

Duty Free International Limited

(Company Registration No. 200102393E)

Condensed Interim Financial Statements
For the three months ended 31 May 2022

Table of Contents	Page
Condensed Interim Consolidated Statement of Profit or Loss	1
Condensed Interim Consolidated Statement of Other Comprehensive Income	2
Condensed Interim Statement of Financial Position	3
Condensed Interim Statements of Changes in Equity	5
Condensed Interim Consolidated Statement of Cash Flows	9
Notes to the Condensed Interim Consolidated Financial Statements	11
Other Information Required by Listing Rule Appendix 7.2	27
Confirmation by the Board	36

1(a)(i) Condensed Interim Consolidated Statement of Profit or Loss

	Note	Group 3 months ended 31 May		Increase/ (Decrease) %
		2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	
Revenue	5.1	24,665	33,447	-26.3%
Changes in inventories		(7,433)	(9,636)	-22.9%
Inventories purchased and materials consumed		(9,028)	(17,141)	-47.3%
Other income	7.1(a)	3,156	3,610	-12.6%
Employee benefits expenses		(2,956)	(3,339)	-11.5%
Depreciation of property, plant and equipment		(950)	(1,072)	-11.4%
Depreciation of right-of-use assets		(1,923)	(1,905)	0.9%
Amortisation of intangible assets		–	(44)	-100.0%
Rental of premises		(785)	(895)	-12.3%
Commission expenses		(63)	(8)	687.5%
Professional fees		(862)	(180)	378.9%
Promotional expenses		(31)	(20)	55.0%
Utilities and maintenance expenses		(442)	(401)	10.2%
Realised foreign exchange loss		(76)	(155)	-51.0%
Unrealised foreign exchange gain		2,562	2,378	7.7%
Other operating expenses	7.1(b)	(2,319)	(2,649)	-12.5%
Operating profit		3,515	1,990	76.6%
Finance costs		(1,600)	(1,518)	5.4%
Profit before tax		1,915	472	305.7%
Income tax expense	8	(200)	(691)	-71.1%
Profit/(loss) for the period		1,715	(219)	-883.1%
Attributable to:				
Owners of the Company		1,722	248	594.4%
Non-controlling interests		(7)	(467)	-98.5%
		1,715	(219)	-883.1%
Earning per share for the period attributable to owners of the Company (sen per share)				
Basic		0.14	0.02	
Diluted		0.14	0.02	

1(a)(ii) Condensed Interim Consolidated Statement of Other Comprehensive Income

	Group		
	3 months ended		
	31 May		
	2022	2021	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM'000	RM'000	%
Profit/(loss) for the period	1,715	(219)	-883.1%
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation	367	128	186.7%
Total comprehensive income/(loss) for the period	2,082	(91)	-2,387.9%
Attributable to:			
Owners of the Company	1,951	367	431.6%
Non-controlling interests	131	(458)	-128.6%
Total comprehensive income/(loss) for the period	2,082	(91)	-2,387.9%

1(b) Condensed Interim Statement of Financial Position

	Note	Group		Company	
		31.05.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000	31.05.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	53,584	54,532	–	–
Goodwill	11.1	5,818	5,818	–	–
Investments in subsidiaries		–	–	556,259	556,259
Prepayments	11.2	3,500	3,500	–	–
Deferred tax assets		7,505	7,403	–	–
Right-of-use assets		110,964	112,776	–	–
		181,371	184,029	556,259	556,259
Current assets					
Biological assets		279	155	–	–
Trade and other receivables	6.1	46,968	48,774	125	125
Prepayments		2,865	1,775	–	–
Inventories		46,821	53,567	–	–
Cash and bank balances		169,157	153,401	86,325	83,970
Tax recoverable		6,174	6,453	–	–
		272,264	264,125	86,450	84,095
Total assets		453,635	448,154	642,709	640,354
Equity and liabilities					
Current liabilities					
Borrowings	13	78	79	–	–
Trade and other payables	6.2	17,568	15,470	743	570
Provision for restoration costs		110	110	–	–
Lease liabilities		457	504	–	–
Income tax payable		505	454	12	10
		18,718	16,617	755	580
Net current assets		253,546	247,508	85,695	83,515

1(b) Condensed Interim Statement of Financial Position (cont'd)

	Note	Group		Company	
		31.05.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000	31.05.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000
Non-current liabilities					
Deferred tax liabilities		5,831	6,037	1,655	1,655
Derivative liabilities		222	222	515	515
Lease liabilities		95,310	93,787	–	–
Provision for restoration costs		672	672	–	–
Borrowings	13	30	49	–	–
		102,065	100,767	2,170	2,170
Total liabilities		120,783	117,384	2,925	2,750
Net assets		332,852	330,770	639,784	637,604
Equity attributable to owners of the Company					
Share capital	14	487,902	487,902	978,724	978,724
Treasury shares		(22,017)	(22,017)	(22,017)	(22,017)
Other reserves		(180,685)	(180,916)	661	661
Retained earnings/(accumulated losses)		47,330	45,608	(317,584)	(319,764)
		332,530	330,577	639,784	637,604
Non-controlling interests		322	193	–	–
Total equity		332,852	330,770	639,784	637,604
Total equity and liabilities		453,635	448,154	642,709	640,354

