

Duty Free International Limited

(Company Registration No. 200102393E)

Condensed Interim Financial Statements
For the six months ended 31 August 2021

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

| | Note | Group Second quarter ended 31 August | | | Group 6 months ended 31 August | | |
|--|--------|--|-----------------------|-------------------------|--------------------------------------|-----------------------|-------------------------|
| | | 2021 | 2020 | Increase/ (Decrease) | 2021 | 2020 | Increase/ (Decrease) |
| | | (Unaudited) RM'000 | (Unaudited) RM'000 | % | (Unaudited) RM'000 | (Unaudited) RM'000 | % |
| Revenue | 5.1 | 12,141 | 60,785 | -80.0% | 45,588 | 104,012 | -56.2% |
| Changes in inventories | | 2,032 | (27,040) | -107.5% | (7,604) | (30,125) | -74.8% |
| Inventories purchased and materials consumed | | (12,264) | (24,451) | -49.8% | (29,405) | (57,308) | -48.7% |
| Other income | 7.1(a) | 2,043 | 2,266 | -9.9% | 4,109 | 6,166 | -33.4% |
| Employee benefits expenses | | (2,890) | (8,246) | -65.0% | (6,229) | (14,785) | -57.9% |
| Depreciation of property, plant and equipment | | (1,051) | (1,425) | -26.2% | (2,123) | (2,668) | -20.4% |
| Depreciation of right-of-use assets | | (1,902) | (1,973) | -3.6% | (3,807) | (4,213) | -9.6% |
| Amortisation of intangible assets | | (44) | (44) | 0.0% | (88) | (88) | 0.0% |
| Rental of premises | | 58 | (4,192) | -101.4% | (837) | (8,900) | -90.6% |
| Commission expenses | | - | (31) | -100.0% | (8) | (94) | -91.5% |
| Professional fees | | (192) | (142) | 35.2% | (372) | (442) | -15.8% |
| Promotional expenses | | (16) | (22) | -27.3% | (36) | (594) | -93.9% |
| Utilities and maintenance expenses | | (261) | (521) | -49.9% | (662) | (1,130) | -41.4% |
| Realised foreign exchange loss | | (158) | (383) | -58.7% | (313) | (1,232) | -74.6% |
| Unrealised foreign exchange (loss)/gain | | (365) | (1,772) | -79.4% | 2,013 | 2,579 | -21.9% |
| Other operating expenses | 7.1(b) | (2,552) | (3,377) | -24.5% | (3,657) | (6,860) | -46.7% |
| Operating profit | | (5,421) | (10,568) | -48.7% | (3,431) | (15,682) | -78.1% |
| Finance costs | | (1,543) | (1,533) | 0.7% | (3,061) | (3,190) | -4.0% |
| Loss before tax | | (6,964) | (12,101) | -42.5% | (6,492) | (18,872) | -65.6% |
| Income tax expense | 8 | (93) | (182) | -48.9% | (784) | (563) | 39.3% |
| Loss for the period | | (7,057) | (12,283) | -42.5% | (7,276) | (19,435) | -62.6% |
| Attributable to: | | | | | | | |
| Owners of the Company | | (5,650) | (10,790) | -47.6% | (5,402) | (15,949) | -66.1% |
| Non-controlling interests | | (1,407) | (1,493) | -5.8% | (1,874) | (3,486) | -46.2% |
| | | (7,057) | (12,283) | -42.5% | (7,276) | (19,435) | -62.6% |
| Loss per share for the period attributable to owners of the Company (sen per share) | | | | | | | |
| Basic | | (0.47) | (0.90) | | (0.45) | (1.33) | |
| Diluted | | (0.47) | (0.90) | | (0.45) | (1.33) | |

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

| | Group Second quarter ended 31 August | | | Group 6 months ended 31 August | | |
|--|--|-------------------------------|------------------------------|--------------------------------------|-------------------------------|------------------------------|
| | 2021 (Unaudited) RM'000 | 2020 (Unaudited) RM'000 | Increase/ (Decrease) % | 2021 (Unaudited) RM'000 | 2020 (Unaudited) RM'000 | Increase/ (Decrease) % |
| Loss for the period | (7,057) | (12,283) | -42.5% | (7,276) | (19,435) | -62.6% |
| Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Foreign currency translation | 109 | (423) | -125.8% | 237 | 111 | 113.5% |
| Total comprehensive loss for the period | (6,948) | (12,706) | -45.3% | (7,039) | (19,324) | -63.6% |
| Attributable to: | | | | | | |
| Owners of the Company | (5,569) | (11,114) | -49.9% | (5,202) | (15,965) | -67.4% |
| Non-controlling interests | (1,379) | (1,592) | -13.4% | (1,837) | (3,359) | -45.3% |
| Total comprehensive loss for the period | (6,948) | (12,706) | -45.3% | (7,039) | (19,324) | -63.6% |

