



DUTY FREE INTERNATIONAL LIMITED



DUTY FREE INTERNATIONAL LIMITED

1Q2021 RESULTS PRESENTATION

July 2020

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FINANCIAL REVIEW



- The Group's revenue was ↓ 68.1% to RM43.2 million in 1Q2021. The decrease was mainly due to temporary closure of Group's retail outlets in Malaysia since 18 March 22 following the imposition of nationwide Movement Control Order ("MCO") by Malaysia Government to curb the outbreak of COVID-19 in Malaysia. The MCO was followed by the conditional movement control order ("CMCO") which took effect from 4 May 2020, allowing only certain outlets to operate under strict operating procedures imposed by the government.
- In order to conserve the Group's cash supply and reduce operating costs, DFI has undertaken several initiatives since 1 April 2020, including salary cuts, reduction of monthly fixed allowances, and no pay leaves. As a result, employee benefits expenses ↓ by 34.6% to RM6.5 million during the quarter. Rental of premises expenses, as well as utilities and maintenance expenses, also ↓ by 48.9% and 61.6% respectively due to the temporary closure of the Group's retail outlets.
- Nonetheless, the decline in sales had caused a significant reduction in gross profit contributions, which were insufficient to offset the fixed costs, such as rental expenses and payroll related expenses of the Group. The Group recorded a loss of RM 7.2 million and net loss attributable to shareholders of RM 5.2 million for 1Q2021.
- Net asset value per ordinary share as at end of 1Q2021 was RM0.3397.
- The Group maintained a strong net cash position of RM180.1 million as at end of 1Q2021.

