewangan 2020").

PRESTASI KEWANGAN

Di dalam tahun kewangan 2020, Kumpulan telah mencatatkan perolehan sebanyak RM617.2 juta, iaitu peningkatan sebanyak RM60.9 juta atau pertumbuhan 10.9% berbanding tahun kewangan berakhir 28 Februari 2019 ("tahun kewangan 2019") yang mana ia disumbangkan terutamanya oleh peningkatan hasil perolehan dari perniagaan barangan bebas cukai dan barangan tidak dikenakan cukai.

Kumpulan melaporkan keuntungan sebelum cukai sebanyak RM24.0 juta untuk tahun kewangan 2020, mewakili penurunan sebanyak 64.4% atau RM43.5 juta berbanding RM67.5 juta dicatatkan pada tahun kewangan 2019, meskipun terdapat peningkatan di dalam hasil perolehan. Penurunan yang signifikan ini adalah disebabkan oleh perkara-perkara bukan tunai yang sekali berlaku seperti penjejasan nilai muhibbah sebanyak RM11.5 juta, ditambah dengan penjejasan nilai hartanah, loji dan peralatan dan hak penggunaan aset berjumlah RM3.7 juta. Selain itu, terdapat penurunan nilai inventori sebanyak RM7.0 juta dan juga peruntukan hutang ragu sebanyak RM2.2 juta di tahun kewangan 2020.

DIVIDEN, PEGURANGAN MODAL DAN PENGAGIHAN TUNAI

Selaras dengan komitmen kami dalam memberikan ganjaran kepada para pemegang saham kami, Lembaga telah mengisytiharkan dividen interim sebanyak S$0.005 sen sesaham atau pembayaran sebanyak S$6.01 juta (kira-kira RM18.5 juta) untuk tahun kewangan 2020 yang telah dibayar pada 7 November 2019. Pembayaran dividen ini diterjemahkan kepada hasil dividen sebanyak 3.55% berdasarkan harga penutupan saham S$0.141 pada 29 Februari 2020.

Seterusnya, pada 28 November 2019, Kumpulan telah mengumumkan untuk melakukan perlaksanaan pengurangan modal ("Pengurangan Modal") untuk memulangkan kepada para pemegang saham Syarikat ("Pemegang Saham") lebihan modal yang melebihi keperluan Syarikat dengan cara pengagihan tunai sebanyak S$0.035 untuk setiap saham biasa yang dipegang oleh Pemegang Saham (Pengagihan Tunai). Pada 13 Mei 2020, Syarikat telah selesai melaksanakan pembayaran Pengagihan Tunai yang berjumlah kira-kira S$41.9 juta kepada Pemegang Saham.

TINJAUAN DAN STRATEGI

Pada 3 April 2020, Bank Negara Malaysia melaporkan bahawa ekonomi global dijangkakan mencatat pertumbuhan negatif di dalam tahun 2020, yang disebabkan oleh kesan ekonomi yang berpunca dari pandemik COVID-19 yang tidak penah berlaku sebelum ini. Pertumbuhan ekonomi Malaysia seperti yang dinilai oleh Keluaran Negara Kasar, ialah dijangkakan diantara -2% sehingga 0.5%, kesan dari tinjauan ekonomi global yang sangat mencabar ini. Yang jelas, sektor berkaitan pelancongan dijangka terjejas oleh sekatan perjalanan yang meluas dan penghindaran risiko perjalanan.[a]

Perlaksanaan dan lanjutan dari Perintah Kawalan Pergerakan ("PKP") dari 18 Mac 2020 sehingga 3 Mei 2020 telah melembapkan aktiviti ekonomi berikutan penangguhan operasi oleh penyedia perkhidmatan yang tidak utama. Sekatan pergerakan di bawah PKP telah dipermudahkan di bawah Perintah Kawalan Pergerakan Bersyarat ("PKPB") dari 4 Mei 2020 sehingga 9 Jun 2020, yang membenarkan beberapa sektor perniagaan untuk menyambung operasi-operasinya, namun pergerakan antarabangsa dan antara negeri masih tidak dibenarkan. Selepas tempoh PKP dan PKPB ini, kegiatan sosial dan rekreasi berkurangan dan ini terus melemahkan perbelanjaan dan aktiviti pelaburan sehingga wabak ini dapat dikawal sepenuhnya diperingkat global dan di dalam negara. Disebabkan oleh impak COVID-19 terhadap ekonomi negara dan global, ditambah dengan risiko wabak yang berpanjangan dan lebih meluas, tinjauan pertumbuhan dijangka menguncap terutamanya pada tempoh masa 12 bulan yang akan datang.

Permintaan terhadap pelancongan antarabangsa adalah dijangkakan berkurangan di dalam tempoh yang terdekat ini, berikutan dengan perlaksanaan sekatan perjalanan dan kebimbangan meluas terhadap wabak COVID-19. Di dalam keadaan ekonomi yang suram pada masa kini, perbelanjaan pengguna juga dijangka lebih konservatif selepas tempoh pandemik. Dalam usaha Kumpulan untuk terus menyusun strategi masa

PENYATA PENGERUSI

depannya, fokus utamanya adalah untuk memastikan bahawa perniagaan utamanya tetap berdaya tahan dalam keadaan yang tidak menentu ini. Kumpulan memfokuskan usahanya dengan beberapa inisiatif operasi untuk memastikan kelestarian dan pemulihan perniagaan dalam tempoh ini dengan mengambil beberapa langkah termasuk tetapi tidak terhad kepada menguruskan perancangan tenaga kerja, berunding dengan tuan tanah mengenai rebat atau pelepasan sewa, mendorong aktiviti promosi, menutup kedai yang tidak menguntungkan, dan menangguhkan semua perbelanjaan mengikut budi bicara dan perbelanjaan modal yang tidak kritikal.

Disokong oleh kunci kira-kira Kumpulan yang kukuh dan gearing yang rendah, bersama-sama dengan rakan kongsi perniagaan, kami optimis akan dapat mengharungi cabaran yang dihadapi oleh ekonomi global sekarang dengan kekal berwaspada dan memberi maklum balas atau responsif kepada perubahan pasaran.

Perkara yang paling utama di minda kami untuk tahun kewangan berakhir 28 Februari 2021 adalah menjaga kebajikan kakitangan kami dan orang-orang di kawasan operasi kami. Kami mengambil semua langkah yang diperlukan untuk memastikan keselamatan di persekitaran pejabat kami, dan juga unit-unit perniagaan kami dengan melaksanakan aliran kerja dan garis panduan yang ketat berkenaan dengan langkah pencegahan COVID-19 di semua operasi.

PENGHARGAAN

Saya bagi pihak Lembaga Pengarah ingin menyampaikan penghargaan yang tidak terhingga kepada pihak pengurusan dan kakitangan di atas usaha yang berterusan, dedikasi dan sokongan padu dalam mendorong Kumpulan mengharungi cabaran. Saya juga ingin mengucapkan terima kasih kepada para pelanggan kami, pihak bank, rakan perniagaan, pelbagai agensi kerajaan di atas sokongan yang berharga, nasihat dan kepercayaan kepada Kumpulan.

Kepada para pemegang saham yang telah menyoong dan setia kepada Syarikat, kami sangat menghargai sokongan dan keyakinan anda kepada DFI. Kami akan terus berusaha untuk terus mengembangkan pertumbuhan, nilai dan kejayaan yang berterusan untuk Kumpulan.

Terima Kasih.

Adam Sani Abdullah
Pengerusi Bukan Eksekutif

Note : [a]https://www.bnm.gov.my/ar2019/

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

MR ONG BOK SIONG
(Managing Director)

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

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

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

MR LEE SZE SIANG
Executive Director
(Finance and Corporate Services)

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

BOARD OF DIRECTORS

GENERAL TAN SRI DATO' SERI MOHD AZUMI BIN MOHAMED (Retired)
(Lead Independent Director)

General Tan Sri Dato Seri Mohd Azumi bin Mohamed (Retired), a Malaysian citizen, joined the Board as an Independent Director and was appointed as the Lead Independent Director on 7 January 2011 and 28 May 2014 respectively. He holds a Master of Science in National Resource and Strategy from the Dwight D Eishenhower School For National Security and Resource National Defense University Washington DC. He is the current Chairman of Cyber Security Malaysia, an agency under the Ministry of Multimedia and Communications Malaysia. He is also the Advisor to the Organization of Islamic Cooperation Computer Emergency Response Team and its Past Chairman. He also sits on several private companies in the construction, food industry and event management.

DATO' MEGAT HISHAM BIN MEGAT MAHMUD
(Independent Director)

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

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

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. He then joined the Khong Guan group of companies and gained experience managing various food manufacturing and trading companies located all over Asia. Mr Chew is currently the executive chairman of Khong Guan Limited and is also an independent director and audit committee member of China Real Estate Group Ltd, MTQ Corporation Limited and Kim Hin Joo (Malaysia) Berhad.

KEY MANAGEMENT TEAM

MR ONG BOK SIONG
Managing Director

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

MR LEE SZE SIANG
Executive Director
(Finance and Corporate Services)

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

MR HENDRIK KORBINIAN HEYDE
Operations Director of DFZ Capital Sdn Bhd ("DFZ")

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

MS CHEAH IM BEE
Financial Controller

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

MR STUART SAW TEIK SIEW
Assistant General Manager – Group Merchandising

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mr Ong Bok Siong
(Managing Director)

Mr Lee Sze Siang
(Executive Director)

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

Dato' Megat Hisham bin Megat Mahmud
(Independent Director)

Mr Chew Soo Lin
(Independent Director)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms Thum Sook Fun

REGISTERED OFFICE

138 Cecil Street
#12-01A Cecil Court
Singapore 069538
Tel No : (65) 6534 0181
Fax No : (65) 6725 0522

SHARE REGISTRAR

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

AUDITORS

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

PARTNER-IN-CHARGE

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

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
Bank of China (Malaysia) Berhad
Citibank Berhad
CIMB Bank Berhad
DBS Bank Ltd
Deutsche Bank AG
Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad
United Overseas Bank Limited


SALE SALE
SALE SALE
SALE SALE
LANCÔME
LANCÔME
BURBERRY
paco rabanne
paco rabanne
OLYMPÉA

CORPORATE GOVERNANCE REPORT

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

This report sets out the Group's main corporate governance practices that were in place throughout the financial year ended 29 February 2020 ("**FY2020**") with specific reference to each of the principles of the Singapore Code of Corporate Governance 2018 ("**Code**") and accompanying Practice Guidance issued on 6 August 2018, which forms part of the continuing obligations of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Board of Directors ("**Board**" or "**Directors**") of the Company confirms that, for FY2020, 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, the Board considered alternative practices adopted by the Group are sufficient to meet the underlying objectives of the Code and appropriate explanations have been provided in the relevant section.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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

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

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

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

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

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

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

In order to address and manage conflicts of interests, Directors are required to promptly declare any actual, potential and perceived transactions at a Board meeting or by written notification to the Company Secretary. In addition, the Company has in place procedures for Directors to give general notice of any interests in any corporation or firm, in order to anticipate possible conflicts of interest between the Directors and the Group. This procedure is conducted upon appointment and annually, prompting Directors to update any change in interests and/or confirm its previous disclosures. Directors that are in conflict of interest with the Company, whether actual or potential, are required to recuse themselves from discussions and abstain from voting on the matter.

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

In order for the Board to efficiently provide strategic oversight over the Company and discharge its responsibilities, the Board has established a number of Board committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also constantly monitored. For further information on the duties and functions as well as the composition for the respective Board Committees, please refer to the various Principles in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

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

During FY2020, the number of meetings held and the attendance of each member at the Board and Board Committees meetings are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**
Dato' Sri Adam Sani bin Abdullah	6	6	–	–	1	1	1	1
Mr Ong Bok Siong	6	6	5	*5	–	–	–	–
Mr Lee Sze Siang	6	6	5	*5	–	–	–	–
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)	6	6	5	5	1	1	1	1
Mr Chew Soo Lin	6	6	5	5	1	1	–	–
Dato' Megat Hisham bin Megat Mahmud	6	6	5	5	–	–	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 SGX-ST, approval of the annual reports and audited financial statements, declaration of dividends, convening of general meetings, issuance of new shares, any proposed changes in the capital of the Company and approval of interested person transactions.

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

As part of their continuing education, the Directors may attend relevant training seminars or informative talks, to apprise themselves of legal, financial and other regulatory developments, at the Company's expenses. Such conferences and seminars as well as other training courses will be arranged and funded by the Company for all Directors, if required. Annually, the external auditors will update the AC and the Board on the new and revised financial reporting standards.

For newly-appointed Directors who do not have prior experience as a director of a public listed company in Singapore, the Company will arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties as a Director. All newly appointed Directors will also be given an orientation program with materials provided to help them get familiarised with the business and organisational structure of the group, including the background information about the Group's history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. Directors will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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 are subject to the approval of the Board.

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

Board Composition and Guidance

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

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

Name of Director	Date of First Appointment	Date of Last Re-election	Board	AC	NC	RC
Dato' Sri Adam Sani bin Abdullah	7 January 2011	28 June 2018	Non-Executive Chairman	–	Member	Member
Mr Ong Bok Siong	27 June 2013	20 June 2019	Managing Director	–	–	–
Mr Lee Sze Siang	13 August 2010	29 June 2017	Executive Director	–	–	–
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)	7 January 2011	20 June 2019	Lead Independent Director	Member	Chairman	Chairman
Mr Chew Soo Lin	26 August 2011	28 June 2018	Independent Director	Member	Member	–
Dato' Megat Hisham bin Megat Mahmud	9 July 2013	29 June 2017	Independent Director	Chairman	–	Member

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 substantial 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.

The Non-Executive Chairman, Dato' Sri Adam Sani bin Abdullah, is not independent in accordance with the definition of the Code. The Company notes that the current Board composition is not in compliance with Provision 2.2 of the Code that the Independent Directors make up a majority of the Board where the Chairman is not independent. Nevertheless, the Independent Directors of the Company make up half of the Board and the Company had appointed General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) as the Lead Independent Director, to provide leadership in the situations where the Chairman is conflicted, and especially when the Chairman is not independent. Therefore, the NC considered the Board has sufficient independent element and its composition is appropriate to facilitate effective decision-making.

CORPORATE GOVERNANCE REPORT (CONT'D)

As at 29 February 2020, the Lead Independent Director, General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired), who was appointed to the Board on 7 January 2011, has served on the Board beyond nine years from the date of his first appointment.

After due consideration and with the recommendation of the NC (with General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) abstaining), the Board continues to regard General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired) as independent notwithstanding the length of tenure of his service, after taking into consideration, *inter alia*, the guidelines for independence as provided for under the Code, the absence of potential conflicts of interest for the Independent Director which may arise through, *inter alia*, a shareholding interest in the Company and/or business dealings directly or indirectly with the Group, and as he has demonstrated independence in character and judgment, through, *inter alia*, his contributions to Board discussions and deliberations and ability and preparedness to exercise independent business judgment and/or decisions with the view to the best interests of the Company, without undue reliance, influence or consideration of the Group's interested parties such as the Chairman, the other Non-Independent Directors, controlling shareholders and/or their associates.

The Board notes that, with effect from 1 January 2022, the Independent Directors who served on the Board for a cumulative period of nine years from the date of first appointment would have to comply with the requirements of Rule 210(5)(d)(iii) of the Listing Manual for purpose of continuing to be designated as Independent Directors and the Company will take the necessary steps, where appropriate, to comply with such requirements.

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

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

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

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

The profiles of each of the Directors are set out on pages 12 to 13 of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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

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

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

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

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

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

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

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

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

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises the following members:

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

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

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

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

The NC is responsible for:

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

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

(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 of each Board Committees, 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 MD, and key management personnel; 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 Director(s) to the Board to fill vacancies arising from resignation, retirement or any other reasons, after considering the necessary and desirable competencies. In selecting potential new Director(s), the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities.

The potential candidate may be proposed by existing directors, substantial shareholders, management or through third party referrals. 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. Subsequent to the review of potential candidate's curriculum vitae, qualifications, experience and expertise, the recommendations for new Director(s) will be put to the Board for consideration.

The Regulation 104 of the Constitution requires one-third of the Directors to retire from office at each Annual General Meeting ("**AGM**") of the Company and all Directors to retire from office at least once every three years. It is also provided in the Regulation 108 of the Constitution that the Directors appointed by the Board during the course of the year must retire and submit themselves for re-election at the next AGM of the Company following their appointments.

