

Duty Free International Limited

(Company Registration No. 200102393E)

Condensed Interim Financial Statements
For the six months ended 31 August 2023

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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		
		2023	2022	Increase/ (Decrease)	2023	2022	Increase/ (Decrease)
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue	5.1	32,874	34,464	(4.6%)	69,984	59,129	18.4%
Changes in inventories		(4,904)	24,044	(<100%)	(2,641)	16,611	(<100%)
Inventories purchased and materials consumed		(16,955)	(44,463)	(61.9%)	(42,218)	(53,492)	(21.1%)
Other income	7.1(a)	2,229	3,664	(39.2%)	4,406	6,818	(35.4%)
Employee benefits expenses		(3,489)	(3,182)	9.6%	(6,976)	(6,138)	13.7%
Depreciation of property, plant and equipment		(799)	(932)	(14.3%)	(1,670)	(1,883)	(11.3%)
Depreciation of right-of-use assets		(2,034)	(1,922)	5.8%	(4,069)	(3,844)	5.9%
Impairment loss of right-of-use assets		–	–	0.0%	(84)	–	>100%
Rental of premises		(133)	(1,462)	(90.9%)	(821)	(2,247)	(63.5%)
Commission expenses		(64)	(99)	(35.4%)	(147)	(163)	(9.8%)
Professional fees		(515)	(47)	>100%	(576)	(910)	(36.7%)
Promotional expenses		3	(57)	(<100%)	(41)	(88)	(53.4%)
Utilities and maintenance expenses		(569)	(477)	19.3%	(1,249)	(919)	35.9%
Realised foreign exchange loss		(207)	(181)	14.4%	(171)	(257)	(33.5%)
Unrealised foreign exchange gain		1,933	147	>100%	3,498	2,709	29.1%
Other operating expenses	7.1(b)	(3,022)	(5,056)	(40.2%)	(6,019)	(7,370)	(18.3%)
Operating profit		4,348	4,441	(2.1%)	11,206	7,956	40.8%
Finance costs		(1,760)	(1,670)	5.4%	(3,534)	(3,270)	8.1%
Profit before tax		2,588	2,771	(6.6%)	7,672	4,686	63.7%
Income tax expense	8	(1,013)	(1,026)	(1.3%)	(1,661)	(1,226)	35.5%
Profit for the period		1,575	1,745	(9.7%)	6,011	3,460	73.7%
Attributable to:							
Owners of the Company		1,572	1,788	(12.1%)	6,027	3,510	71.7%
Non-controlling interests		3	(43)	(<100%)	(16)	(50)	(68.0%)
		1,575	1,745	(9.7%)	6,011	3,460	73.7%
Profit per share for the period attributable to owners of the Company (sen per share)							
Basic		0.13	0.15		0.50	0.29	
Diluted		0.13	0.15		0.50	0.29	

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

	Group Second quarter ended 31 August			Group 6 month ended 31 August		
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	Increase/ (Decrease) %	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	Increase/ (Decrease) %
Profit for the period	1,575	1,745	(9.7%)	6,011	3,460	73.7%
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	63	223	(71.7%)	287	590	(51.4%)
Total comprehensive income for the period	1,638	1,968	(16.8%)	6,298	4,050	55.5%
Attributable to:						
Owners of the Company	1,656	1,961	(15.6%)	6,539	3,912	67.2%
Non-controlling interests	(18)	7	(<100%)	(241)	138	(<100%)
Total comprehensive income for the period	1,638	1,968	(16.8%)	6,298	4,050	55.5%

