

# Duty Free International Limited

(Company Registration No. 200102393E)

Condensed Interim Financial Statements  
For the six months ended 31 August 2022

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

	Note	Group Second quarter ended 31 August			Group 6 month ended 31 August		
		2022	2021	Increase/ (Decrease)	2022	2021	Increase/ (Decrease)
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue	5.1	34,464	12,141	183.9%	59,129	45,588	29.7%
Changes in inventories		24,044	2,032	1083.3%	16,611	(7,604)	-318.5%
Inventories purchased and materials consumed		(44,463)	(12,264)	262.5%	(53,492)	(29,405)	81.9%
Other income	7.1(a)	3,664	1,805	103.0%	6,818	5,394	26.4%
Employee benefits expenses		(3,182)	(2,890)	10.1%	(6,138)	(6,229)	-1.5%
Depreciation of property, plant and equipment		(932)	(1,051)	-11.3%	(1,883)	(2,123)	-11.3%
Depreciation of right-of-use assets		(1,922)	(1,902)	1.1%	(3,844)	(3,807)	1.0%
Amortisation of intangible assets		-	(44)	-100.0%	-	(88)	-100.0%
Rental of premises		(1,462)	58	-2620.7%	(2,247)	(837)	168.5%
Commission expenses		(99)	-	100.0%	(163)	(8)	1937.5%
Professional fees		(47)	(192)	-75.5%	(910)	(372)	144.6%
Promotional expenses		(57)	(16)	256.3%	(88)	(36)	144.4%
Utilities and maintenance expenses		(477)	(261)	82.8%	(919)	(662)	38.8%
Realised foreign exchange loss		(181)	(158)	14.6%	(257)	(313)	-17.9%
Unrealised foreign exchange gain/(loss)		147	(365)	-140.3%	2,709	2,013	34.6%
Other operating expenses	7.1(b)	(5,056)	(2,314)	118.5%	(7,370)	(4,942)	49.1%
<b>Operating profit/(loss)</b>		<b>4,441</b>	<b>(5,421)</b>	<b>181.9%</b>	<b>7,956</b>	<b>(3,431)</b>	<b>331.9%</b>
Finance costs		(1,670)	(1,543)	8.2%	(3,270)	(3,061)	6.8%
<b>Profit/(loss) before tax</b>		<b>2,771</b>	<b>(6,964)</b>	<b>139.8%</b>	<b>4,686</b>	<b>(6,492)</b>	<b>172.2%</b>
Income tax expense	8	(1,026)	(93)	1003.2%	(1,226)	(784)	56.4%
<b>Profit/(loss) for the period</b>		<b>1,745</b>	<b>(7,057)</b>	<b>124.7%</b>	<b>3,460</b>	<b>(7,276)</b>	<b>147.6%</b>
<b>Attributable to:</b>							
Owners of the Company		1,788	(5,650)	131.6%	3,510	(5,402)	165.0%
Non-controlling interests		(43)	(1,407)	-96.9%	(50)	(1,874)	-97.3%
		1,745	(7,057)	124.7%	3,460	(7,276)	147.6%
<b>Profit/(loss) per share for the period attributable to owners of the Company (sen per share)</b>							
Basic		0.15	(0.47)		0.29	(0.45)	
Diluted		0.15	(0.47)		0.29	(0.45)	

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

	Group Second quarter ended 31 August			Group 6 month ended 31 August		
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	Increase/ (Decrease) %	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	Increase/ (Decrease) %
Profit/(loss) for the period	1,745	(7,057)	124.7%	3,460	(7,276)	147.6%
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	223	109	104.6%	590	237	148.9%
Total comprehensive income/(loss) for the period	1,968	(6,948)	128.3%	4,050	(7,039)	157.5%
<b>Attributable to:</b>						
Owners of the Company	1,961	(5,569)	135.2%	3,912	(5,202)	175.2%
Non-controlling interests	7	(1,379)	100.5%	138	(1,837)	107.5%
Total comprehensive income/(loss) for the period	1,968	(6,948)	128.3%	4,050	(7,039)	157.5%

