

**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 2018**

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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<br>Second quarter ended<br>31 August |                                 |                              | Group<br>Half year ended<br>31 August |                                 |                              |
|---|--|---------------------------------|------------------------------|---------------------------------------|---------------------------------|------------------------------|
|   | 2018<br>(Unaudited)                        | Restated<br>2017<br>(Unaudited) | Increase/<br>(Decrease)<br>% | 2018<br>(Unaudited)                   | Restated<br>2017<br>(Unaudited) | Increase/<br>(Decrease)<br>% |
|   | RM '000                                    | RM '000                         |                              | RM '000                               | RM '000                         |                              |
| Revenue   | 114,449                                    | 146,279                         | -21.8%                       | 231,842                               | 311,418                         | -25.6%                       |
| Changes in inventories                            | 6,875                                      | (24,513)                        | -128.0%                      | 4,408                                 | (50,569)                        | -108.7%                      |
| Inventories purchased and material consumed       | (81,279)                                   | (76,294)                        | 6.5%                         | (155,753)                             | (166,308)                       | -6.3%                        |
| Other operating income                            | 4,588                                      | 3,642                           | 26.0%                        | 8,809                                 | 7,210                           | 22.2%                        |
| Employee benefits expenses                        | (9,644)                                    | (8,670)                         | 11.2%                        | (18,049)                              | (18,130)                        | -0.4%                        |
| Rental of premises                                | (11,573)                                   | (11,063)                        | 4.6%                         | (23,139)                              | (22,691)                        | 2.0%                         |
| Utilities and maintenance expenses                | (1,295)                                    | (1,404)                         | -7.8%                        | (2,648)                               | (2,814)                         | -5.9%                        |
| Depreciation and amortisation                     | (1,488)                                    | (1,380)                         | 7.8%                         | (2,993)                               | (2,780)                         | 7.7%                         |
| Commission expenses                               | (471)                                      | (477)                           | -1.3%                        | (1,504)                               | (990)                           | 51.9%                        |
| Professional fees                                 | (738)                                      | (396)                           | 86.4%                        | (1,197)                               | (11)                            | n.m                          |
| Promotional expenses                              | (416)                                      | (308)                           | 35.1%                        | (856)                                 | (658)                           | 30.1%                        |
| Financial expenses                                | (132)                                      | (79)                            | 67.1%                        | (240)                                 | (220)                           | 9.1%                         |
| Gain arising from changes in fair value of option | -  | 1,552                           | -100.0%                      | -                                     | 7,548                           | -100.0%                      |
| Realised foreign exchange (loss)/gain             | (977)                                      | 782                             | -224.9%                      | 1,305                                 | 564                             | 131.4%                       |
| Unrealised foreign exchange gain/(loss)           | 4,036                                      | (476)                           | -947.9%                      | 3,976                                 | (6,300)                         | -163.1%                      |
| Share of results of associate                     | 18   | -                               | n.m                          | 18                                    | -                               | n.m                          |
| Other operating expenses                          | (5,031)                                    | (5,697)                         | -11.7%                       | (12,721)                              | (11,761)                        | 8.2%                         |
| Profit before income tax                          | 16,922                                     | 21,498                          | -21.3%                       | 31,258                                | 43,508                          | -28.2%                       |
| Income tax expenses                               | (3,297)                                    | (5,913)                         | -44.2%                       | (7,631)                               | (11,403)                        | -33.1%                       |
| Profit for the period                             | 13,625                                     | 15,585                          | -12.6%                       | 23,627                                | 32,105                          | -26.4%                       |
| <b>Profit attributable to:</b>                    |  |                                 |                              |                                       |                                 |                              |
| Owners of the Company                             | 12,294                                     | 14,068                          | -12.6%                       | 21,342                                | 29,119                          | -26.7%                       |
| Non-controlling interests                         | 1,331                                      | 1,517                           | -12.2%                       | 2,285                                 | 2,986                           | -23.4%                       |
|   | 13,625                                     | 15,585                          | -12.6%                       | 23,627                                | 32,105                          | -26.4%                       |