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

The NC has recommended to the Board that Dato' Megat Hisham bin Megat Mahmud and Mr Lee Sze Siang be nominated for re-election at the forthcoming AGM. The Board has accepted the recommendation and the retiring Directors will be offering themselves for re-election.

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

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

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. In arriving at the aforesaid conclusion, the NC had taken into account, *inter alia*, the contributions by the Directors during the meetings and attendance at such meetings. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold as it considers that the multiple board representations presently held by its Directors do not impede their performance in carrying out their duties to the Company. 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 FY2020.

The names and the key information as well as shareholdings of the Directors in office as at the date of this report are set out in pages 12 to 13 and 36 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

Board Performance

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

The Board and Board Committees have implemented a process for assessing the effectiveness of the Board as a whole and of each Board Committee respectively, as well as the contribution by the Chairman and each individual director to the Board. The Board had approved the objective performance criteria and process for such evaluations based on the NC's recommendation. The NC has adopted an assessment checklist, which includes various quantitative and qualitative evaluation factors, and disseminates the same to each Director for completion.

The NC had conducted the Board's performance evaluation as a whole, together with the performance evaluation of the Board Committees and each Director individually as well as Chairman of the Board. The summary of the assessment results were discussed at the NC Meeting.

The performance criteria cover the following main areas:

(i) Board Composition and Structure;

(ii) Conduct of Meetings;

(iii) Corporate Strategy and Planning;

(iv) Risk Management and Internal Control;

(v) Measuring and Monitoring Performance;

(vi) Financial Reporting;

(vii) Knowledges and Duties; and

(viii) Communication skills with internal and external parties i.e. Shareholders.

The assessment parameters for each Director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the quality of participation at meetings. The NC and the Board have relied on the above-mentioned parameters to evaluate the Directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the Directors. No external facilitator was engaged by the Company during the evaluation process in FY2020.

The replacement of a Director, when it occurs, does not necessarily reflect the Director's performance, but may be driven by the need to align the Board with the changing needs of the Group's business and operations.

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises the following members:

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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

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

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

The RC is responsible for:

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

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

Level and Mix of Remuneration

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

Disclosure on Remuneration

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

A breakdown of the level and mix of remuneration paid/payable to each Director in remuneration bands of S$250,000 for FY2020 are as follows:

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

The total Directors' fees for FY2020, which will be put to shareholders for approval at the forthcoming AGM, amounted to S$145,000 (FY2019: S$145,000).

For FY2020, the Group had identified four key management personnel (who are not Directors or the CEO of the Company). The details of remuneration paid to the key management personnel of the Group (who are not Directors or the CEO of the Company) for FY2020 are set out below:

Remuneration Band and Name of Key Management Personnel	Salary and Bonus	Other Benefits	Total
	%	%	%
Above S$250,000			
Mr Andreas Curt Winnen	78	22	100
Below S$250,000			
Mr Hendrik Korbinian Heyde	85	15	100
Ms Cheah Im Bee	100	–	100
Mr Stuart Saw Teik Siew	100	–	100

For FY2020, the aggregate total remuneration paid to the key management personnel of the Group (who are not Directors or the CEO of the Company) amounted to approximately S$1,080,060.

There were no employees who are immediate family members of a Director, the CEO or a substantial shareholder of the Company whose remuneration exceeds S$100,000 in the Group's employment during FY2020.

The Company does not have any employee share option scheme or any long-term incentive scheme in place during FY2020.

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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

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

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

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

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

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

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

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

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

The RMT is tasked to:

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

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

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

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

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

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

(i) the financial records have been properly maintained and the financial statements for FY2020 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 2020.

Audit Committee

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

The AC comprises the following members:

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

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

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

All three members of the AC are Independent Directors. The AC members have had many years of experience in accounting, business and financial management. The Board considers that the AC members 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) to review and 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;

CORPORATE GOVERNANCE REPORT (CONT'D)

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

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

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

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

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

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

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

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

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

The AC recommends to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors and approving the remuneration of the external auditors. 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 to Audit Committees on Evaluation of Quality of Work Performed by External Auditors, issued in July 2010 by SGX-ST and ACRA. Accordingly, the AC has recommended to the Board the nomination of Ernst & Young LLP for reappointment as external auditors of the Company at the forthcoming AGM. The Company confirms that Rule 712, Rule 715 and Rule 716 of the Listing Manual in relation to the appointment of auditing firms for the Group have been complied with. The Board and the AC are satisfied that the appointment of different auditing firms for its Singapore-incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

None of the members of the AC was a former partner or director of the Company's external auditors within a period of two years commencing on the date of their ceasing to be a partner or director of the External Auditors and none of the AC members hold any financial interest in the external 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 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.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. The external auditors will work with the Management to ensure that the Group complies with the new accounting standards, if applicable.

In the review of the financial statements for FY2020, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the AC is satisfied that those matters as follow had been properly dealt with. The Board had approved the financial statements.

CORPORATE GOVERNANCE REPORT (CONT'D)

Key Audit Matters	Approach and measurements
Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROUA")	The AC reviewed and is satisfied with the reasonableness of management's judgments and assumptions used in the value in use calculations to determine the recoverable amount of the cash generating units ("CGU"). The recoverable amount was determined using probability-based cash flow projections. The key estimates include the revenues growth rates under various recovery scenarios, budgeted gross margin, budgeted operating costs and discount rates. AC is satisfied with the carrying values of the PPE and ROUA. The impairment review was also an area of focus for external auditor. The external auditor has included this as key audit matter in its audit report for FY2020. Please refer to the Page 40 of this Annual Report.
Impairment assessment of goodwill	The AC reviewed and is satisfied with the reasonableness of management's judgments and assumptions used in the value in use calculations to determine the recoverable amount of the CGU. The recoverable amount was determined using probability-based cash flow projections. The key estimates include the revenues growth rates under various recovery scenarios, budgeted gross margin, budgeted operating costs, discount rates and long term growth rate. AC is satisfied with the carrying values of the goodwill. The impairment review was also an area of focus for external auditor. The external auditor has included this as key audit matter in its audit report for FY2020. Please refer to the Page 40 of this Annual Report.
Assessment of allowance for inventories	The AC considered the approach and methodology applied in allowance for inventories assessment. It was determined based on management's expectation about future sales of inventory before the expiry date by comparing to historical sales pattern with consideration of COVID-19 impact on the passenger traffic and the nature of the inventories. The assessment was also an area of focus for external auditor. The external auditor has included this as key audit matter in its audit report for FY2020. Please refer to the Page 41 of this Annual Report.
Impairment assessment of investments in subsidiaries	The AC reviewed and is satisfied with the reasonableness of management's judgments and assumptions used in the value in use calculations to determine the recoverable amount of the CGU. The recoverable amount was determined using probability-based cash flow projections. The key estimates include the revenues growth rates under various recovery scenarios, budgeted gross margin, budgeted operating costs, discount rates and long term growth rate. AC is satisfied with the carrying values of the investments in subsidiaries. The impairment review was also an area of focus for external auditor. The external auditor has included this as key audit matter in its audit report for FY2020. Please refer to the Page 41 of this Annual Report.

For FY2020, 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 FY2020, the aggregate amount of fees paid or payable to the Company's external auditors, Ernst & Young LLP, was S$144,400,

CORPORATE GOVERNANCE REPORT (CONT'D)

comprising approximately S$141,000 of audit fees and S$3,400 of non-audit fees; whereas the aggregate amount of fees paid or payable to other auditors of the Group was S$257,000, comprising approximately S$229,000 of audit fees, and S$28,000 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 to the Chairman of the AC 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 FY2020.

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

The AC will review the adequacy and effectiveness of the internal audit function to ensure that internal audits function is conducted effectively, and that the Management provided the necessary co-operation to enable the internal auditors to perform the function. After having reviewed the internal audit reports and remedial actions implemented by Management, the AC is satisfied that the internal audit function is independent, effective, adequately resourced and 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.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meetings

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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 or respective professional bodies 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. A member who is a Relevant Intermediary is allowed to appoint more than two proxies 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.

The Company adheres to the requirements of the Rule 730A of the Listing Manual and the Code whereby all resolutions at the Company's general meetings are put to vote by poll. For cost effectiveness, the voting of the resolutions at the general meetings is conducted by manual polling. The detailed results of each resolution are announced via SGXNet after the general meetings on the same day.

Each item of special business resolutions 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. There is no bundling of the resolutions as they are not interdependent and linked to each other. The Company will make the minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and Management, available to shareholders upon their requests.

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

The Chairman of the Board and the respective Chairman of the AC, NC and RC are normally present and available to address questions from shareholders at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries by shareholders. Save for the Non-Executive Chairman who was abroad and appointed General Tan Sri Dato' Sri Mohd Azumi bin Mohamed (Retired) to chair the AGM 2019, all the other directors attended the AGM 2019 held on 20 June 2019.

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 FY2020, the Company had on 9 October 2019, declared a first one-tier tax exempt interim dividends of S$0.005 per ordinary share which were paid to shareholders on 7 November 2019.

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

Communication to shareholders by the Company is made through:

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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

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

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

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

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

In view of the current COVID-19 situation, the forthcoming AGM in respect of FY2020 will be convened and held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Order provides that the alternative arrangements apply to meetings held during the period commencing from 27 March 2020 to 30 September 2020 relating to attendance at the AGM via electronic means, i.e. live audio-visual webcast or live audio-only stream, appointing the Chairman of the AGM as the proxy at the AGM, submission of questions in advance, addressing of substantial and relevant questions prior to or at the AGM (if any). The Notice of AGM and relevant circular will be sent to shareholders by electronic means via publication on SGXNet and the Company's corporate website.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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

The Company has its materiality assessment process to identify their key stakeholders who have direct influence on the business and operations but not limited to customers, employees, Board of Directors, government, investors, suppliers and financiers via the engagement platforms, areas of concern and its frequency announced to SGX-ST via its Sustainability Report 2020 announced on 30 July 2020 for financial year ended 29 February 2020. The stakeholders can access the said Sustainability Report 2020 and other relevant announcement such as financial information, corporate announcements, press releases, annual reports and the profile of the Group via Company's website at http://www.dfi.com.sg.

(F) DEALINGS IN COMPANY'S SECURITIES

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

(G) INTERESTED PERSON TRANSACTIONS

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

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

Name of interested person	Nature of relationship	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	Immediate holding company	2,000	–

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

(H) MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors (including MD) 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 FY2020, or if not then subsisting, entered into since the end of the previous financial year ended 28 February 2019.

(I) USE OF PROCEEDS FROM PLACEMENT EXERCISES

The Company had, on 7 March 2016, 24 March 2016, 11 August 2016, 26 August 2016, and 23 March 2017 completed five placement exercises of (i) 39 million new ordinary shares, (ii) 5.5 million treasury shares, (iii) 20 million new ordinary shares, (iv) 30 million new ordinary shares and (v) 34.15 million new ordinary shares in the capital of the Company respectively (total 128.65 million new ordinary shares), raising a total net proceeds of S$43.6 million.

As at the date of this report, the Company has utilised the net proceeds from the placement exercises as detailed below:-

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

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

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

The amount remaining from the net proceeds as at date of this report is approximately S$37.52 million and the Company will make periodic announcements as and when the net proceeds from the abovementioned placement exercises is materially disbursed.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Duty Free International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 29 February 2020.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 29 February 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

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

Arrangements to enable directors to acquire shares or debentures

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

DIRECTORS' STATEMENT (CONT'D)

Directors' interests in shares, warrants or debentures

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

	Direct interest		Deemed interest	
Name of director	**As at 01.03.2019**	**As at 29.02.2020**	**As at 01.03.2019**	**As at 29.02.2020**
Ordinary shares of the Company				
Dato' Sri Adam Sani bin Abdullah	–	–	905,028,113(1)	905,028,113(1)
Chew Soo Lin	2,669,399	2,669,399	133,000(2)	133,000(2)
Ordinary shares in the immediate holding company (Atlan Holdings Bhd)				
Dato' Sri Adam Sani bin Abdullah	64,061	–	130,255,153(3)	130,319,214(3)
Chew Soo Lin	3,842,966	3,842,966	–	–

(1) Dato' Sri Adam Sani Bin Abdullah is deemed to have interest in the 905,028,113 Shares held by Atlan Holdings Bhd through Chesterfield Trust Company Limited as Trustees of The Lim Family Trust by virtue of himself as the settlor, initial Protector and a primary beneficiary of The Lim Family Trust.

(2) Chew Soo Lin is deemed interested in the 133,000 Shares held by his mother, Chong Sai Noi @ Chong Mew Leng.

(3) Deemed interested held though Chesterfield Trust Company Limited as Trustees of The Lim Family Trust in Distinct Continent Sdn Bhd and Alpretz Capital Sdn. Bhd. by virtue of himself being the Settlor, initial Protector and a primary beneficiary of Trust.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 March 2020.

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

Options

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

DIRECTORS' STATEMENT (CONT'D)

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT (CONT'D)

Auditor

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

On behalf of the Board:

Ong Bok Siong
Director

Lee Sze Siang
Director

Singapore
15 July 2020

INDEPENDENT AUDITORS' REPORT

For the financial year ended 29 February 2020
To the Members of Duty Free International Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Duty Free International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 29 February 2020, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 29 February 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

For the financial year ended 29 February 2020
To the Members of Duty Free International Limited

Key Audit Matters (cont'd)

Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROUA")

As at 29 February 2020, the carrying amount of the Group's PPE and ROUA is RM64.1 million and RM128.6 million, which represents 30% and 60% of the non-current assets respectively. The COVID-19 pandemic had significantly impacted the Group's retail business in Malaysia. Accordingly, there are impairment indications affecting the Group's certain significant cash-generating units ("CGU"). Management's impairment assessment of PPE and ROUA was significant to the audit due to magnitude of the amount, heightened level of estimation uncertainty associated with current market and economic condition and it involved significant management judgment. Hence, we consider this to be a key audit matter.

The recoverable amounts of the PPE and ROUA have been determined based on value in use calculations using probability-based cash flow projections approved by management. During the year ended 29 February 2020, management recognised impairment loss on PPE and ROUA of RM2.3 million and RM1.4 million respectively.

We assessed the methodology of the value in use calculations used by management. We held discussions with the relevant senior management personnel to understand the basis for the assumptions used in forming the estimates underpinning the assessment of the recoverable amount of these assets. The key estimates include the revenue growth rates under various recovery scenarios, budgeted gross margin, budgeted operating costs and discount rates.

We evaluated these estimates based on our knowledge of the business and available industry news providing insights on the different scenarios of possible recovery of passenger traffic for outlets located at airports and land borders. We assessed the reasonableness of the revenue growth rates and budgeted gross margin, taking into consideration past performance with further consideration of the current market condition due to COVID-19, by comparing them to industry information on market outlook and expected recovery scenarios. We compared the budgeted operating costs to historical results taking into account cost-cutting measures undertaken by the Group, such as closure of non-profitable outlets as well as significant reduction in human resource costs. Where applicable, we also compared the assumptions to financial results available subsequent to year end. We involved our internal valuation specialist to assess the reasonableness of the discount rates by checking to comparable companies in the same industry. We also reviewed the adequacy of the disclosures in Note 11 Property, plant and equipment and Note 26 Right-of-use assets.

Impairment assessment of goodwill

As at 29 February 2020, the carrying amount of goodwill is RM17.3 million, which represents 8% of the non-current assets. Management recognised impairment loss amounting to RM11.5 million against the goodwill during the year ended 29 February 2020. We considered the audit of management's impairment assessment of goodwill to be a key audit matter because the assessment process involved significant management judgment and heightened level of estimation uncertainty associated with current market and economic condition.

As disclosed in Note 14, goodwill is allocated to three CGUs. The recoverable amounts of the CGU have been determined based on value in use calculations using probability-based cash flow projections approved by management. For the value in use calculations, we have performed similar procedures as described in key audit matter on Impairment assessment of PPE and ROUA. Additionally, we also involved our internal valuation specialist to assess the reasonableness of the long-term growth rate by comparing it to external economic data such as economic growth and inflation rate.

For the assumption on renewal of the Group's duty-free license agreement, we inquired with senior management on their historical renewal experience and their assessment of the Group's ability to renew the agreement. We also reviewed the adequacy of the disclosures in Note 14 Goodwill.