**1(b) Condensed Interim Statement of Financial Position**

	Note	Group		Company	
		31.08.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000	31.08.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	52,681	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		7,479	7,403	–	–
Right-of-use assets		109,188	112,776	–	–
		178,666	184,029	556,259	556,259
<b>Current assets</b>					
Biological assets		161	155	–	–
Trade and other receivables	6.1	46,311	48,774	153	125
Prepayments		2,246	1,775	–	–
Inventories		72,482	53,567	–	–
Cash and bank balances		171,735	153,401	86,128	83,970
Tax recoverable		5,340	6,453	–	–
		298,275	264,125	86,281	84,095
<b>Total assets</b>		<b>476,941</b>	<b>448,154</b>	<b>642,540</b>	<b>640,354</b>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Borrowings	13	77	79	–	–
Trade and other payables	6.2	37,364	15,470	486	570
Provision for restoration costs		110	110	–	–
Lease liabilities		467	504	–	–
Income tax payable		528	454	31	10
		38,546	16,617	517	580
<b>Net current assets</b>		<b>259,729</b>	<b>247,508</b>	<b>85,764</b>	<b>83,515</b>

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

	Note	Group		Company	
		31.08.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000	31.08.2022 (Unaudited) RM'000	28.02.2022 (Audited) RM'000
<b>Non-current liabilities</b>					
Deferred tax liabilities		5,808	6,037	1,655	1,655
Derivative liabilities		222	222	515	515
Lease liabilities		96,862	93,787	–	–
Provision for restoration costs		672	672	–	–
Borrowings	13	11	49	–	–
		103,575	100,767	2,170	2,170
<b>Total liabilities</b>		142,121	117,384	2,687	2,750
<b>Net assets</b>		334,820	330,770	639,853	637,604
<b>Equity attributable to owners of the Company</b>					
Share capital	14	487,902	487,902	978,724	978,724
Treasury shares		(22,017)	(22,017)	(22,017)	(22,017)
Other reserves		(180,583)	(180,916)	661	661
Retained earnings/(accumulated losses)		49,118	45,608	(317,515)	(319,764)
		334,420	330,577	639,853	637,604
Non-controlling interests		400	193	–	–
<b>Total equity</b>		334,820	330,770	639,853	637,604
<b>Total equity and liabilities</b>		476,941	448,154	642,540	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
<b>Group</b>											
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	–	–	–	–	–	–	–	3,510	3,510	(50)	3,460
Other comprehensive income for the period	–	–	402	402	–	–	–	–	402	188	590
Total comprehensive income for the period	–	–	402	402	–	–	–	3,510	3,912	138	4,050
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	–	–	(69)	–	–	–	(69)	–	(69)	69	–
Total transactions with non-controlling interests	–	–	(69)	–	–	–	(69)	–	(69)	69	–
<b>Closing balance at 31 August 2022</b>	<b>487,902</b>	<b>(22,017)</b>	<b>(180,583)</b>	<b>1,008</b>	<b>(178,818)</b>	<b>661</b>	<b>(3,434)</b>	<b>49,118</b>	<b>334,420</b>	<b>400</b>	<b>334,820</b>

**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
<b>Group</b>											
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
Loss for the period	–	–	–	–	–	–	–	(5,402)	(5,402)	(1,874)	(7,276)
Other comprehensive income for the period	–	–	200	200	–	–	–	–	200	37	237
Total comprehensive income/(loss) for the period	–	–	200	200	–	–	–	(5,402)	(5,202)	(1,837)	(7,039)
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	–	–	(457)	–	–	–	(457)	–	(457)	457	–
Total transactions with non-controlling interests	–	–	(457)	–	–	–	(457)	–	(457)	457	–
<b>Closing balance at 31 August 2021</b>	<b>487,902</b>	<b>(22,017)</b>	<b>(145,461)</b>	<b>61</b>	<b>(142,893)</b>	<b>661</b>	<b>(3,290)</b>	<b>43,843</b>	<b>364,267</b>	<b>10,559</b>	<b>374,826</b>



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

<b>Company</b>	<b>Ordinary shares RM'000</b>	<b>Treasury shares RM'000</b>	<b>Others reserve RM'000</b>	<b>Retained earnings/ (accumulated losses) RM'000</b>	<b>Total equity RM'000</b>
Opening balance at 1 March 2022	978,724	(22,017)	661	(319,764)	637,604
Profit for the year	-	-	-	2,249	2,249
Total comprehensive income for the period	-	-	-	2,249	2,249
<b>Closing balance at 31 August 2022</b>	<b>978,724</b>	<b>(22,017)</b>	<b>661</b>	<b>(317,515)</b>	<b>639,853</b>

