

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND
QUARTER AND HALF YEAR ENDED
31 AUGUST 2017**

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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

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

Consolidated Income Statement

	Note	Group Second quarter ended 31 August			Group Half year ended 31 August		
		2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)
		(Unaudited) RM '000	(Unaudited) RM '000	%	(Unaudited) RM '000	(Unaudited) RM '000	%
Revenue		148,343	156,966	-5.5%	315,806	349,587	-9.7%
Changes in inventories		(24,513)	(1,626)	n.m	(50,569)	(59,499)	-15.0%
Inventories purchased and material consumed		(78,358)	(106,757)	-26.6%	(170,696)	(185,851)	-8.2%
Other operating income	1(a)(ii)	3,642	2,676	36.1%	7,210	4,899	47.2%
Employee benefits expenses		(8,670)	(9,008)	-3.8%	(18,130)	(19,078)	-5.0%
Rental of premises		(11,063)	(11,312)	-2.2%	(22,691)	(23,104)	-1.8%
Utilities and maintenance expenses		(1,404)	(1,374)	2.2%	(2,814)	(2,737)	2.8%
Depreciation and amortisation		(1,380)	(1,375)	0.4%	(2,780)	(2,722)	2.1%
Commission expenses		(477)	(592)	-19.4%	(990)	(1,192)	-16.9%
Professional fees		(396)	906	-143.7%	(11)	(529)	-97.9%
Promotional expenses		(308)	(451)	-31.7%	(658)	(670)	-1.8%
Gain arising from changes in fair value of option		1,552	-	n.m	7,548	-	n.m
Financial expenses		(79)	(279)	-71.7%	(220)	(1,021)	-78.5%
Other operating expenses	1(a)(iii)	(5,391)	(6,419)	-16.0%	(17,497)	(11,583)	51.1%
Profit before income tax		21,498	21,355	0.7%	43,508	46,500	-6.4%
Income tax expenses	1(a)(iv)	(5,913)	(5,929)	-0.3%	(11,403)	(11,247)	1.4%
Profit for the period		15,585	15,426	1.0%	32,105	35,253	-8.9%
Profit attributable to:							
Owners of the Company		14,068	13,848	1.6%	29,119	33,684	-13.6%
Non-controlling interests		1,517	1,578	-3.9%	2,986	1,569	90.3%
		15,585	15,426	1.0%	32,105	35,253	-8.9%

n.m - denotes not meaningful

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

Consolidated Statement of Comprehensive Income

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
	2017	2016	Increase/	2017	2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%	RM '000	RM '000	%
Profit for the period	15,585	15,426	1.0%	32,105	35,253	-8.9%
Other comprehensive income:						
Foreign currency translation	-	-	-	-	-	-
Total comprehensive income for the period/year	15,585	15,426	1.0%	32,105	35,253	-8.9%
Total comprehensive income attributable to:						
Owners of the Company	14,068	13,848	1.6%	29,119	33,684	-13.6%
Non-controlling interests	1,517	1,578	-3.9%	2,986	1,569	90.3%
	15,585	15,426	1.0%	32,105	35,253	-8.9%

n.m - denotes not meaningful

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1(a)(ii) Other operating income

Other operating income includes:-

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
2017	2016	Increase/	2017	2016	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Rental income from:						
- advertisement space	1,057	578	82.9%	1,824	1,504	21.3%
- property, plant and equipment	145	145	0.0%	297	290	2.4%
Commission income	16	104	-84.6%	150	275	-45.5%
Incentive income	13	77	-83.1%	17	128	-86.7%
Interest income	1,846	1,356	36.1%	3,509	2,393	46.6%
Gain on disposal of property, plant and equipment	47	-	n.m	47	-	n.m