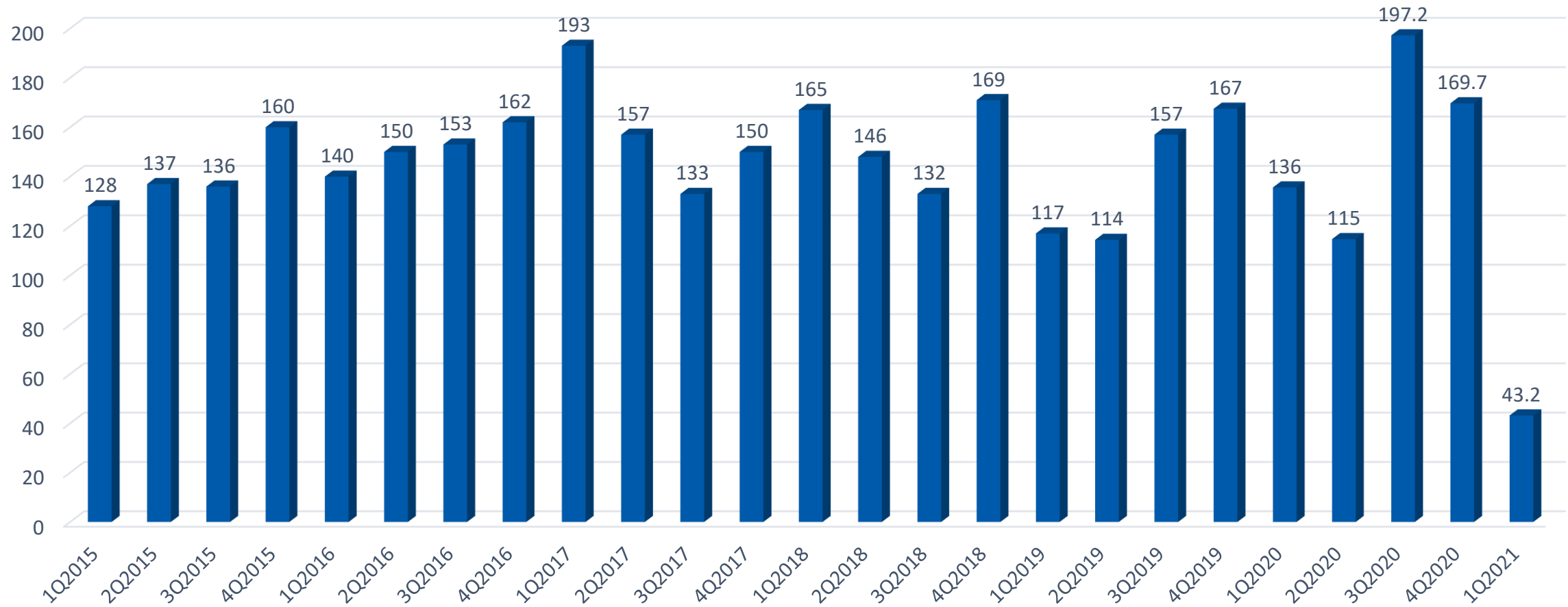
FINANCIAL HIGHLIGHTS

1Q2021 vs 1Q2020

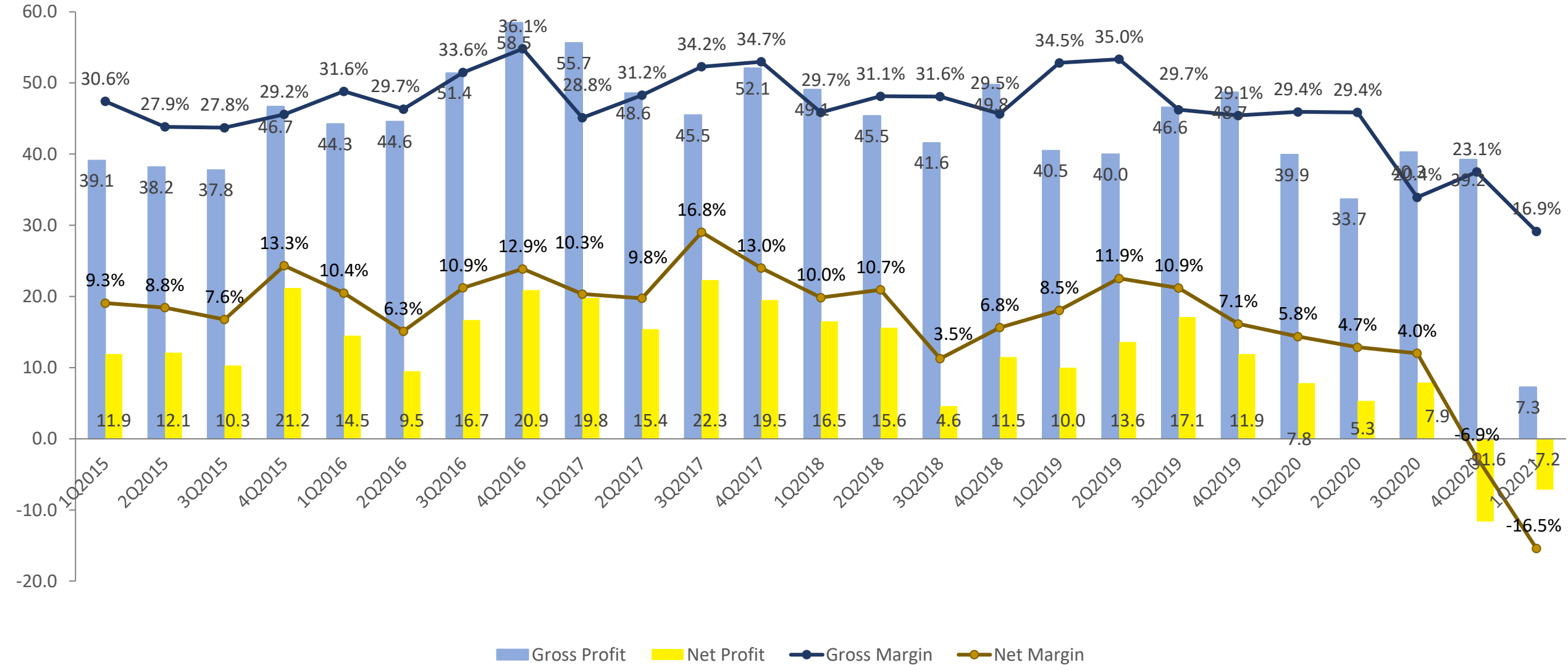
RM' mil	1Q2021	1Q2020	Change
Revenue	43.2	135.6	-68.1%
Gross Profit	7.3	39.9	-81.8%
Net Profit attributable to owners	(5.2)	7.2	-171.9%