1(b) Condensed Interim Statement of Financial Position

| | Note | Group | | Company | |
|---------------------------------|------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| | | 31.08.2021 (Unaudited) RM'000 | 28.02.2021 (Audited) RM'000 | 31.08.2021 (Unaudited) RM'000 | 28.02.2021 (Audited) RM'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | | 56,428 | 58,530 | – | – |
| Goodwill | 11.2 | 5,818 | 5,818 | – | – |
| Investments in subsidiaries | | – | – | 510,340 | 510,340 |
| Intangible assets | 11.1 | 74 | 162 | – | – |
| Prepayments | 11.3 | 3,000 | 3,000 | – | – |
| Deferred tax assets | | 5,231 | 5,295 | – | – |
| Right-of-use assets | | 115,837 | 119,426 | – | – |
| | | 186,388 | 192,231 | 510,340 | 510,340 |
| Current assets | | | | | |
| Biological assets | | 168 | 100 | – | – |
| Trade and other receivables | 6.1 | 52,711 | 58,869 | 137 | 9 |
| Prepayments | | 1,971 | 2,699 | – | – |
| Inventories | | 66,372 | 72,691 | – | – |
| Cash and bank balances | | 203,146 | 195,015 | 129,697 | 122,028 |
| Tax recoverable | | 5,641 | 4,289 | – | – |
| | | 330,009 | 333,663 | 129,834 | 122,037 |
| Total assets | | 516,397 | 525,894 | 640,174 | 632,377 |
| Equity and liabilities | | | | | |
| Current liabilities | | | | | |
| Borrowings | 13 | 6,157 | 6,346 | – | – |
| Trade and other payables | 6.2 | 35,586 | 38,444 | 505 | 1,319 |
| Provision for restoration costs | | 110 | 235 | – | – |
| Contract liabilities | 5.1 | 784 | 210 | – | – |
| Lease liabilities | | 417 | 520 | – | – |
| Income tax payable | | 999 | 3,600 | 299 | 383 |
| | | 44,053 | 49,355 | 804 | 1,702 |
| Net current assets | | 285,956 | 284,308 | 129,030 | 120,335 |

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

| | Note | Group | | Company | |
|---|------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| | | 31.08.2021 (Unaudited) RM'000 | 28.02.2021 (Audited) RM'000 | 31.08.2021 (Unaudited) RM'000 | 28.02.2021 (Audited) RM'000 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | | 6,221 | 6,266 | 1,655 | 1,655 |
| Derivative liabilities | | 222 | 222 | 515 | 515 |
| Lease liabilities | | 90,315 | 87,386 | – | – |
| Provision for restoration costs | | 672 | 672 | – | – |
| Borrowings | 13 | 88 | 128 | – | – |
| | | 97,518 | 94,674 | 2,170 | 2,170 |
| Total liabilities | | 141,571 | 144,029 | 2,974 | 3,872 |
| Net assets | | 374,826 | 381,865 | 637,200 | 628,505 |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 14 | 487,902 | 487,902 | 978,724 | 978,724 |
| Treasury shares | | (22,017) | (22,017) | (22,017) | (22,017) |
| Other reserves | | (145,461) | (145,204) | 661 | 661 |
| Retained earnings/(accumulated losses) | | 43,843 | 49,245 | (320,168) | (328,863) |
| | | 364,267 | 369,926 | 637,200 | 628,505 |
| Non-controlling interests | | 10,559 | 11,939 | – | – |
| Total equity | | 374,826 | 381,865 | 637,200 | 628,505 |
| Total equity and liabilities | | 516,397 | 525,894 | 640,174 | 632,377 |

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 2021 | 487,902 | (22,017) | (145,204) | (139) | (142,893) | 661 | (2,833) | 49,245 | 369,926 | 11,939 | 381,865 |
| Loss for the period | – | – | – | – | – | – | – | (5,402) | (5,402) | (1,874) | (7,276) |
| Other comprehensive income for the period | – | – | 200 | 200 | – | – | – | – | 200 | 37 | 237 |
| Total comprehensive income for the period | – | – | 200 | 200 | – | – | – | (5,402) | (5,202) | (1,837) | (7,039) |
| <u>Transactions with non-controlling interests:</u> | | | | | | | | | | | |
| Transfer to reserves | – | – | (457) | – | – | – | (457) | – | (457) | 457 | – |
| Total transactions with non-controlling interests | – | – | (457) | – | – | – | (457) | – | (457) | 457 | – |
| Closing balance at 31 August 2021 | 487,902 | (22,017) | (145,461) | 61 | (142,893) | 661 | (3,290) | 43,843 | 364,267 | 10,559 | 374,826 |

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

| Group | 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 |
| Opening balance 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 for the period | – | – | – | – | – | – | – | (15,949) | (15,949) | (3,486) | (19,435) |
| Other comprehensive income for the period | – | – | (16) | (16) | – | – | – | – | (16) | 127 | 111 |
| Total comprehensive income 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) |
| Total transactions with owners | (128,850) | – | – | – | – | – | – | – | (128,850) | – | (128,850) |
| <u>Transactions with non-controlling interests:</u> | | | | | | | | | | | |
| Transfer to reserves | – | – | (247) | – | – | – | (247) | – | (247) | 247 | – |
| Changes in financial liability | – | – | 2,029 | – | – | – | 2,029 | – | 2,029 | – | 2,029 |
| Effect of changes in shareholdings | – | – | (480) | – | (480) | – | – | – | (480) | (741) | (1,221) |
| Total transactions with non-controlling interests | – | – | 1,302 | – | (480) | – | 1,782 | – | 1,302 | (494) | 808 |
| Closing balance at 31 August 2020 | 487,902 | (22,017) | (143,361) | 837 | (142,893) | 661 | (1,966) | 75,074 | 397,598 | 12,433 | 410,031 |

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

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

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

| Company | Ordinary shares RM'000 | Treasury shares RM'000 | Others reserve RM'000 | Retained earnings/ (accumulated losses) RM'000 | Total equity RM'000 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|---|------------------------------------|
| Opening balance at 1 March 2020 | 1,107,574 | (22,017) | 661 | 2,464 | 1,088,682 |
| Profit for the year | – | – | – | 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> | | | | | |
| Capital reduction | (128,850) | – | – | – | (128,850) |
| Total transactions with owners | (128,850) | – | – | – | (128,850) |
| Closing balance at 31 August 2020 | 978,724 | (22,017) | 661 | 3,990 | 961,358 |