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

	<b>Ordinary shares RM'000</b>	<b>Treasury shares RM'000</b>	<b>Others reserve RM'000</b>	<b>Retained earnings/ (accumulated losses) RM'000</b>	<b>Total equity RM'000</b>
<b>Company</b>					
Opening balance at 1 March 2021	978,724	(22,017)	661	(328,863)	628,505
Profit for the year	-	-	-	8,695	8,695
Total comprehensive income for the period	-	-	-	8,695	8,695
<b>Closing balance at 31 August 2021</b>	<b>978,724</b>	<b>(22,017)</b>	<b>661</b>	<b>(320,168)</b>	<b>637,200</b>

**1(d) Condensed Interim Consolidated Statement of Cash Flows**

	<b>Group Second quarter ended 31 August</b>		<b>Group 6 months ended 31 August</b>	
	<b>2022 (Unaudited) RM'000</b>	<b>2021 (Unaudited) RM'000</b>	<b>2022 (Unaudited) RM'000</b>	<b>2021 (Unaudited) RM'000</b>
<b>Cash flows from operating activities</b>				
Profit/(loss) before tax	2,771	(6,964)	4,686	(6,492)
<u>Adjustments for:</u>				
Amortisation of intangible assets	-	44	-	88
Depreciation of property, plant and equipment	932	1,051	1,883	2,123
Depreciation of right-of-use assets	1,922	1,902	3,844	3,807
Deposit forfeited	-	-	(560)	-
Bad debts written off	-	41	-	41
Impairment loss on receivables	-	-	-	45
Finance costs	1,670	1,543	3,270	3,061
Lease concessions	(162)	(34)	(164)	(55)
Loss/(gain) arising from changes in fair values of biological assets	118	(6)	(6)	(68)
Gain on disposal of property, plant and equipment	(9)	(26)	(9)	(26)
Interest income	(1,218)	(1,166)	(2,437)	(2,305)
(Reversal of)/provision for inventories written down	(4,167)	230	(4,855)	(1,314)
Inventories written off	2,549	8	2,551	29
Net unrealised foreign exchange (gain)/loss	(147)	365	(2,709)	(2,013)
Property, plant and equipment written off	2	1	3	1
Reversal of impairment losses on receivables	-	(42)	(37)	(42)
<b>Operating cash flows before changes in working capital</b>	4,261	(3,053)	5,460	(3,120)
<u>Changes in working capital</u>				
Decrease in trade and other receivables	657	2,504	2,498	6,207
Decrease/(increase) in prepayments	619	910	(471)	729
(Increase)/decrease in inventories	(24,044)	(2,032)	(16,611)	7,604
Increase/(decrease) in trade and other payables	20,020	(6,287)	23,033	(2,511)
<b>Cash flows generated from/(used in) operations</b>	1,513	(7,958)	13,909	8,909
Interest paid	(52)	(30)	(59)	(59)
Income taxes paid	(167)	(2,544)	(344)	(4,719)
<b>Net cash flows generated from/(used in) operating activities</b>	1,294	(10,532)	13,506	4,131

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

	Group Second quarter ended 31 August		Group 6 months ended 31 August	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Cash flows from investing activities</b>				
Interest received	1,218	1,166	2,437	2,305
Proceeds from disposal of property, plant and equipment	9	26	9	26
Purchase of property, plant and equipment	(31)	(20)	(34)	(22)
<b>Net cash flows generated from investing activities</b>	<b>1,196</b>	<b>1,172</b>	<b>2,412</b>	<b>2,309</b>
<b>Cash flows from financing activities</b>				
Increase in pledged fixed deposits	-	(115)	(31)	(115)
Payment of lease liabilities	(86)	(151)	(311)	(339)
Repayment from other short term borrowings	-	(309)	-	(174)
Net repayment of obligations under finance leases	(20)	(29)	(41)	(56)
<b>Net cash used in financing activities</b>	<b>(106)</b>	<b>(604)</b>	<b>(383)</b>	<b>(684)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,384</b>	<b>(9,964)</b>	<b>15,535</b>	<b>5,756</b>
Effects of foreign exchange rate changes	194	(301)	2,768	2,261
Cash and cash equivalents at beginning of the period/year	159,186	203,511	143,461	185,229
<b>Cash and cash equivalents at end of period</b>	<b>161,764</b>	<b>193,246</b>	<b>161,764</b>	<b>193,246</b>
<b>Cash and cash equivalents comprise of:</b>				
Cash and deposits with licensed banks	171,735	203,146	171,735	203,146
Deposits pledged with licensed banks	(9,971)	(9,900)	(9,971)	(9,900)
<b>Cash and cash equivalents</b>	<b>161,764</b>	<b>193,246</b>	<b>161,764</b>	<b>193,246</b>

