

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST
QUARTER AND THREE MONTHS ENDED
31 MAY 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		Increase/ (Decrease) %
		First quarter ended		
		2017 (Unaudited) RM '000	2016 (Unaudited) RM '000	
Revenue		167,463	192,621	-13.1%
Changes in inventories		(26,056)	(57,873)	-55.0%
Inventories purchased and material consumed		(92,338)	(79,094)	16.7%
Other operating income	1(a)(ii)	3,568	3,797	-6.0%
Employee benefits expenses		(9,460)	(10,070)	-6.1%
Rental of premises		(11,628)	(11,792)	-1.4%
Utilities and maintenance expenses		(1,410)	(1,363)	3.4%
Depreciation and amortisation		(1,400)	(1,347)	3.9%
Commission expenses		(513)	(600)	-14.5%
Professional fees		385	(1,435)	-126.8%
Promotional expenses		(350)	(219)	59.8%
Financial expenses		(141)	(742)	-81.0%
Gain arising from changes in fair value of option		5,996	-	n.m
Other operating expenses	1(a)(iii)	(12,106)	(6,738)	79.7%
Profit before income tax		22,010	25,145	-12.5%
Income tax expenses	1(a)(iv)	(5,490)	(5,318)	3.2%
Profit for the period		16,520	19,827	-16.7%
Profit attributable to:				
Owners of the Company		15,051	19,836	-24.1%
Non-controlling interests		1,469	(9)	n.m
		16,520	19,827	-16.7%

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		
	First quarter ended		
	31-May		
	2017	2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Profit for the period	16,520	19,827	-16.7%
Other comprehensive income:			
Foreign currency translation	-	-	-
Total comprehensive income for the period/year	16,520	19,827	-16.7%
Total comprehensive income attributable to:			
Owners of the Company	15,051	19,836	-24.1%
Non-controlling interests	1,469	(9)	n.m
	16,520	19,827	-16.7%

n.m - denotes not meaningful

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1(a)(ii) Other operating income

Other operating income includes:-

	Group		
	First quarter ended		
	31-May		
	2017	2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Rental income from:			
- advertisement space	767	926	-17.2%
- property, plant and equipment	152	145	4.8%
Commission income	134	171	-21.6%
Incentive income	4	51	-92.2%
Interest income	1,663	1,037	60.4%
Net foreign exchange gain	-	1,393	-100.0%

1(a)(iii) Other operating expenses

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

	Group		
	First quarter ended		
	31-May		
	2017	2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Assessment and quit rent	223	238	-6.3%
Auditors' remuneration	210	258	-18.6%
Bank charges	232	468	-50.4%
Donations	29	14	107.1%
Insurance	436	397	9.8%
Inventory written down	237	237	0.0%
Inventory written off	59	20	195.0%
Loss arising from changes in fair value of biological assets	41	181	-77.3%
Management fee	958	500	91.6%
Net foreign exchange loss	6,042	-	n.m
Packing materials	189	268	-29.5%
Property, plant and equipment written off	1	1	0.0%
Transportation costs	399	1,817	-78.0%
Travelling expenses	243	314	-22.6%
Reversal of inventories written down	(158)	(116)	36.2%

n.m - denotes not meaningful

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1(a)(iv) Income tax expenses

	Group		
	First quarter ended		
	31-May		
	2017	2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%
Current income tax attributable to continuing operations			
- current income tax	5,507	6,107	-9.8%
- over provision in respect of previous years	-	(1,051)	-100.0%
	<hr/>	<hr/>	<hr/>
	5,507	5,056	8.9%
Deferred income tax attributable to continuing operations	(17)	262	-106.5%
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Income tax expense recognised in profit or loss	5,490	5,318	3.2%