1(d) Condensed Interim Consolidated Statement of Cash Flows

| | Group | | Group | |
|--|-----------------------------|--------------------|-----------------------|--------------------|
| | Second quarter ended | | 6 months ended | |
| | 31 August | | 31 August | |
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Loss before tax | (6,964) | (12,101) | (6,492) | (18,872) |
| <u>Adjustments for:</u> | | | | |
| Amortisation of intangible assets | 44 | 44 | 88 | 88 |
| Depreciation of property, plant and equipment | 1,051 | 1,425 | 2,123 | 2,668 |
| Depreciation of right-of-use assets | 1,902 | 1,973 | 3,807 | 4,213 |
| Bad debts written off | 41 | 5 | 41 | 5 |
| Impairment loss on receivables | – | 329 | 45 | 627 |
| Finance costs | 1,543 | 1,533 | 3,061 | 3,190 |
| Lease concessions | (34) | (261) | (55) | (261) |
| (Gain)/loss arising from changes in fair values of biological assets | (6) | 49 | (68) | 2 |
| Gain on disposal of property, plant and equipment | (26) | (10) | (26) | (10) |
| Interest income | (1,166) | (1,158) | (2,305) | (3,125) |
| Inventories written off | 8 | 18 | 29 | 85 |
| Provision/(reversal) for inventories written down | 230 | (1,306) | (1,314) | (1,211) |
| Reversal of impairment loss on receivables | (42) | – | (42) | – |
| Net unrealised foreign exchange loss/(gain) | 365 | 1,772 | (2,013) | (2,579) |
| Property, plant and equipment written off | 1 | 3 | 1 | 84 |
| Operating cash flows before changes in working capital | (3,053) | (7,685) | (3,120) | (15,096) |
| <u>Changes in working capital</u> | | | | |
| Decrease/(increase) in trade and other receivables | 2,504 | (3,180) | 6,207 | 10,929 |
| Decrease in prepayments | 910 | 5,696 | 729 | 139 |
| (Increase)/decrease in inventories | (2,032) | 26,257 | 7,604 | 25,136 |
| Decrease in trade and other payables | (6,287) | (19,665) | (2,511) | (12,796) |
| Cash flows (used in)/generated from operations | (7,958) | 1,423 | 8,909 | 8,312 |
| Interest paid | (2,544) | (61) | (4,719) | (4,286) |
| Income taxes paid | (30) | (125) | (59) | (397) |
| Net cash flows (used in)/generated from operating activities | (10,532) | 1,237 | 4,131 | 3,629 |

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

| | Group Second quarter ended 31 August | | Group 6 months ended 31 August | |
|---|--|-------------------------------|--------------------------------------|-------------------------------|
| | 2021 (Unaudited) RM'000 | 2020 (Unaudited) RM'000 | 2021 (Unaudited) RM'000 | 2020 (Unaudited) RM'000 |
| Cash flows from investing activities | | | | |
| Interest received | 1,166 | 1,158 | 2,305 | 3,125 |
| Proceeds from disposal of property, plant and equipment | 26 | 110 | 26 | 117 |
| Purchase of property, plant and equipment | (20) | (89) | (22) | (166) |
| Net cash flows generated from investing activities | 1,172 | 1,179 | 2,309 | 3,076 |
| Cash flows from financing activities | | | | |
| Increase in pledged fixed deposits | (115) | – | (115) | (54) |
| Payment of lease liabilities | (151) | (372) | (339) | (793) |
| Repayment of other short term borrowings | (309) | (10,175) | (174) | (20,289) |
| Net repayment of obligations under finance leases | (29) | (186) | (56) | (279) |
| Capital reduction | – | – | – | (128,850) |
| Net cash used in financing activities | (604) | (10,733) | (684) | (150,265) |
| Net (decrease)/increase in cash and cash equivalents | (9,964) | (8,317) | 5,756 | (143,560) |
| Effects of foreign exchange rate changes | (301) | (4,245) | 2,261 | 1,177 |
| Cash and cash equivalents at beginning of the year | 203,511 | 195,362 | 185,229 | 325,183 |
| Cash and cash equivalents at end of period | 193,246 | 182,800 | 193,246 | 182,800 |
| Cash and cash equivalents comprise of: | | | | |
| Cash and deposits with licensed banks | 203,146 | 192,318 | 203,146 | 192,318 |
| Deposits pledged with licensed banks | (9,900) | (9,518) | (9,900) | (9,518) |
| Cash and cash equivalents | 193,246 | 182,800 | 193,246 | 182,800 |

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 six months ended 31 August 2021 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 six months ended 31 August 2021 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 an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 28 February 2021.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Malaysian Ringgit (RM) and all values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

3.1 New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new or amended Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to FRS ("INT FRSs") that are mandatory for application from that date.

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

3. Basis of preparation (cont'd)

3.2 Use of judgement and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 28 February 2021.

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 financial statements for six-month period ended 31 August 2021.

4. Seasonal operations

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

5. Revenue and segment information

5.1 Revenue

| | Group Second quarter ended 31 August | | Group 6 months ended 31 August | |
|--|--|----------------|--------------------------------------|----------------|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Sale of goods | 11,681 | 60,534 | 44,530 | 103,594 |
| Parking operations | — | — | — | 51 |
| Rental income | 1 | 1 | 1 | 1 |
| Sale of fresh oil palm fruit bunches | 459 | 250 | 1,057 | 366 |
| | 12,141 | 60,785 | 45,588 | 104,012 |
| Timing of transfer of goods and services | | | | |
| At a point in time | 12,141 | 60,785 | 45,588 | 104,012 |

5. Revenue and segment information (cont'd)

5.1 Revenue (cont'd)

Contract liabilities

| | Group | |
|----------------------|-------------------|-------------------|
| | 31.08.2021 | 28.02.2021 |
| | RM'000 | RM'000 |
| Contract liabilities | 784 | 210 |

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for sale of goods. Contract liabilities are recognised as revenue as the Group performs its obligations under the contract.