1(a)(iii) Other operating expenses

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

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
2017	2016	Increase/	2017	2016	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Assessment and quit rent	278	281	-1.1%	501	519	-3.5%
Auditors' remuneration	310	479	-35.3%	520	737	-29.4%
Bank charges	299	474	-36.9%	531	942	-43.6%
Donations	13	1,014	-98.7%	42	1,028	-95.9%
Insurance	682	755	-9.7%	1,118	1,152	-3.0%
Inventory written down	282	10	n.m	519	247	110.1%
Inventory written off	19	23	-17.4%	78	43	81.4%
Loss/(gain) arising from changes in fair value of biological assets	44	(79)	n.m	85	102	-16.7%
Management fee	1,124	863	30.2%	2,082	1,363	52.8%
Net foreign exchange (gain)/loss	(306)	(460)	-33.5%	5,736	(1,853)	-409.6%
Packing materials	180	157	14.6%	369	425	-13.2%
Property, plant and equipment written off	1	12	-91.7%	2	13	-84.6%
Transportation costs	489	1,219	-59.9%	888	3,036	-70.8%
Travelling expenses	320	283	13.1%	563	597	-5.7%
Reversal of inventories written down	(151)	(152)	-0.7%	(309)	(268)	15.3%

n.m - denotes not meaningful

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1(a)(iv) Income tax expenses

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
2017	2016	Increase/	2017	2016	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Current income tax attributable to continuing operations						
- current income tax	5,953	5,909	0.7%	11,460	12,016	-4.6%
- over provision in respect of previous years	-	(17)	-100.0%	-	(1,068)	-100.0%
	5,953	5,892	1.0%	11,460	10,948	4.7%
Deferred income tax attributable to continuing operations	(40)	37	-208.1%	(57)	299	-119.1%
Income tax expense recognised in profit or loss	5,913	5,929	-0.3%	11,403	11,247	1.4%

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

	Note	Group		Company	
		31.08.2017 (Unaudited) RM '000	28.02.2017 (Audited) RM '000	31.08.2017 (Unaudited) RM '000	28.02.2017 (Audited) RM '000
Assets					
Non-current assets					
Property, plant and equipment		72,806	74,379	-	-
Land use rights		23,581	23,814	-	-
Goodwill		28,816	28,816	-	-
Investment in subsidiaries		-	-	895,187	895,187
Prepayments		44,380	49,270	-	-
Deferred tax assets		865	853	-	-
		<u>170,448</u>	<u>177,132</u>	<u>895,187</u>	<u>895,187</u>
Current assets					
Biological assets	1(b)(iv)	102	187	-	-
Inventories		149,129	199,987	-	-
Tax recoverable		3,944	3,641	-	-
Trade and other receivables	1(b)(v)	61,195	56,698	-	36,148
Prepayments		12,798	11,705	14	12
Cash and bank balances		279,152	272,194	205,188	187,954
		<u>506,319</u>	<u>544,412</u>	<u>205,202</u>	<u>224,114</u>
Total assets		<u>676,767</u>	<u>721,544</u>	<u>1,100,389</u>	<u>1,119,301</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	1(b)(vii)	58,491	144,848	612	48,904
Borrowings	1(b)(ii) & (iii)	5,357	5,977	-	-
Income tax payable		4,494	3,954	(22)	61
Derivative liabilities		1,455	9,003	1,446	8,993
		<u>69,797</u>	<u>163,782</u>	<u>2,036</u>	<u>57,958</u>
Net current assets		436,522	380,630	203,166	166,156
Non-current liabilities					
Borrowings	1(b)(ii)	886	1,097	-	-
Deferred tax liabilities		4,323	4,368	-	-
		<u>5,209</u>	<u>5,465</u>	<u>-</u>	<u>-</u>
Total liabilities		75,006	169,247	2,036	57,958
Net assets		<u>601,761</u>	<u>552,297</u>	<u>1,098,353</u>	<u>1,061,343</u>
Equity attributable to owners of the Company					
Share capital		616,752	576,941	1,107,574	1,067,763
Treasury shares		(7,933)	(532)	(7,933)	(532)
Other reserves		(141,722)	(110,674)	662	31,710
Retained earnings/(accumulated losses)		116,921	70,345	(1,950)	(37,598)
		<u>584,018</u>	<u>536,080</u>	<u>1,098,353</u>	<u>1,061,343</u>
Non-controlling interests		17,743	16,217	-	-
Total equity		<u>601,761</u>	<u>552,297</u>	<u>1,098,353</u>	<u>1,061,343</u>
Total equity and liabilities		<u>676,767</u>	<u>721,544</u>	<u>1,100,389</u>	<u>1,119,301</u>