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<br>Second quarter ended<br>31 August |                                 |                         | Group<br>Half year ended<br>31 August |                                 |                         |
|--|--|---------------------------------|-------------------------|---------------------------------------|---------------------------------|-------------------------|
|  | 2018<br>(Unaudited)                        | Restated<br>2017<br>(Unaudited) | Increase/<br>(Decrease) | 2018<br>(Unaudited)                   | Restated<br>2017<br>(Unaudited) | Increase/<br>(Decrease) |
|  | RM '000                                    | RM '000                         | %                       | RM '000                               | RM '000                         | %                       |
| Profit for the period                              | 13,625                                     | 15,585                          | -12.6%                  | 23,627                                | 32,105                          | -26.4%                  |
| <b>Other comprehensive income:</b>                 |  |                                 |                         |                                       |                                 |                         |
| Foreign currency translation                       | 42   | -                               | n.m                     | 42                                    | -                               | n.m                     |
| <b>Total comprehensive income for the period</b>   | <b>13,667</b>                              | <b>15,585</b>                   | <b>-12.3%</b>           | <b>23,669</b>                         | <b>32,105</b>                   | <b>-26.3%</b>           |
| <b>Total comprehensive income attributable to:</b> |  |                                 |                         |                                       |                                 |                         |
| Owners of the Company                              | 12,317                                     | 14,068                          | -12.4%                  | 21,365                                | 29,119                          | -26.6%                  |
| Non-controlling interests                          | 1,350                                      | 1,517                           | -11.0%                  | 2,304                                 | 2,986                           | -22.9%                  |
|  | <b>13,667</b>                              | <b>15,585</b>                   | <b>-12.3%</b>           | <b>23,669</b>                         | <b>32,105</b>                   | <b>-26.3%</b>           |

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       |             |            |
|   | 2018                 | 2017        | Increase/  | 2018            | 2017        | Increase/  |
|   | (Unaudited)          | (Unaudited) | (Decrease) | (Unaudited)     | (Unaudited) | (Decrease) |
|   | RM '000              | RM '000     | %          | RM '000         | RM '000     | %          |
| Rental income from:   |                      |             |            |                 |             |            |
| - advertisement space   | 789                  | 1,057       | -25.4%     | 1,539           | 1,824       | -15.6%     |
| - property, plant and equipment                                 | 137                  | 145         | -5.5%      | 265             | 297         | -10.8%     |
| Commission income   | 19                   | 16          | 18.8%      | 40              | 150         | -73.3%     |
| Incentive income  | 112                  | 13          | 761.5%     | 169             | 17          | 894.1%     |
| Interest income   | 2,843                | 1,846       | 54.0%      | 5,883           | 3,509       | 67.7%      |
| Gain on disposal of property, plant and equipment               | 28                   | 47          | -40.4%     | 28              | 47          | -40.4%     |
| Promotion income  | 516                  | 52          | 892.3%     | 596             | 64          | 831.3%     |
| Sundry income   | 70                   | 242         | -71.1%     | 126             | 382         | -67.1%     |
| Reversal of impairment losses for property, plant and equipment | 6                    | -           | n.m        | 6               | -           | 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       |             |            |
|   | 2018                 | 2017        | Increase/  | 2018            | 2017        | Increase/  |
|   | (Unaudited)          | (Unaudited) | (Decrease) | (Unaudited)     | (Unaudited) | (Decrease) |
|   | RM '000              | RM '000     | %          | RM '000         | RM '000     | %          |
| Assessment and quit rent  | 280                  | 278         | 0.7%       | 518             | 501         | 3.4%       |
| Auditors' remuneration  | 269                  | 310         | -13.2%     | 485             | 520         | -6.7%      |
| Bank charges  | 476                  | 299         | 59.2%      | 981             | 531         | 84.7%      |
| Donations   | 13                   | 13          | 0.0%       | 3,044           | 42          | 7147.6%    |
| Insurance   | 485                  | 682         | -28.9%     | 766             | 1,118       | -31.5%     |
| Inventory written down  | 31                   | 282         | -89.0%     | 356             | 519         | -31.4%     |
| Inventory written off   | 18                   | 19          | -5.3%      | 47              | 78          | -39.7%     |
| (Gain)/loss arising from changes in fair value of biological assets | (4)                  | 44          | -109.1%    | 61              | 85          | -28.2%     |
| Management fee  | 372                  | 1,124       | -66.9%     | 1,149           | 2,082       | -44.8%     |
| Packing materials   | 212                  | 180         | 17.8%      | 342             | 369         | -7.3%      |
| Property, plant and equipment written off                           | -                    | 1           | -100.0%    | 41              | 2           | 1950.0%    |
| Transportation costs  | 382                  | 489         | -21.9%     | 601             | 888         | -32.3%     |
| Travelling expenses   | 378                  | 320         | 18.1%      | 645             | 563         | 14.6%      |
| Reversal of inventories written down                                | (36)                 | (151)       | -76.2%     | (60)            | (309)       | -80.6%     |

