

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND
QUARTER AND HALF YEAR ENDED
31 AUGUST 2020**

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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

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

Consolidated Income Statement

Note	Group Second quarter ended 31 August			Group Half year ended 31 August		
	2020 (Unaudited) RM '000	2019 (Unaudited) RM '000	Increase/ (Decrease) %	2020 (Unaudited) RM '000	2019 (Unaudited) RM '000	Increase/ (Decrease) %
	Revenue	60,785	114,713	-47.0%	104,012	250,350
Changes in inventories	(27,040)	(2,076)	1202.5%	(30,125)	(31,857)	-5.4%
Inventories purchased and material consumed	(24,451)	(78,902)	-69.0%	(57,308)	(144,817)	-60.4%
Other operating income	2,268	3,908	-42.0%	6,168	8,777	-29.7%
Employee benefits expenses	(8,246)	(9,962)	-17.2%	(14,785)	(19,967)	-26.0%
Rental of premises	(4,192)	(7,735)	-45.8%	(8,900)	(16,942)	-47.5%
Utilities and maintenance expenses	(521)	(1,327)	-60.7%	(1,130)	(2,914)	-61.2%
Depreciation and amortisation	(3,442)	(3,716)	-7.4%	(6,969)	(7,270)	-4.1%
Commission expenses	(31)	(383)	-91.9%	(94)	(867)	-89.2%
Professional fees	(142)	(745)	-80.9%	(442)	(2,053)	-78.5%
Promotional expenses	(22)	(290)	-92.4%	(594)	(693)	-14.3%
Finance costs	(1,533)	(1,728)	-11.3%	(3,190)	(3,445)	-7.4%
Realised foreign exchange (loss)/gain	(383)	107	-457.9%	(1,232)	45	-2837.1%
Unrealised foreign exchange (loss)/gain	(1,772)	1,044	-269.7%	2,579	4,007	-35.6%
Other operating expenses	(3,379)	(5,174)	-34.7%	(6,862)	(12,453)	-44.9%
(Loss)/profit before income tax	(12,101)	7,734	-256.5%	(18,872)	19,901	-194.8%
Income tax expenses	(182)	(2,398)	-92.4%	(563)	(6,727)	-91.6%
(Loss)/profit for the period	(12,283)	5,336	-330.2%	(19,435)	13,174	-247.5%
(Loss)/profit attributable to:						
Owners of the Company	(10,790)	4,921	-319.3%	(15,949)	12,095	-231.9%
Non-controlling interests	(1,493)	415	-459.8%	(3,486)	1,079	-423.1%
	(12,283)	5,336	-330.2%	(19,435)	13,174	-247.5%

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

Consolidated Statement of Comprehensive Income

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
	2020	2019	Increase/	2020	2019	Increase/
	(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%	RM '000	RM '000	%
(Loss)/profit for the period	(12,283)	5,336	-330.2%	(19,435)	13,174	-247.5%
Other comprehensive (loss)/income:						
Foreign currency translation	(423)	(136)	211.0%	111	178	-37.6%
Total comprehensive (loss)/income for the period	(12,706)	5,200	-344.3%	(19,324)	13,352	-244.7%
Total comprehensive (loss)/income attributable to:						
Owners of the Company	(11,114)	4,826	-330.3%	(15,965)	12,261	-230.2%
Non-controlling interests	(1,592)	374	-525.7%	(3,359)	1,091	-407.8%
	(12,706)	5,200	-344.3%	(19,324)	13,352	-244.7%

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1(a)(ii) Other operating income

Other operating income includes:-

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
2020	2019	Increase/	2020	2019	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Rental income from:						
- advertisement space	(228)	807	-128.3%	501	1,559	-67.9%
- property, plant and equipment	50	120	-58.3%	138	251	-45.0%
Commission income	5	11	-54.5%	9	26	-65.4%
Incentive income	43	31	38.7%	63	81	-22.2%
Interest income	1,158	2,680	-56.8%	3,125	5,557	-43.8%
Gain on disposal of property, plant and equipment	10	-	n.m	10	28	-64.3%
Promotion income	(13)	101	-112.9%	276	380	-27.4%
Sundry income	967	93	939.8%	1,663	715	132.6%