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

	31.08.2017		28.02.2017	
	Secured RM '000	Unsecured RM '000	Secured RM '000	Unsecured RM '000
Amount repayable in one year or less or on demand	5,357	-	5,977	-
Amount repayable after one year	886	-	1,097	-

Details of any collateral

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM8,778,000 (28.02.2017: RM10,678,000); and
- corporate guarantees from the Company and the penultimate holding company.

1(b)(iii) Short term borrowings

	31.08.2017 RM'000	28.02.2017 RM'000
The Group's short term borrowings are for:		
- trade facilities	4,940	5,540
- hire purchases	417	437
	<u>5,357</u>	<u>5,977</u>

1(b)(iv) Biological assets

	31.08.2017 RM'000	28.02.2017 RM'000
At fair value:		
Balance b/f	187	182
Fair value changes	(85)	5
Balance c/f	<u>102</u>	<u>187</u>

The Group adopted the Amendments to FRS 16 and FRS 41 on 1 March 2016, which changed the accounting requirements for biological assets. Bearer plants will now be within the scope of FRS 16 Property, Plant and Equipment whereas agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of FRS 41 Agriculture.

1(b)(v) Trade and other receivables

	31.08.2017 RM'000	28.02.2017 RM'000
Trade receivables, net	9,024	6,522
Deposits	3,662	3,539
Sundry receivables, net:		
- amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report)	40,464	40,434
- others	8,045	6,203
	<u>61,195</u>	<u>56,698</u>

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

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

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

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

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

(collectively, the "Disposals").

The DMSB Agreement was completed on 15 March 2013 ("DMSB Completion Date"). Pursuant to the terms of the DMSB Agreement, RM80.0 million being the balance of the aggregate sale consideration of RM325.0 million, was deferred and payable by BWSB within 12 months from the DMSB Completion Date, together with interest charged at 6% per annum from the DMSB Completion Date. There have been several extensions mutually agreed by the parties since the initial due date. After partial repayments of the consideration, the outstanding balance as at 28 February 2017 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 15 April 2017, BWSB requested for a further deferment of the unpaid consideration of RM40.0 million to be paid on or before 15 April 2018 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. The Company will continue to keep its shareholders informed of any developments in due course.

1(b)(vii) Trade and other payables

	Group	
	31.08.2017 RM'000	28.02.2017 RM'000
Trade payables	41,087	69,373
Other payables	16,844	24,203
Dividends payable to ordinary shareholders by the Company	-	46,995
Dividends payable to non-controlling interests by a subsidiary	-	3,717
Deposit received for the KMSB Agreement	560	560
	<u>58,491</u>	<u>144,848</u>

	Company	
	31.08.2017 RM'000	28.02.2017 RM'000
Dividends payable to ordinary shareholders	-	46,995
Sundry payables, net:		
- others	612	1,909
	<u>612</u>	<u>48,904</u>

