

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND
QUARTER AND HALF YEAR ENDED
31 AUGUST 2016**

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		
	2016	Restated 2015	Increase/ (Decrease)	2016	Restated 2015	Increase/ (Decrease)
	(Unaudited) RM '000	(Unaudited) RM '000	%	(Unaudited) RM '000	(Unaudited) RM '000	%
Revenue	156,966	149,977	4.7%	349,587	289,644	20.7%
Changes in inventories	(1,626)	10,061	n.m	(59,499)	33,867	n.m
Inventories purchased and material consumed	(106,757)	(115,433)	-7.5%	(185,851)	(234,635)	-20.8%
Other operating income	3,136	2,626	19.4%	6,752	5,562	21.4%
Employee benefits expenses	(9,008)	(8,131)	10.8%	(19,078)	(16,405)	16.3%
Rental of premises	(11,312)	(9,779)	15.7%	(23,104)	(19,581)	18.0%
Utilities and maintenance expenses	(1,374)	(1,318)	4.2%	(2,737)	(2,613)	4.7%
Depreciation and amortisation	(1,375)	(1,243)	10.6%	(2,722)	(2,410)	12.9%
Commission expenses	(592)	(546)	8.4%	(1,192)	(1,068)	11.6%
Professional fees	906	(1,764)	n.m	(529)	(2,001)	-73.6%
Promotional expenses	(451)	(252)	79.0%	(670)	(701)	-4.4%
Financial expenses	(279)	(558)	-50.0%	(1,021)	(1,231)	-17.1%
Other operating expenses	(6,879)	(9,060)	-24.1%	(13,436)	(14,251)	-5.7%
Profit before income tax	21,355	14,580	46.5%	46,500	34,177	36.1%
Income tax expenses	(5,929)	(5,118)	15.8%	(11,247)	(10,201)	10.3%
Profit for the period	15,426	9,462	63.0%	35,253	23,976	47.0%
Profit attributable to:						
Owners of the Company	13,848	9,485	46.0%	33,684	24,022	40.2%
Non-controlling interests	1,578	(23)	n.m	1,569	(46)	n.m
	15,426	9,462	63.0%	35,253	23,976	47.0%

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 Second quarter ended 31 August			Group Half year ended 31 August		
	2016 (Unaudited)	Restated 2015 (Unaudited)	Increase/ (Decrease)	2016 (Unaudited)	Restated 2015 (Unaudited)	Increase/ (Decrease)
	RM '000	RM '000	%	RM '000	RM '000	%
Profit for the period	15,426	9,462	63.0%	35,253	23,976	47.0%
Other comprehensive income:						
Foreign currency translation	-	-	-	-	-	-
Total comprehensive income for the period/year	15,426	9,462	63.0%	35,253	23,976	47.0%
Total comprehensive income attributable to:						
Owners of the Company	13,848	9,485	46.0%	33,684	24,022	40.2%
Non-controlling interests	1,578	(23)	n.m	1,569	(46)	n.m
	15,426	9,462	63.0%	35,253	23,976	47.0%

n.m - denotes not meaningful

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1(a)(ii) Other operating income

Other operating income includes:-

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
	2016	2015	Increase/	2016	2015	Increase/
	(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%	RM '000	RM '000	%
Rental income from:						
- advertisement space	578	955	-39.5%	1,504	1,927	-22.0%
- property, plant and equipment	145	147	-1.4%	290	293	-1.0%
Commission income	104	20	420.0%	275	152	80.9%
Incentive income	77	47	63.8%	128	114	12.3%
Interest income	1,356	1,040	30.4%	2,393	2,218	7.9%
Gain/(loss) on disposal of property, plant and equipment	-	24	-100.0%	-	(5)	-100.0%
Reversal of impairment losses for:						
- property, plant and equipment	-	153	-100.0%	-	379	-100.0%
- land use rights	-	39	-100.0%	-	78	-100.0%
Net foreign exchange gain	460	-	n.m	1,853	-	n.m

