

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST
QUARTER AND THREE MONTHS ENDED
31 MAY 2019**

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		Increase/ (Decrease) %
		2019 (Unaudited) RM '000	2018 (Unaudited) RM '000	
Revenue		135,637	117,393	15.5%
Changes in inventories		(29,781)	(2,467)	1107.2%
Inventories purchased and material consumed		(65,915)	(74,474)	-11.5%
Other operating income	1(a)(ii)	4,869	4,221	15.4%
Employee benefits expenses		(10,005)	(8,405)	19.0%
Rental of premises		(9,207)	(11,566)	-20.4%
Utilities and maintenance expenses		(1,587)	(1,353)	17.3%
Depreciation and amortisation		(3,554)	(1,505)	136.1%
Commission expenses		(484)	(1,033)	-53.1%
Professional fees		(1,308)	(459)	185.0%
Promotional expenses		(403)	(440)	-8.4%
Financial expenses		(1,717)	(108)	1489.8%
Realised foreign exchange (loss)/gain		(62)	2,282	-102.7%
Unrealised foreign exchange gain/(loss)		2,963	(60)	-5038.3%
Other operating expenses	1(a)(iii)	(7,279)	(7,690)	-5.3%
Profit before income tax		12,167	14,336	-15.1%
Income tax expenses	1(a)(iv)	(4,329)	(4,334)	-0.1%
Profit for the period		7,838	10,002	-21.6%
Profit attributable to:				
Owners of the Company		7,174	9,048	-20.7%
Non-controlling interests		664	954	-30.4%
		7,838	10,002	-21.6%

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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		
	First quarter ended		
	31-May		
	2019	2018	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Profit for the period	7,838	10,002	-21.6%
Other comprehensive income:			
Foreign currency translation	314	-	n.m
Total comprehensive income for the period/year	8,152	10,002	-18.5%
Total comprehensive income attributable to:			
Owners of the Company	7,435	9,048	-17.8%
Non-controlling interests	717	954	-24.8%
	8,152	10,002	-18.5%

n.m - denotes not meaningful

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1(a)(ii) Other operating income

Other operating income includes:-

	Group		
	First quarter ended		
	31-May		
	2019	2018	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Rental income from:			
- advertisement space	752	750	0.3%
- property, plant and equipment	131	128	2.3%
Commission income	15	21	-28.6%
Incentive income	50	57	-12.3%
Interest income	2,877	3,040	-5.4%
Gain on disposal of property, plant and equipment	28	-	n.m
Promotion income	279	79	253.2%
Sundry income	622	56	1010.7%
Gain arising from changes in fair value of biological assets	19	-	n.m

1(a)(iii) Other operating expenses

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

	Group		
	First quarter ended		
	31-May		
	2019	2018	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Assessment and quit rent	265	238	11.4%
Auditors' remuneration	242	216	11.8%
Bank charges	442	505	-12.5%
Donations	1,014	3,031	-66.5%
Insurance	363	281	29.2%
Inventory written down	143	301	-52.5%
Inventory written off	398	29	1272.4%
Loss arising from changes in fair value of biological assets	-	65	-100.0%
Management fee	662	777	-14.8%
Packing materials	246	130	89.2%
Property, plant and equipment written off	414	41	909.8%
Transportation costs	922	219	321.0%
Travelling expenses	443	267	65.9%

n.m - denotes not meaningful

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1(a)(iv) Income tax expenses

	Group		
	First quarter ended		
	31-May		
	2019	2018	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Current income tax attributable to continuing operations			
- current income tax	3,099	3,858	-19.7%
- over provision in respect of previous years	5	3	66.7%
	<u>3,104</u>	<u>3,862</u>	<u>-19.6%</u>
Deferred income tax attributable to continuing operations	1,225	473	159.0%
Income tax expense recognised in profit or loss	<u>4,329</u>	<u>4,334</u>	<u>-0.1%</u>