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

DUTY FREE INTERNATIONAL LIMITED

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

	Group		Group	
	Second quarter ended 31 August		Half year ended 31 August	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	21,498	21,355	43,508	46,500
Adjustments for:-				
Depreciation and amortisation	1,380	1,375	2,780	2,722
Gain on disposal of property, plant and equipment	(47)	-	(47)	-
Loss/(gain) arising from changes in fair values of biological assets	44	(79)	85	102
Gain arising from changes in fair value of option	(1,552)	-	(7,548)	-
Finance cost	79	279	220	1,021
Interest income	(1,846)	(1,356)	(3,509)	(2,393)
Inventory written down	282	10	519	247
Inventory written off	19	23	78	43
Property, plant and equipment written off	1	12	2	13
Reversal of inventories written down	(151)	(152)	(309)	(268)
Net unrealised foreign exchange loss/(gain)	476	756	6,300	(1,502)
Operating cash flows before changes in working capital	20,183	22,223	42,079	46,485
Decrease/(increase) in receivables	14,833	(865)	(4,477)	1,794
Decrease in prepayments	1,750	2,679	3,798	3,655
Decrease in inventories	24,514	22,231	50,569	79,962
Decrease in payables	(20,322)	(5,809)	(34,533)	(77,645)
Cash generated from operations	40,958	40,459	57,436	54,251
Tax paid	(4,853)	(4,333)	(11,223)	(9,670)
Interest paid	(79)	(291)	(220)	(1,007)
Net cash generated from operating activities	36,026	35,835	45,993	43,574
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,846	1,347	3,509	2,375
Purchase of property, plant and equipment and land use rights	(150)	(1,833)	(976)	(2,262)
Net cash generated from/(used in) investing activities	1,696	(486)	2,533	113

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

	Group		Group	
	Second quarter ended		Half year ended	
	31 August		31 August	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in pledged fixed deposits	1,942	(140)	1,900	(140)
Repayment of term loans	-	(15,000)	-	(16,000)
Repayment of other short term borrowings	(2,228)	(15,740)	(600)	(4,840)
Repayment of hire purchase and lease financing	(112)	(101)	(231)	(200)
Proceeds from issuance of new ordinary shares	-	51,597	39,811	87,823
Proceeds from disposal of equity shares of subsidiary to non-controlling interests and issuance of options	-	87,711	-	87,711
Purchase of treasury shares	(7,401)	-	(7,401)	-
Proceeds from placement of treasury shares	-	(132)	-	4,967
Dividends paid to the ordinary shareholders of the Company	(13,591)	(43,228)	(60,918)	(43,228)
Dividends paid to non-controlling interests of subsidiaries	(1,460)	-	(5,176)	-
Net cash (used in)/generated from financing activities	<u>(22,851)</u>	<u>64,967</u>	<u>(32,615)</u>	<u>116,093</u>
Net increase in cash and cash equivalents	14,871	100,316	15,911	159,780
Effects of foreign exchange rate changes	18	(4)	(7,053)	(5)
Cash and cash equivalents at beginning of period/year	255,485	98,281	261,516	38,818
Cash and cash equivalents at end of period/year	<u>270,374</u>	<u>198,593</u>	<u>270,374</u>	<u>198,593</u>
Cash and cash equivalents carried forward consists of :-				
Deposits with licenced banks	231,935	19,946	231,935	19,946
Less : Pledged deposits	(8,778)	(10,600)	(8,778)	(10,600)
	<u>223,157</u>	<u>9,346</u>	<u>223,157</u>	<u>9,346</u>
Cash and bank balances	47,217	189,247	47,217	189,247
	<u>270,374</u>	<u>198,593</u>	<u>270,374</u>	<u>198,593</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 PARENT →							→		NON-CONTROLLING INTERESTS	TOTAL EQUITY
	← Non-distributable →				Distributable						
	Ordinary shares	Share premium	Treasury shares	Total other reserves	Foreign exchange reserve	Net premium paid/received on transactions with non-controlling interests	Others reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP (Cont'd)											
At 1 March 2016	486,340	2,778	(4,838)	(111,335)	29	(142,413)	31,049	31,387	404,332	86	404,418
Adoption of Amendments to FRS16 and FRS 41	-	-	-	-	-	-	-	(2,441)	(2,441)	-	(2,441)
At 1 March 2016 (restated)	486,340	2,778	(4,838)	(111,335)	29	(142,413)	31,049	28,946	401,891	86	401,977
Profit, net of tax	-	-	-	-	-	-	-	33,684	33,684	1,569	35,253
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	33,684	33,684	1,569	35,253
Transactions with owners:											
Placement of treasury shares	-	-	4,306	793	-	-	793	-	5,099	-	5,099
Allotment of new ordinary shares	90,659	-	-	-	-	-	-	-	90,659	-	90,659
Share issuance expenses	(2,836)	-	-	(132)	-	-	(132)	-	(2,968)	-	(2,968)
Dividend on ordinary shares	-	-	-	-	-	-	-	(43,228)	(43,228)	-	(43,228)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	87,823	-	4,306	661	-	-	661	(43,228)	49,562	-	49,562
Transactions with non-controlling interests:											
Disposal of equity shares of subsidiary to non-controlling interests *	-	-	-	-	-	-	-	59,057	59,057	15,616	74,673
At 31 August 2016	574,163	2,778	(532)	(110,674)	29	(142,413)	31,710	78,459	544,194	17,271	561,465