1(a)(iii) Other operating expenses

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

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
2020	2019	Increase/	2020	2019	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Assessment and quit rent	250	282	-11.3%	487	547	-11.0%
Impairment loss on receivables	329	-	n.m	627	-	n.m
Auditors' remuneration	211	250	-15.6%	480	492	-2.4%
Bad debts written off	5	-	n.m	5	-	n.m
Bank charges	425	383	11.0%	854	825	3.5%
Donations	750	13	5669.2%	750	1,027	-27.0%
Insurance	246	398	-38.2%	620	761	-18.5%
(Reversal of inventories)/Inventories written down	(1,306)	401	-425.7%	(1,211)	544	-322.6%
Inventory written off	18	38	-52.6%	85	436	-80.5%
Loss arising from changes in fair value of biological assets	49	49	0.0%	2	30	-93.3%
Management fee	325	338	-3.8%	541	1,000	-45.9%
Packing materials	32	137	-76.6%	60	383	-84.3%
Property, plant and equipment written off	3	395	-99.2%	84	809	-89.6%
Transportation costs	346	418	-17.3%	569	1,340	-57.5%
Travelling expenses	91	354	-74.3%	174	797	-78.2%

n.m - denotes not meaningful

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1(a)(iv) Income tax expenses

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
2020	2019	Increase/	2020	2019	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Current income tax attributable to continuing operations						
- current income tax	188	2,246	-91.6%	523	5,345	-90.2%
- over provision in respect of previous years	(46)	(13)	253.8%	(46)	(8)	475.0%
	142	2,233	-93.6%	477	5,337	-91.1%
Deferred income tax attributable to continuing operations	40	165	-75.8%	86	1,390	-93.8%
Income tax expense recognised in profit or loss	182	2,398	-92.4%	563	6,727	-91.6%

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

	Note	Group		Company	
		31.08.2020 (Unaudited) RM '000	29.02.2020 (Audited) RM '000	31.08.2020 (Unaudited) RM '000	29.02.2020 (Audited) RM '000
Assets					
Non-current assets					
Property, plant and equipment		61,406	64,099	-	-
Goodwill		17,292	17,292	-	-
Investment in subsidiaries		-	-	839,666	839,666
Intangible assets		250	339	-	-
Deferred tax assets		4,773	4,861	-	-
Right-of-use assets		123,360	128,630	-	-
		<u>207,081</u>	<u>215,221</u>	<u>839,666</u>	<u>839,666</u>
Current assets					
Biological assets	1(b)(iv)	24	26	-	-
Inventories		109,396	133,406	-	-
Tax recoverable		4,539	1,861	-	-
Trade and other receivables	1(b)(v)	70,355	81,966	40	262
Prepayments		2,615	2,754	-	-
Cash and bank balances		192,318	334,648	124,675	251,957
		<u>379,247</u>	<u>554,661</u>	<u>124,715</u>	<u>252,219</u>
Total assets		<u>586,328</u>	<u>769,882</u>	<u>964,381</u>	<u>1,091,885</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	1(b)(vi)	67,080	73,640	482	726
Contract liabilities		219	8,876	-	-
Borrowings	1(b)(ii) & (iii)	14,241	34,685	-	-
Income tax payable		1,227	2,359	371	349
Lease liabilities		1,332	1,765	-	-
		<u>84,099</u>	<u>121,325</u>	<u>853</u>	<u>1,075</u>
Net current assets		295,148	433,336	123,862	251,144
Non-current liabilities					
Borrowings	1(b)(ii)	181	306	-	-
Deferred tax liabilities		6,186	6,188	1,655	1,613
Derivative liabilities		222	222	515	515
Lease liabilities		84,997	83,943	-	-
Provision for restoration costs		478	501	-	-
		<u>92,064</u>	<u>91,160</u>	<u>2,170</u>	<u>2,128</u>
Total liabilities		<u>176,163</u>	<u>212,485</u>	<u>3,023</u>	<u>3,203</u>
Net assets		<u>410,165</u>	<u>557,397</u>	<u>961,358</u>	<u>1,088,682</u>
Equity attributable to owners of the Company					
Share capital		487,902	616,752	978,724	1,107,574
Treasury shares		(22,017)	(22,017)	(22,017)	(22,017)
Other reserves		(145,237)	(144,647)	661	661
Retained earnings		75,074	91,023	3,990	2,464
		<u>395,722</u>	<u>541,111</u>	<u>961,358</u>	<u>1,088,682</u>
Non-controlling interests		<u>14,443</u>	<u>16,286</u>	<u>-</u>	<u>-</u>
Total equity		<u>410,165</u>	<u>557,397</u>	<u>961,358</u>	<u>1,088,682</u>
Total equity and liabilities		<u>586,328</u>	<u>769,882</u>	<u>964,381</u>	<u>1,091,885</u>

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

	31.08.2020		29.02.2020	
	Secured RM '000	Unsecured RM '000	Secured RM '000	Unsecured RM '000
Amount repayable in one year or less or on demand	14,241	-	34,685	-
Amount repayable after one year	181	-	306	-

Details of any collateral

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM9,518,000 (29.02.2019: RM9,465,000); and
- corporate guarantees from the Company and the penultimate holding company.