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 | |
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 | | 2021 RM'000 | 2020 RM'000 |
| Second quarter | | | | | | | | | |
| Revenue: | | | | | | | | | |
| Sales to external customers | 11,681 | 60,414 | 460 | 371 | – | – | A | 12,141 | 60,785 |
| Inter-segment sales | – | – | 164 | 164 | (164) | (164) | | – | – |
| Total revenue | 11,681 | 60,414 | 624 | 535 | (164) | (164) | | 12,141 | 60,785 |
| Results: | | | | | | | | | |
| Interest income | 198 | 141 | 968 | 1,017 | – | – | | 1,166 | 1,158 |
| Depreciation and amortisation | (2,906) | (3,350) | (356) | (356) | 265 | 264 | | (2,997) | (3,442) |
| Finance costs | (1,602) | (1,606) | – | – | 59 | 73 | | (1,543) | (1,533) |
| Gain/(loss) arising from changes in fair values of biological assets | – | – | 6 | (49) | – | – | | 6 | (49) |
| Other non-cash (expense)/income | (340) | 1,849 | (394) | (2,892) | – | – | B | (734) | (1,043) |
| Segment loss | (5,227) | (7,949) | (194) | (2,619) | (1,543) | (1,533) | C | (6,964) | (12,101) |

5. Segment and revenue information (cont'd)

5.2 Segment information (cont'd)

Operating segments (cont'd)

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 | |
|---|--|-----------------|-----------------------------------|----------------|---------------------------------|----------------|-------|--|-----------------|
| | 6 months ended 31 August | | 6 months ended 31 August | | 6 months ended 31 August | | | 6 months ended 31 August | |
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 | | 2021 RM'000 | 2020 RM'000 |
| Half year | | | | | | | | | |
| Revenue: | | | | | | | | | |
| Sales to external customers | 44,530 | 103,525 | 1,058 | 487 | – | – | A | 45,588 | 104,012 |
| Inter-segment sales | – | – | 328 | 328 | (328) | (328) | | – | – |
| Total revenue | 44,530 | 103,525 | 1,386 | 815 | (328) | (328) | | 45,588 | 104,012 |
| Results: | | | | | | | | | |
| Interest income | 355 | 346 | 1,950 | 2,779 | – | – | | 2,305 | 3,125 |
| Depreciation and amortisation | (5,836) | (6,785) | (713) | (712) | 531 | 528 | | (6,018) | (6,969) |
| Financial expense | (3,183) | (3,340) | – | – | 122 | 150 | | (3,061) | (3,190) |
| Gain/(loss) arising from changes in fair values of biological assets | – | – | 68 | (2) | – | – | | 68 | (2) |
| Other non-cash income | 938 | 207 | 2,029 | 1,712 | – | – | B | 2,967 | 1,919 |
| Segment (loss)/profit | (6,090) | (18,247) | 2,659 | 2,565 | (3,061) | (3,190) | C | (6,492) | (18,872) |

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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 | |
|---------------------------------|--|-------------------|---------------------------------------|-------------------|-------------------------------------|-------------------|--------------|--|-------------------|
| | 31.08.2021 | 28.02.2021 | 31.08.2021 | 28.02.2021 | 31.08.2021 | 28.02.2021 | | 31.08.2021 | 28.02.2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | RM'000 | RM'000 |
| Assets | | | | | | | | | |
| Additions to non-current assets | 22 | 222 | – | – | – | – | D | 22 | 222 |
| Segment assets | 281,389 | 294,960 | 224,136 | 221,350 | 10,872 | 9,584 | E | 516,397 | 525,894 |
| Segment liabilities | 126,145 | 124,744 | 8,206 | 9,419 | 7,220 | 9,866 | F | 141,571 | 144,029 |

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 includes impairment loss on receivables, property, plant and equipment written off, reversal/provision for inventories written down, inventories written off and net unrealised foreign exchange gain/loss.
- C The following items were deducted from segment results to arrive at loss before tax presented in the income statement:

| | Second quarter ended | | 6 months ended | |
|---------------|-----------------------------|-------------|-----------------------|-------------|
| | 31 August | | 31 August | |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance costs | 1,543 | 1,533 | 3,061 | 3,190 |

- D Additions to non-current assets consist of:

| | 31.08.2021 | 28.02.2021 |
|-------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Property, plant and equipment | 22 | 222 |

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

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

| | 31.08.2021 | 28.02.2021 |
|---------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Deferred tax assets | 5,231 | 5,295 |
| Tax recoverable | 5,641 | 4,289 |
| | <u>10,872</u> | <u>9,584</u> |

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

| | 31.08.2021 | 28.02.2021 |
|--------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Deferred tax liabilities | 6,221 | 6,266 |
| Income tax payable | 999 | 3,600 |
| | <u>7,220</u> | <u>9,866</u> |

6. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 August 2021 and 28 February 2021:

6.1 Financial assets

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 31.08.2021 | 28.02.2021 | 31.08.2021 | 28.02.2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade and other receivables: | | | | |
| Trade receivables | 1,179 | 2,115 | – | – |
| Deposits | 5,658 | 5,648 | – | – |
| Due from Berjaya | | | | |
| Waterfront Sdn Bhd* | 40,464 | 40,434 | – | – |
| Sundry receivables | 5,410 | 10,672 | 137 | 9 |
| Total trade and other receivables | 52,711 | 58,869 | 137 | 9 |
| <i>Add: Cash and bank balances</i> | 203,146 | 195,015 | 129,697 | 122,028 |
| <i>Less: Goods and Services Tax receivable</i> | (1,225) | (3,552) | – | – |
| Total financial assets carried at amortised cost | 254,632 | 250,332 | 129,834 | 122,037 |

*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 from 16 July 2015 onwards.

The balance of RM40.0 million is scheduled to be repaid on or before 15 April 2022. BWSB has agreed to continue to pay interest at the rate of 9% per annum on the unpaid consideration on a quarterly basis.