* Disposal consideration is net of transaction costs of RM2,514,000 and the fair value at initial recognition of RM13,038,000 attributed to call options issued. These options give the buyer a right to purchase a maximum of 15% additional equity interest in a subsidiary within 30 months from the completion date.

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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 PARENT →								NON-	TOTAL
				Non-distributable		Distributable		CONTROLLING	EQUITY	
	Ordinary shares	Treasury shares	Total other reserves	Foreign exchange reserve	Net premium paid/received on transactions with non-controlling interests	Others reserve	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
GROUP (Cont'd)										
At 1 March 2017	576,941	(532)	(110,674)	29	(142,413)	31,710	70,345	536,080	16,217	552,297
Profit, net of tax	-	-	-	-	-	-	29,119	29,119	2,986	32,105
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	29,119	29,119	2,986	32,105
Transfer of reserve arising from expiring of warrants	-	-	(31,048)	-	-	(31,048)	31,048	-	-	-
Transactions with owners:										
Purchase of treasury shares	-	(7,401)	-	-	-	-	-	(7,401)	-	(7,401)
Allotment of new ordinary shares	41,032	-	-	-	-	-	-	41,032	-	41,032
Share issuance expenses	(1,221)	-	-	-	-	-	-	(1,221)	-	(1,221)
Dividend on ordinary shares	-	-	-	-	-	-	(13,591)	(13,591)	-	(13,591)
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	(1,460)	(1,460)
Total transactions with owners	39,811	(7,401)	-	-	-	-	(13,591)	18,819	(1,460)	17,359
Transactions with non-controlling interests:	-	-	-	-	-	-	-	-	-	-
At 31 August 2017	616,752	(7,933)	(141,722)	29	(142,413)	662	116,921	584,018	17,743	601,761

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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

	Ordinary shares RM'000	Treasury shares RM'000	Others reserve RM'000	Accumulated losses RM'000	Total equity RM'000
<u>COMPANY (Cont'd)</u>					
At 1 March 2016	979,940	(4,838)	31,049	(55,034)	951,117
Profit, net of tax	-	-	-	58,309	58,309
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	58,309	58,309
Transactions with owners:					
Placement of treasury shares	-	4,306	793	-	5,099
Allotment of new ordinary shares	90,659	-	-	-	90,659
Share issuance expenses	(2,836)	-	(132)	-	(2,968)
Dividend	-	-	-	(43,228)	(43,228)
	87,823	4,306	661	(43,228)	49,562
At 31 August 2016	1,067,763	(532)	31,710	(39,953)	1,058,988

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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

