



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

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## RESPONSE TO SGX QUERIES

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The Board of Directors (“**Board**”) of Duty Free International Limited (“**Company**”, together with its subsidiaries, “**Group**”) has on 19 January 2021 received the following queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in relation to its unaudited financial statements for the third quarter and nine months ended 30 November 2020 released on 13 January 2021 and sets out its response as follows:

### **SGX Query 1:**

We note that the Company has disclosed an impairment of goodwill of RM 2,824,000 on page 1 of the Financial Statements. In this regard, please disclose the following information: (a) the background and nature of the impairment; (b) how the amount of impairment was determined; (c) the Board’s confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment.

### **Company’s response:**

- (a) SFRS (I) 36: Impairment of Assets requires at least an annual impairment review of goodwill and intangible assets with indefinite useful lives. In circumstances where impairment is assessed to be necessary, impairment will be charged to income statement in the financial statement.

As at 1 March 2019, the Group had goodwill amounting to RM28.8 million which arose from the acquisitions of three subsidiaries in prior years. The Group had recognized impairment loss on goodwill of RM11.5 million in FY2020. During the third quarter ended 30 November 2020, further impairment loss on goodwill of RM2.8 million has been recognised from assessment on goodwill. As at 30 November 2020, the carrying amount of goodwill was RM14.5 million.

- (b) Goodwill is tested for impairment whenever there is an indication of impairment. Hence, the Group estimates the value in use of the cash generating units to which the goodwill is allocated. The Group prepares and reviews on a regular basis probability-weighted discounted cash flow projections for each of the three acquisitions mentioned above based on the financial budgets and assumptions covering a five-year period. Accordingly, in the 3rd quarter FY2021 (“3QFY2021”), the Group had considered the negative impact of COVID-19 pandemic, such as re-imposition and extension of various Movement Control Orders duration in Malaysia as well as closure of the international borders and overseas travel restrictions, the uncertainty of the timing of

the re-opening of the border outlets and the overall projected decline in sales due to expected slowdown in consumer demand in the projections. The present value of the discounted cash flow was then compared to the cash generating units or carrying value of the acquisitions and as there was a shortfall in the assessment in 3QFY2021, the shortfall had been recognised as an impairment.

- (c) After taking into consideration the extended duration of movement controls, travel restrictions, the uncertainty of the timing of the re-opening of the international borders and the general adverse impact of COVID-19 pandemic on the Malaysian economy, the Board is of the opinion that the methodologies used to determine the amount of impairment are reasonable.

**SGX Query 2:**

We note that the Company has disclosed “other payables” amounting to RM16.6 million on page 8 of the Financial Statements. Please disclose the aging and nature of these “other payables” and whether the counterparties are related parties

**Company’s response:**

The information in relation to Other Payables are as follows:

	Current	1 to 30 Days	31 to 60 Days	Over 60 Days	Total payables
	RM’000	RM’000	RM’000	RM’000	RM’000
<b>Sundry payable</b>					
Commissions and promotional expenses payable	-	1	1	53	55
Payroll related expenses payable	61	3	-	1	65
Insurance expenses payable	44	20	3	-	67
Logistics and warehouse expenses payable	268	46	-	13	327
Professional fees payable	276	7	-	115	398
Rental of premises payable	222	1,337	1,300	103	2,962
Utilities and maintenance expenses payable	133	6	1	87	227
Other payables (security, printing & stationery, travelling, postages, etc.)	156	19	4	359	538
<b>Sub-total</b>	<b>1,160</b>	<b>1,439</b>	<b>1,309</b>	<b>731</b>	<b>4,639</b>

	Current	1 to 30 Days	31 to 60 Days	Over 60 Days	Total payables
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Accruals</b>					
Commissions and promotional expenses	Not applicable				511
Directors fees and payroll related expenses					739
Insurance expenses					277
Logistics and warehouse expenses					201
Professional fees					1,790
Rental of premises					557
Utilities and maintenance expenses					813
Management fee payable to HAP (related party) (please refer to note 15 on page 26 of the third quarter announcement for FY2021 which was uploaded to the SGX portal on 13 <sup>th</sup> January 2021)					717
Others payables (security expenses, printing expenses, travelling expenses, etc.)					458
<b>Sub-total</b>					
Deposits received (rental of building and equipment, trade)	Not applicable				547
Put option liability (please refer to Note 23 on page 74 of the Audited Financial Statements for FY2020 which was uploaded to the SGX portal on 15 <sup>th</sup> July 2020)					5,426
<b>Total</b>					<b>16,675</b>

Other than the management fees payable to HAP and the put option liability as disclosed above, all other payables were to unrelated counterparties.

**By Order of the Board**

Lee Sze Siang  
Executive Director  
21 January 2021