1(b)(iii) Short term borrowings

	31.08.2020 RM'000	29.02.2020 RM'000
The Group's short term borrowings are for:		
- trade facilities	14,052	34,342
- hire purchases	189	343
	<u>14,241</u>	<u>34,685</u>

1(b)(iv) Biological assets

	31.08.2020 RM'000	29.02.2020 RM'000
At fair value:		
Balance b/f	26	103
Fair value changes	(2)	(77)
Balance c/f	<u>24</u>	<u>26</u>

1(b)(v) Trade and other receivables

	Group	
	31.08.2020 RM'000	29.02.2020 RM'000
Trade receivables, net	11,583	19,407
Deposits	5,645	5,933
Sundry receivables, net:		
- amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report)	40,462	40,443
- others	12,665	16,183
	<u>70,355</u>	<u>81,966</u>

Please refer to Paragraph 8 under the caption of "Statement of Financial Position - Assets" for further details.

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

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

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

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

(collectively, the "Disposals").

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

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

For the KMSB Agreement, the conditions precedent as stipulated have not been fulfilled as at the date of this announcement. The Company will continue to keep its shareholders informed of any developments in due course.

1(b)(vii) Trade and other payables

	Group	
	31.08.2020 RM'000	29.02.2020 RM'000
Trade payables	44,780	48,720
Other payables	21,740	24,360
Deposit received for the KMSB Agreement	560	560
	<hr/>	<hr/>
	67,080	73,640

	Company	
	31.08.2020 RM'000	29.02.2020 RM'000
Sundry payables, net:		
- others	482	726
	<hr/>	<hr/>

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

	Group		Group	
	Second quarter ended		Half year ended	
	31 August		31 August	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(12,101)	7,734	(18,872)	19,901
Adjustments for:-				
Impairment loss on receivables	329	-	627	-
Bad debts written off	5	-	5	-
Depreciation and amortisation	3,442	3,716	6,969	7,270
Gain on disposal of property, plant and equipment	(10)	-	(10)	(28)
Loss arising from changes in fair values of biological assets	49	49	2	30
Finance costs	1,533	1,728	3,190	3,445
Interest income	(1,158)	(2,680)	(3,125)	(5,557)
(Reversal of inventories)/Inventories written down	(1,306)	401	(1,211)	544
Inventory written off	18	38	85	436
Property, plant and equipment written off	3	395	84	809
Net unrealised foreign exchange loss/(gain)	1,772	(1,044)	(2,579)	(4,007)
Operating cash flows before changes in working capital	(7,424)	10,337	(14,835)	22,843
(Increase)/decrease in receivables	(3,180)	23,478	10,929	2,272
Decrease in prepayments	5,696	97	139	2,680
Decrease in inventories	26,257	2,076	25,136	31,857
Decrease in payables	(19,665)	(8,373)	(12,796)	(50,704)
Cash generated from operations	1,684	27,615	8,573	8,948
Tax paid	(61)	(2,692)	(4,286)	(5,877)
Interest paid	(125)	(336)	(397)	(718)
Net cash generated from operating activities	1,498	24,587	3,890	2,353
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,158	2,680	3,125	5,557
Proceeds from debt securities	-	-	-	30,000
Proceeds from disposal of property, plant and equipment	110	-	117	29
Purchase of property, plant and equipment and land use rights	(89)	(604)	(166)	(1,413)
Net cash generated from investing activities	1,179	2,076	3,076	34,173

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

	Group		Group	
	Second quarter ended		Half year ended	
	31 August		31 August	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in pledged fixed deposits	-	(124)	(54)	(124)
Payment of principal portion of lease liability	(633)	(2,698)	(1,054)	(5,872)
(Repayment of)/proceeds from short term borrowings	(10,175)	844	(20,289)	10,559
Repayment of hire purchase and lease financing	(186)	(122)	(279)	(240)
Purchase of treasury shares	-	(1,831)	-	(3,570)
Dividends paid to the ordinary shareholders of the Company	-	-	-	(36,477)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	(4,695)
Capital repayment	-	-	(128,850)	-
Net cash used in financing activities	<u>(10,994)</u>	<u>(3,931)</u>	<u>(150,526)</u>	<u>(40,419)</u>
Net (decrease)/increase in cash and cash equivalents	(8,317)	22,732	(143,560)	(3,893)
Effects of foreign exchange rate changes	(4,245)	1,120	1,177	4,658
Cash and cash equivalents at beginning of period/year	195,362	273,337	325,183	296,424
Cash and cash equivalents at end of period/year	<u>182,800</u>	<u>297,189</u>	<u>182,800</u>	<u>297,189</u>
Cash and cash equivalents carried forward consists of :-				
Deposits with licenced banks	153,285	232,571	153,285	232,571
Less : Pledged deposits	(9,518)	(9,317)	(9,518)	(9,317)
	<u>143,766</u>	<u>223,254</u>	<u>143,767</u>	<u>223,254</u>
Cash and bank balances	39,033	73,935	39,033	73,935
	<u>182,800</u>	<u>297,189</u>	<u>182,800</u>	<u>297,189</u>