	Ordinary shares RM'000	Treasury shares RM'000	Others reserve RM'000	Accumulated losses RM'000	Total equity RM'000
<u>COMPANY (Cont'd)</u>					
At 1 March 2017	1,067,763	(532)	31,710	(37,598)	1,061,343
Profit, net of tax	-	-	-	18,191	18,191
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	18,191	18,191
Transfer of reserve arising from expiring of warrants	-	-	(31,048)	31,048	-
Transactions with owners:					
Purchase of treasury shares	-	(7,401)	-	-	(7,401)
Allotment of new ordinary shares	41,032	-	-	-	41,032
Share issuance expenses	(1,221)	-	-	-	(1,221)
Dividend	-	-	-	(13,591)	(13,591)
	39,811	(7,401)	-	(13,591)	18,819
At 31 August 2017	1,107,574	(7,933)	662	(1,950)	1,098,353

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

Share Capital – Ordinary Shares

	Company	
	Number of Shares '000	Share Capital RM'000
As at 31 May 2017	1,228,500	1,107,574
Purchase of shares pursuant to the Share Buy-Back Mandate approved by the shareholders on 29 June 2017	(7,520)	-
As at 31 August 2017	1,220,980	1,107,574

Outstanding Convertible Securities

	Company	
	As at 31 Aug 2017	As at 31 Aug 2016
Number of outstanding convertible securities ('000)	491,400	-
Number of ordinary shares upon conversion of convertibles ('000)	491,400	-
Total number of ordinary shares issued excluding treasury shares ('000)	1,220,980	1,194,350
As a percentage of total ordinary shares issued (%)	40.2	-

Total treasury shares as at 31 August 2017 was 8,218,000 (31 August 2016: 698,000).

Subsequent to 31 August 2017 and up to the date of this announcement, the Company purchased a total of 2,933,900 shares in the Company on the open market for a total consideration of approximately RM2,584,000 (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 1,218,046,493 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 11,151,900.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 August 2017.

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

Total number of issued shares excluding treasury shares as at 31 August 2017 was 1,220,980,393 (28 February 2017: 1,194,350,393). Total treasury shares as at 31 August 2017 was 8,218,000 (28 February 2017: 698,000).

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

During the second quarter ended 31 August 2017 ("2Q FY2018"), a total of 7,520,000 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 August 2017.

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

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

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

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

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

Not applicable.

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

Except as disclosed in Paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation for the current reporting period, compared with the last audited financial statements as at 28 February 2017.

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

On 1 March 2017, the Group and the Company adopted the new or amended Singapore Financial Reporting Standards ("FRSs") and Interpretations to FRS ("INT FRSs") that are mandatory for application from that date.

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

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

	Group		Group	
	Second quarter ended 31 August		Half year ended 31 August	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the period, net of tax attributable to owners of the Company	14,068	13,848	29,119	33,684
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,224,501	1,151,090	1,220,747	1,140,223
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,224,501	1,151,090	1,220,747	1,140,223
Earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen):				
(a) Basic	1.15	1.20	2.39	2.95
(b) Fully diluted	1.15	1.20	2.39	2.95

For 2Q FY2018, 2Q FY2017, 1H FY2018 and 1H FY2017, 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 August 2017	As at 28 February 2017	As at 31 August 2017	As at 28 February 2017
Net asset value per ordinary share (RM sen)	47.83	44.88	89.96	88.86
Number of shares used in calculating net asset value per share ('000)	1,220,980	1,194,350	1,220,980	1,194,350

Net asset value per ordinary share is computed based on Total equity less non-controlling interests divided by the Number of Shares.

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

Statement of Comprehensive Income

Second quarter ended 31 August 2017 ("2Q FY2018") vs Second quarter ended 31 August 2016 ("2Q FY2017")

Revenue

The Group recorded a revenue of RM148.3 million in 2Q FY2018, representing a decrease of 5.5% or RM8.7 million, over the revenue of RM157.0 million in 2Q FY2017. The drop was largely due to lower demand from customers for certain products as well as the imposition of Goods and Services Tax at the border outlets and duty free zones with effect from 1 January 2017.