1(c) Condensed Interim Statements of Changes in Equity

	Attributable to owners of the Company										
	Ordinary shares RM'000	Treasury shares RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Net premium paid/received on transactions with non-controlling interests RM'000	Gain on reissuance of treasury shares RM'000	Capital reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
Opening balance at 1 March 2022	487,902	(22,017)	(180,916)	606	(178,818)	661	(3,365)	45,608	330,577	193	330,770
Profit/(loss) for the period	–	–	–	–	–	–	–	1,722	1,722	(7)	1,715
Other comprehensive income for the period	–	–	229	229	–	–	–	–	229	138	367
Total comprehensive income for the period	–	–	229	229	–	–	–	1,722	1,951	131	2,082
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	–	–	2	–	–	–	2	–	2	(2)	–
Total transactions with non-controlling interests	–	–	2	–	–	–	2	–	2	(2)	–
Closing balance at 31 May 2022	487,902	(22,017)	(180,685)	835	(178,818)	661	(3,363)	47,330	332,530	322	332,852

1(c) Condensed Interim Statements of Changes in Equity (cont'd)

	Attributable to owners of the Company										
	Ordinary shares RM'000	Treasury shares RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Net premium paid/received on transactions with non-controlling interests RM'000	Gain on reissuance of treasury shares RM'000	Capital reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
Opening balance at 1 March 2021	487,902	(22,017)	(145,204)	(139)	(142,893)	661	(2,833)	49,245	369,926	11,939	381,865
Profit/(loss) for the period	–	–	–	–	–	–	–	248	248	(467)	(219)
Other comprehensive income for the period	–	–	119	119	–	–	–	–	119	9	128
Total comprehensive income/(loss) for the period	–	–	119	119	–	–	–	248	367	(458)	(91)
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	–	–	(13)	–	–	–	(13)	–	(13)	13	–
Total transactions with non-controlling interests	–	–	(13)	–	–	–	(13)	–	(13)	13	–
Closing balance at 31 May 2021	487,902	(22,017)	(145,098)	(20)	(142,893)	661	(2,846)	49,493	370,280	11,494	381,774

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

1(c) Condensed Interim Statements of Changes in Equity (cont'd)

Company	Ordinary shares RM'000	Treasury shares RM'000	Others reserve RM'000	Retained earnings/ (accumulated losses) RM'000	Total equity RM'000
Opening balance at 1 March 2022	978,724	(22,017)	661	(319,764)	637,604
Profit for the year	-	-	-	2,180	2,180
Total comprehensive income for the period	-	-	-	2,180	2,180
Closing balance at 31 May 2022	978,724	(22,017)	661	(317,584)	639,784

1(c) Condensed Interim Statements of Changes in Equity (cont'd)

Company	Ordinary shares RM'000	Treasury shares RM'000	Others reserve RM'000	Retained earnings/ (accumulated losses) RM'000	Total equity RM'000
Opening balance at 1 March 2021	978,724	(22,017)	661	(328,863)	628,505
Profit for the year	-	-	-	9,649	9,649
Total comprehensive income for the period	-	-	-	9,649	9,649
Closing balance at 31 May 2021	978,724	(22,017)	661	(319,214)	638,154

1(d) Condensed Interim Consolidated Statement of Cash Flows

	Group	
	3 months ended	
	31 May	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,915	472
<u>Adjustments for:</u>		
Amortisation of intangible assets	–	44
Depreciation of property, plant and equipment	950	1,072
Depreciation of right-of-use assets	1,923	1,905
Deposit forfeited	(560)	–
Impairment loss on receivables	–	45
Finance costs	1,600	1,518
Lease concessions	(3)	(21)
Gain arising from changes in fair values of biological assets	(124)	(62)
Interest income	(1,219)	(1,139)
Inventories written off	2	21
Reversal of inventories written down	(688)	(1,544)
Net unrealised foreign exchange gain	(2,562)	(2,378)
Property, plant and equipment written off	1	–
Reversal of impairment losses on receivables	(37)	–
Operating cash flows before changes in working capital	1,198	(67)
<u>Changes in working capital</u>		
Decrease in trade and other receivables	1,841	3,703
Increase in prepayments	(1,089)	(181)
Decrease in inventories	7,433	9,636
Increase in trade and other payables	3,012	3,776
Cash flows generated from operations	12,395	16,867
Interest paid	(7)	(29)
Income taxes paid	(177)	(2,175)
Net cash flows generated from operating activities	12,211	14,663

1(d) Condensed Interim Consolidated Statement of Cash Flows (cont'd)

	Group	
	3 months ended	
	31 May	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Cash flows from investing activities		
Interest received	1,219	1,139
Purchase of property, plant and equipment	(3)	(2)
Net cash flows generated from investing activities	1,216	1,137
Cash flows from financing activities		
Increase in pledged fixed deposits	(31)	–
Payment of lease liabilities	(225)	(188)
Proceed from other short term borrowings	–	135
Net repayment of obligations under finance leases	(20)	(27)
Net cash used in financing activities	(276)	(80)
Net increase in cash and cash equivalents	13,151	15,720
Effects of foreign exchange rate changes	2,574	2,562
Cash and cash equivalents at beginning of the year	143,461	185,229
Cash and cash equivalents at end of period	159,186	203,511
Cash and cash equivalents comprise of:		
Cash and deposits with licensed banks	169,157	213,297
Deposits pledged with licensed banks	(9,971)	(9,786)
Cash and cash equivalents	159,186	203,511

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

These condensed interim consolidated financial statements for period ended 31 May 2022 comprise the Company and its subsidiaries (collectively, the Group).

