

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST
QUARTER AND THREE MONTHS ENDED
31 MAY 2020**

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

Part 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Income Statement

	Note	Group		
		First quarter ended		
		2020	2019	Increase/
		(Unaudited)	(Unaudited)	(Decrease)
		RM '000	RM '000	%
Revenue		43,227	135,637	-68.1%
Changes in inventories		(3,085)	(29,781)	-89.6%
Inventories purchased and material consumed		(32,857)	(65,915)	-50.2%
Other operating income	1(a)(ii)	3,900	4,869	-19.9%
Employee benefits expenses		(6,539)	(10,005)	-34.6%
Rental of premises		(4,708)	(9,207)	-48.9%
Utilities and maintenance expenses		(609)	(1,587)	-61.6%
Depreciation and amortisation		(3,527)	(3,554)	-0.8%
Commission expenses		(63)	(484)	-87.0%
Professional fees		(300)	(1,308)	-77.1%
Promotional expenses		(572)	(403)	41.9%
Financial expenses		(1,657)	(1,717)	-3.5%
Realised foreign exchange loss		(849)	(62)	1269.4%
Unrealised foreign exchange gain		4,351	2,963	46.8%
Other operating expenses	1(a)(iii)	(3,483)	(7,279)	-52.2%
(Loss)/profit before income tax		(6,771)	12,167	-155.7%
Income tax expenses	1(a)(iv)	(381)	(4,329)	-91.2%
(Loss)/profit for the period		(7,152)	7,838	-191.2%
(Loss)/profit attributable to:				
Owners of the Company		(5,159)	7,174	-171.9%
Non-controlling interests		(1,993)	664	-400.2%
		(7,152)	7,838	-191.2%

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1 (a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Consolidated Statement of Comprehensive Income

	Group		
	First quarter ended		
	31-May		
	2020	2019	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
(Loss)/profit for the period	(7,152)	7,838	-191.2%
Other comprehensive income:			
Foreign currency translation	534	314	70.0%
Total comprehensive (loss)/income for the period/year	(6,618)	8,152	-181.2%
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(4,851)	7,435	-165.2%
Non-controlling interests	(1,767)	717	-346.4%
	(6,618)	8,152	-181.2%

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1(a)(ii) Other operating income

Other operating income includes:-

	Group		
	First quarter ended		
	31-May		
	2020	2019	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Rental income from:			
- advertisement space	729	752	-3.1%
- property, plant and equipment	88	131	-32.8%
Commission income	4	15	-73.3%
Incentive income	20	50	-60.0%
Interest income	1,967	2,877	-31.6%
Gain on disposal of property, plant and equipment	-	28	-100.0%
Promotion income	289	279	3.6%
Sundry income	696	622	11.9%
Gain arising from changes in fair value of biological assets	47	19	147.4%

1(a)(iii) Other operating expenses

Other operating expenses is arrived at after charging/(crediting) the following:-

	Group		
	First quarter ended		
	31-May		
	2020	2019	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Assessment and quit rent	237	265	-10.6%
Auditors' remuneration	269	242	11.2%
Bank charges	429	442	-2.9%
Donations	-	1,014	-100.0%
Insurance	374	363	3.0%
Inventory written down	95	143	-33.6%
Inventory written off	67	398	-83.2%
Management fee	216	662	-67.4%
Packing materials	28	246	-88.6%
Property, plant and equipment written off	81	414	-80.4%
Transportation costs	223	922	-75.8%
Travelling expenses	83	443	-81.3%

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1(a)(iv) Income tax expenses

	Group		
	First quarter ended		
	31-May		
	2020	2019	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Current income tax attributable to continuing operations			
- current income tax	335	3,099	-89.2%
- over provision in respect of previous years	-	5	-100.0%
	<hr/>	<hr/>	<hr/>
	335	3,104	-89.2%
Deferred income tax attributable to continuing operations	46	1,225	-96.2%
	<hr/>	<hr/>	<hr/>
Income tax expense recognised in profit or loss	381	4,329	-91.2%

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1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediate preceding financial year