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

6.2 Financial liabilities

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31.08.2021 | 28.02.2021 | 31.08.2021 | 28.02.2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade and other payables: | | | | |
| Trade payables | 20,775 | 22,133 | – | – |
| Accruals | 4,972 | 6,180 | 346 | 910 |
| Accrued payroll related expenses | 132 | 133 | | |
| Contribution costs payable | 209 | 209 | – | – |
| Rental payables | 1,742 | 1,493 | – | – |
| Deposit received for the proposed disposal # | 560 | 560 | – | – |
| Other deposits received | 552 | 546 | – | – |
| Royalty payables | 103 | 28 | – | – |
| Sundry payables | 1,137 | 1,758 | 159 | 409 |
| Put option liability ^ | 5,404 | 5,404 | – | – |
| Total trade and other payables | 35,586 | 38,444 | 505 | 1,319 |
| <i>Add: Borrowings</i> | 6,245 | 6,474 | – | – |
| <i>Less: Goods and Services Tax payable</i> | (36) | (45) | – | – |
| Total financial liabilities carried at amortised cost | 41,795 | 44,873 | 505 | 1,319 |

This deposit relates to the proposed sale of Kelana Megah Sdn Bhd's intended lease interests in the land parcel bearing lot number PTB 20379 to Berjaya Waterfront Sdn Bhd for a consideration of RM27,990,000 ("KMSB Agreement"). The conditions precedent for the sale have not been fulfilled to date.

^ The put option liability reflects the carrying value of the put options issued to 22.22% (28 February 2021: 22.22%) of non-controlling interest in a subsidiary Brand Connect Holding Pte. Ltd. ("BCH"). The carrying value of the liability has been calculated based on expected financial performance of BCH and expected exercise date.

7. Loss before taxation

7.1 Significant items

(a) Other income

| | Group | | Group | |
|--|----------------------|--------|----------------|--------|
| | Second quarter ended | | 6 months ended | |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income from licensed banks | 258 | 253 | 490 | 1,315 |
| Interest income from Berjaya Waterfront Sdn Bhd | 908 | 905 | 1,815 | 1,810 |
| Rental income | | | | |
| - advertisement space | 1 | (228) | 6 | 501 |
| - property, plant and equipment | 51 | 50 | 121 | 138 |
| Commission income | – | 5 | 1 | 9 |
| Promotion income | 7 | (13) | 20 | 276 |
| Incentive income received from suppliers | 5 | 43 | 10 | 63 |
| Gain/(loss) arising from changes in fair value of biological assets | 6 | (49) | 68 | (2) |
| Gain on disposal of property, plant and equipment | 26 | 10 | 26 | 10 |
| Gain on lease terminations | – | 144 | – | 144 |
| Lease concessions | 34 | 261 | 55 | 261 |
| Reversal of impairment loss on receivables | 42 | – | 42 | – |
| Miscellaneous income | 705 | 885 | 1,455 | 1,641 |
| | 2,043 | 2,266 | 4,109 | 6,166 |

Included in miscellaneous income for six-month period ended 31 August 2021 were government grants of RM1,188,000 (31 August 2020: RM32,000) received by the Group under the wage subsidy programmes introduced in Malaysia and Singapore in response to the COVID-19 pandemic.

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7. Loss 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 Second quarter ended 31 August | | Group 6 months ended 31 August | |
|---|---|-------------|---|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Assessment and quit rent | 281 | 250 | 518 | 487 |
| Auditors' remuneration | 229 | 211 | 451 | 480 |
| Bank charges | 354 | 425 | 732 | 854 |
| Bad debts written off | 41 | 5 | 41 | 5 |
| Donations | – | 750 | – | 750 |
| Impairment loss on receivables | – | 329 | 45 | 627 |
| Insurance | 66 | 246 | 255 | 620 |
| Provision/(reversal) of inventories written down | 230 | (1,306) | (1,314) | (1,211) |
| Inventories written off | 8 | 18 | 29 | 85 |
| Management fees | 99 | 325 | 557 | 541 |
| Packing materials | 14 | 32 | 31 | 60 |
| Printing and stationery | 31 | 41 | 46 | 55 |
| Property, plant and equipment written off | 1 | 3 | 1 | 84 |
| Transportation costs | 128 | 346 | 276 | 569 |
| Travelling expenses | 17 | 91 | 78 | 174 |

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

| | Group Second quarter ended 31 August | | Group 6 months ended 31 August | |
|--|--|----------------|--------------------------------------|----------------|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Related companies: | | | | |
| - Management fee | 300 | 300 | 600 | 600 |
| Related party: | | | | |
| - Donation to Yayasan Harmoni | – | 750 | – | 750 |
| - Purchases from Heinemann Asia Pacific Pte. Ltd. (“HAP”) | 1,609 | 6,499 | 6,540 | 30,543 |
| - Management fee paid/payable to HAP | 29 | 221 | 187 | 459 |
| - Ad-space rental received/receivable from HAP | – | (361) | – | 71 |
| - Reimbursement of costs from HAP | 2,460 | 701 | 2,674 | 2,100 |

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 earning. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

| | Group Second quarter ended 31 August | | Group 6 months ended 31 August | |
|--|--|----------------|--------------------------------------|----------------|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Current income tax expense | 115 | 142 | 765 | 477 |
| Deferred income tax expense relating to origination and reversal of temporary difference | (22) | 40 | 19 | 86 |
| Income tax expense recognised in profit or loss | 93 | 182 | 784 | 563 |

9. Net asset value

| | Group | | Company | |
|---|----------------------------|------------------------------|----------------------------|------------------------------|
| | As at 31 August 2021 | As at 28 February 2021 | As at 31 August 2021 | As at 28 February 2021 |
| Net asset value per ordinary share (RM sen) | 30.40 | 30.87 | 53.18 | 52.45 |
| Number of shares used in calculating net asset value per share ('000) | 1,198,199 | 1,198,199 | 1,198,199 | 1,198,199 |

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

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 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.