1(a)(iii) Other operating expenses

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

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
	2016	2015	Increase/	2016	2015	Increase/
	(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)
	RM '000	RM '000	%	RM '000	RM '000	%
Assessment and quit rent	281	(252)	n.m	519	459	13.1%
Auditors' remuneration	479	232	106.5%	737	449	64.1%
Bad debts written off	-	8	-100.0%	-	8	-100.0%
Bank charges	474	314	51.0%	942	631	49.3%
Donations	1,014	12	8350.0%	1,028	25	4012.0%
Insurance	755	479	57.6%	1,152	938	22.8%
Inventory written down	10	-	n.m	247	-	n.m
Inventory written off	23	16	43.8%	43	36	19.4%
Management fee	863	500	72.6%	1,363	1,000	36.3%
Net foreign exchange loss	-	4,553	-100.0%	-	4,498	-100.0%
Packing materials	157	183	-14.2%	425	370	14.9%
Property, plant and equipment written off	12	10	20.0%	13	32	-59.4%
Transportation costs	1,219	1,187	2.7%	3,036	2,359	28.7%
Travelling expenses	283	210	34.8%	597	451	32.4%
Reversal of inventories written down	(152)	-	n.m	(268)	(202)	32.7%

n.m - denotes not meaningful

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1(a)(iv) Income tax expenses

	Group			Group		
	Second quarter ended			Half year ended		
	31 August			31 August		
2016	2015	Increase/	2016	2015	Increase/	
(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)	
RM '000	RM '000	%	RM '000	RM '000	%	
Current income tax attributable to continuing operations						
- current income tax	5,909	5,559	6.3%	12,016	10,785	11.4%
- over provision in respect of previous years	(17)	(453)	-96.2%	(1,068)	(457)	133.7%
	5,892	5,106	15.4%	10,948	10,328	6.0%
Deferred income tax attributable to continuing operations	37	12	208.3%	299	(127)	n.m
Income tax expense recognised in profit or loss	5,929	5,118	15.8%	11,247	10,201	10.3%

n.m - denotes not meaningful

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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	
		31.08.2016 (Unaudited) RM '000	Restated 29.02.2016 (Unaudited) RM '000	Restated 01.03.2015 (Unaudited) RM '000	31.08.2016 (Unaudited) RM '000	29.02.2016 (Audited) RM '000
Assets						
Non-current assets						
Property, plant and equipment		74,776	74,738	73,070	-	-
Land use rights		24,038	24,279	24,744	-	-
Goodwill		28,816	28,816	28,816	-	-
Investment in subsidiaries		-	-	-	894,875	969,242
Prepayments		54,160	59,050	68,831	-	-
Deferred tax assets		926	948	608	-	-
		<u>182,716</u>	<u>187,831</u>	<u>196,069</u>	<u>894,875</u>	<u>969,242</u>
Current assets						
Biological assets	1(b)(iv)	250	352	302	-	-
Inventories		217,184	297,167	170,994	-	-
Tax recoverable		2,012	1,721	1,288	-	-
Trade and other receivables	1(b)(v)	61,686	63,372	64,022	-	3,732
Prepayments		12,847	11,612	11,572	13,401	67
Cash and bank balances		209,193	49,279	76,055	167,235	136
Derivative assets		93	-	168	-	-
		<u>503,265</u>	<u>423,503</u>	<u>324,401</u>	<u>180,636</u>	<u>3,935</u>
Total assets		<u>685,981</u>	<u>611,334</u>	<u>520,470</u>	<u>1,075,511</u>	<u>973,177</u>
Equity and liabilities						
Current liabilities						
Trade and other payables	1(b)(vii)	66,831	144,105	74,943	3,484	22,047
Borrowings	1(b)(ii) & (iii)	30,096	38,958	31,684	-	-
Income tax payable		8,781	7,212	2,870	1	13
Derivative liabilities		13,038	1,632	-	13,038	-
		<u>118,746</u>	<u>191,907</u>	<u>109,497</u>	<u>16,523</u>	<u>22,060</u>
Net current assets/(liabilities)		384,519	231,596	214,904	164,113	(18,125)
Non-current liabilities						
Borrowings	1(b)(ii)	854	12,811	16,749	-	-
Deferred tax liabilities		4,916	4,639	4,588	-	-
		<u>5,770</u>	<u>17,450</u>	<u>21,337</u>	<u>-</u>	<u>-</u>
Total liabilities		124,516	209,357	130,834	16,523	22,060
Net assets		<u>561,465</u>	<u>401,977</u>	<u>389,636</u>	<u>1,058,988</u>	<u>951,117</u>
Equity attributable to owners of the Company						
Share capital		574,163	486,340	486,331	1,067,763	979,940
Share premium		2,778	2,778	2,778	-	-
Treasury shares		(532)	(4,838)	(4,838)	(532)	(4,838)
Other reserves		(110,674)	(111,335)	(111,335)	31,710	31,049
Retained earnings/(accumulated losses)		78,459	28,946	16,533	(39,953)	(55,034)
		<u>544,194</u>	<u>401,891</u>	<u>389,469</u>	<u>1,058,988</u>	<u>951,117</u>
Non-controlling interests		17,271	86	167	-	-
Total equity		<u>561,465</u>	<u>401,977</u>	<u>389,636</u>	<u>1,058,988</u>	<u>951,117</u>
Total equity and liabilities		<u>685,981</u>	<u>611,334</u>	<u>520,470</u>	<u>1,075,511</u>	<u>973,177</u>