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

	←←←←← ATTRIBUTABLE TO OWNERS OF THE COMPANY →→→→→										
				←←←←← Non-distributable →→→→→				Distributable			
	Ordinary shares RM'000	Treasury shares RM'000	Total other reserves RM'000	Foreign exchange reserve RM'000	Net premium paid/ received on transactions with non-controlling interests RM'000	Gain on reissuance of treasury shares RM'000	Capital reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
GROUP (Cont'd)											
At 1 March 2020	616,752	(22,017)	(144,647)	853	(142,413)	661	(3,748)	91,023	541,111	16,286	557,397
Loss, net of tax	-	-	-	-	-	-	-	(15,949)	(15,949)	(3,486)	(19,435)
Foreign currency translation	-	-	(16)	(16)	-	-	-	-	(16)	127	111
Total comprehensive loss for the period	-	-	(16)	(16)	-	-	-	(15,949)	(15,965)	(3,359)	(19,324)
<u>Transactions with owners:</u>											
Capital reduction	(128,850)	-	-	-	-	-	-	-	(128,850)	-	(128,850)
Allotment of new ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	(128,850)	-	-	-	-	-	-	-	(128,850)	-	(128,850)
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	-	-	(247)	-	-	-	(247)	-	(247)	247	-
Effect of changes in shareholdings	-	-	(327)	-	(327)	-	-	-	(327)	1,268	941
Total transactions with non-controlling interests	-	-	(574)	-	(327)	-	(247)	-	(574)	1,515	941
At 31 August 2020	487,902	(22,017)	(145,237)	837	(142,740)	661	(3,995)	75,074	395,722	14,443	410,164

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

	Ordinary shares RM'000	Treasury shares RM'000	Gain on reissuance of treasury shares RM'000	(Accumulated losses)/ retained earnings RM'000	Total equity RM'000
<u>COMPANY (Cont'd)</u>					
At 1 March 2019	1,107,574	(16,503)	661	(640)	1,091,092
Profit, net of tax	-	-	-	3,804	3,804
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	3,804	3,804
Transactions with owners:					
Purchase of treasury shares	-	(3,570)	-	-	(3,570)
Dividend on ordinary shares	-	-	-	-	-
	-	(3,570)	-	-	(3,570)
At 31 August 2019	1,107,574	(20,073)	661	3,164	1,091,326

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(Incorporated in the Republic of Singapore)

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

	Ordinary shares RM'000	Treasury shares RM'000	Gain on reissuance of treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
<u>COMPANY (Cont'd)</u>					
At 1 March 2020	1,107,574	(22,017)	661	2,464	1,088,682
Profit, net of tax	-	-	-	1,526	1,526
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,526	1,526
<u>Transactions with owners:</u>					
Purchase of treasury shares	-	-	-	-	-
Capital reduction	(128,850)	-	-	-	(128,850)
Dividend on ordinary shares	-	-	-	-	-
	(128,850)	-	-	-	(128,850)
At 31 August 2020	978,724	(22,017)	661	3,990	961,358

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

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

<u>Outstanding Convertible Securities</u>	Company	
	As at 31 August 2020	As at 31 August 2019
Number of outstanding convertible securities ('000)	491,400	491,400
Number of ordinary shares upon conversion of convertibles ('000)	491,400	491,400
Total number of ordinary shares issued excluding treasury shares ('000)	1,198,199	1,202,159
As a percentage of total ordinary shares issued (%)	41.0	40.9

Total treasury shares as at 31 August 2020 was 30,999,300 (31 August 2019: 27,040,100).

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

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

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

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

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

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

During the second quarter ended 31 August 2020 ("2Q FY2021"), there were no sales, transfers, disposals and cancellation and/or use of treasury shares.