10. Financial assets at fair value through other comprehensive income (cont'd)

10.1 Fair value hierarchy (cont'd)

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 2021 | | | | |
| Non-financial assets: | | | | |
| - Biological assets | – | – | 168 | 168 |
| Financial liabilities: | | | | |
| Derivatives | | | | |
| - Call and put options | – | – | (222) | (222) |
| At 28 February 2021 | | | | |
| Non-financial assets: | | | | |
| - Biological assets | – | – | 100 | 100 |
| Financial liabilities: | | | | |
| Derivatives | | | | |
| - Call and put options | – | – | (222) | (222) |

11. Intangible assets

11.1 Distribution rights

| Group | Distribution rights RM'000 |
|---|---------------------------------------|
| At 28 February 2021 | |
| Cost | 619 |
| Accumulated amortisation | (457) |
| Net carrying amount | <u>162</u> |
| 6 months period ended 31 August 2021 | |
| At 1 March 2021 | 162 |
| Amortisation charge for the period | (88) |
| Net carrying amount | <u>74</u> |

Distribution rights relate to the various distribution contracts for the Group's alcohol distribution business that were acquired in business combination. The useful life of these rights is estimated to be 3 years. The amortisation of distribution rights is included in the profit or loss.

11.2 Goodwill

| Group | Goodwill RM'000 |
|---|----------------------------|
| At 28 February 2021 | |
| Cost | 28,816 |
| Accumulated impairment losses | (22,998) |
| Net carrying amount | <u>5,818</u> |
| 6 months period ended 31 August 2021 | |
| At 1 March 2021 and 31 August 2021 | <u>5,818</u> |

11. Intangible assets (cont'd)

11.2 Goodwill (cont'd)

The cash-generating units ("CGU") to which goodwill have been allocated were tested for impairment as at 31 August 2021. 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 of possible recovery of passenger traffics at outlets located at land borders from COVID-19 pandemic related travel restrictions and borders controls and cost-cutting measures. The key assumptions used in the discounted cash flow models were similar to those as made in FY2021 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 is determined based on financial budget prepared. Revenue growth rates for FY2023 range between 3% to 275% and 3% to 5% for FY2024 to FY2027
- ii) The budgeted gross margins for the trading of duty free goods and non-dutiable merchandise segment are in the range of 10% to 32%, which is 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 is assumed that the licences will be renewed upon their expiry on terms and conditions which are not less favourable.
- iv) The forecasted long-term growth rates are based on published industry research and do 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 is 2.2%.
- v) The pre-tax discount rate applied to the cash flow projections is 15.1% to 15.8% 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 2021.

11.3 Non-current prepayment

The non-current prepayment is related to the development return paid to the State Government of Johor and City Council of Johor Bahru as a condition precedent to be fulfilled under the agreement for the proposed sale of Kelana Megah Sdn. Bhd.'s intended lease interests in the land parcel bearing the lot number PTB 20379 to Berjaya Waterfront Sdn Bhd as mentioned in Note 6.2 above.

12. Property, plant and equipment

During the six-month period ended 31 August 2021, the Group acquired assets amounting to RM22,000 (31 August 2020: RM166,000).

13. Borrowings

| | Group | |
|--|-------------------|-------------------|
| | 31.08.2021 | 28.02.2021 |
| | RM'000 | RM'000 |
| Amount repayable within one year or on demand | | |
| Secured: | | |
| Short term loans | 6,075 | 6,249 |
| Obligations under finance leases | 82 | 97 |
| | 6,157 | 6,346 |
| | 6,157 | 6,346 |
| Amount repayable after one year | | |
| Secured: | | |
| Obligations under finance leases | 88 | 128 |
| | 88 | 128 |
| | 88 | 128 |
| Total borrowings | 6,245 | 6,474 |

The short-term loans are secured by way of: corporate guarantees from the Company.

14. Share capital

| Company | Number of ordinary shares | | Amount | |
|-----------------------------|----------------------------------|-------------------|-------------------|-------------------|
| | 31.08.2021 | 28.02.2021 | 31.08.2021 | 28.02.2021 |
| | with no par value | | with no par value | |
| | '000 | '000 | RM'000 | RM'000 |
| Beginning of interim period | 1,198,199 | 1,198,199 | 978,724 | 1,107,574 |
| Capital reduction | - | - | - | (128,850) |
| End of interim period | 1,198,199 | 1,198,199 | 978,724 | 978,724 |

14. Share capital (cont'd)

| <u>Outstanding Convertible Securities</u> | Company | |
|---|-------------------------------------|---------------------------------------|
| | As at 31 August 2021 | As at 28 February 2021 |
| 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 | 1,198,199 |
| As a percentage of total ordinary shares issued (%) | 41.0 | 41.0 |

Total treasury shares as at 31 August 2021 was 30,999,300 (28 February 2021: 30,999,300).

During the six-month period ended 31 August 2021 ("2Q FY2022"), there were no sales, transfers, disposals and cancellation and/or use of treasury shares.

As at 31 August 2021, the Company's issued and paid-up share capital comprises 1,198,199,093 (28 February 2021: 1,198,199,093) ordinary shares, excluding treasury shares and the Company has 491,400,042 outstanding convertible warrants each with exercise price of S\$0.33 expiring 13 May 2022.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 August 2021.

15. Subsequent events

There were no material events subsequent to the current quarter under review and up to the date of this report.

Other information required by Listing Rule Appendix 7.2

16. Review

The condensed consolidated statement of financial position of Duty Free International Limited and its subsidiaries as at 31 August 2021 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 six-month period and certain explanatory notes have not been audited or reviewed.