INDEPENDENT AUDITORS' REPORT (CONT'D)

For the financial year ended 29 February 2020
To the Members of Duty Free International Limited

Key Audit Matters (cont'd)

Assessment of allowance for inventories

As at 29 February 2020, the carrying amount of the Group's inventories is RM133.4 million. We considered the audit of management's assessment of allowance for inventory to be a key audit matter because management is required to exercise judgement and estimate to assess the allowance required for inventories which may remain unsold by the expiry date as a result of reduction in consumer demand due to COVID-19 outbreak. Such judgements include management's expectations for future sales, sales plans and management's forecast of inventory levels required to meet consumer demand which are uncertain in light of COVID-19 outbreak.

We discussed with management to understand their procedures to identify and assess the allowance for inventory. We considered the appropriateness of management's expectation about future sales of inventory before the expiry date by comparing to historical sales pattern with consideration of COVID-19 impact on the passenger traffic and the nature of the inventories. We selected samples of inventories and re-performed inventories ageing calculation and checked the expiry dates of the selected inventories. We compared the actual selling prices of the inventories subsequent to year end, on a sample basis, to their carrying amounts to check the inventories are stated at the lower of cost and net realisable value. We also reviewed the adequacy of the disclosures in Note 20 Inventories.

Impairment assessment of investments in subsidiaries

As at 29 February 2020, the carrying amount of the Company's investment in subsidiaries is RM839.7million. During the year ended 29 February 2020, management recognised impairment loss of RM3.9 million on investment in Brand Connect Holding Pte. Ltd. We considered the audit of management's impairment assessment of investments in subsidiaries to be a key audit matter because the assessment process involved significant management judgment and heightened level of estimation uncertainty associated with current market and economic condition.

The recoverable amount of the investment in subsidiaries are determined based on value in use calculations using cash flow projections approved by management. For the value in use calculations, we have performed similar procedures as described in key audit matter on Impairment assessment of PPE and ROUA. We also involved our internal valuation specialist to assess the reasonableness of the long-term growth rate by comparing it to external economic data such as economic growth and inflation rate.

We also assessed the adequacy of the disclosures on the investment in subsidiaries in Note 15 to the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITORS' REPORT (CONT'D)

For the financial year ended 29 February 2020
To the Members of Duty Free International Limited

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

For the financial year ended 29 February 2020
To the Members of Duty Free International Limited

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lai Hiang.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 July 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 29 February 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
Revenue	4	617,238	556,326
Changes in inventories		(28,477)	37,954
Inventories purchased and materials consumed		(435,531)	(418,457)
Other income	5	18,368	17,542
Employee benefits expenses	6	(36,250)	(36,720)
Depreciation of property, plant and equipment	11	(5,731)	(5,447)
Depreciation of right-of-use assets	26	(9,254)	–
Amortisation of land use rights	13	–	(465)
Amortisation of intangible assets	16	(122)	(158)
Impairment loss on property, plant and equipment	11	(2,309)	(162)
Impairment loss on right-of-use assets	26	(1,434)	–
Impairment of goodwill	14	(11,524)	–
Rental of premises		(31,546)	(47,818)
Commission expenses		(1,816)	(2,661)
Professional fees		(3,330)	(2,981)
Promotional expenses		(1,435)	(1,865)
Utilities and maintenance expenses		(5,208)	(5,361)
Realised foreign exchange gain		1,372	1,076
Unrealised foreign exchange gain/(loss)		2,838	4,229
Gain arising from changes in fair value of call options		–	1,017
Other operating expenses	7	(35,016)	(28,045)
Operating profit		30,833	68,004
Finance costs	8	(6,822)	(552)
Profit before tax		24,011	67,452
Income tax expense	9	(12,902)	(14,877)
Profit for the year		11,109	52,575
Attributable to:			
Owners of the Company		10,880	46,517
Non-controlling interests		229	6,058
		11,109	52,575
Earnings per share attributable to owners of the Company (sen per share)			
Basic	10	0.91	3.84
Diluted	10	0.91	3.84

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 2020

	Group	
	2020	**2019**
	RM'000	RM'000
Profit for the year	11,109	52,575
Other comprehensive income:		
Foreign currency translation	1,079	(168)
Total comprehensive income for the year	12,188	52,407
Attributable to:		
Owners of the Company	11,856	46,365
Non-controlling interests	332	6,042
Total comprehensive income for the year	12,188	52,407

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

STATEMENTS OF FINANCIAL POSITION

As at 29 February 2020

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	64,099	70,538	–	–
Land use rights	13	–	22,884	–	–
Goodwill	14	17,292	28,816	–	–
Investments in subsidiaries	15	–	–	839,666	840,038
Intangible assets	16	339	888	–	–
Prepayments	18	–	29,709	–	–
Deferred tax assets	19	4,861	2,709	–	–
Right-of-use assets	26	128,630	–	–	–
		215,221	155,544	839,666	840,038
Current assets					
Biological assets	12	26	103	–	–
Trade and other receivables	17	81,966	104,020	262	70,738
Prepayments	18	2,754	12,780	–	25
Inventories	20	133,406	170,805	–	–
Cash and bank balances	21	334,648	305,617	251,957	218,417
Tax recoverable		1,861	3,975	–	–
		554,661	597,300	252,219	289,180
Total assets		769,882	752,844	1,091,885	1,129,218
Equity and liabilities					
Current liabilities					
Borrowings	22	34,685	21,288	–	–
Trade and other payables	23	73,201	151,690	726	37,257
Provision for restoration costs	24	439	–	–	–
Contract liabilities	4	8,876	3,347	–	–
Derivative liabilities	25	–	13	–	–
Lease liabilities	26	1,765	–	–	–
Income tax payable		2,359	1,429	349	354
		121,325	177,767	1,075	37,611
Net current assets		433,336	419,533	251,144	251,569

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

As at 29 February 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Non-current liabilities					
Deferred tax liabilities	19	6,188	4,613	1,613	–
Derivative liabilities	25	222	515	515	515
Lease liabilities	26	83,943	–	–	–
Provision for restoration costs	24	501	–	–	–
Borrowings	22	306	650	–	–
		91,160	5,778	2,128	515
Total liabilities		212,485	183,545	3,203	38,126
Net assets		557,397	569,299	1,088,682	1,091,092
Equity attributable to owners of the Company					
Share capital	27	616,752	616,752	1,107,574	1,107,574
Treasury shares	27(c)	(22,017)	(16,503)	(22,017)	(16,503)
Other reserves	27(a)	(144,647)	(144,433)	661	661
Retained earnings/(accumulated losses)		91,023	98,636	2,464	(640)
		541,111	554,452	1,088,682	1,091,092
Non-controlling interests		16,286	14,847	–	–
Total equity		557,397	569,299	1,088,682	1,091,092
Total equity and liabilities		769,882	752,844	1,091,885	1,129,218

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 29 February 2020

	Attributable to owners of the Company										
	Ordinary shares	**Treasury shares**	**Total other reserves**	**Foreign currency translation reserve**	**Net premium paid/ received on transactions with non-controlling interests**	**Gain on reissuance of treasury shares**	**Capital reserve**	**Retained earnings**	**Total equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
Opening balance at 1 March 2019	616,752	(16,503)	(144,433)	(123)	(142,413)	661	(2,558)	98,636	554,452	14,847	569,299
Profit for the year	–	–	–	–	–	–	–	10,880	10,880	229	11,109
Other comprehensive income for the year	–	–	976	976	–	–	–	–	976	103	1,079
Total comprehensive income for the year	–	–	976	976	–	–	–	10,880	11,856	332	12,188
Transactions with owners:											
Purchase of treasury shares	–	(5,514)	–	–	–	–	–	–	(5,514)	–	(5,514)
Dividends on ordinary shares (Note 36)	–	–	–	–	–	–	–	(18,493)	(18,493)	–	(18,493)
Total transactions with owners	–	(5,514)	–	–	–	–	–	(18,493)	(24,007)	–	(24,007)
Transactions with non-controlling interests:											
Transfer to reserves	–	–	(1,190)	–	–	–	(1,190)	–	(1,190)	1,107	(83)
Total transactions with non-controlling interests	–	–	(1,190)	–	–	–	(1,190)	–	(1,190)	1,107	(83)
Closing balance at 29 February 2020	616,752	(22,017)	(144,647)	853	(142,413)	661	(3,748)	91,023	541,111	16,286	557,397

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 29 February 2020

	Attributable to owners of the Company										
	Ordinary shares	**Treasury shares**	**Total other reserves**	**Foreign currency translation reserve**	**Net premium paid/ received on transactions with non-controlling interests**	**Gain on reissuance of treasury shares**	**Capital reserve**	**Retained earnings**	**Total equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
Opening balance at 1 March 2018	616,752	(10,517)	(141,723)	29	(142,413)	661	–	117,514	582,026	17,659	599,685
Profit for the year	–	–	–	–	–	–	–	46,517	46,517	6,058	52,575
Other comprehensive income for the year	–	–	(152)	(152)	–	–	–	–	(152)	(16)	(168)
Total comprehensive income for the year	–	–	(152)	(152)	–	–	–	46,517	46,365	6,042	52,407
<u>Transactions with owners:</u>											
Purchase of treasury shares	–	(5,986)	–	–	–	–	–	–	(5,986)	–	(5,986)
Dividends on ordinary shares (Note 36)	–	–	–	–	–	–	–	(65,395)	(65,395)	–	(65,395)
Total transactions with owners	–	(5,986)	–	–	–	–	–	(65,395)	(71,381)	–	(71,381)
<u>Transactions with non-controlling interests</u>:											
Acquisition of a subsidiary (Note 15(d))	–	–	–	–	–	–	–	–	–	5,056	5,056
Transfer to reserves	–	–	(2,558)	–	–	–	(2,558)	–	(2,558)	2,558	–
Transfer to payables	–	–	–	–	–	–	–	–	–	(7,348)	(7,348)
Dividends payable to non-controlling interests (Note 15(b))	–	–	–	–	–	–	–	–	–	(9,120)	(9,120)
Total transactions with non-controlling interests	–	–	(2,558)	–	–	–	(2,558)	–	(2,558)	(8,854)	(11,412)
Closing balance at 28 February 2019	616,752	(16,503)	(144,433)	(123)	(142,413)	661	(2,558)	98,636	554,452	14,847	569,299

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 29 February 2020

Company	Ordinary shares RM'000 (Note 27)	Treasury shares RM'000	Others reserves RM'000	Retained earnings/ (accumulated losses) RM'000	Total equity RM'000
Opening balance at 1 March 2019	1,107,574	(16,503)	661	(640)	1,091,092
Profit for the year	–	–	–	21,597	21,597
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	21,597	21,597
Transactions with owners:					
Purchase of treasury shares	–	(5,514)	–	–	(5,514)
Dividends on ordinary shares (Note 36)	–	–	–	(18,493)	(18,493)
Total transactions with owners	–	(5,514)	–	(18,493)	(24,007)
Closing balance at 29 February 2020	1,107,574	(22,017)	661	2,464	1,088,682

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 29 February 2020

Company	Ordinary shares RM'000 (Note 27)	Treasury shares RM'000	Others reserves RM'000	Accumulated losses RM'000	Total equity RM'000
Opening balance at 1 March 2018	1,107,574	(10,517)	661	(965)	1,096,753
Profit for the year	–	–	–	65,720	65,720
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	65,720	65,720
Transactions with owners:					
Purchase of treasury shares	–	(5,986)	–	–	(5,986)
Dividends on ordinary shares (Note 36)	–	–	–	(65,395)	(65,395)
Total transactions with owners	–	(5,986)	–	(65,395)	(71,381)
Closing balance at 28 February 2019	1,107,574	(16,503)	661	(640)	1,091,092

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 29 February 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
Cash flows from operating activities			
Profit before tax		24,011	67,452
Adjustments for:			
Amortisation of land use rights	13	–	465
Amortisation of intangible assets	16	122	158
Depreciation of property, plant and equipment	11	5,731	5,447
Depreciation of right-of-use assets	26	9,254	–
Impairment loss on property, plant and equipment	11	2,309	162
Impairment loss on right-of-use assets	26	1,434	–
Bad debts written off	7	143	–
Impairment loss on receivables	7	2,179	–
Finance costs	8	6,822	552
Gain arising from changes in fair values of call options		–	(1,017)
Loss arising from changes in fair values of biological assets	12	77	49
Gain on disposal of property, plant and equipment	5	(32)	(29)
Interest income	5	(10,762)	(11,546)
Inventories written off	7	1,063	124
Inventories written down	7	7,022	2,469
Impairment of goodwill	14	11,524	–
Net unrealised foreign exchange gain		(2,838)	(4,229)
Property, plant and equipment written off	7	809	1,092
Provision of short term accumulating compensated absences	6	14	20
Operating cash flows before changes in working capital		58,882	61,169
Changes in working capital			
Increase in trade and other receivables		(9,792)	(7,438)
Decrease in prepayments		612	9,338
Decrease/(increase) in inventories		29,314	(30,176)
(Decrease)/increase in trade and other payables		(26,465)	13,398
Cash flows from operations		52,551	46,291
Interest paid		(1,265)	(552)
Income taxes paid		(10,435)	(16,927)
Net cash flows from operating activities		40,851	28,812

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the financial year ended 29 February 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
Cash flows from investing activities			
Net cash outflow on acquisition of a subsidiary	15(d)	–	(3,760)
Interest received		10,762	11,546
Proceeds from disposal of property, plant and equipment		32	42
Purchase of property, plant and equipment		(2,742)	(4,831)
Proceeds from/(investment in) debt securities	17	30,000	(30,000)
Net cash flows generated from/(used in) investing activities		38,052	(27,003)
Cash flows from financing activities			
Increase in pledged fixed deposits		(272)	(292)
Payment of lease liability		(2,149)	–
Proceeds from other short term borrowings		13,518	1,177
Purchase of treasury shares		(5,514)	(5,986)
Net repayment of obligations under finance leases		(465)	(390)
Dividends paid to the owners of the Company		(54,869)	(65,137)
Dividends paid to non-controlling interests of subsidiaries		(4,695)	(4,425)
Net cash used in financing activities		(54,446)	(75,053)
Net increase/(decrease) in cash and cash equivalents		24,457	(73,244)
Effects of foreign exchange rate changes		4,302	5,528
Cash and cash equivalents at beginning of the year		296,424	364,140
Cash and cash equivalents at end of the year	21	325,183	296,424

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 29 February 2020

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 immediate holding company is Atlan Holdings Bhd ("Atlan"). Atlan is a public limited company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at 138 Cecil Street #12-01A Cecil Court, Singapore 069538.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Malaysian Ringgit (RM) and all values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

<u>Outbreak of the Coronavirus Disease ("COVID-19")</u>

The COVID-19 outbreak and the measures taken to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects. It has impacted and is expected continue to impact the business of the Group subsequent to the financial year end. At the date of this report, certain restrictions are still being imposed by authorities such as closure of the international borders, overseas travel restrictions and compliance to the Standard Operating Procedures ("SOPs") have impeded the Group's business operations significantly. These are expected to have an adverse impact on the Group's earnings, cash flows and financial condition in the next financial year.

In order to minimise the adverse impact from COVID-19, the Group had carried out cost cutting measures on the Group's operating overheads and fixed costs which included putting in place cost-containment measures such as reduction of casual labours, leave clearance, closure of non-profitable outlets, deferral of all discretionary expenses and non-critical capital expenditures, and at the same time ensured COVID-19 standard operating procedures are being complied throughout the Group.