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

|   | Group                |              |               | Group           |               |               |
|---|----------------------|--------------|---------------|-----------------|---------------|---------------|
|   | Second quarter ended |              |               | Half year ended |               |               |
|   | 31 August            |              |               | 31 August       |               |               |
| 2018  | 2017                 | Increase/    | 2018          | 2017            | 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                                      | 3,510                | 5,953        | -41.0%        | 7,367           | 11,460        | -35.7%        |
| - under provision in respect of previous years            | 47                   | -            | n.m           | 51              | -             | n.m           |
|   | <u>3,557</u>         | <u>5,953</u> | <u>-40.2%</u> | <u>7,418</u>    | <u>11,460</u> | <u>-35.3%</u> |
| Deferred income tax attributable to continuing operations | (260)                | (40)         | 550.0%        | 213             | (57)          | -473.7%       |
| Income tax expense recognised in profit or loss           | <u>3,297</u>         | <u>5,913</u> | <u>-44.2%</u> | <u>7,631</u>    | <u>11,403</u> | <u>-33.1%</u> |

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                              |                                    |
|---|------------------|--------------------------------------|--|--|--------------------------------------|------------------------------------|
|   |                  | 31.08.2018<br>(Unaudited)<br>RM '000 | Restated *<br>28.02.2018<br>(Unaudited)<br>RM '000 | Restated *<br>01.03.2017<br>(Unaudited)<br>RM '000 | 31.08.2018<br>(Unaudited)<br>RM '000 | 28.02.2018<br>(Audited)<br>RM '000 |
| <b>Assets</b>                                       |                  |                                      |  |  |                                      |                                    |
| <b>Non-current assets</b>                           |                  |                                      |  |  |                                      |                                    |
| Property, plant and equipment                       |                  | 72,237                               | 71,842   | 74,379   | -                                    | -                                  |
| Land use rights                                     |                  | 23,116                               | 23,349   | 23,814   | -                                    | -                                  |
| Goodwill  |                  | 29,439                               | 28,816   | 28,816   | -                                    | -                                  |
| Investment in subsidiaries                          |                  | -                                    | -  | -  | 852,022                              | 840,617                            |
| Investment in associate                             |                  | 18                                   | -  | -  | -                                    | -                                  |
| Prepayments   |                  | 34,599                               | 39,489   | 49,270   | -                                    | -                                  |
| Deferred tax assets                                 |                  | 1,004                                | 1,259  | 853  | -                                    | -                                  |
|   |                  | <u>160,413</u>                       | <u>164,755</u>                                     | <u>177,132</u>                                     | <u>852,022</u>                       | <u>840,617</u>                     |
| <b>Current assets</b>                               |                  |                                      |  |  |                                      |                                    |
| Biological assets                                   | 1(b)(iv)         | 91                                   | 152  | 187  | -                                    | -                                  |
| Inventories   |                  | 139,508                              | 135,443  | 199,987  | -                                    | -                                  |
| Tax recoverable                                     |                  | 7,139                                | 4,412  | 3,641  | -                                    | -                                  |
| Trade and other receivables                         | 1(b)(v)          | 95,473                               | 58,919   | 56,698   | 30,000                               | 17,000                             |
| Prepayments   |                  | 14,528                               | 12,338   | 11,705   | 992                                  | 15                                 |
| Cash and bank balances                              |                  | 256,889                              | 373,041  | 272,194  | 217,277                              | 277,388                            |
|   |                  | <u>513,628</u>                       | <u>584,305</u>                                     | <u>544,412</u>                                     | <u>248,269</u>                       | <u>294,403</u>                     |
