

**DUTY FREE INTERNATIONAL LIMITED**

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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**UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND  
QUARTER AND HALF YEAR ENDED  
31 AUGUST 2019**

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**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		
		2019	2018	Increase/ (Decrease)	2019	2018	Increase/ (Decrease)
		(Unaudited) RM '000	(Unaudited) RM '000	%	(Unaudited) RM '000	(Unaudited) RM '000	%
Revenue		114,713	114,449	0.2%	250,350	231,842	8.0%
Changes in inventories		(2,076)	6,875	-130.2%	(31,857)	4,408	-822.7%
Inventories purchased and material consumed		(78,902)	(81,279)	-2.9%	(144,817)	(155,753)	-7.0%
Other operating income	1(a)(ii)	3,908	4,588	-14.8%	8,777	8,809	-0.4%
Employee benefits expenses		(9,962)	(9,644)	3.3%	(19,967)	(18,049)	10.6%
Rental of premises		(7,735)	(11,573)	-33.2%	(16,942)	(23,139)	-26.8%
Utilities and maintenance expenses		(1,327)	(1,295)	2.5%	(2,914)	(2,648)	10.0%
Depreciation and amortisation		(3,716)	(1,488)	149.7%	(7,270)	(2,993)	142.9%
Commission expenses		(383)	(471)	-18.7%	(867)	(1,504)	-42.4%
Professional fees		(745)	(738)	0.9%	(2,053)	(1,197)	71.5%
Promotional expenses		(290)	(416)	-30.3%	(693)	(856)	-19.0%
Financial expenses		(1,728)	(132)	1209.1%	(3,445)	(240)	1335.4%
Realised foreign exchange gain/(loss)		107	(977)	-111.0%	45	1,305	-96.6%
Unrealised foreign exchange gain		1,044	4,036	-74.1%	4,007	3,976	0.8%
Share of results of associate		-	18	-100.0%	-	18	-100.0%
Other operating expenses	1(a)(iii)	(5,174)	(5,031)	2.8%	(12,453)	(12,721)	-2.1%
Profit before income tax		7,734	16,922	-54.3%	19,901	31,258	-36.3%
Income tax expenses	1(a)(iv)	(2,398)	(3,297)	-27.3%	(6,727)	(7,631)	-11.8%
Profit for the period		5,336	13,625	-60.8%	13,174	23,627	-44.2%
<b>Profit attributable to:</b>							
Owners of the Company		4,921	12,294	-60.0%	12,095	21,342	-43.3%
Non-controlling interests		415	1,331	-68.8%	1,079	2,285	-52.8%
		5,336	13,625	-60.8%	13,174	23,627	-44.2%

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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		
	2019	2018	Increase/	2019	2018	Increase/
	(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%	RM '000	RM '000	%
Profit for the period	5,336	13,625	-60.8%	13,174	23,627	-44.2%
<b>Other comprehensive income:</b>						
Foreign currency translation	(136)	42	-423.8%	178	42	323.8%
<b>Total comprehensive income for the period</b>	<b>5,200</b>	<b>13,667</b>	<b>-62.0%</b>	<b>13,352</b>	<b>23,669</b>	<b>-43.6%</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	4,826	12,317	-60.8%	12,261	21,365	-42.6%
Non-controlling interests	374	1,350	-72.3%	1,091	2,304	-52.6%
	<b>5,200</b>	<b>13,667</b>	<b>-62.0%</b>	<b>13,352</b>	<b>23,669</b>	<b>-43.6%</b>

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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		
2019	2018	Increase/	2019	2018	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Rental income from:						
- advertisement space	807	789	2.3%	1,559	1,539	1.3%
- property, plant and equipment	120	137	-12.4%	251	265	-5.3%
Commission income	11	19	-42.1%	26	40	-35.0%
Incentive income	31	112	-72.3%	81	169	-52.1%
Interest income	2,680	2,843	-5.7%	5,557	5,883	-5.5%
Gain on disposal of property, plant and equipment	-	28	-100.0%	28	28	0.0%
Promotion income	101	516	-80.4%	380	596	-36.2%
Sundry income	93	70	32.9%	715	126	467.5%
Reversal of impairment losses for property, plant and equipment	-	6	-100.0%	-	6	-100.0%