	Note	Group		Company	
		31.05.2020 (Unaudited) RM '000	29.02.2020 (Audited) RM '000	31.05.2020 (Unaudited) RM '000	29.02.2020 (Audited) RM '000
Assets					
Non-current assets					
Property, plant and equipment		62,845	64,099	-	-
Goodwill		17,292	17,292	-	-
Investment in subsidiaries		-	-	839,666	839,666
Intangible assets		295	339	-	-
Deferred tax assets		4,885	4,861	-	-
Right-of-use assets		126,641	128,630	-	-
		<u>211,958</u>	<u>215,221</u>	<u>839,666</u>	<u>839,666</u>
Current assets					
Biological assets	1(b)(iv)	73	26	-	-
Inventories		134,365	133,406	-	-
Tax recoverable		4,540	1,861	-	-
Trade and other receivables	1(b)(v)	68,488	81,966	89	262
Prepayments		8,311	2,754	-	-
Cash and bank balances		204,880	334,648	128,412	251,957
Derivative assets		4	-	-	-
		<u>420,661</u>	<u>554,661</u>	<u>128,501</u>	<u>252,219</u>
Total assets		<u>632,619</u>	<u>769,882</u>	<u>968,167</u>	<u>1,091,885</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	1(b)(vi)	81,810	73,640	983	726
Contract liabilities		8,378	8,876	-	-
Borrowings	1(b)(ii) & (iii)	24,532	34,685	-	-
Income tax payable		1,149	2,359	399	349
Lease liabilities		1,653	1,765	-	-
		<u>117,522</u>	<u>121,325</u>	<u>1,382</u>	<u>1,075</u>
Net current assets		303,139	433,336	127,119	251,144
Non-current liabilities					
Borrowings	1(b)(ii)	253	306	-	-
Deferred tax liabilities		6,258	6,188	1,655	1,613
Derivative liabilities		222	222	515	515
Lease liabilities		85,052	83,943	-	-
Provision		489	501	-	-
		<u>92,274</u>	<u>91,160</u>	<u>2,170</u>	<u>2,128</u>
Total liabilities		209,796	212,485	3,552	3,203
Net assets		<u>422,823</u>	<u>557,397</u>	<u>964,615</u>	<u>1,088,682</u>
Equity attributable to owners of the Company					
Share capital		487,902	616,752	978,724	1,107,574
Treasury shares		(22,017)	(22,017)	(22,017)	(22,017)
Other reserves		(144,680)	(144,647)	661	661
Retained earnings		85,864	91,023	7,247	2,464
		<u>407,069</u>	<u>541,111</u>	<u>964,615</u>	<u>1,088,682</u>
Non-controlling interests		15,754	16,286	-	-
Total equity		<u>422,823</u>	<u>557,397</u>	<u>964,615</u>	<u>1,088,682</u>
Total equity and liabilities		<u>632,619</u>	<u>769,882</u>	<u>968,167</u>	<u>1,091,885</u>

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1(b)(ii) Aggregate amount of the group's borrowings and debts securities

	31.05.2020		29.02.2020	
	Secured RM '000	Unsecured RM '000	Secured RM '000	Unsecured RM '000
Amount repayable in one year or less or on demand	24,532	-	34,685	-
Amount repayable after one year	253	-	306	-

Details of any collateral

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM9,518,000 (29.02.2020: RM9,465,000); and
- corporate guarantees from the Company and the penultimate holding company.

1(b)(iii) Short term borrowings

	31.05.2020 RM'000	29.02.2020 RM'000
The Group's short term borrowings are for:		
- trade facilities	24,228	34,342
- hire purchases	304	343
	<u>24,532</u>	<u>33,686</u>

1(b)(iv) Biological assets

	31.05.2020 RM'000	29.02.2020 RM'000
At fair value:		
Balance b/f	26	103
Fair value changes	47	(77)
Balance c/f	<u>73</u>	<u>26</u>

1(b)(v) Trade and other receivables

	Group	
	31.05.2020 RM'000	29.02.2020 RM'000
Trade receivables, net	7,111	19,407
Deposits	5,877	5,933
Sundry receivables, net:		
- amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report)	41,348	40,443
- others	14,152	16,183
	<u>68,488</u>	<u>81,966</u>

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1(b)(v) Trade and other receivables (cont'd)

On 10 April 2012, the Company's subsidiaries entered into the following sale and purchase agreements with Berjaya Waterfront Sdn Bhd ("BWSB"), a subsidiary of Berjaya Assets Berhad, a corporation listed on the Bursa Malaysia Securities Berhad:

i) The sale of Darul Metro Sdn Bhd's ("DMSB") legal and beneficial interests over the remaining lease period in six land parcels located in The Zon Johor Bahru at Stulang Laut, Johor Bahru (the "Duty Free Zone") to BWSB for a consideration of RM325,000,000 ("DMSB Agreement"); and

ii) The sale of Kelana Megah Sdn Bhd's intended lease interests in the land parcel bearing lot number PTB 20379 to BWSB for a consideration of RM27,990,000 ("KMSB Agreement"),

(collectively, the "Disposals").