| <b>Total assets</b>                                 |                  | <u>674,041</u>                       | <u>749,060</u>                                     | <u>721,544</u>                                     | <u>1,100,291</u>                     | <u>1,135,020</u>                   |
| <b>Equity and liabilities</b>                       |                  |                                      |  |  |                                      |                                    |
| <b>Current liabilities</b>                          |                  |                                      |  |  |                                      |                                    |
| Trade and other payables                            | 1(b)(vi)         | 74,494                               | 124,886  | 144,848  | 581                                  | 37,018                             |
| Borrowings  | 1(b)(ii) & (iii) | 2,088                                | 15,610   | 5,977  | -                                    | -                                  |
| Income tax payable                                  |                  | 1,864                                | 2,697  | 3,954  | 52                                   | 232                                |
| Derivative liabilities                              |                  | 1,017                                | 1,043  | 9,003  | 1,017                                | 1,017                              |
|   |                  | <u>79,463</u>                        | <u>144,236</u>                                     | <u>163,782</u>                                     | <u>1,650</u>                         | <u>38,267</u>                      |
| <b>Net current assets</b>                           |                  | 434,165                              | 440,069  | 380,630  | 246,619                              | 256,136                            |
| <b>Non-current liabilities</b>                      |                  |                                      |  |  |                                      |                                    |
| Borrowings  | 1(b)(ii)         | 679                                  | 756  | 1,097  | -                                    | -                                  |
| Deferred tax liabilities                            |                  | 4,341                                | 4,383  | 4,368  | -                                    | -                                  |
|   |                  | <u>5,020</u>                         | <u>5,139</u>                                       | <u>5,465</u>                                       | <u>-</u>                             | <u>-</u>                           |
| <b>Total liabilities</b>                            |                  | 84,483                               | 149,375  | 169,247  | 1,650                                | 38,267                             |
| <b>Net assets</b>                                   |                  | <u>589,558</u>                       | <u>599,685</u>                                     | <u>552,297</u>                                     | <u>1,098,641</u>                     | <u>1,096,753</u>                   |
| <b>Equity attributable to owners of the Company</b> |                  |                                      |  |  |                                      |                                    |
| Share capital                                       |                  | 616,752                              | 616,752  | 576,941  | 1,107,574                            | 1,107,574                          |
| Treasury shares                                     |                  | (15,849)                             | (10,517)   | (532)  | (15,849)                             | (10,517)                           |
| Other reserves                                      |                  | (141,700)                            | (141,723)  | (110,674)  | 661                                  | 661                                |
| Retained earnings/(accumulated losses)              |                  | 109,938                              | 117,514  | 70,345   | 6,255                                | (965)                              |
|   |                  | <u>569,141</u>                       | <u>582,026</u>                                     | <u>536,080</u>                                     | <u>1,098,641</u>                     | <u>1,096,753</u>                   |
| <b>Non-controlling interests</b>                    |                  | 20,417                               | 17,659   | 16,217   | -                                    | -                                  |
| <b>Total equity</b>                                 |                  | <u>589,558</u>                       | <u>599,685</u>                                     | <u>552,297</u>                                     | <u>1,098,641</u>                     | <u>1,096,753</u>                   |
| <b>Total equity and liabilities</b>                 |                  | <u>674,041</u>                       | <u>749,060</u>                                     | <u>721,544</u>                                     | <u>1,100,291</u>                     | <u>1,135,020</u>                   |

\* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 15 Revenue from Contracts with Customers (see Section 5 for further details).