The principal activity of the Company is investment holding. The principal activities of the Group are:

- (a) Retailer, wholesaler and distributor of duty free and non-dutiable merchandise
- (b) Properties management and cultivation of oil palm

3. Basis of preparation

The condensed interim financial statements for the three months ended 31 May 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance of the Group since the last annual financial statements for the period ended 28 February 2022.

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.

3.1 New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new or amended Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to FRS ("INT FRSs") that are mandatory for application from that date.

The application of these new or amended SFRS(I) and INT FRSs did not result in changes in the Group's accounting policies and has no material effect on the amounts reported for the current period or prior years.

3. Basis of preparation (cont'd)

3.2 Use of judgement and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 28 February 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there is no instance of application of judgment which is expected to have a significant impact on the amounts recognised in the Group's condensed interim consolidated financial statements for the three months period ended 31 May 2022.

4. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

5. Revenue and segment information

5.1 Revenue

	Group 3 months ended 31 May	
	2022 RM'000	2021 RM'000
Sale of goods	23,889	32,849
Parking operations	22	–
Rental income	1	–
Sale of fresh oil palm fruit bunches	753	598
	<hr/>	<hr/>
	24,665	33,447
	<hr/>	<hr/>
Timing of transfer of goods and services At a point in time	24,665	33,447
	<hr/>	<hr/>

5.2 Segment information

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 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.

5. Segment and revenue information (cont'd)

5.2 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	
	3 months ended 31 May		3 months ended 31 May		3 months ended 31 May			3 months ended 31 May	
	2022	2021	2022	2021	2022	2021		2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue:									
Sales to external customers	23,889	32,849	776	598	–	–		24,665	33,447
Inter-segment sales	–	–	164	7,764	(164)	(7,764)	A	–	–
Total revenue	23,888	32,849	941	8,362	(164)	(7,764)		24,665	33,447
Results:									
Interest income	198	157	1,021	982	–	–		1,219	1,139
Miscellaneous Income	1,023	2,334	914	137	–	–		1,937	2,471
Depreciation and amortisation	(2,520)	(2,930)	(353)	(357)	–	266		(2,873)	(3,021)
Finance costs	(1,658)	(1,581)	–	–	58	63		(1,600)	(1,518)
Other non-cash income	889	1,278	2,508	2,423	–	–	B	3,397	3,701
Segment profit/(loss)	(546)	(731)	4,061	10,453	(1,600)	(9,250)	C	1,915	472
Assets									
Additions to non-current assets	3	2	–	–	–	–	D	3	2
Segment assets	256,642	293,957	183,314	226,157	13,679	9,582	E	453,635	529,696
Segment liabilities	107,220	130,653	7,227	8,889	6,336	8,380	F	120,783	147,922

5. Segment and revenue information (cont'd)

5.2 Segment information (cont'd)

Operating segments (cont'd)

	Trading of duty free & duty paid goods and non-dutiable merchandise		Investment holdings and others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	31.05.2022	28.02.2022	31.05.2022	28.02.2022	31.05.2022	28.02.2022		31.05.2022	28.02.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Assets									
Additions to non-current	3	117	–	–	–	–	D	3	117
Segment assets	256,642	254,082	183,314	180,216	13,679	13,856	E	453,635	448,154
Segment liabilities	<u>107,220</u>	<u>103,064</u>	<u>7,227</u>	<u>7,829</u>	<u>6,336</u>	<u>6,491</u>	F	<u>120,783</u>	<u>117,384</u>

5. Segment and revenue information (cont'd)

5.2 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 include reversal of/impairment loss on receivables, property, plant and equipment written off, reversal of/provision of inventories written down, inventories written off and net unrealised foreign exchange gain/loss.
- C The following items were deducted from segment results to arrive at loss before tax presented in the income statement:

	3 months ended	
	31 May	
	2022	2021
	RM'000	RM'000
Finance costs	1,600	1,518

- D Additions to non-current assets consist of:

	As at	As at	As at
	31.05.2022	31.05.2021	28.02.2022
	RM'000	RM'000	RM'000
Property, plant and equipment	3	2	117

5. Segment and revenue information (cont'd)

5.2 Segment information (cont'd)

Operating segments (cont'd)

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

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

	As at	As at	As at
	31.05.2022	31.05.2021	28.02.2022
	RM'000	RM'000	RM'000
Deferred tax assets	7,505	5,231	7,403
Tax recoverable	6,174	4,351	6,453
	<u>13,679</u>	<u>9,582</u>	<u>13,856</u>