1(b) Condensed Interim Statement of Financial Position

	Note	Group		Company	
		31.08.2023 (Unaudited) RM'000	28.02.2023 (Audited) RM'000	31.08.2023 (Unaudited) RM'000	28.02.2023 (Audited) RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	49,861	51,065	–	–
Goodwill	11.1	5,818	5,818	–	–
Investments in subsidiaries		–	–	646,060	646,060
Prepayments	11.2	4,000	4,000	–	–
Deferred tax assets		7,751	7,680	–	–
Right-of-use assets		106,751	105,547	–	–
		174,181	174,110	646,060	646,060
Current assets					
Biological assets		101	178	–	–
Trade and other receivables	6.1	41,194	46,533	194	355
Prepayments		6,121	5,147	–	–
Inventories		87,592	90,047	–	–
Cash and bank balances		164,652	156,919	93,734	90,356
Tax recoverable		3,210	5,153	–	–
Derivative assets		–	29	–	–
		302,870	304,006	93,928	90,711
Total assets		477,051	478,116	739,988	736,771
Equity and liabilities					
Current liabilities					
Borrowings	13	11	4,009	–	–
Trade and other payables	6.2	15,244	22,175	388	702
Provision for restoration costs		–	198	–	–
Lease liabilities		4,359	440	–	–
Income tax payable		794	295	152	143
		20,408	27,117	540	845
Net current assets		282,462	276,889	93,388	89,866

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

	Note	Group		Company	
		31.08.2023 (Unaudited) RM'000	28.02.2023 (Audited) RM'000	31.08.2023 (Unaudited) RM'000	28.02.2023 (Audited) RM'000
Non-current liabilities					
Deferred tax liabilities		5,903	5,760	1,761	1,719
Lease liabilities		99,247	100,076	–	–
Provision for restoration costs		704	672	–	–
		105,854	106,508	1,761	1,719
Total liabilities		126,262	133,625	2,301	2,564
Net assets		350,789	344,491	737,687	734,207
Equity attributable to owners of the Company					
Share capital	14	487,903	487,903	978,725	978,725
Treasury shares		(22,017)	(22,017)	(22,017)	(22,017)
Other reserves		(177,584)	(178,096)	661	661
Retained earnings/(accumulated losses)		59,881	53,854	(219,682)	(223,162)
		348,183	341,644	737,687	734,207
Non-controlling interests		2,606	2,847	–	–
Total equity		350,789	344,491	737,687	734,207
Total equity and liabilities		477,051	478,116	739,988	736,771

1(c) Condensed Interim Statements of Changes in Equity

	Attributable to owners of the Company										
	Ordinary shares RM'000	Treasury shares RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Net premium paid/received on transactions with non-controlling interests RM'000	Gain on reissuance of treasury shares RM'000	Capital reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
Opening balance at 1 March 2023	487,903	(22,017)	(178,096)	61	(178,818)	661	–	53,854	341,644	2,847	344,491
Profit/(loss) for the period	–	–	–	–	–	–	–	6,027	6,027	(16)	6,011
Other comprehensive income/(loss) for the period	–	–	512	512	–	–	–	–	512	(225)	287
Total comprehensive income/(loss) for the period	–	–	512	512	–	–	–	6,027	6,539	(241)	6,298
Closing balance at 31 August 2023	487,903	(22,017)	(177,584)	573	(178,818)	661	–	59,881	348,183	2,606	350,789

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

	Attributable to owners of the Company										
	Ordinary shares RM'000	Treasury shares RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Net premium paid/received on transactions with non-controlling interests RM'000	Gain on reissuance of treasury shares RM'000	Capital reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
Opening balance at 1 March 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	–
Closing balance at 31 August 2022	487,902	(22,017)	(180,583)	1,008	(178,818)	661	(3,434)	49,118	334,420	400	334,820

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

	Ordinary shares RM'000	Treasury shares RM'000	Others reserve RM'000	Retained earnings/ (accumulated losses) RM'000	Total equity RM'000
Company					
Opening balance at 1 March 2023	978,725	(22,017)	661	(223,162)	734,207
Profit for the year	-	-	-	3,480	3,480
Total comprehensive income for the period	-	-	-	3,480	3,480
Closing balance at 31 August 2023	978,725	(22,017)	661	(219,682)	737,687

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

	Ordinary shares RM'000	Treasury shares RM'000	Others reserve RM'000	Retained earnings/ (accumulated losses) RM'000	Total equity RM'000
Company					
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
Closing balance at 31 August 2022	978,724	(22,017)	661	(317,515)	639,853