**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		
2019	2018	Increase/	2019	2018	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Assessment and quit rent	282	280	0.7%	547	518	5.6%
Auditors' remuneration	250	269	-7.1%	492	485	1.4%
Bank charges	383	476	-19.5%	825	981	-15.9%
Donations	13	13	0.0%	1,027	3,044	-66.3%
Insurance	398	485	-17.9%	761	766	-0.7%
Provision for/(reversal of) inventory written down	401	(5)	-8120.0%	544	296	83.8%
Inventory written off	38	18	111.1%	436	47	827.7%
Loss/(gain) arising from changes in fair value of biological assets	49	(4)	-1328.5%	30	61	-50.9%
Management fee	338	372	-9.1%	1,000	1,149	-13.0%
Packing materials	137	212	-35.4%	383	342	12.0%
Property, plant and equipment written off	395	-	n.m	809	41	1873.2%
Transportation costs	418	382	9.4%	1,340	601	123.0%
Travelling expenses	354	378	-6.1%	797	645	23.6%

n.m - denotes not meaningful

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**1(a)(iv) Income tax expenses**

	<b>Group</b>			<b>Group</b>		
	<b>Second quarter ended</b>			<b>Half year ended</b>		
	<b>31 August</b>			<b>31 August</b>		
<b>2019</b>	<b>2018</b>	<b>Increase/</b>	<b>2019</b>	<b>2018</b>	<b>Increase/</b>	
<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Decrease)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Decrease)</b>	
<b>RM '000</b>	<b>RM '000</b>	<b>%</b>	<b>RM '000</b>	<b>RM '000</b>	<b>%</b>	
Current income tax attributable to continuing operations						
- current income tax	2,246	3,510	-36.0%	5,345	7,367	-27.4%
- (over)/under provision in respect of previous years	(13)	47	-127.7%	(8)	51	-115.7%
	<u>2,233</u>	<u>3,557</u>	<u>-37.2%</u>	<u>5,337</u>	<u>7,418</u>	<u>-28.1%</u>
Deferred income tax attributable to continuing operations	165	(260)	-163.5%	1,390	213	552.6%
Income tax expense recognised in profit or loss	<u>2,398</u>	<u>3,297</u>	<u>-27.3%</u>	<u>6,727</u>	<u>7,631</u>	<u>-11.8%</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 immediately preceding financial year

	Note	Group		Company	
		31.08.2019 (Unaudited) RM '000	28.02.2019 (Audited) RM '000	31.08.2019 (Unaudited) RM '000	28.02.2019 (Audited) RM '000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment		68,318	70,538	-	-
Land use rights		22,651	22,884	-	-
Goodwill		28,816	28,816	-	-
Investment in subsidiaries		-	-	840,038	840,038
Intangible assets		427	888	-	-
Prepayments		-	29,709	-	-
Deferred tax assets		2,572	2,709	-	-
Right-of-use assets		110,785	-	-	-
		<u>233,569</u>	<u>155,544</u>	<u>840,038</u>	<u>840,038</u>
<b>Current assets</b>					
Biological assets	1(b)(iv)	73	103	-	-
Inventories		137,968	170,805	-	-
Tax recoverable		4,264	3,975	-	-
Trade and other receivables	1(b)(v)	71,444	104,020	321	70,738
Prepayments		3,132	12,780	-	25
Cash and bank balances		306,506	305,617	253,302	218,417
		<u>523,387</u>	<u>597,300</u>	<u>253,623</u>	<u>289,180</u>
<b>Total assets</b>		<u>756,956</u>	<u>752,844</u>	<u>1,093,661</u>	<u>1,129,218</u>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	1(b)(vi)	47,656	151,690	362	37,257
Contract liabilities		6,771	3,347	-	-
Borrowings	1(b)(ii) & (iii)	31,782	21,288	-	-
Income tax payable		1,234	1,429	159	354
Derivative liabilities		-	13	-	-
Lease liabilities		1,892	-	-	-
		<u>89,335</u>	<u>177,767</u>	<u>521</u>	<u>37,611</u>
<b>Net current assets</b>		434,052	419,533	253,102	251,569
<b>Non-current liabilities</b>					
Borrowings	1(b)(ii)	474	650	-	-
Deferred tax liabilities		5,810	4,613	1,299	-
Derivative liabilities		515	515	515	515
Lease liabilities		81,824	-	-	-
		<u>88,623</u>	<u>5,778</u>	<u>1,814</u>	<u>515</u>
<b>Total liabilities</b>		<u>177,958</u>	<u>183,545</u>	<u>2,335</u>	<u>38,126</u>
<b>Net assets</b>		<u>578,998</u>	<u>569,299</u>	<u>1,091,326</u>	<u>1,091,092</u>
<b>Equity attributable to owners of the Company</b>					
Share capital		616,752	616,752	1,107,574	1,107,574
Treasury shares		(20,073)	(16,503)	(20,073)	(16,503)
Other reserves		(144,758)	(144,433)	661	661
Retained earnings/(accumulated losses)		110,731	98,636	3,164	(640)
		<u>562,652</u>	<u>554,452</u>	<u>1,091,326</u>	<u>1,091,092</u>
<b>Non-controlling interests</b>		16,346	14,847	-	-
<b>Total equity</b>		<u>578,998</u>	<u>569,299</u>	<u>1,091,326</u>	<u>1,091,092</u>
<b>Total equity and liabilities</b>		<u>756,956</u>	<u>752,844</u>	<u>1,093,661</u>	<u>1,129,218</u>