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

	31.08.2016		29.02.2016	
	Secured RM '000	Unsecured RM '000	Secured RM '000	Unsecured RM '000
Amount repayable in one year or less or on demand	30,096	-	38,958	-
Amount repayable after one year	854	-	12,811	-

Details of any collateral

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM10,600,000 (29.02.2016: RM10,461,000); and
- corporate guarantees from the Company and the penultimate holding company.

1(b)(iii) Short term borrowings

	31.08.2016 RM'000	29.02.2016 RM'000
The Group's short term borrowings are for:		
- trade facilities	29,674	34,577
- hire purchases	377	350
- other borrowings	45	4,031
	<u>30,096</u>	<u>38,958</u>

1(b)(iv) Biological assets

	31.08.2016 RM'000	Restated 29.02.2016 RM'000
At fair value:		
Balance b/f	352	302
Fair value changes	(102)	50
Balance c/f	<u>250</u>	<u>352</u>

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

1(b)(v) Trade and other receivables

	31.08.2016 RM'000	29.02.2016 RM'000
Trade receivables, net	8,429	10,510
Deposits	3,509	3,427
Sundry receivables, net:		
- amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report)	40,462	40,444
- others	9,286	8,991
	<u>61,686</u>	<u>63,372</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 31 August 2016 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.

The unpaid balance of RM40.0 million was initially due on 15 April 2016. On 15 April 2016, DMSB received RM0.9 million, being payment of accrued interest up to that date, and BWSB requested for a further deferment of the unpaid consideration of RM40.0 million to be paid on or before 15 April 2017. BWSB will 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	
	31.08.2016 RM'000	29.02.2016 RM'000
Trade payables	46,109	123,633
Other payables	20,162	19,912
Deposit received for the Disposals	560	560
	<u>66,831</u>	<u>144,105</u>