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 FY2018, the value of the closing inventories was lower than the value of the opening inventories by RM24.5 million. In 2Q FY2017, the value of the closing inventories was lower by RM1.6 million. This resulted in a variance of RM22.9 million for 2Q FY2018 vis-à-vis 2Q FY2017, 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 26.6% or RM28.4 million, from RM106.8 million in 2Q FY2017 to RM78.4 million in 2Q FY2018. This was mainly due to lower purchases as compared with the corresponding quarter of the previous financial year.

Other operating income

Other operating income increased by RM0.9 million from RM2.7 million in 2Q FY2017 to RM3.6 million in 2Q FY2018. The increase was mainly due to increase in interest income of RM0.4 million as well as higher rental income from advertisement space of RM0.5 million.

Professional fees

Total professional fees increased by RM1.3 million or 143.7%, from a positive position of RM0.9 million in 2Q FY2017 to an expense charge of RM0.4 million in 2Q FY2018. The positive position for 2Q FY2017 was mainly due to a reclassification of referral fee relating to share issuance expenses amounting to RM1.1 million to equity account.

Gain arising from changes in fair value of option

Gain arising from changes in fair value of option was RM1.6 million in 2Q FY2018. The fair value was in relation to the call option issued which gives Heinemann Asia Pacific Pte Ltd the option to acquire a maximum of 15% additional equity interest in DFZ Capital Berhad, a subsidiary of the Company.

Other operating expenses

Other operating expenses in 2Q FY2018 decreased by 16.0% or RM1.0 million, from RM6.4 million in 2Q FY2017 to RM5.4 million in 2Q FY2018, mainly due to decrease in donations of RM1.0 million and transportation costs of RM0.7 million. However the decrease in expenses was partly offset by increase in management fee of RM0.2 million and inventory written down of RM0.3 million as compared to 2Q FY2017.

The rest of the expenses on the Group's profit and loss account remained largely unchanged in 2Q FY2018 as compared to 2Q FY2017.

Profit before income tax

The Group reported a profit before income tax of RM21.5 million for 2Q FY2018, which was 0.7% or RM0.1 million higher than the profit before income tax of RM21.4 million recorded in 2Q FY2017. The increase was mainly due to decrease in donations and transportation costs as well as recognition of gain arising from changes in fair value of option as mentioned above.

Half year ended 31 August 2017 ("1H FY2018") vs Half year ended 31 August 2016 ("1H FY2017")

The Group reported a profit before income tax of RM43.5 million for 1H FY2018, representing a decrease of 6.4% or RM3.0 million as compared to RM46.5 million recorded in 1H FY2017. The decrease in profit was mainly due to the decrease in revenue, net loss in

foreign exchange of RM5.7 million as compared to RM1.9 million net foreign exchange gain in 1H FY2017. The adverse impact of the above was partially offset by lower financial expenses of RM0.8 million, lower donations of RM1.0 million, lower transportation costs of RM2.1 million and also recognition of gain arising from changes in fair value of option amounting to RM7.5 million for the period under review.

Statement of Financial Position

Assets

Non-current prepayments

Non-current prepayments decreased by RM4.9 million, from RM49.3 million as at 28 February 2017 to RM44.4 million as at 31 August 2017 which were mainly related to utilisation of rental paid in advance for the Group's retail outlets.

Trade and other receivables

Trade receivables increased by RM2.5 million, from RM6.5 million as at 28 February 2017 to RM9.0 million as at 31 August 2017, which was mainly due to timing differences in trade-related collections. In addition, sundry receivables also increased by RM1.8 million, from RM6.2 million as at 28 February 2017 to RM8.0 million as at 31 August 2017.

Inventories

Inventories decreased by RM50.9 million, from RM200.0 million as at 28 February 2017 to RM149.1 million as at 31 August 2017, mainly due to a decrease of overall purchases during the period.