The DMSB Agreement was completed on 15 March 2013 ("DMSB Completion Date"). Pursuant to the terms of the DMSB Agreement, RM80.0 million being the balance of the aggregate sale consideration of RM325.0 million, was deferred and payable by BWSB within 12 months from the DMSB Completion Date, together with interest charged at 6% per annum from the DMSB Completion Date. There have been several extensions mutually agreed by the parties since the initial due date. After partial repayments of the consideration, the outstanding balance as at 29 February 2020 was RM40.0 million. Throughout the term that the balance was outstanding, BWSB has been paying interest at 6% per annum up to 15 July 2015 and 9% per annum from 16 July 2015 onwards.

On 8 April 2020, BWSB requested for a further deferment of the unpaid consideration of RM40.0 million to be paid on or before 15 April 2021 and the interest portion which was due on 15 April 2020 to be paid on or before 15 July 2020. Thereafter, BWSB will continue to pay interest at 9% per annum on the unpaid consideration on a quarterly basis. The Company had agreed to the request of BWSB.

For the KMSB Agreement, the conditions precedent as stipulated have not been fulfilled as at the date of this announcement.

1(b)(vi) Trade and other payables

	Group	
	31.05.2020 RM'000	29.02.2020 RM'000
Trade payables	54,581	48,720
Other payables	26,669	24,360
Deposit received for the KMSB Agreement	560	560
	<u>81,810</u>	<u>73,640</u>

	Company	
	31.05.2020 RM'000	29.02.2020 RM'000
Sundry payables, net:		
- others	983	726
	<u>983</u>	<u>726</u>

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	First quarter ended	
	31-May	
	2020	2019
	(Unaudited)	(Unaudited)
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(6,771)	12,167
Adjustments for:-		
Depreciation and amortisation	3,527	3,554
Gain on disposal of property, plant and equipment	-	(28)
Gain arising from changes in fair values of biological assets	(47)	(19)
Finance cost	1,657	1,717
Interest income	(1,967)	(2,877)
Inventory written down	95	143
Inventory written off	67	398
Property, plant and equipment written off	81	414
Net unrealised foreign exchange gain	(4,351)	(2,963)
Operating cash flows before changes in working capital	(7,710)	12,506
Decrease/(increase) in receivables	14,406	(21,206)
(Increase)/decrease in prepayments	(5,557)	2,583
(Increase)/decrease in inventories	(1,121)	29,781
Increase/(decrease) in payables	6,871	(45,142)
Cash generated from/(used in) operations	6,889	(21,478)
Tax paid	(4,225)	(3,185)
Interest paid	(272)	(382)
Net cash generated from/(used in) operating activities	2,392	(25,045)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,967	2,877
Proceeds from debt securities	-	30,000
Proceeds from disposal of property, plant and equipment	7	29
Purchase of property, plant and equipment and land use rights	(77)	(809)
Net cash generated from investing activities	1,897	32,097

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Group	
	First quarter ended	
	31-May	
	2020	2019
	(Unaudited)	(Unaudited)
	RM '000	RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in pledged fixed deposits	(54)	-
Payment of principal portion of lease liability	(421)	(363)
(Repayment of)/proceeds from other short term borrowings	(10,114)	9,715
Net repayment of hire purchase and lease financing	(93)	(118)
Purchase of treasury shares	-	(1,739)
Dividends paid to the ordinary shareholders of the Company	-	(36,477)
Dividends paid to non-controlling interests of subsidiaries	-	(4,695)
Capital repayment	(128,850)	-
Net cash used in financing activities	<u>(139,532)</u>	<u>(33,677)</u>
Net decrease in cash and cash equivalents	(135,243)	(26,625)
Effects of foreign exchange rate changes	5,422	3,538
Cash and cash equivalents at beginning of period	325,183	296,424
Cash and cash equivalents at end of period	<u>195,362</u>	<u>273,337</u>
Cash and cash equivalents carried forward consists of :-		
Deposits with licenced banks	151,357	218,728
Less : Pledged deposits	(9,518)	(9,193)
	<u>141,839</u>	<u>209,535</u>
Cash and bank balances	53,523	66,963
Bank overdrafts	-	(3,161)
	<u>195,362</u>	<u>273,337</u>