	Company	
	31.08.2016 RM'000	29.02.2016 RM'000
Sundry payables, net:		
- amount due to related company	200	20,301
- others	3,284	1,746
	<u>3,484</u>	<u>22,047</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 Second quarter ended 31 August		Group Half year ended 31 August	
	2016 (Unaudited) RM '000	Restated 2015 (Unaudited) RM '000	2016 (Unaudited) RM '000	Restated 2015 (Unaudited) RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	21,355	14,580	46,500	34,177
Adjustments for:-				
Bad debts written off	-	8	-	8
Depreciation and amortisation	1,375	1,243	2,722	2,410
(Gain)/loss on disposal of property, plant and equipment	-	(24)	-	5
(Gain)/loss arising from changes in fair values of biological assets	(79)	(56)	102	(96)
Finance cost	279	558	1,021	1,231
Interest income	(1,356)	(1,040)	(2,393)	(2,218)
Inventory written down	10	-	247	-
Inventory written off	23	16	43	36
Property, plant and equipment written off	12	10	13	32
Reversal of inventories written down	(152)	-	(268)	(202)
Reversal of impairment losses for property, plant and equipment	-	(153)	-	(379)
Reversal of impairment losses for land use rights	-	(39)	-	(78)
Net unrealised foreign exchange (gain)/loss	756	4,512	(1,502)	3,824
Operating cash flows before changes in working capital	22,223	19,615	46,485	38,750
(Increase)/decrease in receivables	(865)	8,246	1,794	(1,062)
Decrease in prepayments	2,679	1,817	3,655	4,607
Decrease/(increase) in inventories	22,231	(23,019)	79,962	(46,643)
(Decrease)/increase in payables	(5,809)	3,759	(77,645)	24,466
Cash generated from operations	40,459	10,418	54,251	20,118
Tax paid	(4,333)	(3,032)	(9,670)	(6,416)
Interest paid	(291)	(593)	(1,007)	(1,235)
Net cash generated from operating activities	35,835	6,793	43,574	12,467
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,347	917	2,375	2,098
Proceeds from the Disposals	-	5,000	-	7,500
Proceeds from disposal of property, plant and equipment	-	25	-	155
Purchase of property, plant and equipment and land use rights	(1,833)	(665)	(2,262)	(2,658)
Net cash (used in)/generated from investing activities	(486)	5,277	113	7,095

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

	Group		Group	
	Second quarter ended		Half year ended	
	31 August		31 August	
	Restated		Restated	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in pledged fixed deposits	(140)	(80)	(140)	(162)
Repayment of term loans	(15,000)	(1,000)	(16,000)	(5,645)
Repayment of other short term borrowings	(15,740)	(23,271)	(4,840)	(6,715)
Net repayment of hire purchase and lease financing	(101)	(93)	(200)	(319)
Net proceeds from issuance of new ordinary shares	51,597	-	87,823	-
Net proceeds from disposal of equity shares of subsidiary to non-controlling interests and issuance of options	87,711	-	87,711	-
Net proceeds from placement of treasury shares	(132)	-	4,967	-
Dividends paid to the ordinary shareholders of the Company	(43,228)	-	(43,228)	(29,700)
Net cash generated from/(used in) financing activities	<u>64,967</u>	<u>(24,444)</u>	<u>116,093</u>	<u>(42,541)</u>
Net increase/(decrease) in cash and cash equivalents	100,316	(12,374)	159,780	(22,979)
Effects of foreign exchange rate changes	(4)	28	(5)	4
Cash and cash equivalents at beginning of period/year	98,281	55,211	38,818	65,840
Cash and cash equivalents at end of period/year	<u>198,593</u>	<u>42,865</u>	<u>198,593</u>	<u>42,865</u>
Cash and cash equivalents carried forward consists of :-				
Deposits with licenced banks	19,946	36,098	19,946	36,098
Less : Pledged deposits	<u>(10,600)</u>	<u>(10,377)</u>	<u>(10,600)</u>	<u>(10,377)</u>
	9,346	25,721	9,346	25,721
Cash and bank balances	189,247	19,970	189,247	19,970
Bank overdrafts	-	(2,826)	-	(2,826)
	<u>198,593</u>	<u>42,865</u>	<u>198,593</u>	<u>42,865</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 2015	486,331	2,778	(4,838)	(111,335)	29	(142,413)	31,049	18,611	391,547	167	391,714
Adoption of Amendments to FRS16 and FRS 41	-	-	-	-	-	-	-	(2,078)	(2,078)	-	(2,078)
At 1 March 2015 (restated)	486,331	2,778	(4,838)	(111,335)	29	(142,413)	31,049	16,533	389,469	167	389,636
Profit, net of tax	-	-	-	-	-	-	-	24,022	24,022	(46)	23,976
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	24,022	24,022	(46)	23,976
Transactions with owners:											
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Exercise of warrants	-	-	-	-	-	-	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-	-	-	(49,294)	(49,294)	-	(49,294)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	(49,294)	(49,294)	-	(49,294)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
At 31 August 2015 (restated)	486,331	2,778	(4,838)	(111,335)	29	(142,413)	31,049	(8,739)	364,197	121	364,318