The above has triggered impairment indicators for various non-financial assets (including goodwill, property, plant and equipment, right-of-use assets and investments) and affected the saleability of the inventories. The Group has taken a robust approach in assessing the impact and provided for the necessary impairments based on its current assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.1 Basis of preparation (cont'd)

Outbreak of the Coronavirus Disease ("COVID-19") (cont'd)

The financial impact of COVID-19 pandemic incorporated in the financial statement of the Group and the Company for the financial year ended 29 February 2020 are as follows:

- Impairment of property, plant and equipment and right-of-use assets recorded for several outlets (Refer to Note 11 and 26)
- Impairment of goodwill recorded on three Cash Generating Units ("CGUs") (Refer to Note 14)
- Inventories were written down to their net realisable value based on expected saleability of the inventories before expiry, in view of reduction in consumer demand (Refer to Note 20)
- Impairment of investments in subsidiaries held by the Company was recorded (refer to Note 15)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year applied except the Group applied SFRS(I) 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Group's financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SFRS(I) 16 *Leases*

SFRS(I)16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 March 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 March 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.2 Changes in accounting policies and disclosures (cont'd)

SFRS(I) 16 *Leases (cont'd)*

The effect of adopting SFRS(I) 16 as at 1 March 2019 was as follows:

	RM'000
Assets	
Increase in right-of-use assets	136,245
Decrease in land use rights	(22,884)
Decrease in property, plant and equipment	(246)
Decrease in prepayments	(33,085)
Increase in total assets	80,030
Liabilities	
Increase in lease liabilities	79,292
Increase in provision for restoration costs	738
Increase in total liabilities	80,030

The Group has lease contracts for land use rights, leasehold land, office premises, retail outlets, warehouse and staff quarters. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.21 for the accounting policy prior to 1 March 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.21 for the accounting policy beginning 1 March 2019. The standard provides specific transition requirements and practical expedients which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

2.2 Changes in accounting policies and disclosures (cont'd)

SFRS(I) 16 *Leases (cont'd)*

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 March 2019:

- right-of-use assets of RM136,245,000 were recognised and presented separately in the statement of financial position;
- lease liabilities of RM79,292,000 were recognised in the statement of financial position;
- provision of restoration cost of RM738,000 were recognised in the statement of financial position;
- land use rights of RM22,884,000 related to previous operating leases were derecognised;
- Leasehold land of RM246,000 previously included in property, plant and equipment were derecognised; and
- prepayments of RM33,085,000 related to previous operating leases were derecognised.

The lease liabilities as at 1 March 2019 can be reconciled to the operating lease commitments as at 28 February 2019 as follows:

	RM'000
Assets	
Operating lease commitments as at 28 February 2019	162,404
Weighted average incremental borrowing rate as at 1 March 2019	5.71%
Discounted operating lease commitments as at 1 March 2019	80,622
Less:	
Commitments relating to short-term leases	(1,101)
Commitments relating to leases of low-value assets	(229)
Lease liabilities as at 1 March 2019	79,292

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, FRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020
SFRS(I) 17 *Insurance contracts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS (I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application.

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.

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

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

(a) Basis of consolidation (cont'd)

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquire (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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)

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

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

Buildings	over 27 to 48 years
Golf course	over the remaining lease term of 38 years
Furniture and fittings	5 to 10 years
Electrical installation and air conditioner	5 to 10 years
Other assets	5 to 10 years

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.8 Intangible assets

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

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

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

Distribution rights

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

2.9 Bearers trees and biological assets

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

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

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

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

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

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

2.10 Land use rights

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.11 Impairment of non-financial assets

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

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

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

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

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

2.12 Subsidiaries

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

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

2.13 Financial assets

Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.13 Financial assets (cont'd)

Subsequent measurement

Investments in debt instruments

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

(a) Amortised cost

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

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

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

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

Derecognition

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

2.14 Impairment of financial assets

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

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

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

2.14 Impairment of financial assets (cont'd)

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

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

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

2.15 Cash and cash equivalents

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

2.16 Inventories

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

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

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

2.17 Financial liabilities

Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.17 Financial liabilities (cont'd)

Subsequent measurement

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

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

De-recognition

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

2.18 Provisions

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

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

2.19 Borrowing costs

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

2.20 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

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

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

2.20 Employee benefits (cont'd)

(c) Employee leave entitlements

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

(d) Termination benefits

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

2.21 Leases

Accounting policy applicable from 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	–	Over 92 years
Land use rights	–	39 to 99 years
Office premises, retail outlets, warehouse, staff quarters	–	1 to 19 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.21 Leases (cont'd)

Accounting policy applicable from 1 January 2019 (cont'd)

Group as a lessee (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Accounting policy applicable prior to 1 March 2019

Group as a lessee

Operating lease payments are recognised as expenses 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 expenses over the lease term on a straight-line basis.

2.22 Revenue

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

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

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

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

2.22 Revenue (cont'd)

(ii) Consignment sales

The Group acts as an agent to sell consignment goods at their premise. The Group recognises the net amount of consideration that the Group retains after paying the consignor as and when the goods are sold.

(iii) Rental income

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

(iv) Revenue from parking operations

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

(v) Management income

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

(vi) Sale of fresh oil palm fruit bunches

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

(vii) Interest income

Interest income is recognised using the effective interest method.

2.23 Taxes

(a) Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

2.23 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

(c) Goods and services tax

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

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

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

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

2.24 Segment reporting

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

Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issuance expenses

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

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

2.26 Contingencies

A contingent liability is:

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

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

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

2.27 Treasury shares

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

3. Significant accounting judgments and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Put options liability

Put options are granted to the Group to acquire remaining interest in Brand Connect Holding Pte. Ltd. ("BCH"). Judgement has been made by the Group to determine the earliest possible date for the put options to be exercised in the computation of liability (refer to Note 23).

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend.

3.2 Key sources of estimation uncertainty

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

(a) Impairment of non-financial assets

Management performs impairment testing for the following assets:

- Goodwill;
- Property, plant and equipment;
- Right-of-use assets;
- Investments in subsidiaries

The above non-financial assets are tested whenever there is an indication of impairment, except goodwill which is tested for impairment annually. Impairment is recognised when events and circumstances indicate that the non-financial assets may be impaired and the carrying amounts of the non-financial assets exceed the recoverable amounts. Recoverable amount is defined as the higher of the non-financial assets' fair value less costs to sell and its value-in-use.

When value-in-use calculations are undertaken, Management estimates the recoverable amount based on a discounted cash flow model. The cash flows are derived from the budget approved by the Management. The recoverable amount is sensitive to budgeted gross margin, revenue growth rate as well as the discount rate used for the discounted cash flow model. For impairment assessment of goodwill and investments in subsidiaries, in addition to assumptions mentioned above, the recoverable amount is also sensitive to long term growth rate. Changes in these assumptions may result in changes in recoverable values.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) Impairment of non-financial assets (cont'd)

As mentioned in Note 2.1 to the financial statements, COVID-19 pandemic has adversely affected the Group's business operations significantly. It has led to an unprecedented level of market volatilities and economic uncertainties. There is high level of uncertainties associated with the current market and economic condition which affect the assumptions used in the value-in-use calculations. The determination of value-in-use calculations is based on a range of probability-weighted possible outcomes and these possible outcomes (recovery scenarios) include the expected effects that the pandemic may have on the cash flows projections such as the expected loss of earnings and estimated cost saving from cost-cutting measures undertaken by the Group.

The carrying amount of the non-financial assets as at 29 February 2020 and related assumptions are disclosed in their respective notes to the financial statements.

Non-financial assets	*Notes to the financial statements*
Property, plant and equipment	11
Goodwill	14
Investments in subsidiaries	15
Right-of-use assets	26

(b) Allowance for inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). NRV in respect of inventories is assessed based on the best available facts and circumstances as the end of each reporting period, including but not limited to, the physical conditions of the inventories, their expected market selling prices and estimated costs to be incurred for their sale. In view of the significant reduction in consumer demand as a result of COVID-19 outbreak, estimate is made by management on the expected future sales of inventories before expiry date.

The carrying amount of the Group's inventories at 29 February 2020 is disclosed in Note 20 to the financial statements.

4. Revenue

	Group	
	2020	**2019**
	RM'000	RM'000
Sale of goods	614,007	552,400
Parking operations	1,979	2,366
Sale of fresh oil palm fruit bunches	1,094	1,342
Management income	155	215
Rental income	3	3
	617,238	556,326
Timing of transfer of goods and services		
At a point in time	617,238	556,326

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

4. Revenue (cont'd)

Contract liabilities

	Group	
	2020	**2019**
	RM'000	RM'000
Contract liabilities	8,876	3,347

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for sale of goods. Contract liabilities are recognised as revenue as the Group performs its obligations under the contract. Contract liabilities have increased due to an increase in the Group's customer base.

Set out below is the amount of revenue recognised from:

	Group	
	2020	**2019**
	RM'000	RM'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year	3,347	–

Transaction price allocated to remaining performance obligations

Management expects that the transaction price allocated to remaining unsatisfied performance obligations as at 29 February 2020 and 28 February 2019 may be recognised as revenue in the next reporting period as follows:

	Group	
	2021	**2020**
	RM'000	RM'000
Unsatisfied performance obligations as at:		
29 February 2020	8,876	–
28 February 2019	–	3,347

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

5. Other income

	Group	
	2020	**2019**
	RM'000	RM'000
Interest income from bank balances	7,162	7,946
Interest income from Berjaya Waterfront Sdn Bhd (Note 17)	3,600	3,600
Rental income		
- advertisement space	3,005	3,017
- property, plant and equipment	500	521
Commission income	161	187
Promotion income	1,623	1,085
Incentive income received from suppliers	174	298
Warehousing and logistics income	8	12
Gain on disposal of property, plant and equipment	32	29
Miscellaneous income	2,103	847
	18,368	17,542

6. Employee benefits expenses

	Group	
	2020	**2019**
	RM'000	RM'000
Wages and salaries	29,252	28,706
Contributions to defined contribution plan	3,385	3,382
Accommodation benefits	217	485
Staff welfare	307	380
Social security contributions	416	416
Medical benefits	228	121
Staff uniforms	50	75
Provision of short term accumulating compensated absences	14	20
Other benefits	2,381	3,135
	36,250	36,720

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

7. Other operating expenses

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

	Group	
	2020	**2019**
	RM'000	RM'000
Non-executive directors' remuneration	440	438
Assessment and quit rent	1,056	1,013
Auditors' remuneration:		
Audit fees:		
- Auditors of the Company	424	252
- Other auditors	695	785
Non-audit fees:		
- Auditors of the Company	10	44
- Other auditors	84	81
Bank charges	1,695	1,764
Bad debts written off	143	–
Donations	1,110	3,072
Impairment loss on receivables	2,179	–
Insurance	1,532	1,346
Inventories written down	7,022	2,469
Inventories written off	1,063	124
Loss arising from changes in fair value of biological assets	77	49
Management fees	3,188	3,341
Packing materials	814	1,091
Printing and stationery	415	398
Property, plant and equipment written off	809	1,092
Transportation costs	2,556	2,698
Travelling expenses	1,569	1,362

8. Finance costs

	Group	
	2020	**2019**
	RM'000	RM'000
Interest expense on:		
- Bank borrowings	1,210	406
- Obligations under finance leases	55	66
- Lease liabilities	5,557	–
- Other borrowings	–	80
	6,822	552

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 29 February 2020 and 28 February 2019 are:

	Group 2020 RM'000	Group 2019 RM'000
Consolidated income statement:		
Current income tax:		
- Current income taxation	15,255	16,881
- Over provision in respect of previous years	(1,776)	(784)
	13,479	16,097
Deferred income tax (Note 19):		
- Origination and reversal of temporary differences	(3,514)	(1,537)
- Under provision in respect of previous years	2,937	317
	(577)	(1,220)
Income tax expense recognised in profit or loss	12,902	14,877

Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 29 February 2020 and 28 February 2019 is as follows:

	Group 2020 RM'000	Group 2019 RM'000
Profit before tax	24,011	67,452
Tax at Malaysia's statutory rate of 24%	5,763	16,188
Adjustments:		
Income not subject to taxation	(2,533)	(2,766)
Non-deductible expenses	7,812	2,239
Effect of different tax rates in other country	(221)	(586)
Effect of tax relief	(177)	–
Deferred tax assets not recognised	237	269
Under provision of deferred tax in respect of previous years	2,937	317
Over provision of current tax in respect of previous years	(1,776)	(784)
Others	860	–
Income tax expense recognised in profit or loss	12,902	14,877

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

10. Earnings per share

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

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 29 February 2020 and 28 February 2019, respectively:

	Group	
	2020	**2019**
	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	10,880	46,517
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,201,628	1,211,642
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,201,628	1,211,642

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

11. Property, plant and equipment

Group	Leasehold land	Buildings	Golf course	Bearer trees	Capital work-in-progress	Furniture and fittings	Electrical installation and air conditioner	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost or valuation:									
At 1 March 2018	384	35,725	44,648	2,825	6,498	4,173	2,752	38,973	135,978
Additions	–	–	–	–	–	64	780	4,327	5,171
Acquisition of subsidiaries	–	–	–	–	–	–	–	239	239
Disposals	–	–	–	–	–	–	–	(194)	(194)
Write offs	–	–	–	–	–	(44)	(572)	(1,522)	(2,138)
Reclassifications	–	–	–	–	(6,387)	–	–	6,387	–
At 28 February 2019 and 1 March 2019	384	35,725	44,648	2,825	111	4,193	2,960	48,210	139,056
Effect of adoption of SFRS(I) 16 Leases	(384)	–	–	–	–	–	–	–	(384)
Additions	–	–	–	–	–	44	58	2,777	2,879
Disposals	–	–	–	–	–	–	–	(181)	(181)
Write offs	–	–	–	–	–	(10)	(36)	(1,379)	(1,425)
Adjustment*	–	–	–	–	(111)	2	–	(124)	(233)
Reclassifications	–	–	–	–	–	(250)	2,189	(1,131)	808
At 29 February 2020	–	35,725	44,648	2,825	–	3,979	5,171	48,172	140,520
Accumulated depreciation:									
At 1 March 2018	134	17,893	13,520	744	–	2,458	2,207	27,180	64,136
Depreciation charge for the year	4	540	766	113	–	334	129	3,561	5,447
Disposals	–	–	–	–	–	–	–	(181)	(181)
Write offs	–	–	–	–	–	(44)	(549)	(453)	(1,046)
Impairment losses	–	–	–	–	–	–	21	141	162
At 28 February 2019 and 1 March 2019	138	18,433	14,286	857	–	2,748	1,808	30,248	68,518
Depreciation charge for the year	–	527	766	113	–	296	249	3,780	5,731
Effect of adoption of SFRS(I) 16 Leases	(138)	–	–	–	–	–	–	–	(138)
Disposals	–	–	–	–	–	–	–	(181)	(181)
Write offs	–	–	–	–	–	(10)	(34)	(572)	(616)
Adjustment*	–	–	–	–	–	2	–	(12)	(10)
Reclassifications	–	(20)	1,356	–	–	(117)	976	(1,387)	808
Impairment losses	–	–	–	–	–	97	52	2,160	2,309
At 29 February 2020	–	18,940	16,408	970	–	3,016	3,051	34,036	76,421
Net carrying amount:									
At 29 February 2020	–	16,785	28,240	1,855	–	963	2,120	14,136	64,099
At 28 February 2019	246	17,292	30,362	1,968	111	1,445	1,152	17,962	70,538

* Adjustment pertains to credit notes received from vendor.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

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

Company	**Office equipment and computer** RM'000
Cost:	
At 1 March 2018, 28 February 2019, 1 March 2019 and 29 February 2020	5
Accumulated depreciation:	
At 1 March 2018	5
Depreciation charge for the year	–
At 28 February 2019 and 1 March 2019	5
Depreciation charge for the year	–
At 29 February 2020	5
Net carrying amount:	
At 29 February 2020	–
At 28 February 2019	–

(a) Addition of property, plant and equipment

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

	Group	
	2020 RM'000	**2019** RM'000
Cash payment	2,742	4,831
Obligations under finance leases	–	340
Capitalisation of restoration costs	137	–
	2,879	5,171

The net carrying amount of motor vehicles held by the Group under finance leases at the end of the reporting period was RM711,000 (2019: RM1,198,000).

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

(b) Impairment review

In light of the COVID-19 pandemic and its detrimental effect on retail business caused by global travel restrictions and borders controls, the Group's business operations are adversely impacted and this has led deterioration to its earnings and cash flows. As such, management has determined that there is impairment indication on the property, plant and equipment and right-of-use assets of the Group's certain cash generating units ("CGUs").

The recoverable amounts of the property, plant and equipment and right-of-use assets (Note 26 to financial statements) have been determined based on value-in-use calculations using probability-weighted cash flow projections approved by management. The financial forecasts which were approved include management's different scenarios of possible recovery scenarios of passenger traffics at outlets located at airports and land borders from COVID-19 pandemic related travel restrictions and borders controls, cost-cutting measures and closure of outlets. The pre-tax discount rate applied to cash flow projections is 13.3%. For the financial year ended 29 February 2020, management recognised impairment loss on property, plant and equipment and right-of-use assets of RM2.3 million and RM1.4 million (Note 26 to financial statements) respectively.