## **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 August 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 August 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 August 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 Second quarter ended 31 August		Group 6 months ended 31 August	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Sale of goods	33,662	11,681	57,552	44,530
Parking operations	233	–	255	–
Rental income	1	1	1	1
Sale of fresh oil palm fruit bunches	568	459	1,321	1,057
	<b>34,464</b>	<b>12,141</b>	<b>59,129</b>	<b>45,588</b>
Timing of transfer of goods and services				
At a point in time	34,464	12,141	59,129	45,588

### 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	
	Second quarter ended 31 August		Second quarter ended 31 August		Second quarter ended 31 August			Second quarter ended 31 August	
	2022	2021	2022	2021	2022	2021		2022	2021
Second quarter:	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
<b>Revenue:</b>									
Sales to external customers	33,662	11,681	802	460	–	–		34,464	12,141
Inter-segment sales	–	–	164	164	(164)	(164)	A	–	–
Total revenue	33,662	11,681	966	624	(164)	(164)		34,464	12,141
Interest income	291	198	927	968	–	–		1,218	1,166
Miscellaneous Income	2,517	598	(71)	41	–	–		2,446	639
Total revenue and other income	36,470	12,477	1,822	1,633	(164)	(164)		38,128	13,946
<b>Results:</b>									
Segment profit/(loss)	8,309	(719)	711	162	(1,725)	(1,867)		7,295	(2,424)
Depreciation and amortisation	(2,502)	(2,906)	(352)	(356)	–	265		(2,854)	(2,997)
Finance costs	(1,725)	(1,602)	–	–	55	59		(1,670)	(1,543)
Profit/(loss) before tax	4,082	(5,227)	359	(194)	(1,670)	(1,543)	B	2,771	(6,964)
<b>Assets</b>									
Additions to non-current assets	31	22	–	–	–	–	C	31	22
Segment assets	271,350	281,389	192,772	224,136	12,819	10,872	D	476,941	516,397
<b>Segment liabilities</b>									
Segment liabilities	128,605	126,145	7,180	8,206	6,336	7,220	E	142,121	141,571



**5. Segment and revenue information (cont'd)**

**5.2 Segment information (cont'd)**

**Operating segments (cont'd)**

Half year	Trading of duty free & duty paid goods and non-dutiable merchandise		Investment holdings and others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	6 months ended 31 August		6 months ended 31 August		6 months ended 31 August			6 months ended 31 August	
	2022	2021	2022	2021	2022	2021		2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
<b>Revenue:</b>									
Sales to external customers	57,552	44,530	1,577	1,058	–	–		59,129	45,588
Inter-segment sales	–	–	328	328	(328)	(328)	A	–	–
Total revenue	57,552	44,530	1,905	1,386	(328)	(328)		59,129	45,588
Interest income	488	355	1,949	1,950	–	–		2,437	2,305
Miscellaneous Income	3,538	2,911	843	178	–	–		4,381	3,089
Total revenue and other income	61,578	47,796	4,697	3,514	(328)	(328)		65,947	50,982
<b>Results:</b>									
Segment profit/(loss)	11,941	2,929	5,125	3,372	(3,383)	(3,714)		13,683	2,587
Depreciation and amortisation	(5,022)	(5,836)	(705)	(713)	–	531		(5,727)	(6,018)
Finance costs	(3,383)	(3,183)	–	–	113	122		(3,270)	(3,061)
Profit/(loss) before tax	3,536	(6,090)	4,420	2,659	(3,270)	(3,061)	B	4,686	(6,492)
<b>Trading of duty free &amp; duty paid goods and non-dutiable merchandise</b>									
	<b>31.08.2022</b>	<b>28.02.2022</b>	<b>31.08.2022</b>	<b>28.02.2022</b>	<b>31.08.2022</b>	<b>28.02.2022</b>	<b>Notes</b>	<b>31.08.2022</b>	<b>28.02.2022</b>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
<b>Assets</b>									
Additions to non-current	34	117	–	–	–	–	C	34	117
Segment assets	271,350	254,082	192,772	180,216	12,819	13,856	D	476,941	448,154
<b>Segment liabilities</b>									
	128,605	103,064	7,180	7,829	6,336	6,491	E	142,121	117,384