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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	
		31.05.2019 (Unaudited) RM '000	28.02.2019 (Audited) RM '000	31.05.2019 (Unaudited) RM '000	28.02.2019 (Audited) RM '000
Assets					
Non-current assets					
Property, plant and equipment		69,509	70,538	-	-
Land use rights		22,767	22,884	-	-
Goodwill		28,816	28,816	-	-
Investment in subsidiaries		-	-	840,038	840,038
Intangible assets		461	888	-	-
Prepayments		-	29,709	-	-
Deferred tax assets		2,604	2,709	-	-
Right-of-use assets		108,269	-	-	-
		<u>232,426</u>	<u>155,544</u>	<u>840,038</u>	<u>840,038</u>
Current assets					
Biological assets	1(b)(iv)	122	103	-	-
Inventories		140,483	170,805	-	-
Tax recoverable		3,942	3,975	-	-
Trade and other receivables	1(b)(v)	94,995	104,020	382	70,738
Prepayments		3,228	12,780	-	25
Cash and bank balances		285,691	305,617	253,910	218,417
		<u>528,461</u>	<u>597,300</u>	<u>254,292</u>	<u>289,180</u>
Total assets		<u>760,887</u>	<u>752,844</u>	<u>1,094,330</u>	<u>1,129,218</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	1(b)(vi)	54,342	151,690	948	37,257
Contract liabilities		10,557	3,347	-	-
Borrowings	1(b)(ii) & (iii)	34,138	21,288	-	-
Income tax payable		1,370	1,429	60	354
Derivative liabilities		-	13	-	-
Lease liabilities		1,646	-	-	-
		<u>102,053</u>	<u>177,767</u>	<u>1,008</u>	<u>37,611</u>
Net current assets		426,408	419,533	253,284	251,569
Non-current liabilities					
Borrowings	1(b)(ii)	558	650	-	-
Deferred tax liabilities		5,677	4,613	1,143	-
Derivative liabilities		515	515	515	515
Lease liabilities		76,455	-	-	-
		<u>83,205</u>	<u>5,778</u>	<u>1,658</u>	<u>515</u>
Total liabilities		<u>185,258</u>	<u>183,545</u>	<u>2,666</u>	<u>38,126</u>
Net assets		<u>575,629</u>	<u>569,299</u>	<u>1,091,664</u>	<u>1,091,092</u>
Equity attributable to owners of the Company					
Share capital		616,752	616,752	1,107,574	1,107,574
Treasury shares		(18,242)	(16,503)	(18,242)	(16,503)
Other reserves		(144,411)	(144,433)	661	661
Retained earnings/(accumulated losses)		105,810	98,636	1,671	(640)
		<u>559,909</u>	<u>554,452</u>	<u>1,091,664</u>	<u>1,091,092</u>
Non-controlling interests		15,720	14,847	-	-
Total equity		<u>575,629</u>	<u>569,299</u>	<u>1,091,664</u>	<u>1,091,092</u>
Total equity and liabilities		<u>760,887</u>	<u>752,844</u>	<u>1,094,330</u>	<u>1,129,218</u>

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

	31.05.2019		28.02.2019	
	Secured RM '000	Unsecured RM '000	Secured RM '000	Unsecured RM '000
Amount repayable in one year or less or on demand	34,138	-	21,288	-
Amount repayable after one year	558	-	650	-

Details of any collateral

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM9,193,000 (28.02.2019: RM9,193,000); and
- corporate guarantees from the Company and the penultimate holding company.

1(b)(iii) Short term borrowings

	31.05.2019 RM'000	28.02.2019 RM'000
The Group's short term borrowings are for:		
- trade facilities	33,700	20,863
- hire purchases	438	425
	<u>34,138</u>	<u>21,288</u>

1(b)(iv) Biological assets

	31.05.2019 RM'000	28.02.2019 RM'000
At fair value:		
Balance b/f	103	152
Fair value changes	19	(49)
Balance c/f	<u>122</u>	<u>103</u>

1(b)(v) Trade and other receivables

	Group	
	31.05.2019 RM'000	28.02.2019 RM'000
Trade receivables, net	13,296	16,802
Deposits	26,694	4,391
Sundry receivables, net:		
- amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report)	40,454	40,434
- others	14,551	12,393
Debt securities * (refer to page 8 of this report)	-	30,000
	<u>94,995</u>	<u>104,020</u>

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

	Company	
	31.05.2019 RM'000	28.02.2019 RM'000
Dividend receivable from subsidiaries	-	39,605
Sundry receivables, net:		
- others	382	1,133
Debt securities *	-	30,000
	<u>382</u>	<u>70,738</u>

* Debt securities comprise a Medium Term Note (MTN), which expired on 25 March 2019 with coupon rate of 6% per annum. On 25 March 2019, the company received RM30.9 million, being the principal amount of RM30.0 million, together with six months interest of RM0.9 million.