1(d) Condensed Interim Consolidated Statement of Cash Flows

	Group Second quarter ended 31 August		Group 6 months ended 31 August	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Cash flows from operating activities				
Profit before tax	2,588	2,771	7,672	4,686
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	799	932	1,670	1,883
Depreciation of right-of-use assets	2,034	1,922	4,069	3,844
Deposit forfeited	–	–	–	(560)
Bad debts written off	9	–	9	–
Impairment loss of right-of-use assets	–	–	84	–
Finance costs	1,760	1,670	3,534	3,270
Lease concessions	–	(162)	–	(164)
Loss/(gain) arising from changes in fair values of biological assets	35	118	77	(6)
Gain on disposal of property, plant and equipment	–	(9)	–	(9)
Interest income	(1,792)	(1,218)	(3,585)	(2,437)
Net reversal of inventories written down	(127)	(1,618)	(186)	(2,304)
Net unrealised foreign exchange gain	(1,933)	(147)	(3,498)	(2,709)
Property, plant and equipment written off	–	2	–	3
Reversal of impairment losses on receivables	–	–	(1)	(37)
Operating cash flows before changes in working capital	3,373	4,261	9,845	5,460
<u>Changes in working capital</u>				
Decrease in trade and other receivables	6,478	657	5,359	2,498
Decrease/(increase) in prepayments	50	619	(1,112)	(471)
Decrease/(increase) in inventories	4,904	(24,044)	2,641	(16,611)
(Decrease)/increase in trade and other payables	(11,967)	20,020	(6,689)	23,033
Cash flows generated from operations	2,838	1,513	10,044	13,909
Interest paid	(42)	(52)	(88)	(59)
Income taxes refunded/(paid)	1,299	(167)	853	(344)
Net cash flows generated from operating activities	4,095	1,294	10,809	13,506

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

	Group Second quarter ended 31 August		Group 6 months ended 31 August	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Cash flows from investing activities				
Interest received	1,792	1,218	3,585	2,437
Proceeds from disposal of property, plant and equipment	–	9	–	9
Purchase of property, plant and equipment	(293)	(31)	(466)	(34)
Net cash flows generated from investing activities	1,499	1,196	3,119	2,412
Cash flows from financing activities				
Increase in pledged fixed deposits	(119)	–	(119)	(31)
Payment of lease liabilities	(2,787)	(86)	(5,574)	(311)
Repayment from other short term borrowings	–	–	(3,960)	–
Net repayment of obligations under finance leases	(19)	(20)	(38)	(41)
Net cash used in financing activities	(2,925)	(106)	(9,691)	(383)
Net increase in cash and cash equivalents	2,669	2,384	4,237	15,535
Effects of foreign exchange rate changes	1,733	194	3,377	2,768
Cash and cash equivalents at beginning of the period	150,021	159,186	146,809	143,461
Cash and cash equivalents at end of period	154,423	161,764	154,423	161,764
Cash and cash equivalents comprise of:				
Cash and deposits with licensed banks	164,652	171,735	164,652	171,735
Deposits pledged with licensed banks	(10,229)	(9,971)	(10,229)	(9,971)
Cash and cash equivalents	154,423	161,764	154,423	161,764

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

Notes to the condensed interim consolidated financial statements
For the financial period ended 31 August 2023

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 2023 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 2023 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 2023.

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.

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Notes to the condensed interim consolidated financial statements
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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 2023.

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 2023.

4. Seasonal operations

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

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Notes to the condensed interim consolidated financial statements
For the financial period ended 31 August 2023

5. Revenue and segment information

5.1 Revenue

	Group Second quarter ended 31 August		Group 6 months ended 31 August	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Sale of goods	32,303	33,662	68,446	57,552
Parking operations	383	233	786	255
Rental income	–	1	1	1
Sale of fresh oil palm fruit bunches	188	568	751	1,321
	<u>32,874</u>	<u>34,464</u>	<u>69,984</u>	<u>59,129</u>
Timing of transfer of goods and services				
At a point in time	<u>32,874</u>	<u>34,464</u>	<u>69,984</u>	<u>59,129</u>