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

|   | 31.08.2018         |                      | 28.02.2018         |                      |
|---|--------------------|----------------------|--------------------|----------------------|
|   | Secured<br>RM '000 | Unsecured<br>RM '000 | Secured<br>RM '000 | Unsecured<br>RM '000 |
| Amount repayable in one year or less or on demand | 2,088              | -                    | 15,610             | -                    |
| Amount repayable after one year                   | 679                | -                    | 756                | -                    |

**Details of any collateral**

The borrowings are secured by way of:

- deposits with licensed banks amounting to RM9,062,000 (28.02.2018: RM8,901,000); and
- corporate guarantees from the Company and the penultimate holding company.

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

|  | 31.08.2018<br>RM'000 | 28.02.2018<br>RM'000 |
|--|----------------------|----------------------|
| The Group's short term borrowings are for: |                      |                      |
| - trade facilities                         | 1,678                | 15,202               |
| - hire purchases                           | 410                  | 408                  |
|  | <u>2,088</u>         | <u>15,610</u>        |

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

|                    | 31.08.2018<br>RM'000 | 28.02.2018<br>RM'000 |
|--------------------|----------------------|----------------------|
| At fair value:     |                      |                      |
| Balance b/f        | 152                  | 187                  |
| Fair value changes | (61)                 | (35)                 |
| Balance c/f        | <u>91</u>            | <u>152</u>           |

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

|   | 31.08.2018<br>RM'000 | 28.02.2018<br>RM'000 |
|---|----------------------|----------------------|
| Trade receivables, net  | 10,829               | 5,471                |
| Deposits  | 3,348                | 3,187                |
| Sundry receivables, net:  |                      |                      |
| - amount due from Berjaya Waterfront Sdn Bhd (refer to page 8 of this report) | 40,464               | 40,434               |
| - others  | 10,833               | 9,827                |
| Debt securities * (refer to page 8 of this report)                            | 30,000               | -                    |
|   | <u>95,473</u>        | <u>58,919</u>        |

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

## DUTY FREE INTERNATIONAL LIMITED

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

|                   | Company    |            |
|-------------------|------------|------------|
|                   | 31.08.2018 | 28.02.2018 |
|                   | RM'000     | RM'000     |
| Debt securities * | 30,000     | -          |

\* Debt securities comprise a Medium Term Note (MTN), expiring on 25 March 2019 with coupon rate of 6% per annum.

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 3 April 2018, BWSB requested for a further deferment of the unpaid consideration of RM40.0 million to be paid on or before 15 April 2019 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         |                |
|---|---------------|----------------|
|   | 31.08.2018    | 28.02.2018     |
|   | RM'000        | RM'000         |
| Trade payables  | 52,173        | 66,418         |
| Other payables  | 21,762        | 21,689         |
| Dividends payable to ordinary shareholders by the Company | -             | 36,219         |
| Deposit received for the KMSB Agreement                   | 560           | 560            |
|   | <u>74,494</u> | <u>124,886</u> |

  

|  | Company    |               |
|--|------------|---------------|
|  | 31.08.2018 | 28.02.2018    |
|  | RM'000     | RM'000        |
| Dividends payable to ordinary shareholders | -          | 36,219        |
| Sundry payables, net:                      |            |               |
| - others                                   | 581        | 799           |
|  | <u>581</u> | <u>37,018</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