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 31 May 2019 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 11 March 2019, BWSB requested for a further deferment of the unpaid consideration of RM40.0 million to be paid on or before 15 April 2020 and that BWSB 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.

1(b)(vi) Trade and other payables

	Group	
	31.05.2019 RM'000	28.02.2019 RM'000
Trade payables	30,063	78,894
Other payables	23,719	31,064
Dividends payable to ordinary shareholders by the Company	-	36,477
Dividends payable to non-controlling interests by a subsidiary	-	4,695
Deposit received for the KMSB Agreement	560	560
	<u>54,342</u>	<u>151,690</u>

	Company	
	31.05.2019 RM'000	28.02.2019 RM'000
Dividends payable to ordinary shareholders	-	36,477
Sundry payables, net:		
- others	948	780
	<u>948</u>	<u>37,257</u>

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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	
	First quarter ended	
	31-May	
	2019	2018
	(Unaudited)	(Unaudited)
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,167	14,336
Adjustments for:-		
Depreciation and amortisation	3,554	1,505
Gain on disposal of property, plant and equipment	(28)	-
(Gain)/loss arising from changes in fair values of biological assets	(19)	65
Finance cost	1,717	108
Interest income	(2,877)	(3,040)
Inventory written down	143	301
Inventory written off	398	29
Property, plant and equipment written off	414	41
Net unrealised foreign exchange (gain)/loss	(2,963)	60
Operating cash flows before changes in working capital	12,506	13,405
(Increase)/decrease in receivables	(21,206)	5,739
Decrease in prepayments	2,583	518
Decrease in inventories	29,781	2,467
Decrease in payables	(42,331)	(16,771)
Cash (used in)/generated from operations	(18,667)	5,358
Tax paid	(3,185)	(5,458)
Interest paid	(382)	(108)
Net cash used in operating activities	(22,234)	(208)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,877	3,020
Proceeds from/(investment in) debt securities	30,000	(30,000)
Proceeds from disposal of property, plant and equipment	29	13
Purchase of property, plant and equipment and land use rights	(809)	(946)
Net cash generated from/(used in) investing activities	32,097	(27,913)

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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	
	First quarter ended	
	31-May	
	2019	2018
	(Unaudited)	(Unaudited)
	RM '000	RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease payments	(3,174)	-
Proceeds from/(repayment of) other short term borrowings	9,715	(15,202)
Net repayment of hire purchase and lease financing	(118)	(108)
Purchase of treasury shares	(1,739)	-
Dividends paid to the ordinary shareholders of the Company	(36,477)	(36,219)
Dividends paid to non-controlling interests of subsidiaries	(4,695)	-
Net cash used in financing activities	<u>(36,488)</u>	<u>(51,529)</u>
Net decrease in cash and cash equivalents	(26,625)	(79,650)
Effects of foreign exchange rate changes	3,538	2,189
Cash and cash equivalents at beginning of period	296,424	364,140
Cash and cash equivalents at end of period	<u>273,337</u>	<u>286,679</u>
Cash and cash equivalents carried forward consists of :-		
Deposits with licenced banks	218,728	264,570
Less : Pledged deposits	(9,193)	(8,901)
	<u>209,535</u>	<u>255,669</u>
Cash and bank balances	66,963	31,010
Bank overdrafts	(3,161)	-
	<u>273,337</u>	<u>286,679</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											
At 1 March 2018	616,752	(10,517)	(141,723)	29	(142,413)	661	-	117,514	582,026	17,659	599,685
Profit, net of tax	-	-	-	-	-	-	-	9,048	9,048	954	10,002
Foreign currency translation	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	9,048	9,048	954	10,002
<u>Transactions with owners:</u>											
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Allotment of new ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-	-	-
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	-
At 31 May 2018	616,752	(10,517)	(141,723)	29	(142,413)	661	-	126,562	591,074	18,613	609,687