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

	As at	As at	As at
	31.05.2022	31.05.2021	28.02.2022
	RM'000	RM'000	RM'000
Deferred tax liabilities	5,831	6,244	6,037
Income tax payable	505	2,136	454
	<u>6,336</u>	<u>8,380</u>	<u>6,491</u>

6. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and company as at 31 May 2022 and 28 February 2022:

6.1 Financial assets

	Group		Company	
	31.05.2022	28.02.2022	31.05.2022	28.02.2022
	RM'000	RM'000	RM'000	RM'000
Trade and other receivables:				
Trade receivables	1,556	1,034	–	–
Deposits	3,152	5,373	–	–
Due from Berjaya Waterfront Sdn Bhd*	40,454	40,434	–	–
Sundry receivables	1,806	1,933	125	125
Total trade and other receivables	46,968	48,774	125	125
<i>Add: Cash and bank balances</i>	169,157	153,401	86,325	83,970
<i>Less: Goods and Services Tax receivable</i>	(1,225)	(1,225)	–	–
Total financial assets carried at amortised cost	214,900	200,950	86,450	84,095

*Due from Berjaya Waterfront Sdn Bhd (“BWSB”)

The amount due from BWSB 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, guaranteed by BWSB’s holding company, 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 since 16 July 2015 until 15 April 2022. The interest rate was revised to 7% per annum from 16 April 2022 onwards.

The balance of RM40.0 million is scheduled to be repaid on or before 15 April 2023 and BWSB has agreed to continue to pay interest at the rate of 7% per annum on the unpaid consideration on a quarterly basis.

6. Financial assets and financial liabilities (cont'd)

6.2 Financial liabilities

	Group		Company	
	31.05.2022	28.02.2022	31.05.2022	28.02.2022
	RM'000	RM'000	RM'000	RM'000
Trade and other payables:				
Trade payables	5,379	3,398	–	–
Accruals	3,447	3,110	737	563
Accrued payroll related expenses	149	129	–	–
Rental payables	1,388	1,320	–	–
Deposit received for the proposed disposal #	–	560	–	–
Other deposits received	324	448	–	–
Royalty payables	458	100	–	–
Sundry payables	831	813	6	7
Put option liability ^	5,592	5,592	–	–
Total trade and other payables	17,568	15,470	743	570
<i>Add: Borrowings</i>	108	128	–	–
<i>Less: Goods and Services Tax payable</i>	(43)	(41)	–	–
Total financial liabilities carried at amortised cost	17,633	15,557	743	570

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 RM27.99 million ("KMSB Agreement"). However, the KMSB Agreement was rescinded and revoked on 8 April 2022, and accordingly, the deposit received from Berjaya Waterfront Sdn Bhd was forfeited.

^ The put option liability reflects the carrying value of the put options issued to 22.22% (28 February 2022: 22.22%) of non-controlling interest in a subsidiary, Brand Connect Holding Pte. Ltd. ("BCH"). The carrying value of the liability has been calculated based on the expected financial performance of BCH and the expected exercise date of the put options.

7. Profit before taxation

7.1 Significant items

(a) Other income

	Group	
	3 months ended	
	31 May	
	2022	2021
	RM'000	RM'000
Interest income from licensed banks	312	232
Interest income from Berjaya Waterfront Sdn Bhd	907	907
Rental income		
- advertisement space	8	5
- property, plant and equipment	97	70
Deposit forfeited	560	–
Promotion income	–	13
Incentive income received from suppliers	8	5
Gain arising from changes in fair value of biological assets	124	62
Lease concessions	3	21
Reversal of inventories written down	688	1,544
Reversal of impairment loss on receivables	37	–
Miscellaneous income	412	751
	3,156	3,610

Included in miscellaneous income for the three-month period ended 31 May 2022 were government grants of RM43,800 (2021: RM524,000) received by the Group under the wage subsidy programmes introduced in Malaysia in response to the COVID-19 pandemic.

7. Profit before taxation (cont'd)

7.1 Significant items (cont'd)

(b) Other operating expenses

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

	Group	
	3 months ended	
	31 May	
	2022	2021
	RM'000	RM'000
Assessment and quit rent	237	237
Auditors' remuneration	202	222
Bank charges	303	378
Donations	6	–
Impairment loss on receivables	–	45
Insurance	150	189
Inventories written off	2	21
Management fees	300	458
Packing materials	33	17
Printing and stationery	28	15
Transportation costs	100	148
Travelling expenses	58	61

7.2. Related party disclosures

All related party transactions had been entered into the ordinary course of business on normal commercial terms.

The transactions with the related company and related parties of the Group are as set out below:

	Group	
	3 months ended	
	31 May	
	2022	2021
	RM'000	RM'000
Related companies:		
- Management fee	300	300
Related party:		
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")*	–	4,931
- Management fee paid to HAP*	–	158
- Reimbursement of costs from HAP*	–	214

*Subsequent to the Termination Deed signed by the Company and HAP on 7 December 2021, HAP became a non-related party.