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1(d)(i) A statement (for the issuer and group), showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	← ATTRIBUTABLE TO OWNERS OF THE COMPANY →										
	← Non-distributable			Distributable							
	Ordinary shares RM'000	Treasury shares RM'000	Total other reserves RM'000	Foreign exchange 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 (Cont'd)											
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, net of tax	-	-	-	-	-	-	-	7,174	7,174	664	7,838
Foreign currency translation	-	-	261	261	-	-	-	-	261	53	314
Total comprehensive income for the period	-	-	261	261	-	-	-	7,174	7,435	717	8,152
<u>Transactions with owners:</u>											
Purchase of treasury shares	-	(1,739)	-	-	-	-	-	-	(1,739)	-	(1,739)
Allotment of new ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	(1,739)	-	-	-	-	-	-	(1,739)	-	(1,739)
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	-	-	(239)	-	-	-	(239)	-	(239)	156	(83)
At 31 May 2019	616,752	(18,242)	(144,411)	138	(142,413)	661	(2,797)	105,810	559,909	15,720	575,629

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1(d)(i) A statement (for the issuer and group), showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	← ATTRIBUTABLE TO OWNERS OF THE COMPANY →										
	← Non-distributable →						Distributable				
	Ordinary shares RM'000	Treasury shares RM'000	Total other reserves RM'000	Foreign exchange 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 (Cont'd)											
At 1 March 2020	616,752	(22,017)	(144,647)	853	(142,413)	661	(3,748)	91,023	541,111	16,286	557,397
Loss, net of tax	-	-	-	-	-	-	-	(5,159)	(5,159)	(1,993)	(7,152)
Foreign currency translation	-	-	308	308	-	-	-	-	308	226	534
Total comprehensive income/(loss) for the period	-	-	308	308	-	-	-	(5,159)	(4,851)	(1,767)	(6,618)
<u>Transactions with owners:</u>											
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Capital reduction [Refer to Note 10(iii)]	(128,850)	-	-	-	-	-	-	-	(128,850)	-	(128,850)
Allotment of new ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	(128,850)	-	-	-	-	-	-	-	(128,850)	-	(128,850)
<u>Transactions with non-controlling interests:</u>											
Effect of changes in shareholdings [Refer to Note 10(v)]	-	-	(341)	-	(341)	-	-	-	(341)	1,235	894
At 31 May 2020	487,902	(22,017)	(144,680)	1,161	(142,754)	661	(3,748)	85,864	407,069	15,754	422,823

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1(d)(i) A statement (for the issuer and group), showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Ordinary shares RM'000	Treasury shares RM'000	Gain on reissuance of treasury shares RM'000	(Accumulated losses)/ retained earnings RM'000	Total equity RM'000
<u>COMPANY (Cont'd)</u>					
At 1 March 2019	1,107,574	(16,503)	661	(640)	1,091,092
Profit, net of tax	-	-	-	2,311	2,311
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,311	2,311
<u>Transactions with owners:</u>					
Purchase of treasury shares	-	(1,739)	-	-	(1,739)
Allotment of new ordinary shares	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-
	-	(1,739)	-	-	(1,739)
At 31 May 2019	1,107,574	(18,242)	661	1,671	1,091,664

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1(d)(i) A statement (for the issuer and group), showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distribution shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Ordinary shares RM'000	Treasury shares RM'000	Gain on reissuance of treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
<u>COMPANY (Cont'd)</u>					
At 1 March 2020	1,107,574	(22,017)	661	2,464	1,088,682
Profit, net of tax	-	-	-	4,783	4,783
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	4,783	4,783
<u>Transactions with owners:</u>					
Purchase of treasury shares	-	-	-	-	-
Capital reduction [Refer to Note 10(iii)]	(128,850)	-	-	-	(128,850)
Allotment of new ordinary shares	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-
	(128,850)	-	-	-	(128,850)
At 31 May 2020	978,724	(22,017)	661	7,247	964,615

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buybacks, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period

<u>Share Capital – Ordinary Shares</u>	Company	
	Number of Shares '000	Share Capital RM'000
As at 29 February 2020 and 31 May 2020	1,198,199	1,107,574

<u>Outstanding Convertible Securities</u>	Company	
	As at 31 May 2020	As at 31 May 2019
Number of outstanding convertible securities ('000)	491,400	491,400
Number of ordinary shares upon conversion of convertibles ('000)	491,400	491,400
Total number of ordinary shares issued excluding treasury shares ('000)	1,198,199	1,205,501
As a percentage of total ordinary shares issued (%)	41.0	40.8

Total treasury shares as at 31 May 2020 was 30,999,300 (31 May 2019: 23,698,000).