12. Biological assets

	Group	
	2020	**2019**
	RM'000	RM'000
At fair value:		
At 1 March	103	152
Loss arising from changes in fair values	(77)	(49)
At 29/28 February	26	103

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

During the year, the Group's bearer fruits produced approximately 2,900 tonnes (2019: 3,100 tonnes) of FFB. The selling prices per tonne for those FFB ranged between RM1,200 to RM3,300 (2019: RM1,200 to RM2,500). The selling prices per tonne for those FFB are based on a calculation using the periodic market prices of CPO and PK and contracted pre-determined extraction rates of CPO and PK as agreed with the buyer of FFB crop.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

13. Land use rights

	Group 2020 RM'000	Group 2019 RM'000
Cost		
At 1 March	35,510	35,510
Additions	–	–
Effect of adoption of SFRS(I) 16 Leases	(35,510)	–
At 28 February	–	35,510
Accumulated amortisation		
At 1 March	12,626	12,161
Amortisation charge for the year	–	465
Effect of adoption of SFRS(I) 16 Leases	(12,626)	–
At 29/28 February	–	12,626
Net carrying amount	–	22,884

	2019 RM'000
Amount to be amortised:	
- Not later than one year	465
- Later than one year but not later than five years	1,860
- Later than five years	20,559
	22,884

14. Goodwill

	Group 2020 RM'000	Group 2019 RM'000
Cost		
At 1 March	28,816	28,816
Impairment loss	(11,524)	–
At 29/28 February	17,292	28,816

14. Goodwill (cont'd)

Impairment testing of goodwill

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

	Emas Kerajang Sdn. Bhd	Seruntun Maju Sdn. Bhd.	DFZ Duty Free Supplies Sdn. Bhd
	RM'000	RM'000	RM'000
28 February/1 March 2019	20,114	7,738	964
Impairment loss	(7,936)	(2,624)	(964)
29 February 2020	12,178	5,114	–

In the financial year ended 29 February 2020, management recognised impairment loss of RM11,524,000 (2019: Nil) on goodwill arising from acquisition of these CGUs. The recoverable amount of these CGUs was adversely impacted by the effects of COVID-19 pandemic, leading to expected loss of earnings in its retail businesses.

The recoverable amount of the CGUs is determined based on value in use calculations using probabilities-weighted cash flow projections from financial forecasts with key assumptions approved by management covering a five-year period. The financial forecasts which were approved include management's different scenarios of possible recovery of passenger traffics at outlets located at airports and land borders from COVID-19 pandemic related travel restrictions and borders controls and cost-cutting measures.

Key assumptions used in the discounted cash flow models are revenue growth rates, budgeted gross margins, ability to renew duty free licenses, discount rates, and long-term growth rate.

(i) The revenue projection for the first year is determined based on financial budget prepared. Revenue growth rates for FY2022 range between 200% to 500% and 5% to 34% for FY2023 to FY2025.

(ii) The budgeted gross margins for the trading of duty free goods and non-dutiable merchandise segment are in the range of 8% to 33% (2019: 8% to 34%) which is based on average gross margin achieved in past years.

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

(iv) The forecasted long-term growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs. The forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 2.5% (2019: 2.5%).

(v) The pre-tax discount rate applied to the cash flow projections is 15.4% to 17.0% based on weighted average cost of capital of the Group (2019: 14.5% to 14.9%).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

14. Goodwill (cont'd)

Sensitivity analysis

The impairment assessments are sensitive to changes to these assumptions and any significant adverse movements in these assumptions could impact the results of the impairment test.

Revenue growth – The revenue projection for the first year and the forecast revenue growth rates for the next four years are based on management's estimate of possible recovery scenarios of passenger traffics at outlets located at airports and borders from COVID-19 pandemic related travel restrictions and borders controls. Delay in the recovery of passenger traffics at outlets located at airports and borders would result in further impairment.

Discount rate - A rise in the pre-tax discount rate of 0.5% would result in a further impairment of RM2,500,000.

Growth rate – The forecast long-term growth rate is based on published industry research and does not exceed the long-term average growth rate for the industry. A reduction by 0.5% in the long-term growth rate would result in further impairment of RM1,900,000.

15. Investments in subsidiaries

	Company	
	2020	**2019**
	RM'000	RM'000
Equity shares, at cost	874,684	874,684
Allowance for impairment losses	(35,018)	(34,646)
Total	839,666	840,038
Movement in allowance accounts:		
At 1 March	(34,646)	(22,148)
Charge for the year	(3,946)	(12,498)
Reversal of impairment loss	3,574	–
At 29/28 February	(35,018)	(34,646)

Impairment testing of investments in subsidiaries

During the current financial year, the management performed a review on the recoverable amount of the investments in subsidiaries. The recoverable amounts of the investments in subsidiaries were estimated based on value-in-use calculations derived from cash flow projections. Key assumptions adopted in the value-in-use calculations include revenue projections, gross margins, discount rates and terminal growth rate. Based on the assessment, an impairment loss of RM3,946,000 on cost of investment in Brand Connect Holding Pte. Ltd. ("BCH") was recognised. For the investment in Darul Metro Sdn Bhd, a reversal of impairment loss of RM3,574,000 (2019: impairment loss of RM12,498,000) was made to increase its carrying value to its recoverable amount as at 29 February 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

15. Investments in subsidiaries (cont'd)

Any adverse change in the above key assumptions would result in further impairment loss for the investment in BCH. Apart from this, management believes that any reasonably possible change in the key assumptions are not likely to cause any of the recoverable amounts of the investments to be materially lower than their respective carrying amount.

(a) Composition of the Group

The Group has the following significant investments in subsidiaries.

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest 2020 %	2019 %	Cost of investment 2020 RM'000	2019 RM'000
Held by the Company						
DFZ Capital Sdn Bhd ^	Malaysia	Investment holding	85.00	85.00	632,120	632,120
Darul Metro Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	230,645	230,645
Orchard Boulevard Sdn Bhd ^	Malaysia	Investment holding and resort development	100.00	100.00	–	–
Brilliant Pixel Sdn Bhd	Malaysia	Investment holding	100.00	100.00	*	*
Brand Connect Holding Pte. Ltd. #	Singapore	Investment holding	70.00	70.00	11,919	11,919
					874,684	874,684

* Cost of investment less than RM500.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

15. Investments in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest 2020 %	2019 %
Held by DFZ Capital Sdn Bhd				
DFZ Trading Sdn Bhd ^	Malaysia	Investment holding and management services	100.00	100.00
Selasih Ekslusif Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00
Winner Prompt Sdn Bhd ^	Malaysia	Licensed distributor and wholesaler of duty free merchandise	100.00	100.00
Emas Kerajang Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	69.90	69.90
Seruntun Maju Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	69.80	69.80
Held by Darul Metro Sdn Bhd				
Binamold Sdn Bhd^	Malaysia	Property investment	100.00	–
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
Tenggara Senandung Sdn Bhd ^	Malaysia	Dormant	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

15. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest 2020 %	2019 %
Held by Orchard Boulevard Sdn Bhd (cont'd)				
DFZ Asia Sdn Bhd ^	Malaysia	Investment holding	100.00	100.00
PT DFZ Indon	Indonesia	Dormant	99.00	99.00
Held by Brand Connect Holding Pte Ltd				
Drinks Hub Asia Pte Ltd #	Singapore	Wholesale of alcoholic beverages and soft drinks	100.00	100.00
Brand Connect Asia Pacific Pte Ltd #	Singapore	Retail sale of beverages	100.00	100.00
Thirsty Boys Pte Ltd #	Singapore	Wholesale of alcoholic, beverages and soft drinks	100.00	100.00
Held by DFZ Trading Sdn Bhd				
Cergasjaya Sdn Bhd ^	Malaysia	Wholesaler and retailer of duty free and non-dutiable merchandise	100.00	100.00
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

15. Investments in subsidiaries (cont'd)

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest 2020 %	2019 %
Held by DFZ Trading Sdn Bhd (cont'd)				
DFZ Emporium Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	29.30	29.30
DFZ (M) Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	69.89	69.89
Wealthouse Sdn Bhd ^**	Malaysia	Retailer of duty free and non-dutiable merchandise	28.60	28.60
Jelita Duty Free Supplies Sdn Bhd ^	Malaysia	Wholesaler and distributor of duty free and non-dutiable merchandise	100.00	100.00
DFZ Duty Free (Langkawi) Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00
Zon Emporium Sdn Bhd ^	Malaysia	Retailer of duty free and non-dutiable merchandise	100.00	100.00
DFZ Utara Sdn Bhd ^	Malaysia	Dormant	100.00	100.00
Held by DFZ Asia Sdn Bhd				
PT DFZ Indon	Indonesia	Dormant	1.00	1.00
Held by Brand Connect Asia Pacific Pte Ltd				
Brand Connect Pte Ltd #	Singapore	Retail sale of beverages	100.00	100.00
Brand Connect Vietnam Company Limited #	Vietnam	Brand management and distributor of premium alcoholic beverages	100.00	100.00

15. Investments in subsidiaries (cont'd)

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

Audited by other firms of Certified Public Accountants

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

	Total effective ownership interest held	
	FY2020	**FY2019**
	%	%
Name of company		
Emas Kerajang Sdn. Bhd.	85.00	85.00
Seruntun Maju Sdn. Bhd.	85.00	85.00
DFZ Emporium Sdn. Bhd.	85.00	85.00
DFZ (M) Sdn. Bhd.	85.00	85.00
Wealthouse Sdn. Bhd.	85.00	85.00

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

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends payable to NCI
		%	RM'000	RM'000	RM'000
29 February 2020:					
DFZ Capital Sdn Bhd and subsidiaries	Malaysia	15	1,385	(2,714)	–
28 February 2019:					
DFZ Capital Sdn Bhd and subsidiaries	Malaysia	15	6,339	(4,099)	9,120

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

15. Investments in subsidiaries (cont'd)

(c) Summarised financial information about subsidiary with material NCI

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

Summarised statement of financial position

	Group	
	2020 RM'000	**2019** RM'000
Current		
Assets	199,118	246,663
Liabilities	(66,315)	(128,836)
Net current assets	132,803	117,827

	Group	
	2020 RM'000	**2019** RM'000
Non-current		
Assets	169,271	103,307
Liabilities	(93,113)	(5,008)
Net non-current assets	76,158	98,299
Net assets	208,961	216,126

Summarised income statement and statement of comprehensive income

	Group	
	2020 RM'000	**2019** RM'000
Revenue	532,556	541,549
Profit before income tax	19,190	56,574
Income tax expense	(9,955)	(14,317)
Profit after tax	9,235	42,257
Other comprehensive income	600	–
Total comprehensive income	9,835	42,257

Other summarised information

	Group	
	2020 RM'000	**2019** RM'000
Net cash flows from operations	68,685	58,969
Acquisition of significant property, plant and equipment	(2,327)	(3,689)

15. Investments in subsidiaries (cont'd)

(d) Acquisition of subsidiary

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

15. Investments in subsidiaries (cont'd)

(d) Acquisition of subsidiary

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

<u>Put and call options as part of consideration transferred</u>

In connection with the acquisition, the Company granted put options to the remaining shareholders of BCH ("the Vendors"), which gave the Vendors the right to sell their interests in BCH to the Group under various conditions. The Vendors also granted call options to the Group, which gave the Group the right to buy the remaining interest in BCH from the Vendors under the same terms of the put options. As at the acquisition date, the fair value of these options was RM515,000 and recognised as derivative liability in the statement of financial position. Fair value of these put options amount to RM222,000 as at 29 February 2020.

16. Intangible assets

Group	**Distribution rights** RM'000
Cost:	
At 1 March 2018	–
Additions - acquisition of subsidiaries	1,046
At 28 February 2019 and 1 March 2019	1,046
Disposal	(427)
At 29 February 2020	619
Accumulated amortisation:	
At 1 March 2018	–
Amortisation charge for the year	158
At 28 February 2019 and 1 March 2019	158
Amortisation charge for the year	122
At 29 February 2020	280
Net carrying amount:	
At 29 February 2020	339
At 28 February 2019	888

16. Intangible assets (cont'd)

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

17. Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Trade receivables:				
Third parties	19,722	17,022	–	–
Allowance for impairment	(315)	(220)	–	–
Trade receivables, net	19,407	16,802	–	–
Other receivables:				
Deposits	5,933	4,391	–	–
Dividend receivable from subsidiaries	–	–	–	39,605
Due from subsidiaries	–	–	–	6,176
Due from Berjaya Waterfront Sdn Bhd	40,443	40,434	–	–
Debts securities	–	30,000	–	30,000
Sundry receivables	18,047	12,503	262	1,133
Allowance for impairment	(1,864)	(110)	–	(6,176)
Other receivables, net	62,559	87,218	262	70,738
Total trade and other receivables	81,966	104,020	262	70,738
Add: Cash and bank balances (Note 21)	334,648	305,617	251,957	218,417
Less: Goods and Services Tax receivable	(3,801)	(4,054)*	–	–
Total financial assets at amortised cost	412,813	405,583	252,219	289,155

*FY2019 is restated to conform to current year presentation

Trade receivables

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

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

Related party balances

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

17. Trade and other receivables (cont'd)

Due from Berjaya Waterfront Sdn Bhd

The amount due from Berjaya Waterfront Sdn Bhd is related to the uncollected portion of the sale consideration for the Group's interests over leasehold properties in the Zon Johor Bahru, which was completed in March 2013. This balance had been subject to interest throughout the term that the balance was outstanding. The interest rate was initially at 6% per annum, but has been revised to 9% per annum from 16 July 2015 onwards. In April 2019, Darul Metro Sdn Bhd received RM0.9 million, being accrued interest up to 15 April 2019.

The balance of RM40.0 million was scheduled to be due on 15 April 2020. On 8 April 2020, both parties have mutually agreed that Berjaya Waterfront Sdn Bhd shall pay the remaining deferred consideration of RM40.0 million on or before 15 April 2021 and Berjaya Waterfront Sdn Bhd will continue to pay interest at the rate of 9% per annum on the unpaid consideration on a quarterly basis.

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

Debt securities

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

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM15,977,000 (2019: RM6,768,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2020	**2019**
	RM'000	RM'000
Trade receivables past due but not impaired:		
1 to 30 days	1,364	4,945
30 to 60 days	3,132	1,482
61 to 90 days	5,855	260
More than 90 days	5,626	81
	15,977	6,768

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

17. Trade and other receivables (cont'd)

Trade receivables that are impaired

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

	Group	
	2020	**2019**
	RM'000	RM'000
Trade receivables – nominal amounts	315	220
Less: Allowance for impairment	(315)	(220)
	–	–
Movement in allowance accounts:		
At 1 March	220	333
Charge for the year	315	–
Write-off for the year	(220)	(113)
At 29/28 February	315	220

Other receivables that are impaired

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

	Individually impaired			
	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Other receivables – nominal amounts	1,863	110	–	6,176
Less: Allowance for impairment	(1,863)	(110)	–	(6,176)
	–	–	–	–
Movement in allowance accounts:				
At 1 March	110	110	6,176	6,176
Charge for the year	1,864	–	–	–
Write-off for the year	(110)	–	–	–
Write back for the year	–	–	(6,176)	–
At 29/28 February	1,864	110	–	6,176

Receivables that are impaired

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in legal dispute or financial difficulties, and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. The Group has provided for lifetime expected credit losses for all trade receivables using a provision matrix. Please refer to Note 33(a).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

18. Prepayments

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current:				
Prepaid rental	–	10,160	–	–
Prepaid other operating expenses	2,754	2,620	–	25
	2,754	12,780	–	25
Non-current:				
Prepaid rental	–	29,709	–	–
Total prepayments	2,754	42,489	–	25
Amount to be charged out to income statement:				
- Not later than one year	2,754	12,780	–	25
- Later than one year but not later than five years	–	29,709	–	–
- Later than five years	–	–	–	–
	2,754	42,489	–	25

Included in prepaid rental was the balance rental paid in advance by the Group to Berjaya Waterfront Sdn Bhd amounting to RM Nil (2019: RM35,567,000). The prepaid rental was recognised as part of right-of-use assets following the adoption of SFRS(I) 16 Leases at 1 March 2019.