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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 →							Retained earnings RM'000	Total RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
	← 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				
GROUP (Cont'd)											
At 1 March 2016	486,340	2,778	(4,838)	(111,335)	29	(142,413)	31,049	31,387	404,332	86	404,418
Adoption of Amendments to FRS16 and FRS 41	-	-	-	-	-	-	-	(2,441)	(2,441)	-	(2,441)
At 1 March 2016 (restated)	486,340	2,778	(4,838)	(111,335)	29	(142,413)	31,049	28,946	401,891	86	401,977
Profit, net of tax	-	-	-	-	-	-	-	33,684	33,684	1,569	35,253
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	33,684	33,684	1,569	35,253
Transactions with owners:											
Placement of treasury shares	-	-	4,306	793	-	-	793	-	5,099	-	5,099
Allotment of new ordinary shares	90,659	-	-	-	-	-	-	-	90,659	-	90,659
Share issuance expenses	(2,836)	-	-	(132)	-	-	(132)	-	(2,968)	-	(2,968)
Dividend on ordinary shares	-	-	-	-	-	-	-	(43,228)	(43,228)	-	(43,228)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	87,823	-	4,306	661	-	-	661	(43,228)	49,562	-	49,562
Transactions with non-controlling interests:											
Disposal of equity shares of subsidiary to non-controlling interests *	-	-	-	-	-	-	-	59,057	59,057	15,616	74,673
At 31 August 2016	574,163	2,778	(532)	(110,674)	29	(142,413)	31,710	78,459	544,194	17,271	561,465

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

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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

	Ordinary shares RM'000	Treasury shares RM'000	Others reserve RM'000	Accumulated losses RM'000	Total equity RM'000
<u>COMPANY (Cont'd)</u>					
At 1 March 2015	979,931	(4,838)	31,049	(58,986)	947,156
Profit, net of tax	-	-	-	48,431	48,431
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	48,431	48,431
Transactions with owners:					
Dividend	-	-	-	(49,294)	(49,294)
At 31 August 2015	979,931	(4,838)	31,049	(59,849)	946,293

DUTY FREE INTERNATIONAL LIMITED

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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

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

1(d)(ii) Details of any changes in the Company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all outstanding convertibles as well as the number of shares held as treasury shares if any, against the total number of issued shares excluding treasury shares 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.

Share Capital – Ordinary Shares

	Company	
	Number of Shares '000	Share Capital RM'000
As at 31 May 2016	1,144,350	1,016,166
Issuance of new ordinary shares	50,000	51,597
As at 31 August 2016	1,194,350	1,067,763

Outstanding Convertible Securities

	Company	
	As at 31 August 2016	As at 31 August 2015
Number of outstanding convertible securities ('000)	-	122,975
Number of ordinary shares upon conversion of convertibles ('000)	-	122,975
Total number of ordinary shares issued excluding treasury shares ('000)	1,194,350	1,099,844
As a percentage of total ordinary shares issued (%)	-	11.2

Total treasury shares as at 31 August 2016 was 698,000 (31 August 2015: 6,198,000).

On 27 July 2016, an announcement was made by the Company in relation to the issuance of an aggregate of 20,000,000 ordinary shares in the capital of the Company (the “**Subscription Shares 1**”) at an issue price of S\$0.365 for each Subscription Share (the “**Subscription 1**”), representing approximately 1.75% of the total number of issued ordinary shares of the Company as at the date of the announcement. On 10 August 2016, part of Subscription Shares 1 amounting to 17,400,000 were issued and allotted to the Subscribers pursuant to the Subscription 1 and these Subscription Shares were subsequently listed and quoted on the Catalist on 12 August 2016. On 11 August 2016, the balance of 2,600,000 Subscription

Shares 1 were issued and allotted to the Subscribers pursuant to the Subscription 1. These Subscription Shares were subsequently listed and quoted on the Catalist on 15 August 2016.