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

	Note	Group		Company	
		31.05.2017 (Unaudited) RM '000	28.02.2017 (Audited) RM '000	31.05.2017 (Unaudited) RM '000	28.02.2017 (Audited) RM '000
Assets					
Non-current assets					
Property, plant and equipment		73,920	74,379	-	-
Land use rights		23,698	23,814	-	-
Goodwill		28,816	28,816	-	-
Investment in subsidiaries		-	-	895,187	895,187
Prepayments		46,825	49,270	-	-
Deferred tax assets		847	853	-	-
		<u>174,106</u>	<u>177,132</u>	<u>895,187</u>	<u>895,187</u>
Current assets					
Biological assets	1(b)(iv)	146	187	-	-
Inventories		173,793	199,987	-	-
Tax recoverable		4,342	3,641	23	-
Trade and other receivables	1(b)(v)	76,042	56,698	-	36,148
Prepayments		12,102	11,705	4	12
Cash and bank balances		266,205	272,194	209,375	187,954
		<u>532,630</u>	<u>544,412</u>	<u>209,402</u>	<u>224,114</u>
Total assets		<u>706,736</u>	<u>721,544</u>	<u>1,104,589</u>	<u>1,119,301</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	1(b)(vii)	78,271	144,848	903	48,904
Borrowings	1(b)(ii) & (iii)	7,597	5,977	-	-
Income tax payable		3,792	3,954	-	61
Derivative liabilities		3,116	9,003	2,998	8,993
		<u>92,776</u>	<u>163,782</u>	<u>3,901</u>	<u>57,958</u>
Net current assets		439,854	380,630	205,501	166,156
Non-current liabilities					
Borrowings	1(b)(ii)	986	1,097	-	-
Deferred tax liabilities		4,346	4,368	-	-
		<u>5,332</u>	<u>5,465</u>	<u>-</u>	<u>-</u>
Total liabilities		98,108	169,247	3,901	57,958
Net assets		<u>608,628</u>	<u>552,297</u>	<u>1,100,688</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		(532)	(532)	(532)	(532)
Other reserves		(110,674)	(110,674)	31,710	31,710
Retained earnings/(accumulated losses)		85,396	70,345	(38,064)	(37,598)
		<u>590,942</u>	<u>536,080</u>	<u>1,100,688</u>	<u>1,061,343</u>
Non-controlling interests		17,686	16,217	-	-
Total equity		<u>608,628</u>	<u>552,297</u>	<u>1,100,688</u>	<u>1,061,343</u>
Total equity and liabilities		<u>706,736</u>	<u>721,544</u>	<u>1,104,589</u>	<u>1,119,301</u>

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

	31.05.2017		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	7,597	-	5,977	-
Amount repayable after one year	986	-	1,097	-

Details of any collateral

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM10,720,000 (28.02.2017: RM10,678,000); and
- corporate guarantees from the Company and the penultimate holding company.

1(b)(iii) Short term borrowings

	31.05.2017 RM'000	28.02.2017 RM'000
The Group's short term borrowings are for:		
- trade facilities	7,168	5,540
- hire purchases	429	437
	<u>7,597</u>	<u>5,977</u>

1(b)(iv) Biological assets

	31.05.2017 RM'000	28.02.2017 RM'000
At fair value:		
Balance b/f	187	182
Fair value changes	(41)	5
Balance c/f	<u>146</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

	31.05.2017 RM'000	28.02.2017 RM'000
Trade receivables, net	25,900	6,522
Deposits	3,666	3,539
Sundry receivables, net:		
- amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report)	40,454	40,434
- others	6,022	6,203
	<u>76,042</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	
	31.05.2017	28.02.2017
	RM'000	RM'000
Trade payables	56,283	69,373
Other payables	21,428	24,203
Dividends payable to ordinary shareholders by the Company	-	46,995
Dividends payable to non-controlling interests by subsidiaries	-	3,717
Deposit received for the Disposals	560	560
	<u>78,271</u>	<u>144,848</u>

	Company	
	31.05.2017	28.02.2017
	RM'000	RM'000
Dividends payable to ordinary shareholders	-	46,995
Sundry payables, net:		
- others	903	1,909
	<u>903</u>	<u>48,904</u>