19. Deferred tax assets/(liabilities)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 March	(1,904)	(3,124)	–	–
Recognised in income statement	577	1,220	(1,613)	–
At 29/28 February	(1,327)	(1,904)	(1,613)	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	4,861	2,709	–	–
Deferred tax liabilities	(6,188)	(4,613)	(1,613)	–
Net deferred tax liabilities	(1,327)	(1,904)	(1,613)	–

19. Deferred tax assets/(liabilities) (cont'd)

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

	Deferred tax liabilities	**Deferred tax assets**		
	Property, plant and equipment	**Unused tax losses and unabsorbed capital allowances**	**Others**	**Total**
	RM'000	RM'000	RM'000	RM'000
At 1 March 2018	4,558	(192)	(1,242)	3,124
Recognised in income statement	385	–	(1,605)	(1,220)
At 28 February 2019 and 1 March 2019	4,943	(192)	(2,847)	1,904
Recognised in income statement	87	–	(664)	(577)
At 29 February 2020	5,030	(192)	(3,511)	1,327

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

	Group	
	2020	**2019**
	RM'000	RM'000
Unutilised tax losses	235,524	227,152
Unabsorbed capital allowances	47,965	47,957
Other deductible temporary differences	110,092	110,078
Lease liabilities	422	–
	394,003	385,187

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

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends, proposed to the shareholders of the Company in financial year 2019, which are recognised as a liability in the financial statements (Note 23).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

20. Inventories

	Group 2020 RM'000	Group 2019 RM'000
Statement of financial position:		
Trading goods	132,710	170,029
Consumables	696	776
Total inventories at lower of cost and net realisable value	133,406	170,805

	Group 2020 RM'000	Group 2019 RM'000
Consolidated income statement:		
Inventories recognised as an expense in cost of sales	464,008	380,503
Inventories recognised as an expense in other operating expenses		
Inclusive of the following charge:		
- Inventories written down	7,022	2,469
- Inventories write off	1,063	124

Inventories are written down to the estimated net realisable value. The net realisable value of the inventories are determined based on the expected sales, taking into consideration the impact of the COVID-19 pandemic on consumers' demand.

The inventories written down mainly relates to allowances made for confectionaries which are expected to be unsold before they expire in the next financial year, of which sales for such inventories are expected to be low.

21. Cash and bank balances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash at banks and on hand	123,901	192,061	59,706	120,115
Deposits with licensed banks	210,747	113,556	192,251	98,302
	334,648	305,617	251,957	218,417

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

Deposits with licensed banks of the Group amounting to RM9,465,000 (2019: RM9,193,000) are pledged to banks for credit facilities granted to certain subsidiaries as disclosed in Note 22. Deposits with licensed banks are readily convertible to cash and are subject to insignificant risk of changes in value, and earn interest at the respective deposit rates. The weighted average effective interest rate as at 29 February 2020 for the Group and the Company were 2.50% (2019: 3.05%) and 1.82% (2019: 2.79%) per annum respectively.

21. Cash and bank balances (cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and deposits with licensed banks	334,648	305,617	251,957	218,417
Deposits pledged with licensed banks	(9,465)	(9,193)	–	–
Cash and cash equivalents	325,183	296,424	251,957	218,417

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar (SGD)	77,257	4,899	76,015	4,416
United States Dollar (USD)	137,244	118,772	104,255	108,534
	214,501	123,671	180,270	112,950

22. Borrowings

		Group	
		2020	2019
	Maturity	RM'000	RM'000
Current			
Secured:			
Bankers' acceptances	FY2021	6,949	7,547
Short term loans	FY2021	27,393	13,277
Obligations under finance leases (Note 28)	FY2021	343	464
		34,685	21,288
Non-current			
Secured:			
Obligations under finance leases (Note 28)	FY2022 – FY2024	306	650
		306	650
Total loan and borrowings		34,991	21,938

Bankers' acceptances

Bankers' acceptances are denominated in RM with weighted average effective interest rate of 3.26% p.a. (2019: 3.64% p.a.).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

22. Borrowings (cont'd)

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 11). The average discount rate implicit in the leases of the Group is 3.00% p.a. (2019: 2.96% p.a.).

Short term loans

Short term loans are denominated in USD, AUD and SGD with weighted average effective interest rate of 2.92% p.a. (2019: 3.87% p.a.).

The bankers' acceptances and short term loans are secured by way of:

- deposits with licensed banks amounting to RM9,465,000 (2019: RM9,193,000); and
- corporate guarantees from a subsidiary, DFZ Capital Sdn Bhd, the Company and Atlan.

Other information on financial risks of borrowings is disclosed in Note 33.

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

				Non-cash changes		
	2019	Effect of adoption of SFRS(I) 16 Leases	Cash flows	Acquisition/ additions	Interest expense	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other short term borrowings	20,824	–	13,518	–	–	34,342
Obligations under finance leases	1,114	–	(465)	–	–	649
Dividends payable to the owners of the Company	36,477	–	(54,869)	18,392	–	–
Dividends payable to non-controlling interests of subsidiaries	4,695	–	(4,695)	–	–	–
Lease liabilities	–	79,292	(2,149)	3,008	5,557	85,708
Total	63,110	79,292	(48,660)	21,400	5,557	120,699

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

23. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	48,720	78,894	–	–
Other payables				
Accruals	8,462	14,062	674	608
Accrued payroll related expenses	391	2,804	–	–
Contribution costs payable	209	209	–	–
Rental payables	1,792	652	–	–
Deposit received for the proposed disposal #	560	560	–	–
Other deposits received	774	2,151	–	–
Dividend payable to ordinary shareholders *	–	36,477	–	36,477
Dividends payable to non-controlling interests by a subsidiary *	–	4,695	–	–
Royalty payables	28	28	–	–
Sundry payables	4,787	3,810	52	172
Put option liability ^	7,478	7,348	–	–
	24,481	72,796	726	37,257
Total trade and other payables	73,201	151,690	726	37,257
Add: Borrowings (Note 22)	34,991	21,938	–	–
Less: Goods and Services Tax payable	(39)	(175)	–	–
Total financial liabilities carried at amortised cost	108,153	173,453	726	37,257

This deposit relates to the proposed sale of Kelana Megah Sdn Bhd's intended lease interests in the land parcel bearing lot number PTB 20379 to Berjaya Waterfront Sdn Bhd for a consideration of RM27,990,000 ("KMSB Agreement"). The conditions precedent for the sale have not been fulfilled to date.

* There are no income tax consequences attached to the dividends to the shareholders proposed by the Company and it is recognised as a liability in the financial statements (Note 36).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

23. Trade and other payables (cont'd)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2019: 30 to 90 days).

Trade payables denominated in foreign currencies are as follows:

	Group	
	2020	**2019**
	RM'000	RM'000
Singapore Dollar (SGD)	–	4
United States Dollar (USD)	38,669	52,925
	38,669	59,929

(b) Amounts due to subsidiaries

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

Further details on related party transactions are disclosed in Note 31.

Other information on financial risks of trade and other payables are disclosed in Note 33.

24. Provision for restoration costs

	Group	
	2020	**2019**
	RM'000	RM'000
At 1 March	–	–
Effect of adoption of SFRS(I) 16 Leases	738	–
Provision during the year	202	–
At 29/28 February	940	–
Analysis of present value of restoration costs:		
Not later than 1 year	439	–
Later than 1 year and not later than 2 years	501	–
	940	–
Less: Amount due within 12 months	(439)	–
Amount due after 12 months	501	–

Provision represents the estimated costs of asset dismantlement, removal or restoration of premises arising from the use of such premises, which are capitalised and included in right-of-use assets and property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

25. Derivatives

	2020 Notional amount RM'000	2020 Assets/ (liabilities) RM'000	2019 Notional amount RM'000	2019 Assets/ (liabilities) RM'000
Group				
Forward currency contracts	–	–	3,675	(13)
Call options	103	103	103	103
Put options	(325)	(325)	(618)	(618)
		(222)		(528)

	2020 Liabilities RM'000	2019 Liabilities RM'000
Group		
Current	–	(13)
Non-current	(222)	(515)
	(222)	(528)

	2020 Notional amount RM'000	2020 Assets/ (liabilities) RM'000	2019 Notional amount RM'000	2019 Assets/ (liabilities) RM'000
Company				
Call options	103	103	103	103
Put options	(618)	(618)	(618)	(618)
		(515)		(515)

	2020 Liabilities RM'000	2019 Liabilities RM'000
Company		
Current	–	–
Non-current	(515)	(515)
	(515)	(515)

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 at fair value through profit or loss, classified held for trading.

The call and put options relate to the acquisition of BCH in financial year ended 28 February 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

26. Right-of-use assets and lease liabilities

Group as a lessee

The Group has lease contracts for leasehold land, land use rights and buildings (office premises, retail outlets, warehouse, staff quarters) used for its operations. Leased premises generally have lease terms of 1 to 18 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning or subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Leasehold land RM'000	Land use rights RM'000	Buildings RM'000	Total RM'000
As at 1 March 2019	246	22,884	113,115	136,245
Additions	–	–	3,008	3,008
Restoration costs	–	–	65	65
Depreciation expense	(4)	(465)	(8,785)	(9,254)
Impairment loss	–	–	(1,434)	(1,434)
As at 29 February 2020	242	22,419	105,969	128,630

Please refer to note 11(b) to the financial statements for details on the impairment assessment of the right-of-use assets.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

Group	2020 RM'000	2019 RM'000
As at 1 March	79,292	–
Additions	3,008	–
Accretion of interest	5,557	–
Payments	(2,149)	–
As at 29/28 February	85,708	–
Current	1,765	–
Non-current	83,943	–

The maturity analysis of lease liabilities are disclosed in Note 33(b).

26. Right-of-use assets and lease liabilities (cont'd)

Group as a lessee (cont'd)

The following are the amount recognised in profit or loss:

Group	Group 2020 RM'000	Group 2019 RM'000
Depreciation expense of right-of-use assets	9,254	–
Interest expense on lease liabilities	5,557	–
Expenses relating to short-term leases (included in rental of premises)	24,750	–
Variable lease payments (included in rental of premises)	7,219	–
Total amount recognised in profit or loss	46,780	–

The Group had total cash outflows for leases of RM34,118,000 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of RM3,008,000 in 2020 (nil in 2019).

The future cash outflows which are not capitalised in lease liabilities:

Variable lease payments

The Group has lease contracts for retail stores that contain variable lease payments based on a percentage of sales generated by the stores, on top of fixed payments. Such variable lease payments are recognised in profit or loss when incurred and amounted to RM7,219,000 (2019: RM8,265,000) for the financial year ended 29 February 2020.

27. Share capital

Company	Number of ordinary shares with no par value 2020 '000	Number of ordinary shares with no par value 2019 '000	Amount 2020 RM'000	Amount 2019 RM'000
At 1 March	1,208,446	1,218,046	1,107,574	1,107,574
Purchase of treasury shares	(10,247)	(9,600)	–	–
At 29/28 February	1,198,199	1,208,446	1,107,574	1,107,574

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

27. Share capital (cont'd)

(a) Other reserves

		2020	2019
		RM'000	RM'000
Group			
Foreign currency translation reserve	(i)	853	(123)
Premium paid on acquisition of non-controlling interests	(ii)	(142,413)	(142,413)
Gain on reissuance of treasury shares	(iii)	661	661
Capital reserve	(iv)	(3,748)	(2,558)
		(144,647)	(144,433)
Company			
Other reserves	(v)	661	661
		661	661

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

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

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

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

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

(b) Share premium

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

27. Share capital (cont'd)

(c) Treasury shares

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

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

During the full year ended 29 February 2020, the Company acquired 10,246,600 shares in the Company through purchases on the open market. The total amount paid to acquire the shares in the current financial year was RM5,514,000 and the shares were held as treasury shares. Total treasury shares have increased from 20,752,700 as at 28 February 2019 to 30,999,300 as at 29 February 2020 and this was presented as a component within shareholder's equity.

28. Obligations under finance leases

	Group	
	2020	**2019**
	RM'000	RM'000
Future minimum lease payments:		
Not later than 1 year	369	520
Later than 1 year and not later than 2 years	183	369
Later than 2 year and not later than 5 years	140	323
Total future minimum lease payments	692	1,212
Less: Future finance charges	(43)	(98)
Present value of finance lease liabilities	649	1,114
Analysis of present value of finance lease liabilities:		
Not later than 1 year	343	464
Later than 1 year and not later than 2 years	172	343
Later than 2 year and not later than 5 years	134	307
	649	1,114
Less: Amount due within 12 months	(343)	(464)
Amount due after 12 months	306	650

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

29. Commitments

(a) Capital commitments

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

	Group	
	2020	**2019**
Capital expenditure	RM'000	RM'000
Approved and contracted for:		
Property, plant and equipment	75	23
Approved but not contracted for:		
Property, plant and equipment	37	490
	112	513

(b) The Group as lessee (applicable prior to 1 March 2019)

Operating lease payments represent rentals payable by the Group for use of buildings. There was a turnover rent of RM7,219,000 (2019: RM8,265,000) recognised as an expense during the period.

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

	Group
	2019
	RM'000
Not later than one year	1,402
Later than one year but not later than five years	8,627
Later than five years	152,375
Total	162,404

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 relates to lease payable from year 11 to the end of the tenancy period.

Refer to Note 2.2 for details of the accounting policy applicable prior to 1 March 2019 and the adoption of new accounting policy applicable from 1 March 2019 under SFRS(I) 16 Leases.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

30. Contingent liabilities

	Company	
	2020	2019
	RM'000	RM'000
Corporate guarantees for borrowings and banking facilities to certain subsidiaries	27,392	25,318

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

On 30 November 2017, the Company announced that the Company's subsidiary, Seruntun Maju Sdn. Bhd. ("SMSB") had received the Bills of Demand dated 14 November 2017 from the Royal Malaysian Customs of Perak Darul Ridzuan ("Customs"), which SMSB received on 21 November 2017, demanding payments of customs duties, excise duties, sales tax and Goods and Services Tax ("GST") all totalling RM41,594,986.86.

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

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

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

On 6 March 2019, the Court of Appeal conducted the hearing, whereby both SMSB and Customs submitted their respective legal arguments. The Court of Appeal then instructed parties to file additional supplementary submission which SMSB had complied.

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

On 18 June 2020, the Court of Appeal unanimously ruled in favour of SMSB's appeal against the decision of the High Court and quashed the Bills of Demand issued by Customs for customs duties and excise duties amounting to RM 15,400,962.14 and RM 23,560,972.94 respectively.

Customs has 30 days from 18 June 2020 to appeal to the Federal Court to overturn the Court of Appeal's decision.

In light of the Court of Appeal's decision, the High Court proceedings as well as the interim stay that was granted ceased to exist.

In respect of sales tax and GST, on 12 December 2017, SMSB had also appealed to the Director-General of Customs in respect of the sales tax pursuant to Section 68 of the Sales Tax Act and had submitted an application to the Director-General in respect of GST pursuant to Section 124 of the GST Act. To-date, the matter is still pending a decision from the Director-General.

The Company, having obtained advice from its solicitor, is of the opinion that the payment of the Bills of Demand raised by the Customs is possible, but not probable, and accordingly no provision for any liability has been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

31. Related party disclosures

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

(a) Significant transactions

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Subsidiaries:				
- Dividends received	–	–	10,800	67,680
Related companies:				
- Management fee	2,000	2,000	–	–
Related party:				
- Donation to Yayasan Harmoni *	1,000	3,000	–	–
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	252,461	261,020	–	–
- Management fee paid/payable to HAP	1,188	1,341	–	–
- Ad-space rental received/receivable from HAP	1,879	1,799	–	–
- Reimbursement of costs from HAP	4,638	3,948	–	–

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

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

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

Information regarding outstanding balances arising from related party transactions as at 29 February 2020 and 28 February 2019 are disclosed in Notes 17 and 23.