QUARTERLY REVENUE TREND

Revenue



GROSS PROFIT & NET PROFIT TREND



FINANCIAL HIGHLIGHTS

Summary Financial Highlights – As At 31 May 2020



RM632.6M
Total Assets



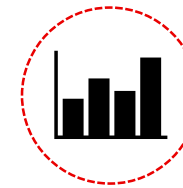
RM209.8M
Total Liabilities



RM422.8M
Total Equity



RM0.3397
Net Asset Per Share



3.6x
Current Ratio



Source: Based on 1Q2021 Results

BALANCE SHEET SUMMARY

RM' mil	As at 31 May 2020	As at 29 Feb 2020
Working Capital		
Inventories	134.4	133.4
Trade Receivables	7.1	19.4
Other Receivables	61.4	62.6
Trade payables	54.6	48.7
Cash and bank balances	204.9	334.6
Net Assets	422.8	557.4

SUMMARY OF CASH FLOWS

RM' mil	1Q2021	1Q2020
Operating Activities		
Net cash generated from/(used in) operating activities	2.4	(25.0)
Investing Activities		
Net cash generated from investing activities	1.9	32.1
Financing Activities		
Net cash generated from/(used in) financing activities	(139.5)	(33.7)
Cash and cash equivalents		
Net increase/(decrease) in cash and cash equivalents	(135.2)	(26.6)
Effects of foreign exchange rate changes	5.4	3.5
At beginning of period	325.2	296.4
At end of period	195.4	273.3



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BUSINESS UPDATE AND OUTLOOK



- The Company's subsidiary, Seruntun Maju Sdn. Bhd. ("SMSB") had received the bills of demand from the Royal Malaysian Customs of Perak Darul Ridzuan on 21 Nov 2017, demanding payments of customs duties, excise duties, sales tax and GST all totalling RM41.6 million.
- It is alleged that SMSB did not comply with certain conditions of a duty-free shop located at the border.
- On 29 Nov 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 Apr 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 Aug 2018, the High Court granted an interim stay pending the disposal of the stay application, which was to be heard on 5 Oct 2018 before a new judge. The hearing was postponed from 4 Dec 2018 to 17 Jan 2019, which was subsequently postponed to 20 Feb 2019. On 20 Feb 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 Mar 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 Mar 2019, the Court of Appeal conducted the hearing, whereby both SMSB and Customs submitted their respective legal arguments. The Court of Appeal then instructed parties to file additional supplementary submission which SMSB had complied. The Court of Appeal will inform parties once they are ready to deliver a decision.

- On 18 June 2020, the Court of Appeal unanimously ruled in favour of SMSB's appeal against the decision of the High Court and quashed the bills of demand issued by Customs for customs duties and excise duties amounting to RM 15,400,962.14 and RM 23,560,972.94 respectively.
- Customs has 30 days from 18 June 2020 to appeal the Court of Appeal's decision to the Federal Court. In light of the Court of Appeal's decision, the High Court proceedings as well as the interim stay that was granted ceased to exist.
- In respect of sales tax and GST, on 12 Dec 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 outlook of the local economy remains uncertain and challenging in the near term due to the global outbreak of COVID-19 pandemic. Even with the gradual easing from CMCO to Recovery Movement Control Order (“RMCO”) since 10 June 2020, certain restrictions are still imposed by local authorities such as the closure of the international borders, overseas travel restrictions and compliance to the Standard Operating Procedures (“SOPs”), which have impeded the Group’s business operations significantly. The Group’s retail outlets at the Malaysia–Thai border and airport outlets remained closed as of the date of this announcement.

The Group will continue to review its current strategies to enhance the following areas:



Operational Efficiencies



Cost Effectiveness in Supply Chain



Logistics Management of Products



Enhancement of Retail Outlets



Product Assortment



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QUESTIONS & ANSWERS

TRAVEL GADGET





THANK YOU



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