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

	31.08.2019		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	31,782	-	21,288	-
Amount repayable after one year	474	-	650	-

**Details of any collateral**

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM9,317,000 (28.02.2019: RM9,193,000); and
- corporate guarantees from the Company and the penultimate holding company.

**1(b)(iii) Short term borrowings**

	31.08.2019 RM'000	28.02.2019 RM'000
The Group's short term borrowings are for:		
- trade facilities	31,762	20,863
- hire purchases	20	425
	<u>31,782</u>	<u>21,288</u>

**1(b)(iv) Biological assets**

	31.08.2019 RM'000	28.02.2019 RM'000
At fair value:		
Balance b/f	103	152
Fair value changes	(30)	(49)
Balance c/f	<u>73</u>	<u>103</u>

**1(b)(v) Trade and other receivables**

	Group	
	31.08.2019 RM'000	28.02.2019 RM'000
Trade receivables, net	9,156	16,802
Deposits	8,284	4,391
Sundry receivables, net:		
- amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report)	40,464	40,434
- others	13,540	12,393
Debt securities * (refer to page 8 of this report)	-	30,000
	<u>71,444</u>	<u>104,020</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)

	Company	
	31.05.2019 RM'000	28.02.2019 RM'000
Dividend receivable from subsidiaries	-	39,605
Sundry receivables, net:		
- others	321	1,133
Debt securities *	-	30,000
	<u>321</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 August 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. The Company will continue to keep its shareholders informed of any developments in due course.

### 1(b)(vii) Trade and other payables

	Group	
	31.08.2019 RM'000	28.02.2019 RM'000
Trade payables	26,030	78,894
Other payables	21,066	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>47,656</u>	<u>151,690</u>

	Company	
	31.08.2019 RM'000	28.02.2019 RM'000
Dividends payable to ordinary shareholders	-	36,477
Sundry payables, net:		
- others	362	780
	<u>362</u>	<u>37,257</u>