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	
	2023	2022	2023	2022	2023	2022		2023	2022
Second quarter:	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue:									
Sales to external customers	32,686	33,895	188	569	–	–		32,874	34,464
Inter-segment sales	–	–	164	479	(164)	(479)	A	–	–
Total revenue	32,686	33,895	352	1,048	(164)	(479)		32,874	34,464
Interest income	264	291	1,528	927	–	–		1,792	1,218
Miscellaneous Income	462	2,564	237	130	(262)	(248)		437	2,446
Total revenue and other income	32,412	36,750	2,117	2,105	(426)	(727)		35,103	38,128
Results:									
Depreciation and amortisation	(2,705)	(2,769)	(352)	(354)	269	269		(2,833)	(2,854)
Finance costs	(1,803)	(1,725)	–	–	43	55		(1,760)	(1,670)
Other non-cash income	163	1,345	1,646	687	–	–	B	1,809	2,032
Segment profit/(loss)	1,051	2,413	1,540	664	(3)	(306)		2,588	2,771
Assets									
Additions to non-current assets	157	31	136	–	–	–	C	293	31
Segment assets	273,485	271,350	192,605	192,772	10,961	12,819	D	477,051	476,941
Segment liabilities	118,453	128,605	1,112	7,180	6,697	6,336	E	126,262	142,121

5. Segment and revenue information (cont'd)

5.2 Segment information (cont'd)

Operating segments (cont'd)

	Trading of duty free & duty paid goods and non-dutiable merchandise		Investment holdings and others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	6 months ended 31 August		6 months ended 31 August		6 months ended 31 August			6 months ended 31 August	
	2023	2022	2023	2022	2023	2022		2023	2022
Half year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue:									
Sales to external customers	69,232	57,807	752	1,322	–	–		69,984	59,129
Inter-segment sales	1	–	328	643	(329)	(643)	A	–	–
Total revenue	69,233	57,807	1,080	1,965	(329)	(643)		69,984	59,129
Interest income	520	488	3,065	1,949	–	–		3,585	2,437
Miscellaneous Income	817	3,625	560	1,290	(556)	(534)		821	4,381
Total revenue and other income	70,570	61,920	4,705	5,204	(885)	(1,177)		74,390	65,947
Results:									
Depreciation and amortisation	(5,573)	(5,557)	(704)	(708)	538	538		(5,739)	(5,727)
Finance costs	(3,623)	(3,383)	–	–	89	113		(3,534)	(3,270)
Other non-cash income	23	2,234	3,320	3,194	–	–	B	3,343	5,428
Segment profit/(loss)	3,263	269	4,413	4,712	(4)	(295)		7,672	4,686
	Trading of duty free & duty paid goods and non-dutiable merchandise		Investment holdings and others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	31.08.2023	28.02.2023	31.08.2023	28.02.2023	31.08.2023	28.02.2023		31.08.2023	28.02.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Assets									
Additions to non-current Segment assets	330	391	136	–	–	–	C	466	391
	273,485	269,258	192,605	196,025	10,961	12,833	D	477,051	478,116
Segment liabilities	118,453	125,922	1,112	1,648	6,697	6,055	E	126,262	133,625

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5. Segment and revenue information (cont'd)

5.2 Segment information (cont'd)

Operating segments (cont'd)

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

- A Inter-segment revenues are eliminated on consolidation.
- B Other material non-cash income/expenses include reversal of receivables, bad debts written off, impairment loss of right-of-use assets, loss arising from change in fair values of biological assets, reversal of inventories written down and net unrealised foreign exchange gain/loss.
- C Additions to non-current assets consist of:

	Second quarter ended		As at	As at
	31.08.2023	31.08.2022	31.08.2023	28.02.2023
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	293	31	466	391

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:

	As at 31.08.2023 RM'000	As at 31.08.2022 RM'000	As at 28.02.2023 RM'000
Deferred tax assets	7,751	7,479	7,680
Tax recoverable	3,210	5,340	5,153
	<u>10,961</u>	<u>12,819</u>	<u>12,833</u>

