



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

RESPONSE TO SGX QUERIES

The Board of Directors (“**Board**”) of Duty Free International Limited (“**Company**”), together with its subsidiaries, “**Group**”) has on 1 February 2023 received the following queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in relation to its unaudited financial statements for the third quarter ended 30 November 2022 (“3QFY2023”) released on 11 January 2023 and sets out its response as follows:

SGX Query 1:

It was previously noted that the Company was holding significant sum of cash and cash equivalents due to business uncertainties arising from the COVID-19 Pandemic. Please explain whether such business uncertainties are still prevalent and continue to require holding RM166 million cash and cash equivalents.

Company’s response:

The Group’s cash and cash balances as at 30 November 2022 amounting to RM166 million comprise mainly of the Company’s cash and cash equivalent of RM86 million and the subsidiaries’ cash and cash equivalent of approximately RM80 million. Of the Company’s cash and cash equivalent of RM86 million approximately RM66 million (or S\$20.52 million) are from net proceeds from placement exercises by the Company in prior years (please see Note 23 of 3QFY2023). The net proceeds from abovementioned placement exercises were/are intended to be utilised 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 arises.

At the date of this announcement, the Company is still cautiously reviewing suitable investment prospects so as to optimise the returns to shareholders from the placement funds.

The subsidiaries’ cash and cash equivalent of RM80 million as mentioned above are mainly utilised as working capital for the Group’s business operations.

SGX Query 2:

Please disclose the aging and nature of 'Trade payables' and whether the counterparties are related parties.

Company's response:

Trade Payables are amounts due to various suppliers for inventory-related goods or/and services and the aging of the Trade Payables as at 30 November 2022 is as tabulated below :-

	Current (RM'000)	30 Days (RM'000)	60 Days (RM'000)	> 60 Days (RM'000)	Total (RM'000)
Trade Payables	22,566	4,597	405	387	27,955
Unrealised forex loss	(584)	(87)	(5)	-	(676)
Net Trade Payables	21,982	4,510	400	387	27,279

None of the Trade Payables as stated above are related parties.

SGX Query 3:

Please explain the increase in trade payables from RM3.4 million in February 2022 to RM27.3 million in November 2022. In particular, please indicate if there were changes to the credit policies during this period.

Company's response:

The increase in Trade Payables balance as at 30 November 2022 as compared to 28 February 2022 was mainly due to higher purchases of inventories following the resumption of the Group's outlets operations beginning May 2022. There has been no change to the credit policies during this period.

SGX Query 4:

Please explain why Inventories have increased from RM53.6 million in the previous period, to RM85.9 million as at 30 November 2022. Please also provide the Inventory aging schedule.

Company's response:

As disclosed in Note 17 of the third quarter announcement, the increase in Inventories was mainly due to higher purchases of inventories following the resumption of the Group's outlets operations in May 2022 as compared to the previous corresponding period whereby only a few of the Group's outlets were in operations.

The Inventory aging as at 30 November 2022 is as tabulated below :-

	Current - 3 Months (RM'000)	4 – 6 Months (RM'000)	7 - 9 Months (RM'000)	> 9 Months (RM'000)	Total (RM'000)
Net Inventories	57,558	15,206	2,708	10,387	85,859

SGX Query 5:

Please explain why the Net cash flows used in operating activities was negative RM6.8 million for the quarter while the Company recorded net profits after tax of RM4.2 million for the quarter.

Company's response:

Although, the Group recorded Net Profit after Tax of RM4.2 million for the 3QFY2023, most of the funds generated from operations were utilised for the purchase of inventories. Accordingly, as disclosed in Note1(d) of the Condensed Interim Consolidated Statement of Cashflow of 3QFY2023 announcement, RM12.6 million was utilised by the Group during the said quarter for the purchase of inventories so as to ensure that the Group has sufficient inventories for revenue generation in the next 6 months.

SGX Query 6:

Please elaborate on whether the change in working capital due to an increase in Inventories by RM12.6 million for the latest quarter, is one-off in nature and the reasoning behind this.

Company's response:

As disclosed in Note 2 Corporate Information of 3QFY2023 announcement, 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

Trading of duty free and duty paid goods and non-dutiable merchandise makes up 98% of the revenue reported by the Group as disclosed in Note 5 of Segment and Revenue Information of 3QFY2023 announcement. Accordingly, the Group has to ensure that there will consistently be adequate inventories to generate sales especially with the recent re-commencement of operations by all the Group's outlets, following the re-opening of international borders and resumption of travels post pandemic lockdowns. As such, purchasing of inventories (which is in the normal course of business), by the Group will continue as long as the Group's outlets are in operations and so long there is a demand for the products that the Group is selling.

By Order of the Board

Lee Sze Siang
Executive Director
3 February 2023