17. Review of performance of the Group

Statement of Comprehensive Income

Second quarter ended 31 August 2021 ("2Q FY2022") vs Second quarter ended 31 August 2020 ("2Q FY2021")

Revenue

The Group recorded revenue of RM12.1 million in 2Q FY2022, representing a decrease of 80.0% or RM48.7 million, over the revenue of RM60.8 million in 2Q FY2021. The decrease was mainly due to the non-operations of all of the Group's retail outlets in Malaysia in the current quarter under review following the imposition of nationwide Full Movement Control Order ("FMCO") by Malaysia Government which took effect from 1 June 2021 due to the significant increase of positive Covid-19 cases in the country. In the previous year corresponding quarter, certain outlets in the Group that were not at the Malaysia-Thai border and the airports were opened and were operating with strict compliance to the Standard Operating Procedures ("SOPs") guidelines issued by Ministry of Health.

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 FY2022, the value of the closing inventories was higher than the value of the opening inventories by RM2.0 million. In 2Q FY2021, the value of the closing inventories was lower by RM27.0 million. This resulted in a variance of RM29.0 million for 2Q FY2022 vis-à-vis 2Q FY2021, 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 49.8% or RM12.2 million, from RM24.5 million in 2Q FY2021 to RM12.3 million in 2Q FY2022. This was mainly due to lower purchases and consumption of inventories in the current quarter due to subdued consumer demand as mentioned above.

Other information required by Listing Rule Appendix 7.2

Employee benefits expenses

Employee benefits expenses decreased by 65.0% or RM5.3 million, from RM8.2 million in 2Q FY2021 to RM2.9 million in 2Q FY2022. The savings were mainly from the cost cutting measures undertaken by the Group in the reduction of human resource costs, which included downsizing of manpower in 2Q FY2021 and salary reduction of all employees across the Group.

Rental of premises

The rental of premises expenses showed a decrease of 101.4% or RM4.3 million from RM4.2 million in 2Q FY2021 mainly due to rental reduction granted by landlords amounting to RM0.4 million, in response to COVID-19 pandemic as well as no further rental expenses incurred after the permanent closure of certain retail outlets since 2Q FY2021.

Unrealised foreign exchange (loss)/gain

Unrealised foreign exchange loss in 2Q FY2022 of RM0.4 million was lower by RM1.4 million or 79.4% as compared to RM1.8 million in 2Q FY2021. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits in financial institutions of SGD20.5 million and USD18.1 million as at 31 August 2021, whereby Ringgit Malaysia had strengthened against Singapore Dollar by approximately 1.3% from RM3.12 as at 31 May 2021 to RM3.08 as at 31 August 2021 whereas Ringgit Malaysia had weakened against US Dollar by approximately 0.7% from RM4.12 as at 31 May 2021 to RM4.15 as at 31 August 2021.

Other operating expenses

The Group incurred lower other operating expenses in 2Q FY2022 by RM0.8 million or 24.5% as compared to RM3.4 million in 2Q FY2021, mainly attributable to decreases in impairment loss on receivables of RM0.3 million, management fees of RM0.2 million and donations of RM0.8 million. However, the positive effect was partially offset by inventories written down of RM0.2 million as compared to the reversal of inventories written down of RM1.3 million in 2Q FY2021. 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 2Q FY2021.

The rest of the expenses on the Group's income statement remained largely unchanged in 2Q FY2022 as compared to 2Q FY2021.

Loss before income tax

The Group reported a loss before income tax of RM7.0 million for 2Q FY2022 as compared to RM12.1 million recorded in 2Q FY2021, registering a favourable variance of RM5.1 million. The lower losses in 2Q FY2022 was mainly contributed by lower rental of premises of RM4.3 million, lower employee benefits expenses of RM5.3 million and lower net foreign exchange loss of RM1.6 million as compared to the corresponding quarter in the previous year as mentioned above. However, the positive effect was partially offset by

Other information required by Listing Rule Appendix 7.2

lower revenue recorded as well as lower reversal of inventories written down in current quarter under review.

Six months ended 31 August 2021 ("6M FY2022") vs Six months ended 31 August 2020 ("6M FY2021")

The Group recorded revenue for 6M FY2022 of RM45.6 million, representing a decrease of 56.2% or RM58.4 million, over the revenue of RM104.0 million in 6M FY2021.

The Group reported a loss before income tax of RM6.5 million for 6M FY2022, representing a decrease of 65.6% or RM12.4 million as compared to RM18.9 million recorded in 6M FY2021. The decrease in loss was mainly due to lower employee benefits expenses of RM8.6 million and lower rental of premises of RM8.1 million coupled with lower impairment loss on receivables and donations of RM0.6 million and RM0.8 million respectively. However, the positive effect was partially offset by lower other operating income of RM2.1 million and lower revenue as mentioned above.

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

Not applicable.

19. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

- (i) In mid-June 2021, the Government of Malaysia implemented its National Recovery Plan ("NRP") which encompasses four phases of roadmap to ease movement controls at State levels after the imposition of the full lockdown nationwide on 1 June 2021 to curb the rise of COVID 19 positive cases. At the date of this announcement, the majority of the States in Peninsular Malaysia are in Phase 2 or Phase 3 of the NRP. However, the international borders have remained closed and hence, the Group's retail outlets at the Malaysia-Thailand border and airport outlets are still closed for the time being. Even though Malaysia gradually eases into economy recovery mode with the encouraging progress of the vaccination programme, re-opening of more hospitality and tourism sectors as well as relaxation of local travelling for fully vaccinated individuals, it is still unknown when the international borders are allowed to be opened. With the evolving COVID 19 situations, the uncertainties surrounding the timing of the re-opening of the international borders and the pace of business recovery coupled with consumer consumption that is anticipated to remain weak due to the lingering impact of movement restrictions and adverse economic effect, the Group expects

Other information required by Listing Rule Appendix 7.2

the business environment to remain challenging for the rest of the financial year ending 28 February 2022.

In view of the ongoing uncertainties, the Group will continue to strategise, adapt and navigate through the challenging business environment and continue to take timely appropriate actions in order to minimise operating risks and maximise its resources so as to ensure that its core businesses remain resilient. Equipped with the knowledge and experience gained through navigating the pandemic, as well as a much leaner cost structure, the Group is well positioned to rebound in the duty-free retail industry when the industry returns to normalcy.

