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

RESPONSE TO SGX QUERIES

The Board of Directors ("**Board**") of Duty Free International Limited ("**Company**", together with its subsidiaries, "**Group**") has on 6 June 2022 received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to its unaudited financial statements for the full year ended 28 February 2022 released on 27 April 2022 and sets out its response as follows:

SGX Query 1:

It is noted that cash and bank balances as at 28 February 2022 was RM153.4m. Please explain:-

i. why interest income from licensed banks amounted to ~RM1.0m when the Company had significant cash and bank balances as at 28 February 2022; and
ii. the Company's rationale for holding significant assets as cash and cash equivalents, and its strategy to employ such funds in the future.

Company's response:

i. The interest income from licenced banks for the Group and the Company for financial year ended 28 February 2022 ("FY2022") is as tabulated below:

As at 28 February 2022	**Group level**	**Company level**
	RM'000	RM'000
Cash and bank balances breakdown:		
- USD currency (MYR equivalent)	7,948	4,706
- SGD currency (MYR equivalent)	63,379	63,335
- in MYR	82,074	15,929
Total Cash and bank balances	153,401	83,970
Breakdown of Interest income from licenced banks :		
- from foreign currencies deposits	205	205
- from MYR deposits	781	31
Total interest income from licenced banks	986	236

The Company's interest income from licenced banks was mainly derived from foreign currency bank deposits while the Group's interest income was derived from Malaysian bank deposits.

For information, the average interest deposit rates for FY2022 were as follows :

Average interest deposit rates range	Currency		
	USD	SGD	MYR
	%	%	%
FY2022	0.05% - 0.35%	0.17% - 0.32%	1.40% - 1.65%

ii. The wide-spread COVID-19 pandemic which has resulted in severe global lockdowns in the last 2 years had created a lot of uncertainties in the Group's business environment. As such, the Group controls and manages its cash and working capital cautiously and prudently. The Group's careful management of the cash and cash equivalents is to allow the Group to meet any unforeseen challenges and/or seize business opportunities that may bring greater value to the Company's shareholders.

SGX Query 2:

It is noted that trade and other payables decreased from RM38.4m in February 2021, to RM15.5m in February 2022. Please explain:-

i. why there was a large reduction in trade payable balances between February 2021 and February 2022, and whether this was a consequence to the corresponding reduction in full year revenue; and
ii. if there has been any change in the Company's policies on working capital management, or if there has been any change in credit terms offered by trade creditors.

Company's response:

i. As at 28 February 2022, trade and other payables totalling RM15.5 million was made up of RM3.4 million trade payables (28.2.2021: RM22.1 million) and RM12.1 million other payables (28.2.2021: RM16.3 million).

Trade payable balance reduced by RM12.1 million as at 28 February 2022 was mainly due to payments made to trade creditors for liabilities that were due during the financial year. The Group also purchased lower amounts of inventories as the majority of retail outlets in the Group were closed during the financial year due to the closure of international borders and the movement control restrictions implemented by the Malaysian Government to curb the spread of COVID-19 pandemic.

ii. No change in the Company's policies on working capital management and in credit terms offered by trade creditors.

SGX Query 3:

It is noted that inventories has decreased from RM72.7m in February 2021, to RM53.6m in February 2022. Please disclose:-

i. the inventory turnover for the period ending 28 February 2022;

ii. the inventory aging as at 28 February 2022;

Company's response:

i. The Group's inventory turnover for the year ended 28 February 2022 was 291 days.

ii. The Group's inventory aging as at 28 February 2022 is as follows :

Inventory Aging	Current – 6 months	6 - 9 months	Over 9 months	Total
	RM'000	RM'000	RM'000	RM'000
	24,058	1,104	28,405	53,567

SGX Query 4:

It is noted that the expenses incurred for the 'Rental of premises' declined by 91.6% year on year. Please explain the reason for the decline in rental expenses, and whether this would have a foregoing impact on future operational profits.

Company's response:

The lower rental expense was mainly due to closure of airport outlets operations and rental indulgence or rebates from landlords due to the closure of international borders. The Group is cautiously optimistic that the Group's operations will gradually improve with the global relaxation of travel movements and should not have a significant impact on future operational profits.

SGX Query 5:

Please disclose the nature and aging of 'Accruals' as well as indicate whether there are any related counterparties.

Company's response:

The nature of "Accruals" is as listed below and was accrued as at 28 February 2022:

Accruals	RM'000
Commissions and promotional expenses	56
Directors' fees and payroll related expenses	641
Insurance expenses	162
Quit rent and assessment	139
Professional fees	1,089

Accruals (cont'd)	RM'000
Rental of premises	379
Utilities and maintenance expenses	55
Other payables (security charges, travelling expenses, etc)	589
Total Accruals	3,110

There were no related counterparties amount included in the above.

SGX Query 6:

It is noted that there was RM112.8m recorded for 'Right-of-use assets' in the interim statement of financial position. Please disclose a breakdown by nature for 'Right-of-use assets'. Please also disclose whether the Board has performed impairment testing on such assets, for the year ended 28 February 2022.