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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 2019	616,752	(16,503)	(144,433)	(123)	(142,413)	661	(2,558)	98,636	554,452	14,847	569,299
Profit, net of tax	-	-	-	-	-	-	-	7,174	7,174	664	7,838
Foreign currency translation	-	-	261	261	-	-	-	-	261	53	314
Total comprehensive income for the period	-	-	261	261	-	-	-	7,174	7,435	717	8,152
<u>Transactions with owners:</u>											
Purchase of treasury shares	-	(1,739)	-	-	-	-	-	-	(1,739)	-	(1,739)
Allotment of new ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	(1,739)	-	-	-	-	-	-	(1,739)	-	(1,739)
<u>Transactions with non-controlling interests:</u>											
Transfer to reserves	-	-	(239)	-	-	-	(239)	-	(239)	156	(83)
At 31 May 2019	616,752	(18,242)	(144,411)	138	(142,413)	661	(2,797)	105,810	559,909	15,720	575,629

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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 distribution shareholdings, 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</u>					
At 1 March 2018	1,107,574	(10,517)	661	(965)	1,096,753
Profit, net of tax	-	-	-	3,544	3,544
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	3,544	3,544
<u>Transactions with owners:</u>					
Placement of treasury shares	-	-	-	-	-
Allotment of new ordinary shares	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-
	-	-	-	-	-
At 31 May 2018	1,107,574	(10,517)	661	2,579	1,100,297

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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	-	-	-	2,311	2,311
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,311	2,311
<u>Transactions with owners:</u>					
Purchase of treasury shares	-	(1,739)	-	-	(1,739)
Allotment of new ordinary shares	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-
	-	(1,739)	-	-	(1,739)
At 31 May 2019	1,107,574	(18,242)	661	1,671	1,091,664

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 28 February 2019	1,208,446	1,107,574
Purchase of shares pursuant to the Share Buy-Back Mandate approved by the shareholders on 28 June 2018	(2,945)	-
As at 31 May 2019	<u>1,205,501</u>	<u>1,107,574</u>

<u>Outstanding Convertible Securities</u>	Company	
	As at 31 May 2019	As at 31 May 2018
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)	1,205,501	1,228,500
As a percentage of total ordinary shares issued (%)	40.8	40.0

Total treasury shares as at 31 May 2019 was 23,698,000 (31 May 2018: 11,151,900).

During the first quarter ended 31 May 2019 and up to the date of this announcement, the Company purchased a total of 2,945,300 shares in the Company on the open market for a total consideration of approximately RM1,739,000 (including transaction costs), financed by internally generated funds. The shares acquired by the Company were held as treasury shares.

As at the date of this announcement, the Company's issued and paid-up share capital comprises 1,205,500,393 ordinary shares, excluding treasury shares and Company has 491,400,042 outstanding convertible warrants each with exercise price of S\$0.43 expiring 13 May 2022. The Company's treasury shares as at the date of this announcement is 23,698,000.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 May 2019.

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 May 2019 was 1,205,500,393 (28 February 2019: 1,208,445,693). Total treasury shares as at 31 May 2019 was 23,698,000 (28 February 2019: 20,752,700).

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 three months ended 31 May 2019 ("1Q FY2020"), a total of 2,945,300 ordinary shares were acquired pursuant to the Share Buy-Back Mandate approved by the shareholders. The shares were held as treasury shares as at 31 May 2019.

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

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 28 February 2019, except for the adoption of SFRS(I) 16 Leases. The Group and the Company has adopted SFRS(I) 16 on 1 March 2019. The adoption of these new and revised standards did not result in significant change to the Group's accounting policies and

did not have a material impact on the Group’s results for the current financial period except as explained in Note 5.

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

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use of the underlying asset during the lease term (i.e. the right-of-use (“ROU”) asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the income statement.

The Group adopted SFRS(I) 16 on 1 March 2019, using the modified retrospective approach, without restating prior years’ information. On adoption of SFRS(I) 16, the Group and the Company recognised an amount of ROU assets and total lease liabilities of RM110.4 million and RM79.7 million, respectively, as at 1 March 2019. Subsequent to initial recognition, the Group and the Company will depreciate the ROU assets over the remaining useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

The adoption of SFRS(I) 16 resulted in an increase in total assets and total liabilities, financial expenses, depreciation and amortisation and decrease in rental of premises. Rental expenses relating to short term lease and variable lease payments not included in lease liabilities are included in rental of premises in Q1 FY2020.