**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

	<b>Group</b>		<b>Group</b>	
	<b>Second quarter ended 31 August</b>		<b>Half year ended 31 August</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	7,734	16,922	19,901	31,258
Adjustments for:-				
Depreciation and amortisation	3,716	1,488	7,270	2,993
Gain on disposal of property, plant and equipment	-	(28)	(28)	(28)
Loss/(gain) arising from changes in fair values of biological assets	49	(4)	30	61
Finance cost	1,728	132	3,445	240
Interest income	(2,680)	(2,843)	(5,557)	(5,883)
Inventory written down	401	31	544	356
Inventory written off	38	18	436	47
Property, plant and equipment written off	395	-	809	41
Reversal of inventories written down	-	(36)	-	(60)
Reversal of impairment losses for property, plant and equipment	-	(6)	-	(6)
Share of results of associate	-	(18)	-	(18)
Net unrealised foreign exchange gain	(1,044)	(4,036)	(4,007)	(3,976)
Operating cash flows before changes in working capital	10,337	11,620	22,843	25,024
Decrease/(increase) in receivables	23,478	(13,587)	2,272	(7,848)
Decrease in prepayments	97	2,182	2,680	2,700
Decrease/(increase) in inventories	2,076	(6,875)	31,857	(4,408)
Decrease in payables	(8,373)	(1,965)	(50,704)	(18,736)
Cash generated from/(used in) operations	27,615	(8,625)	8,948	(3,268)
Tax paid	(2,692)	(5,519)	(5,877)	(10,977)
Interest paid	(336)	(132)	(718)	(240)
Net cash generated from/(used in) operating activities	24,587	(14,276)	2,353	(14,484)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net cash inflow on acquisition of a subsidiary	-	1,663	-	1,663
Interest received	2,680	2,834	5,557	5,854
Capital contribution from non-controlling interest in subsidiaries	-	4,879	-	4,879
Proceeds from/(investment in) debt securities	-	-	30,000	(30,000)
Proceeds from disposal of property, plant and equipment	-	28	29	41
Purchase of property, plant and equipment and land use rights	(604)	(2,118)	(1,413)	(3,064)
Net cash generated from/(used in) investing activities	2,076	7,286	34,173	(20,627)

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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)

	<b>Group</b>		<b>Group</b>	
	<b>Second quarter ended</b>		<b>Half year ended</b>	
	<b>31 August</b>		<b>31 August</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in pledged fixed deposits	(124)	(161)	(124)	(161)
Lease payments	(2,698)	-	(5,872)	-
Proceeds from/(repayment of) other short term borrowings	844	1,678	10,559	(13,524)
Repayment of hire purchase and lease financing	(122)	(106)	(240)	(214)
Purchase of treasury shares	(1,831)	(5,332)	(3,570)	(5,332)
Dividends paid to the ordinary shareholders of the Company	-	(28,918)	(36,477)	(65,137)
Dividends paid to non-controlling interests of subsidiaries	-	(4,425)	(4,695)	(4,425)
Net cash used in financing activities	<u>(3,931)</u>	<u>(37,264)</u>	<u>(40,419)</u>	<u>(88,793)</u>
Net increase/(decrease) in cash and cash equivalents	22,732	(44,254)	(3,893)	(123,905)
Effects of foreign exchange rate changes	1,120	5,402	4,658	7,591
Cash and cash equivalents at beginning of period/year	273,337	286,679	296,424	364,140
Cash and cash equivalents at end of period/year	<u>297,189</u>	<u>247,827</u>	<u>297,189</u>	<u>247,827</u>
<b>Cash and cash equivalents carried forward consists of :-</b>				
Deposits with licenced banks	232,571	219,302	232,571	219,302
Less : Pledged deposits	(9,317)	(9,062)	(9,317)	(9,062)
	<u>223,254</u>	<u>210,240</u>	<u>223,254</u>	<u>210,240</u>
Cash and bank balances	73,935	37,587	73,935	37,587
	<u>297,189</u>	<u>247,827</u>	<u>297,189</u>	<u>247,827</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	Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>GROUP</b>										
<b>At 1 March 2018</b>	616,752	(10,517)	(141,723)	29	(142,413)	661	117,514	582,026	17,659	599,685
Profit, net of tax	-	-	-	-	-	-	21,342	21,342	2,285	23,627
Foreign currency translation	-	-	23	23	-	-	-	23	19	42
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
	-	-	23	23	-	-	21,342	21,365	2,304	23,669
Transactions with owners:										
Purchase of treasury shares	-	(5,332)	-	-	-	-	-	(5,332)	-	(5,332)
Capital contribution from non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	4,879	4,879
Dividend on ordinary shares	-	-	-	-	-	-	(28,918)	(28,918)	-	(28,918)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(4,425)	(4,425)
Total transactions with owners	-	(5,332)	-	-	-	-	(28,918)	(34,250)	454	(33,796)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-
<b>At 31 August 2018</b>	616,752	(15,849)	(141,700)	52	(142,413)	661	109,938	569,141	20,417	589,558