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

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

	Group	
	First quarter ended	
	31-May	
	2017	2016
	(Unaudited)	(Unaudited)
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	22,010	25,145
Adjustments for:-		
Depreciation and amortisation	1,400	1,347
Loss arising from changes in fair values of biological assets	41	181
Gain arising from changes in fair values of option	(5,996)	-
Finance cost	141	742
Interest income	(1,663)	(1,037)
Inventory written down	237	237
Inventory written off	59	20
Property, plant and equipment written off	1	1
Reversal of inventories written down	(158)	(116)
Net unrealised foreign exchange loss/(gain)	5,824	(2,258)
Operating cash flows before changes in working capital	21,896	24,262
(Increase)/decrease in receivables	(19,291)	2,659
Decrease in prepayments	2,048	976
Decrease in inventories	26,056	57,731
Decrease in payables	(14,211)	(71,836)
Cash generated from operations	16,498	13,792
Tax paid	(6,370)	(5,337)
Interest paid	(141)	(716)
Net cash generated from operating activities	9,987	7,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,643	1,028
Purchase of property, plant and equipment and land use rights	(826)	(429)
Net cash generated from investing activities	817	599

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

	Group	
	First quarter ended	
	31-May	
	2017	2016
	(Unaudited)	(Unaudited)
	RM '000	RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in pledged fixed deposits	(42)	-
Repayment of term loans	-	(1,000)
Proceeds from other short term borrowings	1,628	10,900
Net repayment of hire purchase and lease financing	(119)	(99)
Proceeds from placement of treasury shares	-	5,099
Proceeds from issuance of new ordinary shares	39,811	36,226
Dividends paid to the ordinary shareholders of the Company	(47,326)	-
Dividends paid to non-controlling interests of subsidiaries	(3,716)	-
Net cash (used in)/generated from financing activities	<u>(9,764)</u>	<u>51,126</u>
Net increase in cash and cash equivalents	1,040	59,464
Effects of foreign exchange rate changes	(7,071)	(1)
Cash and cash equivalents at beginning of period	261,516	38,818
Cash and cash equivalents at end of period	<u>255,485</u>	<u>98,281</u>
Cash and cash equivalents carried forward consists of :-		
Deposits with licenced banks	244,056	16,798
Less : Pledged deposits	<u>(10,720)</u>	<u>(10,461)</u>
	233,336	6,337
Cash and bank balances	<u>22,149</u>	<u>91,944</u>
	<u>255,485</u>	<u>98,281</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											
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	-	-	-	-	-	-	-	19,836	19,836	(9)	19,827
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	19,836	19,836	(9)	19,827
Transactions with owners:											
Placement of treasury shares	-	-	4,306	793	-	-	793	-	5,099	-	5,099
Allotment of new ordinary shares	36,226	-	-	-	-	-	-	-	36,226	-	36,226
Dividend on ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	36,226	-	4,306	793	-	-	793	-	41,325	-	41,325
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
At 31 May 2016	522,566	2,778	(532)	(110,542)	29	(142,413)	31,842	48,782	463,052	77	463,129

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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 RM'000	Share premium 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	Others reserve RM'000			Retained earnings RM'000	Total 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	-	-	-	-	-	-	-	15,051	15,051	1,469	16,520
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	15,051	15,051	1,469	16,520
Transactions with owners:											
Placement of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Allotment of new ordinary shares	41,032	-	-	-	-	-	-	-	41,032	-	41,032
Share issuance expenses	(1,221)	-	-	-	-	-	-	-	(1,221)	-	(1,221)
Dividend on ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	39,811	-	-	-	-	-	-	-	39,811	-	39,811
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
At 31 May 2017	616,752	-	(532)	(110,674)	29	(142,413)	31,710	85,396	590,942	17,686	608,628

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

	Ordinary shares RM'000	Treasury shares RM'000	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	-	-	-	(453)	(453)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(453)	(453)
Transactions with owners:					
Placement of treasury shares	-	4,306	793	-	5,099
Allotment of new ordinary shares	36,226	-	-	-	36,226
Dividend	-	-	-	-	-
	36,226	4,306	793	-	41,325
At 31 May 2016	1,016,166	(532)	31,842	(55,487)	991,989