**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 The following items were deducted from segment results to arrive at loss before tax presented in the income statement:

	<b>Second quarter ended</b>		<b>6 months ended</b>	
	<b>31 August</b>		<b>31 August</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	RM'000	RM'000	RM'000	RM'000
Finance costs	1,670	1,543	3,270	3,061

C Additions to non-current assets consist of:

	<b>Second quarter ended</b>		<b>As at</b>	<b>As at</b>
	<b>31.08.2022</b>	<b>31.08.2021</b>	<b>31.08.2022</b>	<b>28.02.2022</b>
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	31	22	34	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**

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

	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.08.2022</b>	<b>31.08.2021</b>	<b>28.02.2022</b>
	RM'000	RM'000	RM'000
Deferred tax assets	7,479	5,231	7,403
Tax recoverable	5,340	5,641	6,453
	<u>12,819</u>	<u>10,872</u>	<u>13,856</u>

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

	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.08.2022</b>	<b>31.08.2021</b>	<b>28.02.2022</b>
	RM'000	RM'000	RM'000
Deferred tax liabilities	5,808	6,221	6,037
Income tax payable	528	999	454
	<u>6,336</u>	<u>7,220</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 August 2022 and 28 February 2022:

### 6.1 Financial assets

	Group		Company	
	31.08.2022	28.02.2022	31.08.2022	28.02.2022
	RM'000	RM'000	RM'000	RM'000
<b>Trade and other receivables:</b>				
Trade receivables	1,093	1,034	–	–
Deposits	3,030	5,373	–	–
Due from Berjaya Waterfront Sdn Bhd*	40,361	40,434	–	–
Sundry receivables	1,827	1,933	153	125
<b>Total trade and other receivables</b>	<b>46,311</b>	<b>48,774</b>	<b>153</b>	<b>125</b>
<i>Add: Cash and bank balances</i>	171,735	153,401	86,128	83,970
<i>Less: Goods and Services Tax receivable</i>	(1,225)	(1,225)	–	–
<b>Total financial assets carried at amortised cost</b>	<b>216,821</b>	<b>200,950</b>	<b>86,281</b>	<b>84,095</b>

#### \*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**

	<b>Group</b>		<b>Company</b>	
	<b>31.08.2022</b>	<b>28.02.2022</b>	<b>31.08.2022</b>	<b>28.02.2022</b>
	RM'000	RM'000	RM'000	RM'000
<b>Trade and other payables:</b>				
Trade payables	25,585	3,398	–	–
Accruals	1,789	3,110	464	563
Accrued payroll related expenses	163	129	–	–
Rental payables	2,334	1,320	–	–
Deposit received for the proposed disposal #	–	560	–	–
Other deposits received	318	448	–	–
Royalty payables	539	100	–	–
Sundry payables	1,044	813	22	7
Put option liability ^	5,592	5,592	–	–
<b>Total trade and other payables</b>	<b>37,364</b>	<b>15,470</b>	<b>486</b>	<b>570</b>
<i>Add: Borrowings</i>	88	128	–	–
<i>Less: Goods and Services Tax payable</i>	(36)	(41)	–	–
<b>Total financial liabilities carried at amortised cost</b>	<b>37,416</b>	<b>15,557</b>	<b>486</b>	<b>570</b>

# 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 and was recognised as other income in the first quarter of the current financial reporting period.