**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	Gain on reissuance of treasury shares RM'000	(Accumulated losses)/ retained earnings RM'000	Total equity RM'000
<b><u>COMPANY</u></b>					
<b>At 1 March 2018</b>	1,107,574	(10,517)	661	(965)	1,096,753
Profit, net of tax	-	-	-	36,138	36,138
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	36,138	36,138
Transactions with owners:					
Purchase of treasury shares	-	(5,332)	-	-	(5,332)
Dividend	-	-	-	(28,918)	(28,918)
	-	(5,332)	-	(28,918)	(34,250)
<b>At 31 August 2018</b>	<b>1,107,574</b>	<b>(15,849)</b>	<b>661</b>	<b>6,255</b>	<b>1,098,641</b>

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

**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

	<b>Company</b>	
	<b>Number of Shares '000</b>	<b>Share Capital RM'000</b>
As at 31 May 2019	1,205,501	1,107,574
Purchase of shares pursuant to the Share Buy-Back Mandate approved by the shareholders on 20 June 2019	(3,342)	-
As at 31 August 2019	1,202,159	1,107,574

Outstanding Convertible Securities

	<b>Company</b>	
	<b>As at 31 August 2019</b>	<b>As at 31 August 2018</b>
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)	1,202,159	1,209,527
As a percentage of total ordinary shares issued (%)	40.9	40.6

Total treasury shares as at 31 August 2019 was 27,040,100 (31 August 2018: 19,670,900).

During the second quarter ended 31 August 2019 and up to the date of this announcement, the Company purchased a total of 3,342,100 shares in the Company on the open market for a total consideration of approximately RM1,831,000 (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 1,202,158,293 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 27,040,100.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 August 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 August 2019 was 1,202,158,293 (28 February 2019: 1,208,445,693). Total treasury shares as at 31 August 2019 was 27,040,100 (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 second quarter ended 31 August 2019 ("2Q FY2020"), a total of 3,342,100 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 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 statements of financial position. 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 Q2 FY2020 and 1H 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**

	<b>Group</b>		<b>Group</b>	
	<b>Second quarter ended</b>		<b>Half year ended</b>	
	<b>31 August</b>		<b>31 August</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
Profit for the period, net of tax attributable to owners of the Company	4,921	12,294	12,095	21,342
Weighted average number of ordinary shares for basic earnings per share computation (’000)	1,203,248	1,210,978	1,204,374	1,214,512
Weighted average number of ordinary shares for diluted earnings per share computation (’000)	1,203,248	1,210,978	1,204,374	1,214,512

Earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen):

(a) Basic	0.41	1.02	1.00	1.76
(b) Fully diluted	0.41	1.02	1.00	1.76

For 2Q FY2020, 2Q FY2019, 1H FY2020 and 1H 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 August 2019	As at 28 February 2019	As at 31 August 2018	As at 28 February 2019
Net asset value per ordinary share (RM sen)	46.80	46.09	90.78	90.29
Number of shares used in calculating net asset value per share ('000)	1,202,159	1,208,446	1,202,159	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**

Second quarter ended 31 August 2019 ("2Q FY2020") vs Second quarter ended 31 August 2018 ("2Q FY2019")

Revenue

The Group recorded a revenue of RM114.7 million in 2Q FY2020, representing an increase of 0.2% or RM0.3 million, over the revenue of RM114.4 million in 2Q FY2019. The slight

increase was mainly contributed from Brand Connect Group (“BCH”) which was acquired on 8 August 2018, partly offset by decrease in revenue from the trading of duty free goods and non-dutiable merchandise (“Duty Free”) segment 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 2Q FY2020, the value of the closing inventories was lower than the value of the opening inventories by RM2.1 million. In 2Q FY2019, the value of the closing inventories was higher by RM6.9 million. This resulted in a variance of RM9.0 million for 2Q FY2020 vis-à-vis 2Q 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 2.9% or RM2.4 million, from RM81.3 million in 2Q FY2019 to RM78.9 million in 2Q FY2020. This was mainly due to as lower purchases as compared with the corresponding quarter of the previous financial year.

#### Rental of premises

The rental of premises expenses showed a decrease of 33.2% or RM3.9 million from RM11.6 million in 2Q FY2019 to RM7.7 million in 2Q FY2020. As explained in Note 5 above, the Group adopted SFRS(I) 16 on 1 March 2019. Consequently, leases are now recognised as right-of-use (“ROU”) assets and lease liabilities. Accordingly with this new adoption there are some changes to the nature of expenses in the Statement of Comprehensive Income whereby, there is a depreciation charge for the leased assets and interest expense on the lease liabilities which were included in the finance cost. Correspondingly there is a decrease in rental of premises.