8. Income tax expense

Major components of income tax expense

The Group calculated the income tax expense for the reporting period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are as follows:

	Group	
	3 months ended	
	31 May	
	2022	2021
	RM'000	RM'000
Current income tax expense	508	650
Deferred income tax expense relating to origination and reversal of temporary difference	(308)	41
	<hr/>	<hr/>
Income tax expense recognised in profit or loss	200	691
	<hr/>	<hr/>

9. Net asset value

	Group		Company	
	As at	As at	As at	As at
	31 May	28 February	31 May	28 February
	2022	2022	2022	2022
Net asset value per ordinary share (sen)	27.75	27.59	53.40	53.21
Number of shares used in calculating net asset value per share ('000)	1,198,200	1,198,199	1,198,200	1,198,199

Net asset value per ordinary share is computed based on total equity less non-controlling interests divided by the number of shares.

10. Financial assets at fair value through other comprehensive income

10.1 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 an active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than 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.

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 31 May 2022				
Non-financial assets:				
- Biological assets	–	–	279	279
Financial liabilities:				
Derivatives				
- Call and put options	–	–	(222)	(222)
At 28 February 2022				
Non-financial assets:				
- Biological assets	–	–	155	155
Financial liabilities:				
Derivatives				
- Call and put options	–	–	(222)	(222)

11. Intangible assets

11.1 Goodwill

Group	Goodwill RM'000
At 28 February 2022	
Cost	28,816
Accumulated impairment losses	(22,998)
	5,818
Net carrying amount	5,818
At 1 March 2022 and 31 May 2022	5,818

The cash-generating units (“CGU”) to which goodwill have been allocated were tested for impairment as at 31 May 2022. The recoverable amount of the CGUs was determined based on value in use calculations using probabilities-weighted cash flow projections from financial forecasts covering a five-year period with different scenarios. . The key assumptions used in the discounted cash flow models were similar to those made in FY2022, for 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 was determined based on financial budget prepared. Revenue growth rates for FY2024 ranged between 3% to 18% and 3% to 5% for FY2025 to FY2028.
- ii) The budgeted gross margins for the trading of duty free goods and non-dutiable merchandise segment were in the range of 10% to 25%, which was 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 was assumed that the licences would be renewed upon their expiry on terms and conditions which were not less favourable.
- iv) The forecasted long-term growth rates were based on published industry research and did 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 was 2.2%.
- v) The pre-tax discount rate applied to the cash flow projections was ranged from 16.1% to 16.2% based on weighted average cost of capital of the Group.

The present value of the discounted cash flow was then compared to the carrying value of the CGUs and as there was no shortfall in the assessment, no impairment loss was recorded for the period ended 31 May 2022.

11. Intangible assets (cont'd)

11.2 Non-current prepayment

The non-current prepayment was related to the development return paid to the State Government of Johor and City Council of Johor Bahru as a cost of future development for the land parcel bearing the lot number PTB 20379.

12. Property, plant and equipment

During the three months ended 31 May 2022, the Group acquired assets amounting to RM3,000 (31 May 2021: RM2,000).

13. Borrowings

	Group	
	31.05.2022	28.02.2022
	RM'000	RM'000
Amount repayable within one year or on demand		
Secured:		
Obligations under finance leases	78	79
	78	79
	78	79
Amount repayable after one year		
Secured:		
Obligations under finance leases	30	49
	30	49
	30	49
Total borrowings	108	128

The borrowings are secured by way of corporate guarantees from the Company.

14. Share capital

Company	Number of ordinary shares with no par value		Amount	
	31.05.2022	28.02.2022	31.05.2022	28.02.2022
	'000	'000	RM'000	RM'000
Beginning of interim period	1,198,199	1,198,199	978,724	978,724
Issuance of new ordinary shares	1	–	–	–
End of interim period	1,198,200	1,198,199	978,724	978,724

Outstanding Convertible Securities

	Company	
	As at 31 May 2022	As at 28 February 2022
Number of outstanding convertible securities ('000)	–	491,400
Number of ordinary shares upon conversion of convertibles ('000)	–	491,400
Total number of ordinary shares issued excluding treasury shares ('000)	1,198,200	1,198,199
As a percentage of total ordinary shares issued (%)	–	41.0

Total treasury shares as at 31 May 2022 was 30,999,300 (28 February 2022: 30,999,300).

On 13 May 2022, total number of issued and paid-up ordinary shares of the Company increased from 1,299,198,393 ordinary shares to 1,229,199,593 ordinary shares by way of allotment and issuance of 1,200 new ordinary shares pursuant to the exercise of 1,200 Warrants at the exercise price of S\$0.330 for each ordinary share on the same day. Accordingly, pursuant to the aforesaid exercise of the Warrants, all the remaining 491,398,842 Warrants expired on 13 May 2022.

As at 31 May 2022, the Company's issued and paid-up share capital comprises 1,198,200,293 (28 February 2022: 1,198,199,093) ordinary shares, excluding treasury shares.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 May 2022.

15. Subsequent events

There were no material events subsequent to the current quarter under review and up to the date of this report.