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

	As at 31.08.2023 RM'000	As at 31.08.2022 RM'000	As at 28.02.2023 RM'000
Deferred tax liabilities	5,903	5,808	5,760
Income tax payable	794	528	295
	<u>6,697</u>	<u>6,336</u>	<u>6,055</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 2023 and 28 February 2023:

6.1 Financial assets

	Group		Company	
	31.08.2023	28.02.2023	31.08.2023	28.02.2023
	RM'000	RM'000	RM'000	RM'000
Trade and other receivables:				
Trade receivables	1,364	1,981	–	–
Deposits	4,206	3,064	–	–
Due from Berjaya				
Waterfront Sdn Bhd*	34,651	40,338	–	–
Sundry receivables	973	1,150	194	355
Total trade and other receivables	41,194	46,533	194	355
<i>Add:</i> Cash and bank balances	164,652	156,919	93,734	90,356
Total financial assets carried at amortised cost	205,846	203,452	93,928	90,711

*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 was scheduled to be repaid on or before 15 April 2023. On 15 April 2023, both parties had mutually agreed that BWSB shall pay the remaining deferred consideration of RM40.0 million on or before 15 April 2024 and BWSB will continue to pay interest at 7% per annum on the unpaid consideration on a quarterly basis.

In July 2023, the Group entered into an agreement with BWSB to obtain the legal right to offset the rental payments due from the Group’s subsidiary, Selasih Eksklusif Sdn Bhd against the RM40.0 million balance receivable from BWSB as mentioned above. As a result, a rental payable of RM7.2 million had been set off against the total outstanding receivable from BWSB. As at the date of this announcement the total outstanding receivable from BWSB is RM32.8 million (excluding interest receivable).

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

6.2 Financial liabilities

	Group		Company	
	31.08.2023	28.02.2023	31.08.2023	28.02.2023
	RM'000	RM'000	RM'000	RM'000
Trade and other payables:				
Trade payables	9,660	15,815	–	–
Accruals	1,500	1,922	388	649
Accrued payroll related expenses	175	1,292	–	–
Rental payables	1,100	798	–	–
Other deposits received	269	287	–	–
Royalty payables	1,586	1,043	–	–
Sundry payables	954	1,018	–	53
Total trade and other payables	15,244	22,175	388	702
<i>Add: Borrowings</i>	11	4,009	–	–
<i>Less: Goods and Services Tax payable</i>	–	(1)	–	–
Total financial liabilities carried at amortised cost	15,255	26,183	388	702

7. Profit before taxation

7.1 Significant items

(a) Other income

	Group Second quarter ended 31 August		Group 6 months ended 31 August	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest income from licensed banks	1,171	613	2,258	925
Interest income from Berjaya Waterfront Sdn Bhd	621	605	1,327	1,512
Rental income from property, plant and equipment	114	116	221	213
Deposit forfeited	–	–	–	560
(Loss)/gain arising from changes in fair value of biological assets	–	(118)	–	6
Gain on disposal of property, plant and equipment	–	9	–	9
Lease concessions	–	162	–	164
Net reversal of inventories written down	127	1,618	186	2,304
Reversal of impairment loss on receivables	–	–	1	37
Miscellaneous income	196	659	413	1,088
	2,229	3,664	4,406	6,818

Included in miscellaneous income for the second quarter and six-month period ended 31 August 2023 were government grants of RM Nil (31 August 2022: RM415,800) and RM Nil (31 August 2022: RM459,600) 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:

	Group		Group	
	Second quarter ended		6 months ended	
	31 August		31 August	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Assessment and quit rent	313	284	549	521
Auditors' remuneration	206	259	420	461
Bank charges	362	265	582	567
Bad debts written off	9	–	9	–
Donations	4	196	10	202
Insurance	202	130	439	280
Loss arising from changes in fair value of biological assets	35	–	77	–
Management fees	400	300	800	600
Payment in relation to settlement with Customs	–	1,500	–	1,500
Property, plant and equipment written off	–	2	–	3