^ 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 Second quarter ended 31 August		Group 6 months ended 31 August	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income from licensed banks	613	258	925	490
Interest income from Berjaya Waterfront Sdn Bhd	605	908	1,512	1,815
Rental income				
- advertisement space	8	1	15	6
- property, plant and equipment	116	51	213	121
Deposit forfeited	–	–	560	–
Commission income	7	–	9	1
(Loss)/gain arising from changes in fair value of biological assets	(118)	6	6	68
Gain on disposal of property, plant and equipment	9	26	9	26
Lease concessions	162	34	164	55
Reversal of/(provision for) inventories written down	4,167	(230)	4,855	1,314
Inventories written off	(2,549)	(8)	(2,551)	(29)
Net reversal of/(provision for) inventories written down	1,618	(238)	2,304	1,285
Reversal of impairment loss on receivables	–	42	37	42
Miscellaneous income	644	717	1,064	1,485
	<b>3,664</b>	<b>1,805</b>	<b>6,818</b>	<b>5,394</b>

Included in miscellaneous income for the second quarter and six-month period ended 31 August 2022 were government grants of RM415,800 (31 August 2021: RM664,000) and RM459,600 (31 August 2021: RM1,188,000) respectively 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:

	<b>Group</b>		<b>Group</b>	
	<b>Second quarter ended</b>		<b>6 months ended</b>	
	<b>31 August</b>		<b>31 August</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	RM'000	RM'000	RM'000	RM'000
Assessment and quit rent	284	281	521	518
Auditors' remuneration	259	229	461	451
Bank charges	265	354	567	732
Bad debts written off	–	41	–	41
Donations	196	–	202	–
Impairment loss on receivables	–	–	–	45
Insurance	130	66	280	255
Management fees	300	99	600	557
Packing materials	50	14	84	31
Printing and stationery	57	31	84	46
Property, plant and equipment written off	2	1	3	1
Payment in relation to settlement with Customs (Note 19(ii))	1,500	–	1,500	–
Transportation costs	429	128	529	276
Travelling expenses	69	17	127	78

## 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 Second quarter ended 31 August		Group 6 months ended 31 August	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Holding company:</b>				
- Management fee	300	300	600	600
<b>Related party:</b>				
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")*	–	1,609	–	6,540
- Management fee paid to HAP*	–	29	–	187
- Reimbursement of costs from HAP*	–	2,460	–	2,674

\*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 Second quarter ended 31 August		Group 6 months ended 31 August	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current income tax expense	1,023	115	1,530	765
Deferred income tax expense relating to origination and reversal of temporary difference	3	(22)	(304)	19
Income tax expense recognised in profit or loss	1,026	93	1,226	784



**9. Net asset value**

	Group		Company	
	As at 31 August 2022	As at 28 February 2022	As at 31 August 2022	As at 28 February 2022
Net asset value per ordinary share (sen)	27.91	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
<b>At 31 August 2022</b>				
<b>Non-financial assets:</b>				
- Biological assets	-	-	161	161
<b>Financial liabilities:</b>				
Derivatives				
- Call and put options	-	-	(222)	(222)
<b>At 28 February 2022</b>				
<b>Non-financial assets:</b>				
- Biological assets	-	-	155	155
<b>Financial liabilities:</b>				
Derivatives				
- Call and put options	-	-	(222)	(222)

## 11. Intangible assets

### 11.1 Goodwill

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

The cash-generating units ("CGU") to which goodwill have been allocated were tested for impairment as at 31 August 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 August 2022.

## **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. The group has no development plan on the said land within the next 12 months.

## **12. Property, plant and equipment**

During the six months ended 31 August 2022, the Group acquired assets amounting to RM34,000 (31 August 2021: RM22,000).