16. Review

The condensed consolidated statement of financial position of Duty Free International Limited and its subsidiaries as at 31 May 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three-month period and certain explanatory notes have not been audited or reviewed.

17. Review of performance of the Group

Consolidated statement of Comprehensive Income

First quarter ended 31 May 2022 ("1Q FY2023") vs First quarter ended 31 May 2021 ("1Q FY2022")

Revenue

The Group recorded revenue of RM24.7 million in 1Q FY2023, representing a decrease of 26.3% or RM8.7 million, over the revenue of RM33.4 million in 1Q FY2022. The decrease was mainly due to lower export sales and subdued consumer demand, despite the resumption of the Group's retail outlets since beginning of May 2022. In the preceding year corresponding quarter, there were minimal export sales and certain outlets in the Group were opened for operations under strict compliance to the Standard Operating Procedures ("SOPs") guidelines issued by Ministry of Health. The Group's clearance of certain short shelf life inventories in 1Q FY2022 had also contributed to higher revenue as compared to current reporting quarter.

Changes in inventories

Changes in inventories comprised the difference in the value of inventories at the beginning and at the end of the financial period under review. In 1Q FY2023, the value of the closing inventories was lower than the value of the opening inventories by RM7.4 million. In 1Q FY2022, the value of the closing inventories was lower by RM9.6 million. This resulted in a variance of RM2.2 million for 1Q FY2023 vis-à-vis 1Q FY2022, which was mainly due to lower purchases and consumption of inventories in respective quarters as the majority of the Group's outlets only commenced operations in beginning of May 2022.

Inventories purchased and material consumed

Inventories purchased and material consumed decreased by 47.3% or RM8.1 million, from RM17.1 million in 1Q FY2022 to RM9.0 million in 1Q FY2023. This was mainly due to lower purchases and consumption of inventories in the current quarter as mentioned above.

17. Review of performance of the Group (cont'd)

Other Income

Other income decreased by RM0.4million or 12.6% from RM3.6 million in 1Q FY2022 to RM3.2 million in 1Q FY2023 was mainly attributable to the lower reversal of inventories written down by RM0.9 million, cushioned by forfeited deposit of RM0.6 million. The reversal of inventories written down was in relation to certain inventories that were previously written down in accordance to the Group's inventory policy, but was subsequently sold in the reporting quarter.

Employee benefits expenses

Employee benefits expenses decreased by 11.5% or RM0.3 million, from RM3.3 million in 1Q FY2022 to RM3.0 million in 1Q FY2023. The savings were mainly due to lower headcount as compared to 1Q FY2022.

Rental of premises

The rental of premises expenses showed a decrease of 12.3% or RM0.1 million from RM0.8 million in 1Q FY2022 to RM0.9 million in 1Q FY2023. The decrease in rental expenses was mainly due to lower rental expenses incurred in FY2023 for the airport outlets.

Professional fees

Professional fees increased by RM0.7 million, from RM0.2 million in 1Q FY2022 to RM0.9 million in 1Q FY2023. The professional fees incurred for 1Q FY2023 was mainly due to higher legal fees incurred during the quarter under review.

Realised foreign exchange loss

Realised loss in foreign exchange loss in 1Q FY2023 was RM0.1 million which was RM0.1 million lower as compared to RM0.2 million recorded in 1Q FY2022. This was mainly due to currency translation loss on the Group's purchases from overseas suppliers as a result of weak Ringgit Malaysia against US dollar during the current quarter review.

Unrealised foreign exchange gain

Unrealised foreign exchange gain in 1Q FY2023 of RM2.6 million was higher by RM0.2 million as compared to RM2.4 million gain in 1Q FY2022. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits and bank balance in financial institutions of SGD20.5 million and USD2.0 million as at 31 May 2022, whereby US Dollar had strengthened against Ringgit Malaysia by approximately 4.2% from RM4.19 as at 28 February 2022 to RM4.38 as at 31 May 2022 and Singapore Dollar had strengthened against Ringgit Malaysia by approximately 3.2% from RM3.09 as at 28 February 2022 to RM3.19 as at 31 May 2022.

17. Review of performance of the Group (cont'd)

Other operating expenses

The Group incurred lower other operating expenses in 1Q FY2023 by RM0.3 million or 12.5% as compared to RM2.6 million in 1Q FY2022, mainly attributable to lower management fee and stamping fees totalling RM0.2 million in 1Q FY2023.

The rest of the expenses on the Group's income statement remained largely unchanged in 1Q FY2023 as compared to 1Q FY2022.

Profit before income tax

The Group reported a profit before income tax of RM1.9 million for 1Q FY2023, which was RM1.4 million higher than profit before income tax of RM0.5 million recorded in 1Q FY2022. The higher profit in 1Q FY2023 was mainly contributed by better gross margin achieved coupled with higher net foreign exchange gain of RM0.3 million and lower operating expenses of RM0.3 million as well as lower employee benefit expenses of RM0.3 million. However, the positive effect was partially offset by lower other operating income of RM0.4 million as well as higher professional fees of RM0.7 million.

Consolidated Statement of Financial Position

Property, plant and equipment

The decrease in net book value of the property, plant and equipment by RM1.0 million was mainly due to the depreciation charge of RM1.0 million during the financial period.