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	
	First quarter ended	
	31 May	
	2019	2018
	RM’000	RM’000
Profit for the period, net of tax attributable to owners of the Company	7,174	9,048
Weighted average number of ordinary shares for basic earnings per share computation (’000)	1,205,501	1,218,046

Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,205,501	1,218,046
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Earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen):

(a) Basic	0.60	0.74
(b) Fully diluted	0.60	0.74

For 1Q FY2020 and 1Q FY2019, 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 31 May 2018	As at 28 Feb 2019	As at 31 May 2018	As at 28 Feb 2019
Net asset value per ordinary share (RM sen)	46.45	46.09	90.56	90.29
Number of shares used in calculating net asset value per share ('000)	1,205,501	1,208,446	1,205,501	1,208,446

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

First quarter ended 31 May 2019 ("1Q FY2020") vs First quarter ended 31 May 2018 ("1Q FY2019")

Revenue

The Group recorded a revenue of RM135.6 million in 1Q FY2020, representing an increase of 15.5% or RM18.2 million, over the revenue of RM117.4 million in 1Q FY2019. This was mainly contributed from the newly acquired Brand Connect Group as well as higher demand for certain products as compared with the corresponding quarter of the previous financial year.

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 1Q FY2020, the value of the closing inventories was lower than the value of the opening inventories by RM29.8 million. In Q1 FY2019, the value of the closing inventories was lower than the value of the opening inventories by RM2.5 million. This resulted in a variance of RM27.3 million for 1Q FY2020 vis-à-vis 1Q FY2019, which was mainly due to timing differences in purchases and consumption of inventories in the respective quarters.

Inventories purchased and material consumed

Inventories purchased and material consumed decreased by 11.5% or RM8.6 million, from RM74.5 million in 1Q FY2019 to RM65.9 million in 1Q FY2020. This was mainly due to lower purchases as compared with the corresponding quarter of the previous financial year.

Employee benefits expenses

Employee benefits expenses increased by 19.0% or RM1.6 million, from RM8.4 million in 1Q FY2019 to RM10.0 million in 1Q FY2020, mainly due to consolidation of headcounts from the newly acquired Brand Connect Group as well as higher commission paid to employees in tandem with the higher revenue achieved in 1Q FY2020.

Rental of premises

The rental of premises expenses showed a decrease of 20.4% or RM2.4 million from RM11.6 million in 1Q FY2019 to RM9.2 million in 1Q FY2020. As explained in Note 5 above, the Group adopted SFRS(I) 16 on 1 March 2019. Consequently, certain leases were recognised as a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use (“ROU”) asset). As such, these lease payments were separately recognised in the income statement as interest expense on the lease liability and depreciation expense on the right-of-use asset. Correspondingly there is a decrease in rental of premises.

Depreciation and amortisation

Depreciation and amortisation increased by RM2.1 million or 136.1% from RM1.5 million in 1Q FY2019 to RM3.6 million in 1Q FY2020. The increase was due primarily to the additional depreciation charge of RM2.0 million arising from the ROU assets recognised in the statement of financial position following the adoption of SFRS(I) 16, as explained in the Note 5 of this report on 1 March 2019. This was offset by a corresponding decrease in rental of premises in 1Q FY2020.

Professional fees

Professional fees for the quarter was RM1.3 million, which was RM0.8 million higher compared to RM0.5 million in 1Q FY2019. The increase was mainly due to higher expenses incurred for advisory and consultancy services in relation to certain corporate exercises in 1Q FY2020.

Financial expenses

Total financial expenses for the quarter under review was RM1.7 million, i.e. RM1.6 million higher than the RM0.1 million recorded in 1Q FY2019. The increase was mainly relating to the interest expense of RM1.3 million from additional lease liabilities recognised in the statement of financial position following the adoption of SFRS(I) 16, as explained in Note 5 of this report on 1 March 2019. There was also a higher interest expense of RM0.3 million as a result of higher utilisation of trade facilities.

Realised foreign exchange (loss)/gain

Realised loss in foreign exchange in 1Q FY2020 was RM0.1 million as compared to RM2.3 million realised foreign exchange gain in 1Q FY2019. This was mainly due to the currency translation loss on Group's trade purchases from overseas suppliers as a result of weak Ringgit Malaysia against US dollar during the period under review.