As at the date of this announcement, the Company's issued and paid-up share capital comprises 1,198,199,093 ordinary shares, excluding treasury shares and Company has 491,400,042 outstanding convertible warrants each with initial exercise price of S\$0.43 expiring 13 May 2022. However, on 6 March 2020, notice has been given to the warrant holders of the Company in relation to the adjustment of exercise price of the Warrants from S\$0.43 to S\$0.33 pursuant to the terms and conditions of the Warrants as set out in the deed poll dated 2 May 2017 and the supplemental deed poll dated 27 November 2019, in the event

that the company makes a distribution in cash or specie, the exercise price of the warrants shall be adjusted. Please see note 10(iii) and 10(iv) for further details. The adjustments to the revised exercise price of the Warrants of S\$0.33 came into effect from 6 May 2020.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 May 2020.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as the end of the immediately preceding year

Total number of issued shares excluding treasury shares as at 31 May 2020 was 1,198,199,093 (29 February 2020: 1,198,199,093). Total treasury shares as at 31 May 2020 was 30,999,300 (29 February 2020: 30,999,300).

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on

During the three months ended 31 May 2020 ("1Q FY2021"), there were no sales, transfers, disposals and cancellation and/or use of treasury shares.

1 (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard practice

These figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in Paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation for the current reporting period, compared with the last audited financial statements as at 29 February 2020.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the changes

On 1 March 2020, the Group and the Company adopted the new or amended Singapore Financial Reporting Standards ("FRSs") and Interpretations to FRS ("INT FRSs") that are mandatory for application from that date.

The application of these new or amended FRSs 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.

6 Earnings per ordinary shares of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	First quarter ended	
	31 May	
	2020	2019
	RM'000	RM'000
(Loss)/profit for the period, net of tax attributable to owners of the Company	(5,159)	7,174
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,198,199	1,205,501
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,198,199	1,205,501
(Loss)/earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen):		
(a) Basic	(0.43)	0.60
(b) Fully diluted	(0.43)	0.60

For 1Q FY2021 and 1Q FY2020, as there were no potential dilutive ordinary shares, earnings per share on a fully diluted basis is the same as basic earnings per share based on weighted average number of shares in issue.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year

	Group		Company	
	As at	As at	As at	As at
	31 May	29 February	31 May	29 February
	2020	2020	2020	2020
Net asset value per ordinary share (RM sen)	33.97	45.16	80.51	90.86
Number of shares used in calculating net asset value per share ('000)	1,198,199	1,198,199	1,198,199	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.

- 8 A review of performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings for the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on**

Statement of Comprehensive Income

First quarter ended 31 May 2020 ("1Q FY2021") vs First quarter ended 31 May 2019 ("1Q FY2020")

Revenue

The Group recorded a revenue of RM43.2 million in 1Q FY2021, representing a decrease of 68.1% or RM92.4 million, over the revenue of RM135.6 million in 1Q FY2020. The decrease was mainly due to temporary closure of Group's retail outlets in Malaysia since 18 March 2020 following the imposition of the nationwide Movement Control Order ("MCO") by Malaysia Government to curb the outbreak of Covid-19 in Malaysia. The MCO was followed by the Conditional Movement Control Order ("CMCO") which took effect from 4 May 2020 where only certain outlets were allowed to operate, subject to strict operating procedures imposed by the government. As a result of the disruption of business operations, the Group experienced a significant reduction in revenue. Similarly, the Group's operations in Singapore have also been impacted with similar restrictions imposed by the Singapore Government.

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 reported on. In 1Q FY2021, the value of the closing inventories was lower than the value of the opening inventories by RM3.1 million. In 1Q FY2020, the value of the closing inventories was lower by RM29.8 million. This resulted in a variance of RM26.7 million for 1Q FY2021 vis-à-vis 1Q FY2020, which was mainly due to lower purchases and consumption of inventories in the respective quarters as a result of temporary closure following the nationwide lockdown in Malaysia since 18 March 2020.

Inventories purchased and material consumed

Inventories purchased and material consumed decreased by 50.2% or RM33.0 million, from RM65.9 million in 1Q FY2020 to RM32.9 million in 1Q FY2021. This was mainly due to lower purchases as compared with the corresponding quarter of the previous financial year.