#### Depreciation and amortisation

Depreciation and amortisation increased by RM2.2 million or 149.7% from RM1.5 million in 2Q FY2019 to RM3.7 million in 2Q FY2020. The increase was due primarily to the additional depreciation charge of RM2.2 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 2Q FY2020 as mentioned above.

#### 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 2Q FY2019. The increase was mainly relating to the interest expense of RM1.4 million from additional lease liabilities recognised in the statement of financial position following the adoption of SFRS(I) 16, as explained above. There was also a higher interest expense of RM0.2 million as a result of higher utilisation of trade facilities.

Unrealised foreign exchange gain

Unrealised gain in foreign exchange in 2Q FY2020 was RM1.0 million as compared to RM4.0 million in 2Q FY2019. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits in financial institutions of USD29.2 million as at 31 August 2019, whereby Ringgit Malaysia had weakened against United States Dollar by approximately 1.0% from RM4.18 as at 31 May 2019 to RM4.22 as at 31 August 2019. However, for the corresponding quarter of the previous financial year, the Ringgit Malaysia had weakened against United States Dollar by approximately 3.5% from RM3.98 as at 31 May 2018 to RM4.12 as at 31 August 2018. As such, the unrealised gain in foreign exchange for 2Q FY2020 is lower as compared to the gain in 2Q FY2019 by RM3.0 million.

The rest of the expenses on the Group's profit and loss account remained largely unchanged in 2Q FY2020 as compared to 2Q FY2019.

Profit before income tax

The Group reported a profit before income tax of RM7.7 million for 2Q FY2020, which was 54.3% or RM9.2 million lower than the profit before income tax of RM16.9 million recorded in 2Q FY2019. The decrease was mainly due to lower profit margin, lower net gain in foreign exchange of RM1.9 million as compared to 2Q FY2019 and higher inventory written down as well as higher property, plant and equipment written off of RM0.4 million respectively as mentioned above. The property, plant and equipment written off was mainly due to closure of certain outlets in Kuala Lumpur International Airport 2.

Income tax expenses

The Malaysia statutory income tax rate is 24% for year of assessment 2020 (2019: 24%). The provision for taxation for the financial year to-date was calculated based on the taxable profit attributable from certain profit-making subsidiaries. The income tax expense of RM2.4 million mainly comprised of provision for taxation for current year to date profits of RM2.2 million. The effective tax rate of the Group for 2Q FY2020 at 31.0% was higher than the statutory rate, principally due to higher non-deductible expenses relating to inventory written down and property, plant and equipment written off for the period.

Half year ended 31 August 2019 ("1H FY2020") vs Half year ended 31 August 2018 ("1H FY2019")

The Group recorded a revenue for 1H FY2020 of RM250.4 million, representing an increase of 8.0% or RM18.6 million, over the revenue of RM231.8 million in 1H FY2019.

The Group reported a profit before income tax of RM19.9 million for 1H FY2020, representing a decrease of 36.3% or RM11.4 million as compared to RM31.3 million recorded in 1H FY2019. The decrease in profit was mainly due to lower profit margin, lower net gain in foreign currency of RM1.2 million and higher professional fees of RM0.8 million as compared to 1H FY2019. However, the negative effect was partially offset by a decrease in donations of RM2.0 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 August 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 upon 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 2Q FY2020 were 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 RM83.7 million as at end of 2Q FY2020.

#### Trade and other receivables

Trade receivables decreased by RM7.6 million, from RM16.8 million as at 28 February 2019 to RM9.2 million as at 31 August 2019, which was mainly due to timing differences in trade-related collections. In addition, there were no outstanding debt securities as at 31 August 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 RM3.9 million and RM1.1 million, from RM4.4 million as at 28 February 2019 to RM8.3 million as at 31 August 2019 and from RM12.4 million as at 28 February 2019 to RM13.5 million as at 31 August 2019. The increase in deposits was mainly related to the deposits paid to the suppliers for purchase of trading goods.

#### Inventories

Inventories decreased by RM32.8 million, from RM170.8 million as at 28 February 2019 to RM138.0 million as at 31 August 2019, mainly due to a decrease of overall purchases during the period.