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

	Ordinary shares RM'000	Treasury shares RM'000	Other 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	-	-	-	(466)	(466)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(466)	(466)
Transactions with owners:					
Placement of treasury shares	-	-	-	-	-
Allotment of new ordinary shares	41,032	-	-	-	41,032
Share issuance expenses	(1,221)	-	-	-	(1,221)
Dividend	-	-	-	-	-
	39,811	-	-	-	39,811
At 31 May 2017	1,107,574	(532)	31,710	(38,064)	1,100,688

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 28 February 2017	1,194,350	1,067,763
Issuance of new ordinary shares	34,150	39,811
As at 31 May 2017	1,228,500	1,107,574

Outstanding Convertible Securities

	Company	
	As at 31 May 2017	As at 31 May 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)	1,228,500	1,144,350
As a percentage of total ordinary shares issued (%)	40.0	-

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

On 13 February 2017, an announcement was made by the Company in relation to the issuance of an aggregate of 18,500,000 new ordinary shares in the capital of the Company (the “**Subscription Shares 1**”) at an issue price of S\$0.38 for each Subscription Share (the “**Subscription 1**”), representing approximately 1.55% of the total number of issued ordinary shares of the Company.

On 24 February 2017, an announcement was made by the Company in relation to the issuance of an aggregate of 15,650,000 ordinary shares in the capital of the Company (the “**Subscription Shares 2**”) at an issue price of S\$0.38 for each Subscription Share (the “**Subscription 2**”), representing approximately 1.31% of the total number of issued ordinary shares of the Company as at the date of the announcement.

Further to the Company’s announcement on 16 March 2017 in relation to the Approval In-Principle, the total 34,150,000 Subscription Shares 1 and Subscription Shares 2 were issued and allotted to the Subscribers pursuant to the Subscription 1 and Subscription 2 on 23 March 2017. These Subscription Shares were subsequently listed and quoted on the Mainboard on 24 March 2017.

On 24 March 2017, the Company had proposed a bonus issue of up to 491,400,157 warrants (“**Bonus Warrants**”), on the basis of two (2) Bonus Warrants for every five (5) existing ordinary shares in the capital of the Company (“**Proposed Bonus Warrant Issue**”) held by the shareholders of the company (“**Shareholders**”) as at 5.00 p.m. on 9 May 2017 (the “**Book Closure Date**”).

On 28 April 2017, the proposed Bonus Warrant was approved with the exercise price of SGD0.43 per each new share.

Further to the announcements in relation to the Proposed Bonus Warrant Issue, the Company had on 16 May 2017 announced that 491,400,042 Bonus Warrants have been issued and allotted to Shareholders who are entitled to the Bonus Warrants as at 5.00pm on 9 May 2017 pursuant to the Proposed Bonus Warrants Issue. The Bonus Warrants were subsequently listed and quoted on the Official List of the SGX-ST with effect from 9.00 a.m. on 18 May 2017.

Please refer to the Company’s announcement dated 16 May 2017 on SGX-ST website for further information on the Bonus issue/Capitalisation issue.

As at the date of this announcement, the Company’s issued and paid-up share capital comprises 1,228,500,393 ordinary shares, excluding treasury shares and Company has 491,400,042 outstanding convertible warrants each with exercise price of S\$0.43 expiring 13 May 2022. The Company’s treasury shares as at the date of this announcement is 698,000.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 May 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 May 2017 was 1,228,500,393 (28 February 2017: 1,194,350,393). Total treasury shares as at 31 May 2017 was 698,000 (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 three months ended 31 May 2017 ("1Q FY2018"), there were no sales, transfer, disposals, cancellation and/or use of treasury shares.