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

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

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

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

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

Not applicable.

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

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

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

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

The application of these new or amended FRSs and INT FRSs did not result in changes in the Group's accounting policies and has no material effect on the amounts reported for the current period or prior years.

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

	Group		Group	
	Second quarter ended		Half year ended	
	31 August		31 August	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period, net of tax attributable to owners of the Company	(10,790)	4,921	(15,949)	12,095
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,198,199	1,203,248	1,198,199	1,204,374
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,198,199	1,203,248	1,198,199	1,204,374
Earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen):				
(a) Basic	(0.90)	0.41	(1.33)	1.00
(b) Fully diluted	(0.90)	0.41	(1.33)	1.00

For 2Q FY2021, 2Q FY2020, 1H FY2021 and 1H FY2020, as there were no potential dilutive ordinary shares, earnings per share on a fully diluted basis is the same as basic earnings per share based on weighted average number of shares in issue.

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

	Group		Company	
	As at	As at	As at	As at
	31 August	29 February	31 August	29 February
	2020	2020	2020	2020
Net asset value per ordinary share (RM sen)	33.03	45.16	80.23	90.86

Number of shares used in calculating net asset value per share ('000)	1,198,199	1,198,199	1,198,199	1,198,199
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Net asset value per ordinary share is computed based on total equity less non-controlling interests divided by the number of shares.

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

Statement of Comprehensive Income

Second quarter ended 31 August 2020 ("2Q FY2021") vs Second quarter ended 31 August 2019 ("2Q FY2020")

Revenue

The Group recorded a revenue of RM60.8 million in 2Q FY2021, representing a decrease of 47.0% or RM53.9 million, over the revenue of RM114.7 million in 2Q FY2020. The decrease was mainly due to temporary closure of Group's retail outlets in Malaysia since 18 March 2020 following the imposition of the nationwide Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") by Malaysia Government to curb the outbreak of Covid-19 in Malaysia. The CMCO was since followed by the Recovery Movement Control Order ("RMCO") which took effect from 10 June 2020 and is scheduled to end on 31 December 2020. During this period, only certain outlets in the Group are in operations, with strict compliance to the Standard Operating Procedures ("SOPs") imposed by the government. The Group's retail outlets at the Malaysia-Thailand border and airport outlets are still closed at the date of this announcement. The outlets that are in operations experienced an overall decline in sales due to a drop in consumer demand. Consequently, the Group experienced a significant reduction in revenue.

Changes in inventories

Changes in inventories comprised the difference in the value of inventories at the beginning and at the end of the financial period reported on. In 2Q FY2021, the value of the closing inventories was lower than the value of the opening inventories by RM27.0 million. In 2Q FY2020, the value of the closing inventories was lower by RM2.1 million. This resulted in a variance of RM24.9 million for 2Q FY2021 vis-à-vis 2Q FY2020, which was mainly due to lower purchases as compared with the corresponding quarter of the previous financial year.

Inventories purchased and material consumed

Inventories purchased and material consumed decreased by 69.0% or RM54.4 million, from RM78.9 million in 2Q FY2020 to RM24.5 million in 2Q FY2021. This was mainly due to lower purchases and consumption of inventories in the respective quarters as a result of temporary closure of outlet operations following the nationwide lockdown in Malaysia since 18 March 2020.

Other operating income

Other operating income decreased by RM1.6 million from RM3.9 million in 2Q FY2020 to RM2.3 million in 2Q FY2021 mainly due to decrease in interest income of RM1.5 million and decrease in rental income from advertisement space amounting to RM1.0 million partially offset by higher sundry income of RM0.9 million from trade related rebates.

Employee benefits expenses

Employee benefits expenses decreased by 17.2% or RM1.8 million, from RM10.0 million in 2Q FY2020 to RM8.2 million in 2Q FY2021, mainly resulted from the cost cutting measures undertaken by the Group in reducing human resource costs, such as downsizing of manpower, salary cut and reduction of monthly fixed allowance.

Rental of premises

The rental of premises expenses showed a decrease of 45.8% or RM3.5 million from RM7.7 million in 2Q FY2020 to RM4.2 million in 2Q FY2021. The reduction in rental expenses was mainly due to closure of certain outlets in Kuala Lumpur International Airport 2 and Penang International Airport which resulted in savings of RM2.3 million for the quarter under review.

Utilities and maintenance expenses

Utilities and maintenance expenses recorded a decrease of RM0.8 million or 60.7%, from RM1.3 million in 2Q FY2020 to RM0.5 million in 2Q FY2021 mainly due to reduction in the usage of utilities and maintenance expenses of RM0.5 million respectively as a result of non-operations of the Group's certain retail outlets at Malaysia-Thailand border and airport outlets since 18 March 2020 following the imposition of the nationwide MCO, CMCO and RMCO by Malaysia Government.