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		Group	
	Second quarter ended		6 months ended	
	31 August		31 August	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Related company:				
- Management fee	400	300	800	600

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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current income tax expense	899	1,023	1,589	1,530
Deferred income tax expense relating to origination and reversal of temporary difference	114	3	72	(304)
Income tax expense recognised in profit or loss	1,013	1,026	1,661	1,226

9. Net asset value

	Group		Company	
	As at 31 August 2023	As at 28 February 2023	As at 31 August 2023	As at 28 February 2023
Net asset value per ordinary share (sen)	29.06	28.51	61.57	61.27
Number of shares used in calculating net asset value per share ('000)	1,198,200	1,198,200	1,198,200	1,198,200

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

10. Financial assets at fair value through other comprehensive income

10.1 Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in an active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	Quoted prices in active markets for identical instruments (Level 1) RM'000	Significant observable inputs other than quoted prices (Level 2) RM'000	Significant un- observable inputs (Level 3) RM'000	Total RM'000
At 31 August 2023				
Non-financial assets:				
- Biological assets	–	–	101	101
At 28 February 2023				
Non-financial assets:				
- Biological assets	–	–	178	178
Financial assets:				
Derivatives				
- Forward currency contracts	–	29	–	29

11. Intangible assets

11.1 Goodwill

Group	Goodwill RM'000
At 28 February 2023	
Cost	28,816
Accumulated impairment losses	(22,998)
Net carrying amount	<u>5,818</u>
At 1 March 2023 and 31 August 2023	<u>5,818</u>

The cash-generating units (“CGU”) to which goodwill have been allocated were tested for impairment as at 31 August 2023. 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 FY2023, 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 FY2026 ranged between 6% to 14% and 3% to 48% for FY2027 to FY2029.
- ii) The budgeted gross margins for the trading of duty free goods and non-dutiable merchandise segment were in the range of 22% to 24%, 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 15.4% to 15.6% 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 2023.

11.2 Non-current prepayment

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

12. Property, plant and equipment

During the six months ended 31 August 2023, the Group acquired assets amounting to RM466,000 (31 August 2022: RM34,000).

13. Borrowings

	Group	
	31.08.2023	28.02.2023
	RM'000	RM'000
Amount repayable within one year or on demand		
Secured:		
Bankers' acceptances	–	3,960
Obligations under finance leases	11	49
Total borrowings	<u>11</u>	<u>4,009</u>

The borrowings are secured by way of corporate guarantees from a subsidiary and certain amount of deposits with a licensed bank.

14. Share capital

Group	Number of ordinary shares		Amount	
	with no par value			
	31.08.2023	28.02.2023	31.08.2023	28.02.2023
	'000	'000	RM'000	RM'000
Beginning of interim period	1,198,200	1,198,199	487,903	487,902
Conversion of warrants	–	1	–	1
End of interim period	1,198,200	1,198,200	487,903	487,903

Company	Number of ordinary shares		Amount	
	with no par value			
	31.08.2023	28.02.2023	31.08.2023	28.02.2023
	'000	'000	RM'000	RM'000
Beginning of interim period	1,198,200	1,198,199	978,725	978,724
Issuance of new ordinary shares	–	1	–	1
End of interim period	1,198,200	1,198,200	978,725	978,725

The difference in the share capital amount of the Group and the Company arose as a result of the acquisition of DFZ Capital Sdn. Bhd. and Darul Metro Sdn. Bhd. and their subsidiaries in a reverse take-over exercise by the Company during the financial year ended 28 February 2011.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Total treasury shares as at 31 August 2023 was 30,999,300 (28 February 2023: 30,999,300).

As at 31 August 2023, the Company's issued and paid-up share capital comprises 1,198,200,293 (28 February 2023: 1,198,200,293) ordinary shares, excluding treasury shares.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 August 2023.

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 2023 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 2023 ("2Q FY2024") vs Second quarter ended 31 August 2022 ("2Q FY2023")

Revenue

The Group recorded revenue of RM32.9 million in 2Q FY2024, representing a decrease of 4.6% or RM1.6 million, over the revenue of RM34.5 million in 2Q FY2023. The decrease was primarily attributable to the closure of the Kuala Lumpur International Airport ("KLIA") outlet due to the termination of its tenancy at KLIA.