Other operating income

Other operating income decreased by RM1.0 million from RM4.9 million in 1Q FY2020 to RM3.9 million in 1Q FY2021 mainly due to decrease in interest income of RM0.9 million.

Employee benefits expenses

Employee benefits expenses decreased by 34.6% or RM3.5 million, from RM10.0 million in 1Q FY2020 to RM6.5 million in 1Q FY2021, mainly resulted from the cost cutting measures undertaken by the Group since 1 April 2020 in reducing human resource costs in the Group such as salary cut, reduction of monthly fixed allowance and no pay leaves.

Rental of premises

The rental of premises expenses showed a decrease of 48.9% or RM4.5 million from RM9.2 million in 1Q FY2020 to RM4.7 million in 1Q FY2021. The rental of premises is in relation to the short term leases rental and variable rent which were based on sales performance. The reduction in rental expenses was mainly due to closure of certain outlets in Kuala Lumpur International Airport 2 and Penang International Airport which resulted in savings of RM3.2 million for the quarter under review.

Utilities and maintenance expenses

Utilities and maintenance expenses recorded a decrease of RM1.0 million or 61.6%, from RM1.6 million in 1Q FY2020 to RM0.6 million in 1Q FY2021 mainly due to reduction in the usage of utilities and maintenance expenses of RM0.5 million respectively as a result of temporary closure of all the retail outlets operating in Malaysia since 18 March 2020 following the imposition of the nationwide MCO by Malaysia Government.

Professional fees

Professional fees for the quarter was RM0.3 million, which was RM1.0 million lower than the RM1.3 million recorded in 1Q FY2020. The decrease was mainly due to lower expenses incurred for advisory and consultancy services in 1Q FY2020.

Realised foreign exchange loss

Realised loss in foreign exchange in 1Q FY2021 was RM0.8 million as compared to RM0.1 million in 1Q FY2020. This was mainly due to currency translation loss on Group's purchases from overseas suppliers as a result of weak Ringgit Malaysia against US dollar.

Unrealised foreign exchange gain

Unrealised gain in foreign exchange in 1Q FY2021 was RM4.4 million as compared to RM3.0 million in 1Q FY2020. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits in financial institutions of SGD21.6 and USD13.8 million as at 31 May 2020, whereby Ringgit Malaysia had weakened against Singapore Dollar by approximately 1.7% from RM3.02 to SGD\$1.00 as at 29 February 2020 to RM3.07 to SGD1.00 as at 31 May 2020 and United States Dollar, by approximately 3.1% ie: from RM4.21 to US\$1.00 as at 29 February 2020 to RM4.34 to US\$1.00 as at 31 May 2020.

Other operating expenses

The Group incurred lower other operating expenses of RM3.5 million in 1Q FY2021 as compared to RM7.3 million in 1Q FY2020. This was mainly attributable to the decrease in donation of RM1.0 million, transportation costs of RM0.8 million, management fee of RM0.5 million and property, and plant and equipment written off of RM0.3 million. In addition, selling and marketing expenses, such as packing materials and travelling expenses also reduced significantly as a result of the closure of retail outlets during the lockdown period.

The rest of the expenses on the Group's income account remained largely unchanged in 1Q FY2021 as compared to 1Q FY2020.

(Loss)/profit before income tax

The Group reported a loss before income tax of RM6.8 million for 1Q FY2021, which was 155.7% or RM19.0 million lower than the profit before income tax of RM12.2 million recorded in 1Q FY2020. The Group's business operations had been adversely affected by the Malaysia government's imposition of the nationwide MCO since 18 March 2020, followed by the CMCO, to curb the outbreak of Covid-19 in Malaysia. As a result, the drop in sales had caused a significant reduction in gross profit contributions, which were insufficient to offset the fixed costs, such as rental expenses and payroll related expenses of the Group. Consequently, the Group incurred a pre-tax loss in the current quarter under review. However, the negative effects were partially offset by higher net gain in foreign exchange of RM1.4 million and reduction in donation of RM1.0 million as mentioned above.

Statement of Financial Position

Assets

Trade and other receivables

Trade receivables decreased by RM12.3 million, from RM19.4 million as at 29 February 2020 to RM7.1 million as at 31 May 2020, which was mainly due to timing differences in trade-related collections. There was also decreases in deposits and sundry receivables by RM2.0 million from RM22.1 million as at 29 February 2020 to RM20.1 million as at 31 May 2020.