Unrealised foreign exchange (loss)/gain

Unrealised loss in foreign exchange in 2Q FY2021 was RM1.8 million as compared to RM1.0 million gain in foreign exchange in 2Q FY2020. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits in financial institutions of SGD21.4 and USD13.4 million as at 31 August 2020, whereby Ringgit Malaysia had strengthened against Singapore Dollar by approximately 0.7% from RM3.07 to SGD\$1.00 as at 31 May 2020 to RM3.05 to SGD1.00 as at 31 August 2020 and United States Dollar, by approximately 4.1% ie: from RM4.34 to US\$1.00 as at 31 May 2020 to RM4.16 to US\$1.00 as at 31 August 2020.

Other operating expenses

The Group incurred lower other operating expenses in 2Q FY2021 by RM1.8 million as compared to RM5.2 million in 2Q FY2020. This was mainly attributable to the reversal of inventories written down by RM1.7 million, decrease in travelling expenses by RM0.3 million and property, plant and equipment written off by another RM0.3 million. The reversal of inventories written down was in relation to certain inventories that were previously written down in prior years but were subsequently sold in this reporting quarter. In addition, packing materials and transportation costs also reduced as a result of the non-operations of the majority of the duty free retail outlets during the period under review.

The rest of the expenses on the Group's income account remained largely unchanged in 2Q FY2021 as compared to 2Q FY2020.

(Loss)/profit before income tax

The Group reported a loss before income tax of RM12.1 million for 2Q FY2021, which was 256.5% or RM19.8 million lower than the profit before income tax of RM7.7 million recorded in 2Q FY2020. The Group's business operations and performance had been adversely affected by the non-operations of outlets at affected locations and decreased in revenue from outlets that remained open for reasons as mentioned above. As a result, the Group recorded significant reduction in gross profit which were insufficient to offset the fixed costs, such as rental expenses and payroll related expenses of the Group. Consequently, the Group incurred a pre-tax loss in the current quarter under review. In addition, the adverse impact were also affected by net loss in foreign exchange of RM2.2 million as compared to RM1.2 million net foreign exchange gain in 2Q FY2020 as mentioned above.

Half year ended 31 August 2020 ("1H FY2021") vs Half year ended 31 August 2019 ("1H FY2020")

The Group recorded revenue for 1H FY2021 of RM104.0 million, representing decrease of 58.5% or RM146.4 million, over the revenue of RM250.4 million in 1H FY2020.

The Group reported a loss before income tax of RM18.9 million for 1H FY2021, representing a decrease of 194.8% or RM38.8 million as compared to profit before income tax of RM19.9 million recorded in 1H FY2020. The decrease in profit was mainly due to lower gross profit reported as mentioned above, lower net gain in foreign currency of RM2.7 million and lower other operating income of RM1.7 million. However, the negative effect was partially offset by reduction in selling and marketing expenses, such as packing materials, transportation costs, commission expenses and travelling expenses as a result of the non-operations of duty free retail outlets at certain locations in 1H FY2021. Other contributing factors were reduction in employee benefits expenses of RM5.2 million and reversal of inventories written down of RM1.8 million as mentioned above.

Statement of Financial Position

Assets

Trade and other receivables

Trade receivables decreased by RM7.8 million, from RM19.4 million as at 29 February 2020 to RM11.6 million as at 31 August 2020, which was mainly due to timing differences in trade-related collections. There was also decreases in deposits and sundry receivables by RM3.8 million from RM22.1 million as at 29 February 2020 to RM18.3 million as at 31 August 2020.

Inventories

Inventories decreased by R24.0 million, from RM133.4 million as at 29 February 2020 to RM109.4 million as at 31 August 2020, mainly due to decrease of purchases during the period as a result of the non-operations of the majority of the retail outlets since 18 March 2020 following the imposition of nation-wide movement controls by Malaysia government.

Cash and bank balances

Cash and bank balances decreased by RM142.3 million, from RM334.6 million as at 29 February 2020 to RM192.3 million as at 31 August 2020, mainly due to capital repayment of RM128.9 million to the shareholders of the Company on 13 May 2020.

Other than the assets mentioned above, the rest of the asset items on the Group's statement of financial position remained largely unchanged as at 31 August 2020 vis-à-vis 29 February 2020.