Trade receivables and other receivables

The decrease in trade and other receivables by RM1.8 million was mainly due to the receipt of payments from certain debtors during the financial period.

Inventories

The decrease in inventories of RM6.8 million was mainly due to lower purchases and lower consumption of inventories in 1Q FY2023 as the majority of retail outlets in the Group only resumed operations beginning of May 2023.

Trade and other payables

The increase in trade and other payables of RM2.1 million was mainly due to timing differences in the payment of the payables and as well as higher accruals mainly due to professional fees accrued in the current review quarter.

17. Review of performance of the Group (cont'd)

Lease liabilities

The increase of lease liabilities of RM1.5 million was mainly due to the addition of lease liabilities of RM0.1 million recognised for lease renewal and accretion of interest of RM1.6 million charge during the financial year. The additions were partially offset by the payment of lease liabilities of RM0.2 million.

Consolidated Statement of Cashflow

The net cash flow generated by the Group from operating activities for 1Q FY2023 was RM12.2 million which was lower by RM2.5 million as compared to the RM14.7 million generated for 1Q FY2022. This was mainly due to lower cashflows registered from operations as a result of lower revenue recorded in the current review quarter.

The net cash flow generated from investing activities in 1Q FY2023 was higher than 1Q FY2022 by RM0.1 million mainly contributed by higher interest income received as compared to 1Q FY2022.

The net cash flows used in financing activities increased by RM0.2 million as compared to 1Q FY2022 mainly due to the higher lease liabilities payment of RM0.3 million in 1Q FY2023 as well as absence of proceeds from other borrowings of RM0.1 million which was recorded in 1Q FY2022.

18. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and actual results

Not applicable.

19. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

- (i) The Group's duty free retail outlets located at the Malaysia-Thailand border and the airport outlet resumed operations in the beginning of May 2022. Though there are encouraging signs of ongoing economic recovery, especially domestic consumption, the pace of the Group's business recovery is expected to be gradual. Concerns over weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions that cause rising energy and commodity prices which give rise to inflation, thus pushing up business operating costs as well as slowing down the recovery of consumer consumption.

In view of the above, the Group expects the business environment in which it operates to remain challenging for the remaining of the financial year 2023.

However, the Group is cautiously optimistic that its operations and financial performance will gradually improve over time, due to high levels of population immunity resulting in the severity of COVID-19 becoming closer to that of seasonal influenza and hence, will increase the global community's confidence in international travels.

As the Group's business is still in its recovery stage, the Group will remain vigilant and continue to strategise, adapt and navigate through the business environment changes and continue to take timely appropriate actions in order to minimise operating risks and optimise its resources so as to ensure that its core businesses remain resilient.

- (ii) On 30 November 2017, the Company announced that the Company's subsidiary, Seruntun Maju Sdn. Bhd. ("SMSB") had received the bills of demand from the Royal Malaysian Customs ("Customs"), 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 who alleged that SMSB did not comply with certain conditions of a duty free shop located at the border.

On 29 June 2018, the High Court ruled against 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 heard the appeal whereby both SMSB and the Customs submitted their respective legal arguments.

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 the Customs for customs duties and excise duties amounting to RM15,400,962.14 and RM23,560,972.94 respectively.

On 17 July 2020, the Customs applied to the Federal Court for leave to appeal against the Court of Appeal's decision. The Federal Court heard and dismissed the Customs' application on 11 January 2021 with costs.

Accordingly, the disputed bills of demand were set aside and SMSB has no obligation to pay the Customs the sum of RM41,594,986.86 as demanded by the Customs. In light of the Federal Court's ruling in favour of SMSB, an application was made to the Customs for the refund of the sales tax and GST paid amounting to RM2,326,451.78, which was previously paid by SMSB to the Customs. The Customs agreed to the refund on 27 April 2021 and the amount of RM2,326,451.78 was received on 16 June 2021.

On 25 February 2021, the Royal Malaysian Customs ("Customs") initiated criminal proceedings pursuant to Section 65D and Section 138 of the Customs Act 1967 ("Customs Act") towards SMSB and its officers before the Magistrate

Court. The Company has engaged solicitors to represent SMSB and its officers.

The criminal charges were made on the basis that SMSB and its officers had breached the conditions of the duty free license issued by Customs to SMSB under Section 65D of the Customs Act.

However, as mentioned above, in deciding to quash the bills of demand issued to SMSB, the legality of the conditions that were allegedly breached was challenged by SMSB through a judicial review application (civil proceeding) on 23 November 2017. On 18 June 2020, the conditions were unanimously held by the Court of Appeal to be ultra-vires of Section 65D of the Customs Act and that they ought to be quashed. On 11 January 2021, the Federal Court had dismissed Customs' appeal against the Court of Appeal's decision with costs. Customs had exhausted its rights to appeal and the conditions were conclusively held to be ultra vires of the Customs Acts.

Thus, SMSB and its officers had pleaded not guilty and had claimed trial against these charges brought by Customs.