On 10 August 2016, an announcement was made by the Company in relation to the issuance of an aggregate of 30,000,000 ordinary shares in the capital of the Company (the “**Subscription Shares 2**”) at an issue price of S\$0.365 for each Subscription Share (the “**Subscription 2**”), representing approximately 2.58% of the total number of issued ordinary shares of the Company as at the date of the announcement. On 26 August 2016, all of 30,000,000 Subscription Shares 2 were issued and allotted to the Subscriber pursuant to the Subscription 2. These Subscription Shares were subsequently listed and quoted on the Catalist on 30 August 2016.

As at the date of this announcement, the Company’s issued and paid-up share capital comprises 1,194,350,393 ordinary shares, excluding treasury shares. The Company’s treasury shares as at the date of this announcement is 698,000.

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 2016 was 1,194,350,393 (29 February 2016: 1,099,850,393). Total treasury shares as at 31 August 2016 was 698,000 (29 February 2016: 6,198,000).

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

During the second quarter ended 31 August 2016 (“2Q FY2017”), there were no sales, transfers, disposals, cancellation and/or use of treasury shares.

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 29 February 2016.

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 2016, 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.

Except for the adoption of the amendments to FRS 16 and FRS 41, 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.

The impact of adoption of amendments to FRS 16 and FRS 41 is summarized below:

Statement of Financial Position

	As at 29 February 2016		As at 1 March 2015	
	As previously stated (RM'000)	As restated (RM'000)	As previously stated (RM'000)	As restated (RM'000)
Property, plant & equipment	72,431	74,738	70,650	73,070
Biological assets (non-current)	5,100	-	4,800	-
Biological assets (current)	-	352	-	302
Retained earnings	31,387	28,946	18,611	16,533

Consolidated Income Statement

	2 nd Quarter ended 31 August 2015		Half year ended 31 August 2015	
	As previously stated (RM'000)	As restated (RM'000)	As previously stated (RM'000)	As restated (RM'000)
Gain arising from changes in fair values of biological assets	-	56	-	96
Depreciation & amortisation	1,215	1,243	2,354	2,410

	Full year ended 29 February 2016	
	As previously stated (RM'000)	As restated (RM'000)
Gain arising from changes in fair values of biological assets	300	50
Depreciation & amortisation	4,416	4,529

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 Second quarter ended 31 August		Group Half year ended 31 August	
	2016 RM'000	Restated 2015 RM'000	2016 RM'000	Restated 2015 RM'000
Profit for the period, net of tax attributable to owners of the Company	13,848	9,485	33,684	24,022
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,151,090	1,099,844	1,140,223	1,099,844
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,151,090	1,099,844	1,140,223	1,099,844
Earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen):				
(a) Basic	1.20	0.86	2.95	2.18
(b) Fully diluted	1.20	0.86	2.95	2.18

For 2Q FY2017 and 2Q FY2016, 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 2016	Restated As at 29 February 2016	As at 31 August 2016	As at 29 February 2016
Net asset value per ordinary share (RM sen)	45.56	36.54	88.67	86.48
Number of shares used in calculating net asset value per share ('000)	1,194,350	1,099,850	1,194,350	1,099,850

- 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 2016 ("2Q FY2017") vs Second quarter ended 31 August 2015 ("2Q FY2016")

Revenue

The Group recorded revenue of RM157.0 million in 2Q FY2017, representing an increase of 4.7% or RM7.0 million, over the revenue of RM150.0 million in 2Q FY2016, mainly derived from the retailing of duty free goods and non-dutiable merchandise ("Duty Free") segment.

The growth was mainly contributed by an increase in sales volume and improvement in the pricing for certain products as well as revenue contributed from the new outlets at Kuala Lumpur International Airport 2 ("KLIA 2").