Liabilities

Trade and other payables

The decrease in trade and other payables was mainly due to a decrease in trade payables by RM3.9million, from RM48.7 million as at 29 February 2020 to RM44.8 million as at 31 August 2020. Other payables decreased by RM2.7 million from RM24.4 million as at 29 February 2020 to RM21.7 million as at 31 August 2020. The aforesaid increase in trade payables was due to timing differences in the payment of the payables.

Borrowings

Total borrowings decreased by RM20.6 million, from RM35.0 million as at 29 February 2020 to RM14.4 million as at 31 August 2020, mainly due to decrease in trade facilities utilisation of RM20.2 million.

Non-current liabilities

Derivative liabilities – non-current

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

As at 31 August 2020, the Group was in a positive working capital position of RM295.1 million.

Equity

Total equity decreased by RM147.2 million, from RM557.4 million as at 29 February 2020 to RM410.2 million as at 31 August 2020, mainly due to capital repayment of RM128.9 million, and loss after the comprehensive income for the period of RM19.3 million, partially offset by the effect of changes in shareholdings of RM0.9 million arising from the increased shareholdings in BCH in May 2020.

Statement of Cash Flows

The Group net cash flow generated from operating activities was RM1.5 million in 2Q FY2021. Net cash generated from investing activities was RM1.2 million for 2Q FY2021, mainly due to interest received of RM1.2 million. Net cash used in financing activities for 2Q FY2021 of RM11.0 million was mainly due to repayment of short-term borrowing of RM10.2 million and payment of principal portion of lease liability of RM0.6 million. Overall, the cash and cash equivalents of the Group decreased by RM8.3 million in 2Q FY2021, with cash and cash equivalents of RM182.8 million as at 31 August 2020.

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

Not applicable.

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

- (i) With the global outbreak of Covid-19 pandemic from late last year and beginning of year 2020 coupled with the imposition of the MCO, CMCO and RMCO by the Malaysian Government since 18 March 2020, the outlook of the local economy remains uncertain and challenging in the near term. The RMCO has been extended to end by 31st December 2020 and the Malaysian Government may extend RMCO period longer if the Covid-19 pandemic is still wide spread. As at the date of this announcement, the Group’s retail outlets at the Malaysia-Thailand border and airport outlets remain closed, and the timing when the outlets can be re-opened is still

uncertain. Amid the current global challenging economic environment of border closures, travel restrictions, and consumers' cautious spending, the Group's financial performance for this coming financial year is expected to remain tough and highly uncertain.

The Group is actively pursuing measures to manage operating costs and revising business plans to mitigate further negative impact arising from the Covid-19 pandemic. A series of cost cutting measures had been carried out on the Group's operating overheads and fixed costs which included putting in place cost-containment measures such as downsizing of manpower, closure of non-profitable outlets, deferral of all discretionary expenses and non-critical capital expenditures, and at the same time ensuring SOPs are being complied throughout the Group.

- (ii) On 30 November 2017, the Company announced that the Company's subsidiary, Seruntun Maju Sdn. Bhd. ("SMSB") had received the bills of demand dated 14 November 2017 from the Royal Malaysian Customs of Perak Darul Ridzuan ("Customs"), which SMSB received on 21 November 2017, demanding payments of customs duties, excise duties, sales tax and Goods and Services Tax ("GST") all totalling RM41,594,986.86.

The said Bills of demand were raised by the Customs Department who alleged that SMSB did not comply with certain conditions of a duty-free shop located at the border.

On 29 June 2018, the decision of the High Court was not to grant an application for judicial review to SMSB. On 2 July 2018, SMSB filed an appeal to the Court of Appeal against the High Court's decision of not granting an application for judicial review. Simultaneously, SMSB also filed a formal application to stay the effect and enforcement of the bills of demand raised on SMSB for import and excise duties.

On 6 March 2019, the Court of Appeal conducted the hearing, whereby both SMSB and Customs submitted their respective legal arguments. The Court of Appeal then instructed parties to file additional supplementary submission which SMSB had complied.

On 18 June 2020, the Court of Appeal unanimously ruled in favour of SMSB's appeal against the decision of the High Court and quashed the bills of demand issued by Customs for customs duties and excise duties amounting to RM 15,400,962.14 and RM 23,560,972.94 respectively.

On 17 July 2020, Customs appealed against the Court of Appeal's decision to the Federal Court. The Federal Court has instructed both parties to file their respective written submission by 19 October 2020 and to attend the application for leave hearing on 2 November 2020.

In light of the Court of Appeal's decision, the High Court proceedings as well as the interim stay that was granted ceased to exist.