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 FY2024, the value of the closing inventories was lower than the value of the opening inventories by RM4.9 million. In 2Q FY2023, the value of the closing inventories was higher by RM24.0 million. This resulted in a negative variance of RM28.9 million for 2Q FY2024 vis-à-vis 2Q FY2023, which was mainly due to lower purchases and consumption of inventories as compared with the corresponding quarter of the previous financial year.

Inventories purchased and material consumed

Inventories purchased and material consumed decreased by 61.9% or RM27.5 million, from RM44.5 million in 2Q FY2023 to RM17.0 million in 2Q FY2024. This was mainly due to lower purchases and consumption of inventories in the current quarter due to subdued consumer demand and closure of the airport outlet as mentioned above.

Other Income

Other income decreased by RM1.5 million or 39.2% from RM3.7 million in 2Q FY2023 to RM2.2 million in 2Q FY2024, mainly attributable to the lower net reversal of inventories written down by RM1.5 million and absence of government grant of RM0.4 million which was received in 2QFY2023. The adverse impact was partially offset by higher interest income of RM0.6 million in the current reporting quarter.

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

Rental of premises

The rental of premises expenses showed a decrease of RM1.4 million from RM1.5 million in 2Q FY2023 to RM0.1 million in 2Q FY2024. The reduction in rental expenses was primarily a result of the discontinuation of rental costs associated with the closure of the airport outlet operations, as mentioned above.

Professional fees

Professional fees increased by RM0.5 million, from RM0.05 million in 2Q FY2023 to RM0.5 million in 2Q FY2024 mainly due to advisory and consultancy services incurred during the current quarter under review.

Unrealised foreign exchange gain

Unrealised foreign exchange gain in 2Q FY2024 of RM1.9 million was higher by RM1.8 million as compared to RM0.1 million gain in 2Q FY2023. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits and bank balance in financial institutions of SGD21.3 million and USD2.2 million as at 31 August 2023, whereby Ringgit Malaysia had weakened against Singapore Dollar by approximately 2.1% from RM3.36 as at 31 May 2023 to RM3.43 as at 31 August 2023 and US Dollar by approximately 2.6% from RM4.53 as at 31 May 2023 to RM4.65 as at 31 August 2023.

Other operating expenses

The Group incurred lower other operating expenses in 2Q FY2024 by RM2.1 million or 40.2% as compared to RM5.1 million in 2Q FY2023, mainly due to the absence of settlement payment that was made to Customs of RM1.5 million during preceding year's corresponding quarter as well as lower general operating expenses incurred during the quarter under review.

Profit before income tax

The Group reported a profit before income tax of RM2.6 million for 2Q FY2024, which was RM0.2 million lower than profit before income tax of RM2.8 million recorded in 2Q FY2023.

The lower profit in 2Q FY2024 as compared to 2Q FY2023 was primarily due to a reduced net reversal of inventories written down, amounting to RM1.5 million. However, the adverse effect was partially offset by lower rental of premises and other operating expenses as well as higher net foreign exchange gain in the current quarter under review as mentioned above.

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

Six months ended 31 August 2023 ("6M FY2024") vs Six months ended 31 August 2022 ("6M FY2023")

The Group recorded revenue for 6M FY2024 of RM70.0 million, representing an increase of 18.4% or RM10.9 million, over the revenue of RM59.1 million in 6M FY2023.

The Group reported a profit before income tax of RM7.7 million for 6M FY2024, representing an increase of 63.7% or RM3.0 million as compared to a profit before income tax of RM4.7 million recorded in 6M FY2023. The increase in profit was mainly contributed by higher revenue achieved coupled with higher net foreign exchange gain of RM0.9 million and lower rental of premises of RM1.4 million as well as lower other operating expenses of RM1.4 million. However, the positive effect was partially offset by lower other income of RM2.4 million.