**13. Borrowings**

	<b>Group</b>	
	<b>31.08.2022</b>	<b>28.02.2022</b>
	RM'000	RM'000
<b>Amount repayable within one year or on demand</b>		
Secured:		
Obligations under finance leases	77	79
	<u>77</u>	<u>79</u>
<b>Amount repayable after one year</b>		
Secured:		
Obligations under finance leases	11	49
	<u>11</u>	<u>49</u>
Total borrowings	<u>88</u>	<u>128</u>

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

**14. Share capital**

<b>Company</b>	<b>Number of ordinary shares with no par value</b>		<b>Amount</b>	
	<b>31.08.2022</b>	<b>28.02.2022</b>	<b>31.08.2022</b>	<b>28.02.2022</b>
	'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	<u>1,198,200</u>	<u>1,198,199</u>	<u>978,724</u>	<u>978,724</u>

<u>Outstanding Convertible Securities</u>	<b>Company</b>	
	<b>As at 31 August 2022</b>	<b>As at 28 February 2022</b>
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 August 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 August 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 August 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 August 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**

Second quarter ended 31 August 2022 ("2Q FY2023") vs Second quarter ended 31 August 2021 ("2Q FY2022")

Revenue

The Group recorded revenue of RM34.5 million in 2Q FY2023, representing an increase of 183.9% or RM22.4 million, over the revenue of RM12.1 million in 2Q FY2022. The increase was mainly because all of the Group's retail outlets were in full operations in the current quarter under review. In the preceding year corresponding quarter, Malaysia Government had imposed Full Movement Control Order ("FMCO") which took effect on 1 June 2021 and none of the Group's retail outlets were in operations during the FMCO period.

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 2Q FY2023, the value of the closing inventories was higher than the value of the opening inventories by RM24.0 million. In 2Q FY2022, the value of the closing inventories was higher by RM2.0 million. This resulted in a variance of RM22.0 million for 2Q FY2023 vis-à-vis 2Q FY2022, which was mainly due to higher purchases and consumption of inventories as all of the Group's outlets resumed operations in the current quarter under review.

Inventories purchased and material consumed

Inventories purchased and material consumed increased by 262.5% or RM32.2 million, from RM12.3 million in 2Q FY2022 to RM44.5 million in 2Q FY2023. This was mainly due to higher purchases and consumption of inventories as mentioned above.

Other Income

Other income increased by RM1.9 million or 103.0% from RM1.8 million in 2Q FY2022 to RM3.7 million in 2Q FY2023, mainly attributable to the higher reversal of inventories written down by RM1.9 million. The net 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 current quarter under review.

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

### Rental of premises

The rental of premises expenses showed an increase of RM1.5 million from RM0.06 million in 2Q FY2022 to RM1.5 million in 2Q FY2023. The increase in rental expenses was mainly due to higher rental expenses incurred in FY2023 arising from the resumption of airport outlets operations in 2Q FY2022.

### Utilities and maintenance expenses

Utilities and maintenance expenses recorded an increase of RM0.2 million or 82.8%, from RM0.3 million in 2QFY2022 to RM0.5 million in 2QFY2023 as a result of resumption of operations of all of the Group's retail outlets as mentioned earlier.

### Unrealised foreign exchange gain

Unrealised foreign exchange gain in 2Q FY2023 of RM0.1 million was higher by RM0.5 million as compared to RM0.4 million loss in 2Q FY2022. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits and bank balance in financial institutions of SGD20.6 million and USD2.0 million as at 31 August 2022, whereby Singapore Dollar had strengthened against Ringgit Malaysia by approximately 0.3% from RM3.19 as at 31 May 2022 to RM3.20 as at 31 August 2022 and US Dollar had strengthened against Ringgit Malaysia by approximately 2.3% from RM4.38 as at 31 May 2022 to RM4.48 as at 31 August 2022.

### Other operating expenses

The Group incurred higher other operating expenses in 2Q FY2023 by RM2.8 million or 118.5% as compared to RM2.3 million in 2Q FY2022, mainly attributable to settlement payment made to Customs of RM1.5 million (please see note 19(ii) below) as well as higher operating expenses incurred for freight charges, donation, insurance and management fees by RM0.8 million during the period under review.

The rest of the expenses on the Group's income statement remained largely unchanged in 2Q FY2023 as compared to 2Q FY2022.

### Profit before income tax

The Group reported a profit before income tax of RM2.8 million for 2Q FY2023, which was RM9.8 million higher than loss before income tax of RM7.0 million recorded in 2Q FY2022. The higher profit in 2Q FY2023 was mainly due to higher revenue achieved as mentioned above, higher net reversal of inventories written down by RM1.9 million as well as higher net foreign exchange gain of RM0.5 million. However, the positive effect was partially offset by higher other operating expenses of RM2.8 million as well as higher rental of premises of RM1.5 million.