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 FY2017, the value of the closing inventories was lower than the value of the opening inventories by RM1.6 million. In 2Q FY2016, the value of the closing inventories was higher by RM10.1 million. This resulted in a variance of RM11.7 million for 2Q FY2017 vis-à-vis 2Q FY2016, 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 7.5% or RM8.6 million, from RM115.4 million in 2Q FY2016 to RM106.8 million in 2Q FY2017. This was mainly due to lower purchases as compared with the corresponding quarter of the previous financial year.

Rental of premises

Rental of premises expenses comprised mainly rental payable to the airport authority and rental expenses of certain retail outlets. The rental of premises expenses recorded an increase of 15.7% or RM1.5 million, from RM9.8 million in 2Q FY2016 to RM11.3 million in 2Q FY2017, mainly due to rental expenses for the airport outlets at both Kuala Lumpur International Airport (“KLIA”) and KLIA 2 all totaling RM0.9 million. The increase was mainly due to opening of new outlets in KLIA 2. The rental payable for the KLIA outlets are based partly on sales performance. In addition, there was a provision of rental expenses amounting to RM0.5 million, based on sales performance, relating to the outlets in the Zon Johor Bahru.

Professional fees

Professional fees in 2Q FY2017 reduced by RM2.7 million as compared to RM1.8 million recorded in 2Q FY2016, mainly arising from a reclassification of referral fee relating to share issuance amounting to RM1.1 million, to equity account, as well as higher expenses incurred for advisory and consultancy services in relation to certain corporate exercises in 2Q FY2016.

Other operating expenses

Other operating expenses in 2Q FY2017 decreased by 24.1% or RM2.2 million, from RM9.1 million in 2Q FY2016 to RM6.9 million in 2Q FY2017. This was mainly attributable to the absence of net loss in foreign exchange of RM4.6 million. The decrease in net foreign exchange loss was mainly due to the weakening of the Ringgit Malaysia against US dollar in respects of payables denominated in US dollar in 2Q FY2016. However, the decrease in expenses was partly offset by increases in donation of RM1.0 million, management fee of RM0.4 million, insurance expenses of RM0.3 million and auditors’ remuneration of RM0.3 million.

The rest of the expenses on the Group’s profit and loss account remained largely unchanged in 2Q FY2017 as compared to 2Q FY2016.

Profit before income tax

The Group reported a profit before income tax of RM21.4 million for 2Q FY2017, which was 46.5% or RM6.8 million higher than the profit before income tax of RM14.6 million recorded in 2Q FY2016. The increase was mainly due to increased revenue, coupled with net gain in foreign exchange of RM0.4 million in 2Q FY2017 as compared to RM4.6 million net foreign exchange loss in 2Q FY2016. However, the positive effect was partially offset by increases in rental of premises of RM1.5 million and employee benefits expenses of RM0.9 million.

Half year ended 31 August 2016 (“1H FY2017”) vs Half year ended 31 August 2015 (“1H FY2016”)

The Group reported a profit before income tax of RM46.5 million for 1H FY2017, representing an increase of 36.1% or RM12.3 million as compared to RM34.2 million recorded in 1H FY2016. The increase in profit was mainly due to the increase in revenue, net gain in foreign exchange of RM1.9 million as compared to RM4.5 million net foreign exchange loss in 1H FY2016. The favorable impact of the above was partially offset by higher rental expenses of RM3.5 million and higher employee benefits expenses of RM2.7 million for the period under review.

Statement of Financial Position

Assets

Non-current prepayments

Non-current prepayments decreased by RM4.9 million, from RM59.1 million as at 29 February 2016 to RM54.2 million as at 31 August 2016 which were mainly related to rental paid in advance for the Group’s retail outlets.

Trade and other receivables

Trade receivables reduced by RM2.1 million, from RM10.5 million as at 29 February 2016 to RM8.4 million as at 31 August 2016, which was mainly due to timing differences in trade-related collections. The aforesaid decrease was partially offset by an increase in sundry receivables of RM0.3 million, from RM9.0 million as at 29 February 2016 to RM9.3 million as at 31 August 2016.

Inventories

Inventories decreased by RM80.0 million, from RM297.2 million as at 29 February 2016 to RM217.2 million as at 31 August 2016, mainly due to an increase in sales volume coupled with a decrease of overall purchases during the period.