- (ii) On 30 November 2017, the Company announced that the Company's subsidiary, Seruntun Maju Sdn. Bhd. ("SMSB") had received the bills of demand from the Royal Malaysian Customs ("Customs"), demanding payments of customs duties, excise duties, sales tax and Goods and Services Tax ("GST") all totalling RM41,594,986.86. The said bills of demand were raised by the Customs who alleged that SMSB did not comply with certain conditions of a duty-free shop located at the border.

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

On 6 March 2019, the Court of Appeal heard the appeal whereby both SMSB and the Customs submitted their respective legal arguments.

On 18 June 2020, the Court of Appeal unanimously ruled in favour of SMSB's appeal against the decision of the High Court and quashed the bills of demand issued by the Customs for customs duties and excise duties amounting to RM15,400,962.14 and RM23,560,972.94 respectively.

On 17 July 2020, the Customs applied to the Federal Court for leave to appeal against the Court of Appeal's decision. The Federal Court heard and dismissed the Customs' application on 11 January 2021 with costs.

Accordingly, the disputed bills of demand were set aside and SMSB has no obligation to pay the Customs the sum of RM41,594,986.86 as demanded by the Customs. In light of the Federal Court's ruling in favour of SMSB, an application was made to the Customs for the refund of the sales tax and GST paid amounting to RM2,326,451.78, which was previously paid by SMSB to the Customs. The Customs agreed to the refund on 27 April 2021 and the amount of RM2,326,451.78 was received on 16 June 2021.

Other information required by Listing Rule Appendix 7.2

On 25 February 2021, the Royal Malaysian Customs (“Customs”) initiated criminal proceedings pursuant to Section 65D and Section 138 of the Customs Act 1967 (“Customs Act”) towards SMSB and its officers before the Magistrate Court. The Company has engaged solicitors to represent SMSB and its officers.

The criminal charges were made on the basis that SMSB and its officers had breached the conditions of the duty-free license issued by Customs to SMSB under Section 65D of the Customs Act.

However, as noted above, in deciding to quash the bills of demand issued to SMSB, the legality of the conditions that were allegedly breached was challenged by SMSB through a judicial review application (civil proceeding) on 23 November 2017. On 18 June 2020, the conditions were unanimously held by the Court of Appeal to be ultra-vires of Section 65D of the Customs Act and that they ought to be quashed. On 11 January 2021, the Federal Court had dismissed Customs’ appeal against the Court of Appeal’s decision with costs. Customs had exhausted its rights to appeal and the conditions were conclusively held to be ultra vires of the Customs Acts.

Thus, SMSB and its officers had pleaded not guilty and had claimed trial against these charges brought by Customs.

On 12 March 2021, a representation letter was sent to the Attorney General (“AG”), requesting the AG to discontinue criminal proceedings against SMSB and its officers.

On 6 April 2021, the representation letter dated 12 March 2021 was rejected by the AG. The Deputy Public Prosecutor (“DPP”) then proposed to amend the charges against SMSB and its officers, jointly.

On 8 April 2021, the DPP withdrew the proposed amended charges as the proposed amended charges were defective because one of the officers intended to be charged had never been arrested by the Customs and therefore he was not within the jurisdiction of the Court.

The Magistrate Court had since postponed the next case management to 28 October 2021.

On 27 July 2021, a representation letter was again sent to the AG, requesting the AG to discontinue criminal proceedings against SMSB and its officers. As at the date of this announcement a reply from the AG’s Chambers is still yet to be received.

Other information required by Listing Rule Appendix 7.2

20. Dividend

- (a) **Current Financial Period Reported On**
Any dividend declared for the current financial period reported on?
 None
- (b) **Corresponding Period of the Immediately Preceding Financial Year**
Any dividend declared for the corresponding period of the immediately preceding financial year?
 None
- (c) **Date payable**
 Not applicable.
- (d) **Book closure date**
 Not applicable.

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

No dividend has been declared or recommended by the Board as the Group reported a loss for the financial period ended 31 August 2021.

22. Interested Person Transactions

| Interested Persons | Aggregate value of interested person transactions entered into during the financial period under review (excluding transactions below S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a)) | Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a) (excluding transactions below S\$100,000) |
|---------------------------|--|---|
| | RM'000 | RM'000 |
| Atlan Holdings Bhd | 600 | - (Note 1) |

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

23. Use of proceeds from placement exercises

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

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

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

The Company has utilised the net proceeds as follows:

- 1) US\$2.80 million (or approximately S\$3.82 million based on the exchange rate of S\$1.363 to US\$1.00) for the subscription for 2,800,000 new ordinary shares in Brand Connect Holding Pte. Ltd as disclosed in Note 10(iii) on 8 August 2018.
- 2) US\$0.85 million (or approximately S\$1.16 million based on the exchange rate of S\$1.37 to US\$1.00) for the purchase of inventories and payment of professional fees in relation to the acquisition of Brand Connect Holding Pte. Ltd. Group on 8 November 2018.
- 3) US\$0.80 million (or approximately S\$1.10 million based on the exchange rate of S\$1.37 to US\$1.00) for the purchase of inventories for Brand Connect Holding Pte. Ltd. Group on 5 December 2018.

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.

Other information required by Listing Rule Appendix 7.2

24. 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.

On 29 July 2021, the Company has submitted its application to the Accounting and Corporate Regulatory Authority for strike off a dormant wholly owned subsidiary of Brand Connect Holding Pte. Ltd., which in turn is the subsidiary of the Company named Thirsty Boys Pte. Ltd. from the registrar. Upon completion of the strike off, Thirsty Boys Pte. Ltd. will cease to be a subsidiary of the Company.

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.

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

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 six-month period ended 31 August 2021 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
13 October 2021