Unrealised foreign exchange gain/(loss)

Unrealised gain in foreign exchange in 1Q FY2020 was RM3.0 million as compared to RM0.1 million unrealised foreign exchange loss in 1Q FY2019. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits in financial institutions of SGD1.0 million and USD28.0 million as at 31 May 2019, whereby Ringgit Malaysia had weakened against Singapore Dollar by approximately 1.0% from RM3.01 as at 28 February 2019 to RM3.04 as at 31 May 2019 and US Dollar by approximately 2.5% from RM4.08 as at 28 February 2019 to RM4.18 as at 31 May 2019.

Other operating expenses

Other operating expenses in 1Q FY2020 decreased by 5.3% or RM0.4 million, from RM7.7 million in 1Q FY2019 to RM7.3 million in 1Q FY2020. This was mainly attributable to lower donations of RM2.0 million. However, the decrease was partly offset by an increase in transportation costs of RM0.7 million, inventory written off of RM0.4 million and property, plant and equipment written off of RM0.4 million as compared to 1Q FY2019.

The rest of the expenses on the Group's profit and loss account remained largely unchanged in 1Q FY2020 as compared to 1Q FY2019.

Profit before income tax

The Group reported a profit before income tax of RM12.2 million for 1Q FY2020, which was 15.1% or RM2.1 million lower than the profit before income tax of RM14.3 million recorded in 1Q FY2019. The decrease was mainly due to higher employee benefits expenses of RM1.6 million, coupled with higher professional fees and transportation costs of RM0.8 million and

RM0.7 million respectively as mentioned above. However, the negative effect was partially offset by a decrease in donations of RM2.0 million and an increase in net gain in foreign exchange of RM0.7 million.

Statement of Financial Position

Assets

Non-current prepayments

Non-current prepayments decreased by RM29.7 million, from RM29.7 million as at 28 February 2019 to RM Nil as at 31 May 2019 which was due to derecognition of the rental paid in advance for the Group's retail outlets and included in the right-of-use assets subsequent to the adoption of SFRS(I) 16 by the Group on 1 March 2019.

Right-of-use assets

With the adoption of SFRS(I) 16 as mentioned in Note 5, right-of-use assets were recognised and presented separately in the statement of financial position. The ROU assets as at end of 1Q FY2020 mainly related to the leases of certain office premises, staff quarters and retail outlets. Accordingly, there was also a corresponding increase in total lease liabilities of approximately RM78.1 million as at end of 1Q FY2020.

Trade and other receivables

Trade receivables decreased by RM3.5 million, from RM16.8 million as at 28 February 2019 to RM13.3 million as at 31 May 2019, which was mainly due to timing differences in trade-related collections. In addition, there were no outstanding debt securities as at 31 May 2019 following the expiry of the Medium Term Note on 25 March 2019. The decrease was, however partially offset by increases in deposits and sundry receivables by RM22.3 million, from RM4.4 million as at 28 February 2019 to RM26.7 million as at 31 May 2019 and from RM12.4 million as at 28 February 2019 to RM14.6 million as at 31 May 2019. The increase in deposits was mainly related to the deposits paid to the suppliers for purchase of trading goods.

Inventories

Inventories decreased by RM30.3 million, from RM170.8 million as at 28 February 2019 to RM140.5 million as at 31 May 2019, mainly due to a decrease of overall purchases during the period.

Other than Cash and Bank balances which decreased by RM19.9 million from RM305.6 million to RM285.7 million, the rest of the asset items on the Group's statement of financial position remained largely unchanged as at 31 May 2019 vis-à-vis 28 February 2019.

Liabilities

Trade and other payables

The decrease in trade and other payables was mainly due to a decrease in trade payables by RM48.8 million, from RM78.9 million as at 28 February 2019 to RM30.1 million as at 31 May 2019 as well as absence of dividends payable to ordinary shareholders by the Company and non-controlling interests by a subsidiary of RM36.5 million and RM4.7 million respectively. In addition, other payables also decreased by RM7.4 million, from RM31.1 million as at 28 February 2019 to RM23.7 million as at 31 May 2019, mainly due to derecognition of the previously recognised accrued rental expenses and offset against ROU assets as a result of adoption of SFRS(I) 16. The aforesaid decrease in trade payables was due to lower purchases during the period and also timing differences in the settlement of payables.