Inventories

Inventories increased by RM1.0 million, from RM133.4 million as at 29 February 2020 to RM134.4 million as at 31 May 2020, mainly due to higher stock on hand as a result of temporary closure of all the retail outlets since 18 March 2020 following the imposition of MCO by Malaysia government.

Cash and bank balances

Cash and bank balances decreased by RM129.7 million, from RM334.6 million as at 29 February 2020 to RM204.9 million as at 31 May 2020, mainly due to capital repayment of RM128.9 million to the shareholders of the Company on 13 May 2020.

Other than Cash and Bank balances which decreased by RM129.7 million from RM334.6 million to RM204.9 million, the rest of the asset items on the Group's statement of financial position remained largely unchanged as at 31 May 2020 vis-à-vis 29 February 2020.

Liabilities

Trade and other payables

The increase in trade and other payables was mainly due to an increase in trade payables by RM5.9million, from RM48.7 million as at 29 February 2020 to RM54.6 million as at 31 May 2020, and an increase in other payables by RM2.3 million, from RM24.4 million as at 29 February 2020 to RM26.7 million as at 31 May 2020. The aforesaid increase in trade payables was due to timing differences in the settlement of payables.

Borrowings

Total borrowings decreased by RM10.2 million, from RM35.0 million as at 29 February 2020 to RM24.8 million as at 31 May 2020, mainly due to decrease in trade facilities utilisation of RM10.1 million.

Non-current liabilities

Derivative liabilities – non-current

Derivative financial liabilities of RM0.2 million as at 31 May 2020 was mainly due to the fair value of call options and put options issued in relation to the remaining 22% stake in the Brand Connect Holding Pte. Ltd.

As at 31 May 2020, the Group was in a positive working capital position of RM303.1 million.

Equity

Total equity decreased by RM134.6 million, from RM557.4 million as at 29 February 2020 to RM422.8 million as at 31 May 2020, mainly due to capital repayment of RM128.9 million, and loss after the comprehensive income for the period of RM6.6 million, partially offset by the effect of changes in shareholdings of RM0.9 million.

Statement of Cash Flows

The Group net cash flow generated from operating activities was RM2.4 million in 1Q FY2021. Net cash generated from investing activities was RM1.9 million for 1Q FY2021, mainly due to interest received of RM2.0 million. Net cash used in financing activities for 1Q FY2021 of RM139.5 million was mainly due to capital repayment of RM128.9 million, repayment of short-term borrowing of RM10.1 million and payment of principal portion of lease liability of RM0.4 million. Overall, the cash and cash equivalents of the Group decreased by RM135.3 million in 1Q FY2021, ended the period with cash and cash equivalents of RM195.4 million.

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

Not applicable.

10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and for the next 12 months

- (i) With the global outbreak of Covid-19 pandemic from late last year and beginning of year 2020 coupled with the imposition of the MCO and CMCO by the Malaysian Government since 18 March 2020, the outlook of the local economy remains uncertain and challenging in the near term. 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. The Group’s retail outlets at the Malaysia-Thai border and airport outlets remained closed as at the date of this announcement. 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 downsizing of manpower, closure of non-profitable outlets, deferral of all discretionary expenses and non-critical capital expenditures, and at the same time ensured Covid-19 SOPs are being complied throughout the Group.

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. Consequently, the Group’s financial performance is expected to be adversely impacted in the remaining quarters of the financial year ending 2021.

The Group’s main focus is now on strategic planning, resource allocation and further cost optimization 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. While the Group remains cautious and prudent in its cost management and capital allocation, the Group intends to continue investing in various initiatives and programmes for strategic growth so as to ensure business recovery and sustainability.

- (ii) 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 the Court of Appeal’s decision to the Federal Court.

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.

The Company will make further announcement(s) if there is any material update on the above said matter.

- (iii) On 28 November 2019, the Company announced its intention to undertake a capital reduction exercise (the “Capital Reduction”) pursuant to Sections 78A and 78C of the Companies Act, Chapter 50 of Singapore (the “Companies Act”) 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 in the share capital of the Company (“Share”) held by Shareholders (the “Cash Distribution”).

At the extraordinary general meeting on 5 March 2020 (“EGM”), the Shareholders had approved the Capital Reduction and Cash Distribution. Further to the EGM, on 23 April 2020, the Company announced that it has complied with the publicity requirements under Section 78C(1)(c), and the solvency requirements under Sections 78C(1)(b) and 78C(3) of the Companies Act, and that no application for the cancellation of the special resolution relating to the Capital Reduction and Cash Distribution has been made.