Other than Cash and Bank balances which increased by RM7.0 million from RM272.2 million to RM279.2 million, the rest of the asset items on the Group's statement of financial position remained largely unchanged as at 31 August 2017 vis-à-vis 28 February 2017.

Liabilities

Trade and other payables

The decrease in trade and other payables was mainly due to a decrease in trade payables by RM28.3 million, from RM69.4 million as at 28 February 2017 to RM41.1 million as at 31 August 2017 and absence of dividends payable to ordinary shareholders by the Company of RM47.0 million and dividend payable to non-controlling interests by a subsidiary amounting to RM3.7 million in FY2017. The aforesaid decrease in trade payables was due to lower purchases during the period and also timing differences in the settlement of payables.

Derivative financial liabilities

Derivative financial liabilities of RM1.5 million as at 31 August 2017 was mainly in relation to the fair value of call options issued which gives Heinemann Asia Pacific Pte Ltd ("HAP")

the option to acquire a maximum of 15% additional equity interest in DFZ Capital Berhad (“DFZ”), a subsidiary of the Company.

Borrowings

Total borrowings decreased by RM0.8 million, from RM7.1 million as at 28 February 2017 to RM6.2 million as at 31 August 2017, mainly due to decrease in trade facilities utilisation of RM0.6 million.

As at 31 August 2017, the Group was in a positive working capital position of RM436.5 million.

Equity

Total equity increased by RM49.5 million, from RM552.3 million as at 28 February 2017 to RM601.8 million as at 31 August 2017, mainly due to profit for the period of RM29.1 million, a net increase in share capital of RM39.8 million pursuant to the issuance of new ordinary shares, and an increase in non-controlling interests of RM3.0 million, partially offset by purchase of treasury shares of RM7.4 million as well as dividends paid of RM15.1 million.

Statement of Cash Flows

The Group generated operating cash flow of RM36.0 million for 2Q FY2018. Net cash generated from investing activities was RM1.7 million for 2Q FY2018, mainly arising from interest received of RM1.8 million and partially offset by purchase of plant and equipment amounting to RM0.2 million. Net cash used in financing activities for 2Q FY2018 of RM22.8 million was mainly due to dividend payout of RM15.1 million and purchase of treasury shares of RM7.4 million. Overall, the cash and cash equivalents of the Group increased by RM14.9 million for 2Q FY2018, ending the period with cash and cash equivalents of RM270.4 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

Given the current economic condition, with the volatile Ringgit Malaysia against the US Dollar and the competitive business environment, the retail industry in which the Group operates is expected to remain challenging. The Group will continue its efforts to focus on its core business, broaden its customer base and products and strengthen its operational efficiency and cost control measures in order to remain competitive and profitable in the remaining quarters of the financial year ending 28 February 2018.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of dividend	Second Interim
Dividend type	Cash
Dividend amount per share	S\$0.005 per share
Tax rate	One tier exempt
Date payable	2 November 2017
Book closure date	20 October 2017

(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

Please refer to Paragraph 11(a).

(d) Book closure date

Please refer to Paragraph 11(a).

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

Not applicable.

13 Interested Person Transactions

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

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

14 Use of proceeds from placement exercises

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

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

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

As at the date of this announcement, the Company has not utilised any of the net proceeds of S\$43.6 million from the abovementioned placement exercises. The Company will make periodic announcements as and when the net proceeds from the placement exercises is materially disbursed.

15 Significant related party transactions

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

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

	Group		Group	
	Second quarter ended 31 August		Half year ended 31 August	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Related company:				
- Management fee	500	500	1,000	1,000
Related parties:				
- Donation to Yayasan Harmoni	-	1,000	-	1,000
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	44,844	20,178	102,935	27,156
- Management fee paid/payable to HAP	624	276	1,082	276
- Ad-space rental received/receivable from HAP	755	-	1,196	-
- Reimbursement of costs from HAP	855	2	2,244	2

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 second quarter and six months ended 31 August 2017 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 October 2017