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	
	First quarter ended	
	31 May	
	2017	2016
	RM'000	RM'000
Profit for the period, net of tax attributable to owners of the Company	15,051	19,836
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,216,993	1,129,356
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,216,993	1,129,356
Earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen):		
(a) Basic	1.24	1.76
(b) Fully diluted	1.24	1.76

For 1Q FY2018 and 1Q 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.

For 1Q FY2018, the warrants are antidilutive, therefore earnings per share on a fully diluted basis is the same as 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	As at	As at	As at
	31 May	28 Feb	31 May	28 Feb
	2017	2017	2017	2017
Net asset value per ordinary share (RM sen)	48.10	44.88	89.60	88.86
Number of shares used in calculating net asset value per share ('000)	1,228,500	1,194,350	1,228,500	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

First quarter ended 31 May 2017 ("1Q FY2018") vs First quarter ended 31 May 2016 ("1Q FY2017")

Revenue

The Group recorded a revenue of RM167.5 million in 1Q FY2018, representing a decrease of 13.1% or RM25.1 million, over the revenue of RM192.6 million in 1Q 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 1Q FY2018, the value of the closing inventories was lower than the value of the opening inventories by RM26.1 million. In 1Q FY2017, the value of the closing inventories was lower by RM57.9 million. This resulted in a variance of RM31.8 million for 1Q FY2018 vis-à-vis 1Q 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 increased by 16.7% or RM13.2 million, from RM79.1 million in 1Q FY2017 to RM92.3 million in 1Q FY2018. This was mainly due to higher purchases as compared with the corresponding quarter of the previous financial year.

Other operating income

Other operating income decreased by RM0.2 million from RM3.8 million in 1Q FY2017 to RM3.6 million in 1Q FY2018. The decrease was mainly due to the absence of net foreign exchange gain of RM1.4 million, which was recorded in 1Q FY2017 as well as lower rental income of RM0.2 million. However, the decrease was partially offset by an increase in interest income of RM0.7 million.

Professional fees

Total professional fees decreased by RM1.8 million or 126.8%, from RM1.4 million in 1Q FY2017 to a negative position of RM0.4 million in 1Q FY2018. The decrease was mainly due to advisory and consultancy services incurred in relation to certain corporate exercises in 1Q FY2017 which amounted to RM1.3 million, coupled with a reversal of over accrued professional fees of RM0.8 million during the quarter under review.

Financial expenses

Financial expenses comprised interest expense incurred on borrowings, finance lease and finance charges for trade facilities. Total financial expenses for 1Q FY2018 was RM0.1 million, which was RM0.6 million lower than the RM0.7 million recorded in 1Q FY2017. The decrease was mainly due to lower interest expense in tandem with the full settlement of term loan in June 2016.

Gain arising from changes in fair value of option

Gain arising from changes in fair value of option was RM6.0 million in 1Q 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 1Q FY2018 increased by 79.7% or RM5.4 million, from RM6.7 million in 1Q FY2017 to RM12.1 million in 1Q FY2018. This was mainly attributable to net loss in foreign exchange of RM6.0 million, arising from the Singapore Dollar and US dollar deposit placements, after effects of weaker Ringgit Malaysia against the US dollar and Singapore Dollar during 1Q FY2018. The increase was also due to higher management fee of RM0.5 million in 1Q FY2018. However the increase in expenses was partly offset by decrease in transportation costs of RM1.4 million as compared to 1Q FY2017.

The rest of the expenses on the Group's profit and loss account remained largely unchanged in 1Q FY2018 as compared to 1Q FY2017.

Profit before income tax

The Group reported a profit before income tax of RM22.0 million for 1Q FY2018, which was 12.5% or RM3.1 million lower than the profit before income tax of RM25.1 million recorded in 1Q FY2017. The decrease was mainly due to a decrease in revenue as mentioned above, coupled with net loss in foreign exchange of RM6.0 million in 1Q FY2018 as compared to net foreign exchange gain of RM1.4 million in 1Q FY2017. However, the negative effects was partially offset by decrease in transportation costs of RM1.4 million and also recognition of gain arising from changes in fair value of option amounting to RM6.0 million.