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

Six months ended 31 August 2022 ("6M FY2023") vs Six months ended 31 August 2021 ("6M FY2022")

The Group recorded revenue for 6M FY2023 of RM59.1 million, representing an increase of 29.7% or RM13.5 million, over the revenue of RM45.6 million in 6M FY2022.

The Group reported a profit before income tax of RM4.7 million for 6M FY2023, representing an increase of 172.2% or RM11.2 million as compared to a loss before income tax of RM6.5 million recorded in 6M FY2022. The increase in profit was mainly contributed by higher revenue achieved coupled with higher other operating income of RM1.4 million which arising from net reversal of inventories written down and deposit forfeited and higher net foreign exchange gain of RM0.8 million. However, the positive effect was partially offset by higher other operating expenses of RM2.5 million and higher of rental of premises of RM1.4 million as well as higher professional fees of RM0.5 million.

**Consolidated Statement of Financial Position**

Property, plant and equipment

The decrease in net book value of the property, plant and equipment by RM1.8 million was mainly due to the depreciation charge of RM1.9 million during the six month of FY2023.

Right-of-use assets

The decrease in right-of-use assets by RM3.6 million was mainly due to the depreciation charge of RM3.8 million during the six month of FY2023.

Trade receivables and other receivables

The decrease in trade and other receivables by RM2.5 million was mainly due to the receipt of payments from certain debtors and deposit refunds during the six month of FY2023.

Inventories

The increase in inventories of RM18.9 million was mainly due to higher purchases of inventories in 2Q FY2023 following the resumption of operation of all the retail outlets in the Group.

Trade and other payables

The increase in trade and other payables of RM21.9 million was mainly due to higher purchases of inventories and higher rental payable which were not yet due for payment as at 31 August 2022



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

Lease liabilities

The increase of lease liabilities of RM3.0 million was mainly due to addition of lease liabilities of RM0.3 million recognised for lease renewal and accretion of interest of RM3.2 million charged during the six month of FY2023. The additions were partially offset by the payment of lease liabilities of RM0.3 million in the same period.

**Consolidated Statement of Cashflow**

The net cash flow generated by the Group from operating activities for 2Q FY2023 was RM1.3 million which was higher by RM11.8 million as compared to the RM10.5 million used in 2Q FY2022. This was mainly due to higher cash flow generated from operations as a result of higher revenue recorded in the current quarter under review.

The net cash flow generated from investing activities in 2Q FY2023 was higher than 2Q FY2022 by RM0.02 million mainly contributed by higher interest income received in the current quarter under review.

The net cash flows used in financing activities decreased by RM0.5 million as compared to 2Q FY2022 mainly due to the absence of repayment of borrowings of RM0.3 million and lower fixed deposit pledged of RM0.1 million which were recorded in 2Q 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 Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%)<sup>1</sup>. Key economic sectors continued to expand in the second quarter of 2022. Consumer-related subsectors such as retail and leisure-related activities continued to recover amid the transition to endemicity, reopening of the international borders, improving labour market conditions and the additional support from Government's policy assistance. However, the recent rise of global inflation rates caused by the rising operating costs and disruptions in supply chains, brought on by the ongoing geopolitical tension and the prevailing COVID-19 restrictions in certain Asian countries, especially China, have impacted the economic recovery rate.

<sup>1</sup>Source : [Economic and Financial Developments in Malaysia in the Second Quarter of 2022 - Bank Negara Malaysia \(bnm.gov.my\)](https://www.bnm.gov.my)

In view of the above, the Group expects the business environment in which it operates to remain challenging. However, the Group with its strong fundamentals, is cautiously optimistic that its operations and financial performance will gradually improve for the remaining period of the financial year ending 28 February 2023.

Whilst the Group's business is still in its recovery stage, the Group will remain vigilant and continue to strategise, adapt and navigate through the changing business environment and will continue to intensify efforts 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 6 July 2022, SMSB 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 on 15 July 2022, SMSB paid a compound of RM1,500,000 to Customs with no admission of guilt or liability. With the 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 August 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	600	- (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 August 2022 to be false or misleading in any material aspect.

**On behalf of the Board of Directors**

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

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Lee Sze Siang  
Director

Singapore  
12 October 2022