31. Related party disclosures (cont'd)

(b) Compensation of key management personnel

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

	Group	
	2020	**2019**
	RM'000	RM'000
Short-term employee benefits	4,010	4,029
Defined contribution plan	171	195
	4,181	4,224
Comprise amounts paid to:		
Directors of the Company	907	1,111
Other key management personnel	3,274	3,113
	4,181	4,224

32. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

32. 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 2020				
Non-financial assets:				
- Biological assets (Note 12)	–	–	26	26
Financial liabilities:				
Derivatives (Note 25)				
- Call and put options	–	–	(222)	(222)
	–	–	(222)	(222)
At 28 February 2019				
Non-financial assets:				
- Biological assets (Note 12)	–	–	103	103
Financial liabilities:				
Derivatives (Note 25)				
- Forward currency contracts	–	(13)	–	(13)
- Call and put options	–	–	(515)	(515)
	–	(13)	(515)	(528)

(c) Level 2 fair value measurements

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

Forward currency contracts (Note 24): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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

(d) Level 3 fair value measurements

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

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

Call and put options (Note 25): The fair values of call and put options are determined by using Black-Scholes tree model, which includes some assumptions that are supported by observable market data. The key inputs used in determining the fair value are as follows:

Description	Valuation techniques	Unobservable inputs	Range (weighted average)
29 February 2020			
Call and put options	Black-Scholes	Exercise price	USD 3,040,000
		Time to expiry	9.6 years
		Volatility	31.1%
		Risk free rate	1.82%
		Dividend yield	0%
28 February 2019			
Call and put options	Black-Scholes	Exercise price	USD 3,040,000
		Time to expiry	9.6 years
		Volatility	31.1%
		Risk free rate	1.82%
		Dividend yield	0%

Sensitivity analysis for call option

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

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

If the underlying share value had been increased by 10% (2019: 10%) with all other variables held constant, the fair value of call options will increase by approximately RM 21,000 (2019: RM 77,000) as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

32. 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

		2020		2019	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		RM'000	RM'000	RM'000	RM'000
Financial liabilities:					
Obligations under finance leases	28	649	658	1,114	1,134

33. Financial risk management objectives and policies

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

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

(a) Credit risk

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

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

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

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

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

(a) Credit risk (cont'd)

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

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

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

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

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

(a) Credit risk (cont'd)

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 29 February 2020 and 28 February 2019 are determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year due to COVID-19, leading to an increased number of defaults.

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

29 February 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	4,794	3,132	5,855	5,941	19,722
Loss allowance provision	–	–	–	(315)	(315)

28 February 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	14,979	1,482	260	301	17,022
Loss allowance provision	–	–	–	(220)	(220)

Debt securities and other receivables

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

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

Exposure to credit risk

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

– A nominal amount of RM148,942,000 (2019: RM172,653,000) relating to a corporate guarantee provided by the Group to the bank on subsidiaries' loans

– A nominal amount of RM27,392,000 (2019: RM25,318,000) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

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

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

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

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

(b) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

As at 29 February 2020, the Group's holding of cash and short-term deposits amounting to RM325,183,000 are expected to be sufficient for working capital purposes as well as meet its on-going financial commitments in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the financial year ended 29 February 2020

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	2020				2019		
	One year or less	**One to five years**	**Over five years**	**Total**	**One year or less**	**One to five years**	**Total**
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets							
Trade and other receivables	78,165	–	–	78,165	99,966	–	99,966
Cash and bank balances	334,648	–	–	334,648	305,617	–	305,617
Total undiscounted financial assets	412,813	–	–	412,813	405,583	–	405,583
Financial liabilities							
Trade and other payables	73,162	–	–	73,162	151,515	–	151,515
Borrowings	35,921	323	–	36,244	21,344	692	22,036
Lease liabilities	1,936	31,510	132,000	165,446	–	–	–
Derivatives – forward currency contracts							
- gross payments	–	–	–	–	3,675	–	3,675
- gross receipts	–	–	–	–	(3,662)	–	(3,662)
Total undiscounted financial liabilities	111,019	31,833	132,000	274,852	172,872	692	173,564
Total net undiscounted financial assets/ (liabilities)	301,794	(31,833)	(132,000)	137,961	232,711	(692)	232,019

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

(b) Liquidity risk (cont'd)

	2020			2019		
	One year or less	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Trade and other receivables	262	–	262	70,738	–	70,738
Cash and bank balances	251,957	–	251,957	218,417	–	218,417
Total undiscounted financial assets	252,219	–	252,219	289,155	–	289,155
Financial liabilities						
Trade and other payables	726	–	726	37,257	–	37,257
Total undiscounted financial liabilities	726	–	726	37,257	–	37,257
Total net undiscounted financial assets	251,493	–	251,493	251,898	–	251,898

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.

	2020			2019		
	One year or less	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Corporate guarantees	27,392	–	27,392	25,318	–	25,318

(c) Interest rate risks

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

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 10 (2019: 10) basis points lower/higher with all other variables held constant, the Group's and the Company's profit before tax would have been RM134,000 (2019: RM71,000) and RM146,000 (2019: RM75,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on fixed and floating rate loans and borrowings, lower/higher interest income from fixed deposit. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

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

(d) Foreign currency risk

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

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the functional currency of the operations to which they relate, primarily United States Dollars ("USD") and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly USD and SGD. Approximately 77% (2019: 71%) of the Group's purchases are denominated in foreign currencies. Foreign currency exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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

Sensitivity analysis for foreign currency risk

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

		2020 RM'000	2019 RM'000
USD/RM	- strengthened 3%	340	1,917
	- weakened 3%	(340)	(1,917)
SGD/RM	- strengthened 3%	95	228
	- weakened 3%	(95)	(228)
THB/RM	- strengthened 3%	7	2
	- weakened 3%	(7)	(2)

34. Capital management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

34. Capital management (cont'd)

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

	Group	
	2020	**2019**
	RM'000	RM'000
Borrowings (non-current) (Note 22)	306	650
Borrowings (current excluding term loan, i.e. due and payable within 12 months)	34,685	21,288
Total external debt	34,991	21,938
Total equity attributable to the owners of the Company	541,111	554,452
Gearing ratio (times)	0.06	0.04

35. Segment information

(a) Operating segments

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

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

This segment includes revenues from sale of goods.

(ii) *Investment holding and others*

This segment includes revenues from the following:

– management fee income; and

– sale of fresh oil palm fruit bunches.

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

(b) Allocation basis and transfer pricing

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

35. Segment information (cont'd)

Operating segments

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

	Trading of duty free & duty paid goods and non-dutiable merchandise		Investment holdings and others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2020	2019	2020	2019	2020	2019		2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue:									
Sales to external customers	615,987	554,853	1,251	1,473	–	–		617,238	556,326
Inter-segment sales	3	158	10,800	62,160	(10,803)	(62,318)	A	–	–
Total revenue	615,990	555,011	12,051	63,633	(10,803)	(62,318)		617,238	556,326
Results:									
Interest income	660	852	10,102	11,586	–	(892)		10,762	11,546
Depreciation and amortisation	(13,684)	(4,640)	(1,423)	(1,430)	–	–		(15,107)	(6,070)
Impairment loss on property, plant and equipment	(2,309)	(162)	–	–	–	–		(2,309)	(162)
Impairment loss on right-of-use assets	(1,434)	–	–	–	–	–		(1,434)	–
Impairment of goodwill	(11,524)	–	–	–	–	–		(11,524)	–
Loss arising from changes in fair values of biological assets	–	–	(77)	(49)	–	–		(77)	(49)
Gain arising from changes in fair values of option	–	–	–	1,017	–	–		–	1,017
Other non-cash (expenses)/ income	(10,802)	(2,464)	3,814	6,130	–	–	B	(6,988)	3,666
Segment profit/(loss)	22,477	56,641	8,356	73,365	(6,822)	(62,554)	C	24,011	67,452
Assets									
Additions to non-current assets	2,807	5,324	72	86	–	–	D	2,879	5,410
Segment assets	417,358	389,844	345,805	356,316	6,722	6,684	E	769,882	752,844
Segment liabilities	192,772	124,741	11,166	52,762	8,547	6,042	F	212,485	183,545

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

35. Segment information (cont'd)

Operating segments (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash income/expenses consist of allowances for doubtful receivables, bad debts written off, deposits forfeited, gains on disposal of non-financial assets, inventories written off, net unrealised foreign exchange gain/loss, written down, waiver of debts and provisions as presented in the respective notes to the financial statements.

C The following items are deducted from segment profit to arrive at profit before tax presented in the income statement:

	2020 RM'000	2019 RM'000
Inter-segment transactions	–	(158)
Inter-segment dividend income	–	62,160
Inter-segment interest expense	–	(892)
Finance costs	6,822	1,444
	6,822	62,554

D Additions to non-current assets consist of:

	2020 RM'000	2019 RM'000
Property, plant and equipment	2,879	5,410

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

	2020 RM'000	2019 RM'000
Deferred tax assets	4,861	2,709
Tax recoverable	1,861	3,975
	6,722	6,684

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

	2020 RM'000	2019 RM'000
Deferred tax liabilities	6,188	4,613
Income tax payable	2,359	1,429
	8,547	6,042

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 29 February 2020

36. Dividends

Group and Company	**2020** RM'000
Declared and paid/payable during the financial year:	
Dividends on ordinary shares	
- First interim one tier tax exempt dividend for FY2020: S$0.0050 cents per share	18,493

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

37. Subsequent events

Capital reduction and cash distribution

On 5 March 2020, the Shareholders had approved the Capital Reduction and Cash Distribution of S$0.035 for each ordinary share at the Extraordinary General Meeting. The Capital Reduction took effect on 23 April 2020 and upon completion of the Capital Reduction on 23 April 2020, the issued and paid-up share capital of the Company was approximately S$368,279,230. The Cash Distribution of S$0.035 per Share, amounting to approximately RM128,900,000 had been paid out to the Shareholders on 13 May 2020.

Acquisition of BCH from non-controlling interest

On 13 May 2020, the Company entered into a sale and purchase agreement with Robert Justin Frizelle, Green Point Associates Pte. Ltd. (together with the Company, the "Purchasers") and Meridian Compass Limited (the "Seller"), to purchase 400,000 ordinary shares of BCH ("Sales shares"), representing 10% of the issued and paid up share capital of BCH. In return for the Sales Shares, the Company paid a consideration of US$1 and the following:

(a) all shares held by BCH (directly or indirectly) in Brand Connect Thailand Co. Ltd. and Brand Connect Vietnam Co. Ltd. were transferred to the Seller;

(b) certain accounts receivable were assigned to the Seller; and

(c) specified inventories transferred to the Seller.

Upon completion, the Company's shareholding in BCH increased from 70% to approximately 78% and Brand Connect Vietnam Co. Ltd. and Brand Connect Thailand Co. Ltd. ceased to be part of the BCH Group thereafter.

37. Subsequent events (cont'd)

COVID-19 pandemic

The COVID-19 situation continues to evolve with significant level of uncertainty. The outlook for coming financial year is expected to be very challenging and highly uncertain due to the global economic crisis, travel restrictions, and consumers' cautious spending. All outlets at the Malaysia-Thai border and airport outlets remained closed as at the date of this report. Two locations which are located outside Thai border and airports, namely Langkawi Island outlet and Johor Bahru outlet had resumed business operations since Conditional Movement Control Order ("CMCO") period, effective from 4 May 2020. Even with the gradual easing from CMCO to Recovery Movement Control Order ("RMCO"), which was implemented since 10 June 2020, certain restrictions are still being imposed by authorities such as closure of the international borders, overseas travel restrictions and compliance to the Standard Operating Procedures ("SOPs") have impeded the Group's business operations significantly. The Group's operations in Singapore have also been impacted with similar restrictions imposed by the Singapore Government. Consequently, the Group's financial performance is expected to be adversely impacted in the next financial year.

The Group's main focus is now on strategic planning, resource allocation and further cost optimisation as a preparation for challenges going forward. The Group will continue to fortify its stable financial position to weather the highly challenging global landscape, supported by its healthy balance sheet and robust net cash position.

38. Authorisation of financial statements

The financial statements for the financial year ended 29 February 2020 were authorised for issue in accordance with a resolution of the directors on 15 July 2020.

STATISTICS OF SHAREHOLDINGS

As at 15 July 2020

Class of Shares	:	Ordinary Share
Number of Issued Shares (excluding treasury shares and subsidiary holdings)	:	1,198,199,093
Issued and fully paid-up capital	:	SGD368,279,230
Voting Rights	:	One vote per share
Number of Treasury Shares and Percentage	:	30,999,300 (2.52%)
Number of Subsidiary Holdings and Percentage	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	170	8.98	1,846	0.00
100 - 1,000	232	12.26	120,877	0.01
1,001 - 10,000	539	28.47	2,920,783	0.24
10,001 - 1,000,000	923	48.76	73,555,930	6.14
1,000,001 AND ABOVE	29	1.53	1,121,599,657	93.61
TOTAL	**1,893**	**100.00**	**1,198,199,093**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	ATLAN HOLDINGS BHD	905,028,113	75.53
2.	CITIBANK NOMINEES SINGAPORE PTE. LTD.	91,855,532	7.67
3.	MAYBANK KIM ENG SECURITIES PTE. LTD.	27,228,543	2.27
4.	OCBC SECURITIES PRIVATE LIMITED	9,709,531	0.81
5.	UOB KAY HIAN PRIVATE LIMITED	8,368,130	0.70
6.	IFAST FINANCIAL PTE. LTD.	6,769,300	0.56
7.	DBS NOMINEES (PRIVATE) LIMITED	6,696,556	0.56
8.	RAFFLES NOMINEES (PTE.) LIMITED	6,419,905	0.54
9.	LIM CHONG PING	5,774,600	0.48
10.	PHILLIP SECURITIES PTE. LTD.	5,656,748	0.47
11.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,302,266	0.44
12.	SOH CHONG CHAI	5,299,080	0.44
13.	ELLPHA INVESTMENTS PTE. LTD.	4,100,000	0.34
14.	RHB SECURITIES SINGAPORE PTE. LTD.	3,754,732	0.31
15.	CHAN KENG LOKE	2,825,400	0.24
16.	HSBC (SINGAPORE) NOMINEES PTE. LTD.	2,605,300	0.22
17.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,597,050	0.22
18.	DBS VICKERS SECURITIES (SINGAPORE) PTE. LTD.	2,504,399	0.21
19.	IWAN RUSLI @ LIE TJIN VAN	2,500,000	0.21
20.	E-FOS SDN BHD	2,472,722	0.21
	TOTAL	**1,107,467,907**	**92.43**

STATISTICS OF SHAREHOLDINGS

As at 15 July 2020

SUBSTANTIAL SHAREHOLDERS AS AT 15 JULY 2020

(As recorded in the Register of Substantial Shareholders)

		DIRECT INTERESTS		DEEMED INTERESTS	
NO.	NAME	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
1.	Atlan Holdings Bhd	905,028,113	75.53	–	–
2.	Chesterfield Trust Company Limited as Trustees of The Lim Family Trust [(1)]	–	–	905,028,113	75.53
3.	Distinct Continent Sdn Bhd [(2)]	–	–	905,028,113	75.53
4.	Lim Family Holdings Limited [(3)]	–	–	905,028,113	75.53
5.	Dato' Sri Adam Sani bin Abdullah [(4)]	–	–	905,028,113	75.53
6.	Berjaya Corporation Berhad [(5)]	–	–	905,028,113	75.53
7.	Tan Sri Dato' Seri Vincent Tan Chee Yioun [(6)]	–	–	905,028,113	75.53

Notes:

1. Chesterfield Trust Company Limited as Trustees of The Lim Family Trust is deemed to have interest in the 905,028,113 Shares held by Atlan Holding Bhd ("Atlan") through Distinct Continent Sdn Bhd which is owned by Lim Family Holdings Limited by virtue of Section 7 of the Companies Act.

2. Distinct Continent Sdn Bhd is a substantial shareholder of Atlan. Distinct Continent Sdn Bhd is deemed interested in the 905,028,113 Shares held by Atlan by virtue of Section 7 of the Companies Act.

3. Lim Family Holdings Limited is deemed to have interest in the 905,028,113 Shares held by Atlan through its majority interest in Distinct Continent Sdn Bhd by virtue of Section 7 of the Companies Act.

4. Dato' Sri Adam Sani Bin Abdullah is deemed to have interest in the 905,028,113 Shares held by Atlan through Chesterfield Trust Company Limited as Trustees of The Lim Family Trust by virtue of himself as the settlor, initial Protector and a primary beneficiary of The Lim Family Trust.

5. Berjaya Corporation Berhad ("BCB") is deemed interested in the 905,028,113 Shares held by Atlan through its direct and indirect interest totalling 24.52% in Atlan.

6. Tan Sri Dato' Seri Vincent Tan Chee Yioun is deemed interested in the 905,028,113 Shares held by Atlan through his interest in BCB. BCB has a direct and indirect interest totalling 24.52% in Atlan. Tan Sri Dato' Seri Vincent Tan Chee Yioun is a major shareholder of BCB.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 15 July 2020, approximately 24.23% of the issued ordinary shares of the Company are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires that at least 10% of the issued ordinary shares (excluding preference shares, convertible equity securities and treasury shares) of the Company in a class that is listed is at all times held in the hands of the public.