In respect of sales tax and GST, on 12 December 2017, SMSB had also appealed to the Director-General of Customs in respect of the sales tax pursuant to Section 68 of the Sales Tax Act and had submitted an application to the Director-General in respect of GST pursuant to Section 124 of the GST Act. To-date, the matter is still pending a decision from the Director-General.

The Company, having obtained advice from its solicitor, is of the opinion that the payment of the Bills of Demand raised by the Customs is possible, but not probable, and accordingly no provision for any liability has been made in the financial statements.

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

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

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

No dividend has been declared or recommended by the Board as the Group reported a loss for half year ended 31 August 2020.

13 Interested Person Transactions

Interested Persons	Aggregate value of interested person transactions entered into during the financial period under review (excluding transactions below S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a))	Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a) (excluding transactions below S\$100,000)
	RM'000	RM'000
Atlan Holdings Bhd	1,000	- (Note 1)

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

14 Use of proceeds from placement exercises

The Company had, on 7 March 2016, 24 March 2016, 11 August 2016, 26 August 2016 and 23 March 2017 completed five placement exercises of (i) 39 million new ordinary shares in the capital of the Company; and (ii) 5.5 million treasury shares in the capital of the Company; (iii) 20 million new ordinary shares in the capital of the Company; (iv) 30 million new ordinary shares in the capital of the Company; and (v) 34.15 million new ordinary shares in the capital of the Company respectively, raising a total net proceeds of S\$43.6 million. As the use of the net proceeds (including the percentage allocation of the net proceeds) from the above mentioned placement exercises are identical to each other, the Company has aggregated the net proceeds raised from the abovementioned placement exercises together.

The Company intends to use the net proceeds from the abovementioned placement exercises as follows:

- 90% for general corporate requirements including but not limited to acquisition and funding of potential business opportunities, if any; and
- 10% for general working capital including but not limited to renovation and upgrading of business outlets, should the need arise.

The Company has utilised the net proceeds as follows:

- 1) US\$2.80 million (or approximately S\$3.82 million based on the exchange rate of S\$1.363 to US\$1.00) for the subscription for 2,800,000 new ordinary shares in Brand Connect Holding Pte. Ltd as disclosed in Note 10(iii) on 8 August 2018.
- 2) US\$0.85 million (or approximately S\$1.16 million based on the exchange rate of S\$1.37 to US\$1.00) for the purchase of inventories and payment of professional fees in relation to the acquisition of Brand Connect Holding Pte. Ltd. Group on 8 November 2018.

- 3) US\$0.80 million (or approximately S\$1.10 million based on the exchange rate of S\$1.37 to US\$1.00) for the purchase of inventories for Brand Connect Holding Pte. Ltd. Group on 5 December 2018.

As at the date of this announcement, following the abovementioned utilisation, approximately S\$37.52 million remains unutilised out of the net proceeds of S\$43.60 million from the abovementioned placement exercises.

The above utilisation of the Net Proceeds is consistent with the intended use of the net proceeds as disclosed in the Company's previous announcements released in relation to the Placement Exercises.

15 Significant related party transactions

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

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

	Group		Group	
	Second quarter ended		Half year ended	
	31 August		31 August	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Related company:				
- Management fee	500	500	1,000	1,000
Related parties:				
- Donation to Yayasan Harmoni	750	-	750	1,000
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	6,499	29,638	30,543	59,594
- Management fee paid/payable to HAP	-	(162)	-	-
- Ad-space rental received/receivable from HAP	(361)	570	71	1,010
- Reimbursement of costs from HAP	242	750	1,641	2,076

16 Changes in the composition of the Group

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

- i) On 4 March 2020, the Company submitted its application to the Companies Commission of Malaysia for strike off a wholly-owned subsidiary named Brilliant Pixel Sdn. Bhd. ("BPSB"). On 21 August 2020, the strike-off process was completed and BPSB ceased to be a subsidiary of the Company on the same date.

- ii) On 16 March 2020, the Company incorporated a wholly-owned subsidiary in Singapore, named Zon Duty Free Pte. Ltd. with an issued share capital of SGD1.00, representing 100% equity interest in Zon Duty Free Pte. Ltd. Its intended principal activities are that of a wholesaler and distributor of duty free and non-dutiable merchandise.

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

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

18 Confirmation by the directors and executive officers pursuant to Rule 720(1) of the Listing Manual

The Board of Directors hereby confirms that all required undertakings pursuant to Rule 720(1) of the Listing Manual have been obtained from its Directors and Executive Officers in the format set out in Appendix 7.7 of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Lee Sze Siang
Executive Director
13 October 2020