Consolidated Statement of Financial Position

Property, plant and equipment

The decrease in net book value of the property, plant and equipment by RM1.2 million was mainly due to the depreciation charge of RM1.7 million, partially offset by acquisition of assets amounting to RM0.5 million during the six month of FY2024.

Right-of-use assets

The increase in right-of-use assets by RM1.2 million was mainly due to renewal of leases of RM5.4 million, partially offset by depreciation charge of RM4.1 during the six month of FY2024.

Trade receivables and other receivables

The decrease in trade and other receivables by RM5.3 million was mainly due to the offset of rental due against the balance receivable from BWSB in relation to the leases for outlets in the Zon Johor Bahru as explained under Note 6.1 above.

Prepayments (current and non-current)

Current prepayments increased by RM1.0 million, from RM5.1 million as at 28 February 2023 to RM6.1 million as at 31 August 2023 which was due to a down payment of building construction costs for one of the Group's retail outlets amounting to RM1.1 million.

As at 31 August 2023 and 28 February 2023, non-current prepayment of RM4.0 million was in relation to development return paid to the State Government and City Council.

Inventories

The decrease in inventories of RM2.4 million was mainly due to lower purchases of inventories in 2Q FY2024 and improved inventories turnover as a result of higher revenue achieved during the six month of FY2024.

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

Trade and other payables

The decrease in trade and other payables of RM7.0 million was mainly due to lower purchases and payments made to creditors in 2QFY2024.

Borrowings (current and non-current)

Total borrowings decreased by RM4.0 million mainly due to repayment of trade facilities of RM4.0 million.

Lease liabilities (current and non-current)

The increase of lease liabilities of RM3.1 million was mainly due to renewal of leases amounting to RM5.4 million and accretion of interest of RM3.5 million charged during the six month of FY2024. The increases were partially offset by the payment of lease liabilities of RM5.6 million in the same period.

Consolidated Statement of Cashflow

The net cash flow generated by the Group from operating activities for 2Q FY2024 was RM4.1 million as compared to the RM1.3 million used in 2Q FY2023. This was mainly due to higher cash flow generated from operations mainly due to reduction in purchases of inventories, decrease in payables as well as tax refund received and recorded in the current quarter under review.

The net cash flow generated from investing activities in 2Q FY2024 was higher than 2Q FY2023 by RM0.3 million mainly contributed by higher interest income received in the current quarter under review.

The net cash flows used in financing activities was RM2.9 million as compared to RM0.1 million in 2Q FY2023 mainly due to higher payment of lease liabilities of RM2.8 million, coupled with pledged fixed deposits of RM0.1 million which were recorded in the current quarter under review.

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

The Malaysian economy expanded moderately in the second quarter of 2023 (2.9%; 1Q 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when the economy experienced strong growth from reopening effects and Government policy measures¹.

Despite positive indications of an ongoing economic recovery, the Group anticipates that the retail business environment in which it operates will continue to be challenging. This expectation stems from the escalating product and operating costs due to the weakening of the Ringgit Malaysia against major foreign currencies, along with the added strain of inflationary pressures and a cautious approach to consumer spending. Hence, the Group will persist in its endeavors to improve operational efficiency and effectiveness. This includes implementing rigorous cost control measures while simultaneously devising strategies to adapt and navigate the constantly evolving business landscape. The overarching goal is to ensure that the Group's core businesses remain resilient and robust in the face of these challenges.

20. Dividend

(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on?

Name of dividend	First interim
Dividend type	Cash
Dividend amount per share	S\$0.00175 per share
Tax rate	One tier exempt
Book closure date	25 October 2023
Date payable	3 November 2023

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?
None

¹ Source from Bank Negara Malaysia – Economic and financial developments in Malaysia in the second quarter of 2023

Other information required by Listing Rule Appendix 7.2

(c) **Date payable**
 Please refer to Paragraph 20(a).

(d) **Book closure date**
 Please refer to Paragraph 20(a).

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

Not applicable.

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	800	- (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.

Other information required by Listing Rule Appendix 7.2

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 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

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

Lee Sze Siang
Director

Singapore
11 October 2023