Other than Cash and Bank balances which increased by RM0.9 million from RM305.6 million to RM306.5 million, the rest of the asset items on the Group's statement of financial position remained largely unchanged as at 31 August 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 RM52.9 million, from RM78.9 million as at 28 February 2019 to RM26.0 million as at 31 August 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 RM10.0 million, from RM31.1 million as at 28 February 2019 to RM21.1 million as at 31 August 2019, mainly due to derecognition of the previously recognised accrued rental expenses 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 RM10.3 million, from RM21.9 million as at 28 February 2019 to RM32.3 million as at 31 August 2019, mainly due to increase in trade facilities utilisation of RM10.9 million.

#### Non-current liabilities

##### Derivative liabilities – non-current

Derivative financial liabilities of RM0.5 million as at 31 August 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 August 2019, the Group was in a positive working capital position of RM434.1 million.

#### Equity

Total equity increased by RM9.7 million, from RM569.3 million as at 28 February 2019 to RM579.0 million as at 31 August 2019, mainly due to total comprehensive income for the period of RM12.1 million and an increase in non-controlling interests of RM1.5 million, partially offset by purchase of treasury shares of RM3.6 million.

#### **Statement of Cash Flows**

The Group net cash flow generated from operating activities was RM24.6 million in 2Q FY2020. Net cash generated from investing activities was RM2.1 million for 2Q FY2020, mainly due to interest received of RM2.7 million. However, the cash flow was partially offset by purchase of plant and equipment amounting to RM0.6 million. Net cash used in financing activities for 2Q FY2020 of RM3.9 million was mainly due to lease payments of RM2.7 million and purchase of treasury shares of RM1.8 million, partially offset by net proceeds from short term borrowings of RM0.8 million. Overall, the cash and cash equivalents of the Group increased by RM22.7 million in 2Q FY2020, ending the period with cash and cash equivalents of RM297.2 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) With the present economic condition and fluctuation in foreign currencies, especially the Ringgit Malaysia against the US Dollar coupled with the competitive business environment, the performance of the Group remains challenging for the next 12 months. The Group will continue its efforts to enhance the range of its products and quality services, together with close monitoring of the key cost drives and improving its operational efficiency and cost control measures, in order to remain competitive and profitable.
- (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 which SMSB had complied. 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?**

Name of dividend	First Interim
Dividend type	Cash
Dividend amount per share	S\$0.005 per share
Tax rate	One tier exempt
Date payable	7 November 2019
Book closure date	31 October 2019

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

Not applicable.

**(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**

<b>Interested Persons</b>	<b>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))</b>	<b>Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a) (excluding transactions below S\$100,000)</b>
	<b>RM'000</b>	<b>RM'000</b>
Atlan Holdings Bhd	1,000	- (Note 1)

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

#### **14 Use of proceeds from placement exercises**

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

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

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

The Company has utilised the net proceeds as follows:

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

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

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

## 15 Significant related party transactions

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

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

	Group Second quarter ended 31 August		Group Half year ended 31 August	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Related company:</b>				
- Management fee	500	500	1,000	1,000
<b>Related parties:</b>				
- Donation to Yayasan Harmoni	-	-	1,000	3,000
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	29,638	40,316	59,594	84,469
- Management fee paid/payable to HAP	(162)	(235)	-	42
- Ad-space rental received/receivable from HAP	570	434	1,010	875
- Reimbursement of costs from HAP	750	1,038	2,076	2,115

## 16 Changes in the composition of the Group

Subsequent to the current quarter under review, the Company undertook an internal reorganisation whereby on 7 October 2019, Darul Metro Sdn. Bhd. ("DMSB"), a wholly owned subsidiary of the Company signed a Sale and Purchase Agreement to acquire Binamold Sdn. Bhd. from Orchard Boulevard Sdn. Bhd. ("OBSB"). OBSB is also a wholly owned subsidiary of the Company.

DMSB is expected to acquire the entire issued and paid-up share capital of BMSB comprising of 2,050,000 ordinary share and 3,316,000 preference share. BMSB is a property investment company. The internal reorganisation is expected to be completed before end of October 2019.

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

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results for the second quarter ended 31 August 2019 to be false or misleading in any material aspect.

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

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

**BY ORDER OF THE BOARD**

Lee Sze Siang  
Executive Director  
9 October 2019