STATISTICS OF WARRANTHOLDINGS

As at 15 July 2020

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	126	11.20	3,703	0.00
100 - 1,000	341	30.31	165,196	0.03
1,001 - 10,000	443	39.38	1,908,209	0.39
10,001 - 1,000,000	201	17.87	17,367,484	3.54
1,000,001 AND ABOVE	14	1.24	471,955,450	96.04
TOTAL	**1,125**	**100.00**	**491,400,042**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1.	ATLAN HOLDINGS BHD	362,011,245	73.67
2.	CITIBANK NOMINEES SINGAPORE PTE. LTD.	46,685,212	9.50
3.	MAYBANK KIM ENG SECURITIES PTE. LTD.	13,802,083	2.81
4.	LIM & TAN SECURITIES PTE. LTD.	11,479,880	2.34
5.	CHAN KENG LOKE	8,662,000	1.76
6.	IFAST FINANCIAL PTE. LTD.	7,054,300	1.44
7.	OCBC SECURITIES PRIVATE LIMITED	5,882,366	1.20
8.	ONG KAH KEONG	5,175,900	1.05
9.	RAFFLES NOMINEES (PTE.) LIMITED	3,296,882	0.67
10.	DBS NOMINEES (PRIVATE) LIMITED	1,971,742	0.40
11.	PHILLIP SECURITIES PTE. LTD.	1,825,675	0.37
12.	UOB KAY HIAN PRIVATE LIMITED	1,685,437	0.34
13.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,417,828	0.29
14.	PUA TIAN SENG	1,004,900	0.20
15.	TEOH YEW KWEE (ZHAO YOUGUI)	990,000	0.20
16.	E-FOS SDN BHD	989,088	0.20
17.	YAP MIOW SEN	940,000	0.19
18.	RHB SECURITIES SINGAPORE PTE. LTD.	933,692	0.19
19.	VINCENT LAWRENCE	848,000	0.17
20.	NG WEI PONG	817,600	0.17
	TOTAL	**477,473,830**	**97.16**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting ("**AGM**") of Duty Free International Limited ("**Company**") will be held by way of electronic means on Thursday, 27 August 2020 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 2020 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company who are retiring pursuant to Regulation 104 of the Constitution of the Company and being eligible, have offered themselves for re-election, as Director of the Company:

   (a) Dato' Megat Hisham bin Megat Mahmud **(Resolution 2)**
   (b) Mr Lee Sze Siang **(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 2020 (FY2019: S$145,000). **(Resolution 4)**

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to hold office until the conclusion of the next AGM and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

   6.1 **Share Issue Mandate**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

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

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated

NOTICE OF ANNUAL GENERAL MEETING

in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under subparagraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Ordinary Resolution; and

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

(3) in exercising the Share Issue Mandate conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 6)**

6.2 **Renewal of Share Purchase Mandate**

"That for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of AGM of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Appendix to the Notice of AGM dated 5 August 2020 ("**Appendix**"), in accordance with the authority and limits of the renewed Share Purchase Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

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

BY ORDER OF THE BOARD

Thum Sook Fun
Company Secretary
Singapore, 5 August 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Dato' Megat Hisham bin Megat Mahmud will, upon re-election as Director of the Company, remains as the Chairman of the Audit Committee and a member of the Remuneration Committee. The Board considers him independent for the purposes of Rule 704(8) of the Listing Manual.

Mr Lee Sze Siang will, upon re-election as Director of the Company, remains as Executive Director.

The detailed information of the above Directors (including information as set out in Rule 720(6) of the SGX-ST Listing Manual) can be found under sections entitled "**Board of Directors**" and "**Additional Information on Directors Seeking Re-election**" in the Company's Annual Report 2020.

(ii) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM of the Company until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per cent (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 29 February 2020 are set out in greater detail in the Appendix.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTES:-

This Notice of AGM takes into account the latest measures to-date to deal with the COVID-19 situation announced and/or implemented in Singapore which affect the holding or conduct of general meetings ("Enhanced Measures").

Specifically: -

a. the guidance for issuers on safe distancing measures when conducting general meetings set out in the joint statement issued on 31 March 2020 by the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**"), the Monetary Authority of Singapore ("**MAS**") and the Singapore Exchange Regulation ("**SGX RegCo**");

b. the implementation of the circuit breaker measures (enhanced safe distancing measures and closure of workplace premises) announced by the Singapore Government on 3 April 2020 to minimise the further spread of COVID-19;

c. the COVID-19 (Temporary Measures) Act 2020 (the "**Act**") passed by the Singapore Parliament on 7 April 2020 which enable the Minister of Law by order to prescribe alternative arrangements for listed companies in Singapore to, *inter alia*, conduct general meetings, either wholly or partly, by electronic communication, video conferencing, tele-conferencing or other electronic means;

d. the COVID-19 (Temporary Measures) (Alternative Arrangements for Meeting for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**") which was gazetted on 13 April 2020, and which set out the alternative arrangements in respect of, *inter alia*, general meetings of companies; and

e. the additional guidance which contains a checklist to guide listed and non-listed entities on the conduct of general meetings when the elevated safe distancing measures are in place as set out in the joint statement by ACRA, MAS and SGX RegCo issued on 13 April 2020 (and subsequently updated on 27 April 2020 and 22 June 2020).

Apart from the above developments, the Company had adopted the foregoing guidance to convene its AGM in order to comply with the Enhanced Measures: -

1. INTRODUCTION

The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice will be sent to Shareholders by electronic means via publication on (i) SGX-ST's website at https://www.sgx.com/securities/company-announcements; and (ii) the Company's corporate website at https://ir.dfi.com.sg/

Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in this Notice of AGM which has been published on SGXNet and the Company's corporate website at https://ir.dfi.com.sg/

2. CONDUCT OF AGM

2.1 Due to current COVID-19 situation, shareholder will **NOT** be able to attend the AGM in person. Shareholders may participate in the AGM by: (a) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (b) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the AGM; and (c) submitting questions prior to the AGM. To do so, please read the following steps carefully:-

2.1.1 Pre-Registration of Attendance and attend the AGM via Live Audio-Visual Webcast

Shareholders who wish to attend the AGM via live audio-visual webcast or live audio-only stream are required to pre-register via https://bit.ly/DFI2020AGM by 11:00 a.m. on 24 August 2020 to enable the Company to verify their status as Shareholders. Upon the verification, verified Shareholders will receive a confirmation email by 12:00 p.m. on 26 August 2020 which include user ID and/or password details ("**Details**") as well as the link to access the live audio-visual webcast and live audio-only stream.

Please **DO NOT** disclose Details to those who are not entitled to attend the AGM. Your presence via live audio-visual webcast shall be taken as attendance at the AGM and please do note that if there is no email confirmation received by the shareholders by 12:00 p.m. on 26 August 2020, you may contact the Share Registrar of the Company at AGM.TeamE@boardroomlimited.com or contact them at +65 6536 5355, from 9:00 a.m. to 5:00 p.m. (except weekend and public holidays). Further, if the shareholders' information is unable to be verified (e.g. typo error), you will be denied to access the AGM via live audio-visual webcast or live audio-only stream.

Person who hold shares through Relevant Intermediary*, except for Central Provident Fund Investment Scheme ("**CPF Investors**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable), who wish to participate in the AGM via live audio-visual webcast or live audio-only stream should contact their Relevant Intermediary through which they hold shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

NOTICE OF ANNUAL GENERAL MEETING

The CPF Investors and SRS Investors who wish to participate in the AGM via live audio-visual webcast or live audio-only stream are required to pre-register via https://bit.ly/DFI2020AGM by 11:00 a.m. on 24 August 2020.

*A Relevant Intermediary is:-

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

2.1.2 Voting by Proxy

Shareholders (whether individual or corporate) who wish to vote must submit their proxy forms in advance and appoint "**Chairman of the AGM**" as their proxy by giving the specific instruction to vote. The Chairman of the AGM as Proxy, need not be a member of the Company. The proxy form may also be accessed same as the Notice of this AGM based on Note 1.

Shareholder can either choose to submit the completed and signed proxy form by the following manners **not less than 72 hours before the time appointed for the AGM**:-

(i) If submitted by post, be deposited at the office of the Share Registrar of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

(ii) If submitted electronically, via email to AGM.TeamE@boardroomlimited.com

A member who wishes to submit an instrument of proxy must first **download, complete and sign** the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

For Shareholders who hold shares through a Relevant Intermediary* including CPF Investors and/or SRS Investors (as may be applicable) who wish to appoint the Chairman as proxy, should contact their respective Relevant Intermediary, CPF Agent Banks or SRS Operators through which they hold shares as soon as possible in order for the necessary arrangements to submit their votes at least seven (7) working days before the AGM.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

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), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members of the Company, 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 of the Company. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate held by you.

The instrument appointing Chairman as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing Chairman as proxy is executed by a corporation, it must be either under its common seal or under the hand of any duly authorised officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), if required by law, be duly stamped and to be deposited based on the above item 2.1.2 (i) or (ii), falling which the proxy form may be treated as invalid.

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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 a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.

NOTICE OF ANNUAL GENERAL MEETING

2.1.3 Submission of Questions

A member who pre-registers to watch the live audio-visual webcast may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 11:00 a.m. on 24 August 2020:

(a) via the pre-registration website at https://bit.ly/DFI2020AGM

(b) in hard copy by post to the office of the Share Registrar of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

(c) by email to AGM.TeamE@boardroomlimited.com

The Company will endeavour to address the substantial and relevant questions from shareholders during the AGM or publish the Company's responses to such questions on the SGXNet and the Company's corporate website prior to the AGM.

The minutes of AGM, including the responses to substantial and relevant questions from shareholders addressed during AGM, will be published on the SGXNet and the Company's corporate website within one (1) month after the conclusion of the said AGM.

3. ANNUAL REPORT AND OTHER DOCUMENTS

3.1 The following documents are made available to members on via publication on (i) SGX-ST's website at https://www.sgx.com/securities/company-announcements; and (ii) the Company's corporate website at https://ir.dfi.com.sg/

(a) Annual Report 2020;

(b) Notice of AGM;

(c) Appendix in relation to the Proposed Renewal of the Share Purchase Mandate; and

(d) Proxy form in relation to the AGM.

As the COVID-19 situation still evolving, the Company will closely monitor the situation and reserves the right to take further measures or short-notice arrangements as and when appropriate in order to minimise any risk to the AGM. Any material developments will be announced on the SGXNet and Members are advised to check the SGXNet regularly for updates on the Annual General Meeting and/or material developments.

Personal Data Privacy

"Personal data" in this notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes the shareholder's name and its proxy's and/or representative's name, address and NRIC/Passport number. Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. The member's personal data and the proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a shareholder of the Company (such as his/her name, his/her presence at the AGM and any questions he/she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.

NOTICE OF ANNUAL GENERAL MEETING

Additional Information on Directors Seeking Re-election

Dato' Megat Hisham bin Megat Mahmud and Mr Lee Sze Siang are the Directors seeking re-election at the forthcoming Annual General Meeting ("**AGM**") of the Company to be convened on Thursday, 27 August 2020 under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 5 August 2020 (collectively, the "**Retiring Directors**").

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Trading Securities Limited ("**SGX-ST**"), the information relating to the Retiring Directors as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST is set out below, and to be read in conjunction with their respective profiles under section entitled "**Board of Directors**" in the Company's Annual Report 2020 on pages 12 to 13:

Name of the Retiring Directors	**Dato' Megat Hisham bin Megat Mahmud**	**Lee Sze Siang**
Date of Appointment	9 July 2013	13 August 2010
Date of last re-appointment	29 June 2017	29 June 2017
Age	63	50
Country of principal residence	Malaysia	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance preparedness, participation and suitability of Dato' Megat for re-election as director of the Company and concluded that Dato' Megat possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance preparedness, participation and suitability of Mr Lee for re-election as director of the Company and concluded that Mr Lee possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Mr Lee is responsible for the Group's financial management and corporate services function.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Audit Committee Chairman and Remuneration Committee Member	Executive Director
Professional qualifications	Please refer to the respective Director's profiles on pages 12 to 13.	
Working experience and occupation(s) during the past 10 years	Please refer to the respective Director's profiles on pages 12 to 13.	
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil

NOTICE OF ANNUAL GENERAL MEETING

Name of the Retiring Directors	**Dato' Megat Hisham bin Megat Mahmud**	**Lee Sze Siang**
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the past 5 years)	Nil	Nil
Present	Nil	• Atlan Holdings Bhd • DFZ Capital Sdn Bhd • Brand Connect Holding Pte. Ltd.
Information required		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

NOTICE OF ANNUAL GENERAL MEETING

Name of the Retiring Directors		Dato' Megat Hisham bin Megat Mahmud	Lee Sze Siang
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

NOTICE OF ANNUAL GENERAL MEETING

Name of the Retiring Directors		Dato' Megat Hisham bin Megat Mahmud	Lee Sze Siang
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?		No	No

DUTY FREE INTERNATIONAL LIMITED

(Company Registration Number: 200102393E)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT:

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice will be sent to Shareholders by electronic means via publication on (i) SGX-ST's website at https://www.sgx.com/securities/company-announcements; and (ii) the Company's corporate website at https://ir.dfi.com.sg/
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Notice of AGM dated 5 August 2020 which has been published on SGXNet and the Company's corporate website at https://ir.dfi.com.sg/
3. Due to current COVID-19 situation, shareholder will **NOT** be able to attend the AGM in person. Shareholders (whether individual or corporate) who wish to vote must submit their proxy forms in advance and appoint "**Chairman of the AGM**" as their proxy by giving the specific instruction to vote.
4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM.
5. **Please read the notes overleaf which contain the instruction on, inter alia, the appointment of the Chairman of the AGM as proxy to vote on his/her behalf at the AGM.**

I/We, ______________________ (Name) ______________________ (NRIC/Passport No./Company No.)

of ____ (Address)

being a member/members of **DUTY FREE INTERNATIONAL LIMITED** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting (the "**AGM**") as *my/our proxy to attend and vote for *me/us on *my/our behalf at the AGM of the Company to be held by electronic means on Thursday, 27 August 2020 at 11:00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy to vote for or against the Ordinary Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as *my/our proxy will be treated as invalid.

All Ordinary Resolutions put to the vote at the AGM shall be decided by way of poll.

***If you wish to exercise all your votes 'For' or 'Against' or 'Abstain', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

No.	ORDINARY RESOLUTIONS	No. of Votes		
	AS ORDINARY BUSINESS	**For****	**Against****	**Abstain****
1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 29 February 2020 together with the Directors' Statement and Auditors' Report thereon.			
2	To re-elect Dato' Megat Hisham bin Megat Mahmud as Director of the Company.			
3	To re-elect Mr Lee Sze Siang as Director of the Company.			
4	To approve the payment of Directors' fees of S$145,000 for the financial year ended 29 February 2020 (FY2019: S$145,000).			
5	To re-appoint Messrs Ernst & Young LLP as Auditors of the Company.			
	AS SPECIAL BUSINESS			
6	Share Issue Mandate.			
7	Renewal of Share Purchase Mandate.			

Dated this ________ day of ____________ 2020

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

____

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

*Delete where inapplicable

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. Due to current COVID-19 situation, shareholder will **NOT** be able to attend the AGM in person. Shareholders (whether individual or corporate) who wish to vote must submit their proxy forms in advance and appoint "**Chairman of the AGM**" as their proxy by giving the specific instruction to vote. The Chairman of the AGM as Proxy, need not be a member of the Company.
3. Shareholder can either choose to submit the completed and signed proxy form by the following manners not less than 72 hours before the time appointed for the AGM:-

   (i) If submitted by post, be deposited at the office of the Share Registrar of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (ii) If submitted electronically, via email to AGM.TeamE@boardroomlimited.com

   A member who wishes to submit an instrument of proxy must first **download, complete and sign** the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

   For Shareholders who hold shares through a Relevant Intermediary*, including Central Provident Fund Investment Scheme ("**CPF Investors**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable), who wish to appoint the Chairman as proxy, should contact their Relevant Intermediary, CPF Agent Banks or SRS Operators through which they hold shares as soon as possible in order for the necessary arrangements to submit their votes at least seven (7) working days before the AGM.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.
4. The instrument appointing Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing Chairman of the AGM as proxy 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 Chairman of the AGM as proxy 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.

Affix
postage
stamp

THE SHARE REGISTRAR
DUTY FREE INTERNATIONAL LIMITED
(Company No.: 200102393E)

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

*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 AGM, 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 AGM dated 5 August 2020.

(200102393E)
DUTY FREE INTERNATIONAL LIMITED

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