Company's response:

A breakdown by nature for 'Right-of-use assets' is as follows :

Group	Leasehold land RM'000	Land use rights RM'000	Buildings RM'000	Total RM'000
As at 1 March 2021	238	22,155	97,033	119,426
Additions	–	–	1,086	1,086
Depreciation expense	(4)	(466)	(7,259)	(7,729)
Lease terminations	–	–	(7)	(7)
As at 28 February 2022	234	21,689	90,853	112,776

During the financial year, the Management performed a review on the recoverable amount of the right-of-use assets.

The cash-generating units ("CGU") recoverable amounts of the right-of-use assets have been determined based on value-in-use calculations using probability-weighted cash flow projections. The financial forecasts included different scenarios of possible recovery from COVID-19 pandemic scenarios of passenger traffics at outlets located at airports and land borders.

Based on the assessment mentioned above which has been reviewed and approved by the Board, there was no impairment loss on right-of-use assets required for the financial year ended 28 February 2022.

SGX Query 7:

It is disclosed in Note 6.1 that the balance of RM40 million due from Berjaya Waterfront Sdn Bhd ("BWSB") was scheduled to be repaid on or before 15 April 2022 and both parties had mutually agreed that BWSB shall pay the remaining deferred consideration of RM40 million on or before 15 April 2023. Please disclose (i) the Board's assessment of the collectability of such deferred consideration and the bases for such an assessment; and (ii) whether any safeguards have been put in place to ensure collectability.

Company's response:

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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. For receivables, the Group applies a simplified approach in calculating ECLs. 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.

Berjaya Waterfront Sdn Bhd ("BWSB") has to-date met its commitment and has paid all the interests due on the amount outstanding since 2014. Furthermore, BWSB is a subsidiary of Berjaya Assets Berhad ("BAB"), a corporation listed on the Bursa Malaysia Securities Berhad; of which the amount outstanding is also guaranteed by BAB. The Group has assessed the latest performance and financial position of BWSB and BAB ("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.

After taking into consideration that the amount outstanding is guaranteed by BAB, BWSB's timely payments of all interests due until to-date and that the ECL is insignificant, the Board is of the opinion that the recoverability of the amount due is probable and no impairment is required to-date.

SGX Query 8:

Your attention is also drawn to paragraph 8 of Appendix 7.2 of the Listing Manual, under which the Company is required to provide a review of its performance and changes in its financial position based on its full-year financial statements as compared to the corresponding financial year.

Company's response:

The information on the Group's full financial year performance review has been disclosed under Note 18 on page 32 of the Company's announcement on 27 April 2022. The information on changes in the Group's financial position based on its full-year financial statements as compared to the corresponding financial year have been disclosed under notes 6, 11 to 14 and 16 on pages 18 to 19, 25 to 28 and 29 respectively which is summarised as follows :

i. **Review of Consolidated Statement of Financial Position**

Property, plant and equipment

The decrease in net book value of the property, plant and equipment by RM4.0 million was mainly due to the depreciation charge of RM4.1 million and offset by an addition of fixed assets of RM0.1 million during the financial year.

Trade receivables and other receivables

The decrease in trade and other receivables by RM10.1 million was mainly due to the receipt of payments from certain debtors during the financial year.

Inventories

The decrease in inventories of RM19.1 million was mainly due to lower purchases and lower consumption of inventories in FY2022 as the majority of retail outlets in the Group were closed during the financial year.

Borrowings

The decrease in borrowing of RM6.3 million was mainly due to the repayment of a short term loan of RM6.3 during the financial year.

Trade and other payables

The decrease in trade and other payables of RM22.9 million was mainly due to payments to trade creditors for liabilities due during the financial year as mentioned in reply to Query 2 and also lower accruals of RM3.1 million mainly due to lower expenses for FY2022.

Lease liabilities

The increase of lease liabilities of RM6.4 million was mainly due to the addition of lease liabilities of RM1.1 million recognised for lease renewal and accretion of interest of RM6.1 million charge during the financial year. The additions were partially offset by payment of lease liabilities of RM0.7 million.

ii. **Review of Consolidated Statement of Cashflows**

The Group net cash flow generated from operating activities for FY2022 RM1.4 million which was lower by RM12.9 million as compared to RM14.3 million for FY2021. This was mainly due to lower cashflows generated from operations as a result of lower revenue recorded in FY2022.

The net cash used in investing activities in FY2022 was higher than FY2021 by RM46.7 million mainly due to acquisition of 31,494,575 ordinary shares of DFZ Capital Sdn Bhd from HAP amounting to RM45.9 million.

The net cash flows used in financing activities decreased by RM151.9 million as compared to FY2021 mainly due to the absence of Cash Distribution of RM128.9 million to the

Company's Shareholders in May 2020, lower repayment of short-term borrowings of RM21.8 million as well as lower lease liabilities payment of RM0.7 million in FY2021.

By Order of the Board

Lee Sze Siang
Executive Director
10 June 2022