The Company has accordingly lodged the statements from the Directors pursuant to Section 78E(2) of the Companies Act confirming the same, together with a notice containing the reduction information, with the Accounting and Corporate Regulatory Authority on 23 April 2020.

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\$368,279,230.18. The Cash Distribution of S\$0.035 per Share amounting to RM128.9 million had been paid out to the Shareholders on 13 May 2020.

- (iv) On 6 March 2020, notice was given to warrant holders in relation to the adjustment to the exercise price of the warrant pursuant to the terms and conditions of the Warrants as set out in the deed poll dated 2 May 2017, as amended by the supplemental deed poll dated 27 November 2019 (the “Deed Poll”) whereby in the event that the Company makes a distribution in cash or in specie (other than dividends), the exercise price of the Warrants shall be adjusted. Accordingly, pursuant to the Capital Reduction and Cash Distribution as mentioned in Note 10(iii) above, the Company gave notice that following adjustment be made to the exercise price of Warrants:

	Before Adjustment	After Adjustment
Exercise price of each Warrant	S\$0.430	S\$0.330

With effect from 6 May 2020, the revised exercise price of the Warrants was S\$0.33.

- (v) On 13 May 2020, the Company announced that it had entered into a sale and purchase agreement (“Agreement”) with Robert Justin Frizelle, Green Point Associates Pte. Ltd. (together with the Company, the “Purchasers”) and Meridian Compass Limited (the “Seller”), pursuant to which the Seller has agreed to sell, and the Purchasers have agreed to purchase, in aggregate 400,000 ordinary shares (“Sale Shares”) in the capital of Brand Connect Holding Pte. Ltd. (“BCH”), representing 10% of the issued and paid up share capital in BCH of 311,112 by the Company was completed on 13 May 2020. The Company paid a consideration of US\$1 for the Sale Shares with 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 stocks and inventory transferred to the Seller.

The consideration for the above transaction was arrived at following arm’s length negotiations, based on the parties’ agreed adjusted net asset value of BCH (together with its subsidiaries, the “BCH Group”). No independent valuation was conducted in respect of the value of the BCH Group. The Consideration was satisfied in cash and is funded from the Company’s internal resources.

Upon completion, the Company’s shareholding in BCH increased from 70% to approximately 78%. Mr. Patrick James Looram resigned as the Chief Operating Officer of the BCH Group with effect from completion and Brand Connect Vietnam Co. Ltd. and Brand Connect Thailand Co. Ltd. ceased to be part of the BCH Group thereafter.

11 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.

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

No dividend has been declared or recommended by the Board for 1Q FY2021.

13 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	500	- (Note 1)

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

14 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.

As at the date of this announcement, following the abovementioned utilisation, approximately S\$37.52 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.

15 Significant related party transactions

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

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

	Group	
	First quarter ended	
	31 May	
	2020	2019
	RM'000	RM'000
Related company:		
- Management fee	500	500
Related parties:		
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	24,044	29,956
- Management fee paid/payable to HAP	-	162
- Ad-space rental received/receivable from HAP	432	440
- Reimbursement of costs from HAP	1,399	1,326

16 Changes in the composition of the Group

Save as disclosed below, there were no other changes in the composition of the Group during the current financial quarter under review.

- i) On 4 March 2020, the Company has submitted its application to the Companies Commission of Malaysia for strike off a wholly-owned subsidiary named Brilliant Pixel Sdn. Bhd. from the register pursuant to Section 550 of the Malaysia Companies Act 2016. Upon completion of the strike off, Brilliant Pixel Sdn. Bhd. will cease to be a wholly-owned subsidiary of the Company.
- ii) On 16 March 2020, the Company incorporated a wholly-owned subsidiary in Singapore, named Zon Duty Free Pte. Ltd. with an issued share capital of SGD1.00, representing 100% equity interest in Zon Duty Free Pte. Ltd. It's intended principal activities are that of a wholesaler and distributor of duty free and non-dutiable merchandise.

17 Confirmation by the board pursuant to Rule 705(5) of the Listing Manual

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results for the first quarter ended 31 May 2020 to be false or misleading in any material aspect.

18 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.

BY ORDER OF THE BOARD

Lee Sze Siang
Executive Director
15 July 2020