The rest of the asset items on the Group’s statement of financial position remained largely unchanged as at 31 August 2016 vis-à-vis 29 February 2016.

Liabilities

Trade and other payables

The decrease in trade and other payables was mainly due to a decrease in trade payables by RM77.5 million, from RM123.6 million as at 29 February 2016 to RM46.1 million as at 31 August 2016. The aforesaid decrease was due to lower purchases during the period and also timing differences in the settlement of payables. In addition, other payables also decreased by RM0.3 million, from RM19.9 million as at 29 February 2016 to RM20.2 million as at 31 August 2016.

Derivative financial liabilities

Derivative financial liabilities of RM13.0 million as at 31 August 2016 was in relation to the fair value at initial recognition of call options issued which gives Heinemann Asia Pacific Pte Ltd (“HAP”) the option to acquire a maximum of 15% additional equity interest in DFZ Capital Berhad (“DFZ”), a subsidiary of the Company.

Borrowings

Total borrowings decreased by RM20.8 million, from RM51.8 million as at 29 February 2016 to RM31.0 million as at 31 August 2016, mainly due to repayment of term loan amounting to RM15.0 million, as well as a reduction in trade facilities utilisation of RM4.9 million.

As at 31 August 2016, the Group was in a positive working capital position of RM384.5 million.

Equity

Total equity increased by RM159.5 million, from RM402.0 million as at 29 February 2016 to RM561.5 million as at 31 August 2016, mainly due to profit for the period of RM33.7 million, gain on disposal of 10% equity interest plus 1 share in DFZ to HAP amounting to RM59.1 million, a net increase in share capital of RM87.8 million pursuant to the issuance of new ordinary shares and a decrease in treasury shares of RM4.3 million, a decrease in the negative other reserves amounting to RM0.7 million and an increase in non-controlling interests of RM17.2 million, partially offset by dividends paid of RM43.2 million.

Statement of Cash Flows

The Group generated operating cash flow of RM35.8 million for 2Q 2017 and RM43.6 million for 1H 2017. Net cash used in investing activities was RM0.5 million for 2Q 2017, mainly arising from purchase of plant and equipment amounting to RM1.8 million and partially offset by interest received of RM1.3 million. Net cash generated from financing activities for 2Q 2017 and 1H 2017 was mainly due to net proceeds from issuance of new ordinary shares of RM51.6 million and proceeds from disposal of equity shares to non-controlling interest and issuance of share options of RM87.7 million. However, the cash flows were partially offset by repayment of term loans and short term borrowings of RM15.0 million and RM15.7 million respectively, as well as dividend payout of RM43.2 million. Overall, the cash and cash equivalents of the Group increased by RM100.3 million for 2Q 2017 and by RM159.8 million for 1H 2017, ending the period with cash and cash equivalents of RM198.6 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and actual results

Not applicable.

10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and for the next 12 months

Given the prevailing economy being weighed down by global uncertainties, the business environment in which the Group operates is expected to remain challenging. The Group will continue to improve its core business in terms of operational efficiencies, supply chain cost effectiveness, better logistics management of products, and the enhancement of retail outlets and product assortments.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend	Second Interim
Dividend type	Cash
Dividend amount per share	S\$0.006 per share
Tax rate	One tier exempt
Date paid	10 September 2015
Book closure date	19 August 2015

(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.

No dividend has been declared or recommended by the Board for 2Q FY2017.

13 Interested Person Transactions

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

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

14 Use of proceeds from placement exercises

The Company had, on 7 March 2016, 24 March 2016, 11 August 2016 and 26 August 2016 completed four 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; and (iv) 30 million new ordinary shares in the capital of the Company respectively, raising a total net proceeds of S\$31.2 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.

As at the date of this announcement, the Company has not utilised any of the net proceeds of S\$31.2 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 Confirmation by the board pursuant to Rule 705(5) of the Listing Manual

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results for the second quarter and six months ended 31 August 2016 to be false or misleading in any material aspect.

16 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 October 2016