On 12 March 2021, a representation letter was sent to the Attorney General ("AG"), requesting the AG to discontinue criminal proceedings against SMSB and its officers.

On 6 April 2021, the representation letter dated 12 March 2021 was rejected by the AG. The Deputy Public Prosecutor ("DPP") then proposed to amend the charges against SMSB and its officers, jointly.

On 8 April 2021, the DPP withdrew the proposed amended charges as the proposed amended charges were defective because one of the officers intended to be charged had never been arrested by the Customs and therefore he was not within the jurisdiction of the Court.

On 27 July 2021, a representation letter was again sent to the AG, requesting the AG to discontinue criminal proceedings against SMSB and its officers.

On 28 October 2021, during the hearing of the case management, the Learned Magistrate issued an order discharging the Company and its directors without acquitting them. The order discharging the proceedings was made on the grounds that there were significant administrative defects in the charges and the filing of proposed amended charges by the Customs. Customs has refiled a criminal revision application at the Taiping High Court of which the High Court has fixed the hearing on 6 July 2022.

On 6 July 2022, SMSB has amicably reached a settlement with Customs whereby Customs terminated all prosecution and investigation instituted against SMSB and four of its officers. The settlement was recorded as a Consent Order in the High Court of Taiping and SMSB will pay a certain amount of compound to Customs with no admission of guilt or liability. With the

Other information required by Listing Rule Appendix 7.2

above-mentioned settlement with Customs, the said matter with Customs has therefore been resolved.

20. Dividend

- (a) **Current Financial Period Reported On**
Any dividend declared for the current financial period reported on?
 None
- (b) **Corresponding Period of the Immediately Preceding Financial Year**
Any dividend declared for the corresponding period of the immediately preceding financial year?
 None
- (c) **Date payable**
 Not applicable.
- (d) **Book closure date**
 Not applicable.

21. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended by the Board as the Group's profit for the financial period ended 31 May 2022 were mainly contributed by non-cash income.

22. Interested Person Transactions

Interested Persons	Aggregate value of interested person transactions entered into during the financial period under review (excluding transactions below S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a))	Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a) (excluding transactions below S\$100,000)
	RM'000	RM'000
Atlan Holdings Bhd	300	- (Note 1)

Note 1: The Company does not have any existing general mandate pursuant to Rule 920 of the Listing Rules.

23. 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 in the capital of the Company; and (ii) 5.5 million treasury shares in the capital of the Company; (iii) 20 million new ordinary shares in the capital of the Company; (iv) 30 million new ordinary shares in the capital of the Company; and (v) 34.15 million new ordinary shares in the capital of the Company respectively, raising a total net proceeds of S\$43.6 million. As the use of the net proceeds (including the percentage allocation of the net proceeds) from the above mentioned placement exercises are identical to each other, the Company has aggregated the net proceeds raised from the abovementioned placement exercises together.

The Company intends to use the net proceeds from the abovementioned placement exercises as follows:

- 90% for general corporate requirements including but not limited to acquisition and funding of potential business opportunities, if any; and
- 10% for general working capital including but not limited to renovation and upgrading of business outlets, should the need arise.

The Company has utilised the net proceeds as follows:

- 1) US\$2.80 million (or approximately S\$3.82 million based on the exchange rate of S\$1.363 to US\$1.00) for the subscription for 2,800,000 new ordinary shares in Brand Connect Holding Pte. Ltd as disclosed in Note 10(iii) on 8 August 2018.
- 2) US\$0.85 million (or approximately S\$1.16 million based on the exchange rate of S\$1.37 to US\$1.00) for the purchase of inventories and payment of professional fees in relation to the acquisition of Brand Connect Holding Pte. Ltd. Group on 8 November 2018.
- 3) US\$0.80 million (or approximately S\$1.10 million based on the exchange rate of S\$1.37 to US\$1.00) for the purchase of inventories for Brand Connect Holding Pte. Ltd. Group on 5 December 2018.
- 4) US\$10.93 million (or approximately S\$14.91 million based on the exchange rate of S\$1.364 to US\$1.00) for the acquisition of 31,494,575 ordinary shares in DFZ Capital Sdn Bhd on 7 December 2021.
- 5) US\$1.53 million (or approximately S\$2.09 million based on the exchange rate of S\$1.364 to US\$1.00) for the payment of trade payables due to HAP on 7 December 2021.

As at the date of this announcement, following the abovementioned utilisation, approximately S\$20.52 million remains unutilised out of the net proceeds of S\$43.60 million from the abovementioned placement exercises.

The above utilisation of the Net Proceeds is consistent with the intended use of the net proceeds as disclosed in the Company's previous announcements released in relation to the Placement Exercises.

24. Changes in the composition of the Group

There was no change in the composition of the Group during the current financial quarter under review.

25. Confirmation by the directors and executive officers pursuant to Rule 720(1) of the Listing Manual

The Board of Directors hereby confirms that all required undertakings pursuant to Rule 720(1) of the Listing Manual have been obtained from its Directors and Executive Officers in the format set out in Appendix 7.7 of the SGX-ST Listing Manual.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the period ended 31 May 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

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

Lee Sze Siang
Director

Singapore
13 July 2022