Borrowings

Total borrowings increased by RM12.8 million, from RM21.9 million as at 28 February 2019 to RM34.7 million as at 31 May 2019, mainly due to increase in trade facilities utilisation of RM12.8 million.

Non-current liabilities

Derivative liabilities – non-current

Derivative financial liabilities of RM0.5 million as at 31 May 2019 and 28 February 2019 was mainly due to the fair value of call options and put options issued in relation to the remaining 30% stake in the Brand Connect Holding Pte. Ltd.

As at 31 May 2019, the Group was in a positive working capital position of RM426.4 million.

Equity

Total equity increased by RM6.3 million, from RM569.3 million as at 28 February 2019 to RM575.6 million as at 31 May 2019, mainly due to total comprehensive income for the period of RM7.4 million and an increase in non-controlling interests of RM1.0 million, partially offset by purchase of treasury shares of RM1.7 million.

Statement of Cash Flows

The Group net cash flow used in operating activities was RM22.2 million in 1Q FY2020. Net cash generated from investing activities was RM32.1 million for 1Q FY2020, mainly due to proceeds from investment in Medium Term Note of RM30.0 million and interest received of RM2.9 million. Net cash used in financing activities for 1Q FY2020 of RM36.5 million was mainly due to total dividend payout of RM41.2 million, purchase of treasury shares of RM1.7 million and lease payments of RM3.2 million, partially offset by net proceeds from short term borrowings of RM9.7 million. Overall, the cash and cash equivalents of the Group decreased by RM26.6 million in 1Q FY2020, ending the period with cash and cash equivalents of RM273.3 million.

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) Given the present economic outlook and an increasingly competitive business environment as well as cautious consumer spending, the business performance of the Group for the current financial year ending 28 February 2020 is expected to remain soft and challenging. The Group will continue its efforts in optimising operational efficiency and effectiveness by close monitoring of the key cost drivers and improving its core business in order to remain competitive in the retail industry.
- (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 November 2017, the High Court granted leave to SMSB's application for judicial review, as well as an interim stay of the enforcement of the bills of demand until the disposal of the inter partes stay hearing under the Customs Act 1967 and Excise Act, 1976.

The High Court on 17 April 2018 heard the case and had fixed 25 May 2018 for decision of the matter. In addition, the High Court also granted interim stay of enforcement of the Bills of demand until the date of decision.

The High Court subsequently postponed the date for decision on the matter from 25 May 2018 to 29 June 2018.

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 28 August 2018, the High Court granted interim stay pending the disposal of the stay application, which was to be heard on 5 October 2018 before a new Judge. The hearing was postponed from 4 December 2018 to 17 January 2019, which was subsequently again postponed to 20 February 2019. On 20 February 2019, upon hearing the submission for both parties, the Court granted an interim stay to SMSB pending the disposal of its Court of Appeal hearing. Parties were to update the Court after the Court of Appeal hearing.

On 13 March 2019, the High Court was briefed on the status of the hearing of the Court of Appeal. As there was no tentative date fixed by the Court of Appeal for the decision, the High Court has then granted an interim stay until the disposal of the hearing.

In addition, SMSB also filed a Notice of Motion before the Court of Appeal to stay the effect and enforcement of the said notices of additional assessment pending the appeal on stay before the Court of Appeal.

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 on one novel point of law before 20 March 2019. SMSB has already submitted the said supplementary submission. The Court of Appeal will inform parties once they are ready to deliver a decision.

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 Board, 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?

Name of dividend	First Interim
Dividend type	Cash
Dividend amount per share	S\$0.008 per share
Tax rate	One tier exempt
Date payable	8 August 2018
Book closure date	23 July 2018

(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 for 1Q FY2020.

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	500	- (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	
	First quarter ended	
	31 May	
	2019	2018
	RM'000	RM'000
Related company:		
- Management fee	500	500
Related parties:		
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	29,956	44,153
- Management fee paid/payable to HAP	162	277
- Ad-space rental received/receivable from HAP	440	441
- Reimbursement of costs from HAP	1,326	1,077

16 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 first quarter ended 31 May 2019 to be false or misleading in any material aspect.

17 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
11 July 2019