Income tax expenses

The Malaysia statutory income tax rate is 24% for year of assessment 2018 (2017: 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 expenses in 1Q FY2018 of RM5.5 million mainly comprised provision for taxation for current year to date profits. The effective tax rate of the Group for 1Q FY2018 at 24.9% was slightly higher than the statutory rate, principally due to higher non-deductible expenses relating to unrealised foreign exchange loss for the period.

Statement of Financial Position

Assets

Non-current prepayments

Non-current prepayments decreased by RM2.5 million, from RM49.3 million as at 28 February 2017 to RM46.8 million as at 31 May 2017 which were mainly related to rental paid in advance for the Group's retail outlets.

Trade and other receivables

Trade receivables increased by RM19.4 million, from RM6.5 million as at 28 February 2017 to RM25.9 million as at 31 May 2017, which was mainly due to timing differences in trade-related collections. The increase was, however partially offset by decrease in sundry receivables from RM6.2 million as at 28 May 2017 to RM6.0 million as at 31 May 2017.

Inventories

Inventories decreased by RM26.2 million, from RM200.0 million as at 28 February 2017 to RM173.8 million as at 31 May 2017, mainly due to a decrease of overall purchases during the period.

Other than Cash and Bank balances which decreased by RM6.0 million from RM272.2 million to RM266.2 million, the rest of the asset items on the Group's statement of financial position remained largely unchanged as at 31 May 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 RM13.1 million, from RM69.4 million as at 28 February 2017 to RM56.3 million as at 31 May 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 RM3.1 million as at 31 May 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 increased by RM1.5 million, from RM7.1 million as at 28 February 2017 to RM8.6 million as at 31 May 2017, mainly due to increase in trade facilities utilisation of RM1.6 million.

As at 31 May 2017, the Group was in a positive working capital position of RM439.3 million.

Equity

Total equity increased by RM56.3 million, from RM552.3 million as at 28 February 2017 to RM608.6 million as at 31 May 2017, mainly due to profit for the period of RM15.1 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 RM1.5 million.

Statement of Cash Flows

The Group generated operating cash flow of RM10.0 million for 1Q FY2018. Net cash generated from investing activities was RM0.8 million for 1Q FY2018, mainly arising from interest received of RM1.6 million and partially offset by purchase of plant and equipment amounting to RM0.8 million. Net cash used in financing activities for 1Q FY2018 of RM9.8 million was mainly due to dividend payout of RM51.0 million. However, the cash flow was partially offset by net proceeds from issuance of new ordinary shares of RM39.8 million, as well as proceeds from short term borrowing of RM1.6 million. Overall, the cash and cash equivalents of the Group increased by RM1.0 million for 1Q FY2018, ending the period with cash and cash equivalents of RM255.5 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

In light of the current economic environments, with the volatile Ringgit Malaysia against the US Dollar, rise of inflationary cost and weak consumers’ purchasing sentiment, the business environment in which the Group operates is expected to remain challenging. The Group will continue its efforts to identify new market opportunities and strategies to further strengthen its operational efficiency, together with close monitoring of the key cost drivers, in order to stay 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?

Yes

Name of dividend	First Interim
Dividend type	Cash
Dividend amount per share	S\$0.0035 per share
Tax rate	One tier exempt
Date payable	16 August 2017
Book closure date	31 July 2017

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend	First Interim
Dividend type	Cash
Dividend amount per share	S\$0.0125 per share
Tax rate	One tier exempt
Date payable	10 August 2016
Book closure date	22 July 2016

(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	500	- (Note 1)

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

14 Use of proceeds from placement exercises

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

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

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

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	
	First quarter ended	
	31 May	
	2017	2016
	RM'000	RM'000
Related company:		
- Management fee	500	500
Related parties:		
- Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP")	58,091	-
- Management fee paid/payable to HAP	458	-
- Ad-space rental received/receivable from HAP	441	-
- Reimbursement of costs from HAP	1,389	-

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

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results for the first quarter and three months ended 31 May 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
12 July 2017