|  | <b>Group</b>                |                    | <b>Group</b>           |                    |
|--|-----------------------------|--------------------|------------------------|--------------------|
|  | <b>Second quarter ended</b> |                    | <b>Half year ended</b> |                    |
|  | <b>31 August</b>            |                    |                        |                    |
|  | <b>2018</b>                 | <b>2017</b>        | <b>2018</b>            | <b>2017</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  | 16,922                      | 21,498             | 31,258                 | 43,508             |
| Adjustments for:-  |                             |                    |                        |                    |
| Depreciation and amortisation  | 1,488                       | 1,380              | 2,993                  | 2,780              |
| Gain on disposal of property, plant and equipment                    | (28)                        | (47)               | (28)                   | (47)               |
| (Gain)/loss arising from changes in fair values of biological assets | (4)                         | 44                 | 61                     | 85                 |
| Gain arising from changes in fair value of option                    | -                           | (1,552)            | -                      | (7,548)            |
| Finance cost   | 132                         | 79                 | 240                    | 220                |
| Interest income  | (2,843)                     | (1,846)            | (5,883)                | (3,509)            |
| Inventory written down   | 31                          | 282                | 356                    | 519                |
| Inventory written off  | 18                          | 19                 | 47                     | 78                 |
| Property, plant and equipment written off                            | -                           | 1                  | 41                     | 2                  |
| Reversal of inventories written down                                 | (36)                        | (151)              | (60)                   | (309)              |
| Reversal of impairment losses for property, plant and equipment      | (6)                         | -                  | (6)                    | -                  |
| Share of results of associate  | (18)                        | -                  | (18)                   | -                  |
| Net unrealised foreign exchange (gain)/loss                          | (4,036)                     | 476                | (3,976)                | 6,300              |
| Operating cash flows before changes in working capital               | 11,620                      | 20,183             | 25,025                 | 42,079             |
| (Increase)/decrease in receivables                                   | (13,587)                    | 14,833             | (7,848)                | (4,477)            |
| Decrease in prepayments  | 2,182                       | 1,750              | 2,700                  | 3,798              |
| (Increase)/decrease in inventories                                   | (6,875)                     | 24,514             | (4,408)                | 50,569             |
| Decrease in payables   | (1,965)                     | (20,322)           | (18,736)               | (34,533)           |
| Cash (used in)/generated from operations                             | (8,625)                     | 40,958             | (3,267)                | 57,436             |
| Tax paid   | (5,519)                     | (4,853)            | (10,977)               | (11,223)           |
| Interest paid  | (132)                       | (79)               | (240)                  | (220)              |
| Net cash (used in)/generated from operating activities               | (14,276)                    | 36,026             | (14,484)               | 45,993             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                             |                    |                        |                    |
| Net cash inflow on acquisition of a subsidiary                       | 1,663                       | -                  | 1,663                  | -                  |
| Interest received  | 2,834                       | 1,846              | 5,854                  | 3,509              |
| Capital contribution from non-controlling interest in subsidiaries   | 4,879                       | -                  | 4,879                  | -                  |
| Investment in debt securities  | -                           | -                  | (30,000)               | -                  |
| Proceeds from disposal of property, plant and equipment              | 28                          | -                  | 41                     | -                  |
| Purchase of property, plant and equipment and land use rights        | (2,118)                     | (150)              | (3,064)                | (976)              |
| Net cash generated from/(used in) investing activities               | 7,286                       | 1,696              | (20,627)               | 2,533              |

**DUTY FREE INTERNATIONAL LIMITED**

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

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>2018</b>                 | <b>2017</b>        | <b>2018</b>            | <b>2017</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                              | (161)                       | 1,942              | (161)                  | 1,900              |
| Proceeds from/(repayment of) other short term borrowings        | 1,678                       | (2,228)            | (13,524)               | (600)              |
| Repayment of hire purchase and lease financing                  | (106)                       | (112)              | (214)                  | (231)              |
| Proceeds from issuance of new ordinary shares                   | -                           | -                  | -                      | 39,811             |
| Purchase of treasury shares                                     | (5,332)                     | (7,401)            | (5,332)                | (7,401)            |
| Dividends paid to the ordinary shareholders of the Company      | (28,918)                    | (13,591)           | (65,137)               | (60,918)           |
| Dividends paid to non-controlling interests of subsidiaries     | (4,425)                     | (1,460)            | (4,425)                | (5,176)            |
| Net cash used in financing activities                           | <u>(37,264)</u>             | <u>(22,851)</u>    | <u>(88,793)</u>        | <u>(32,615)</u>    |
| Net (decrease)/increase in cash and cash equivalents            | (44,254)                    | 14,871             | (123,904)              | 15,911             |
| Effects of foreign exchange rate changes                        | 5,402                       | 18                 | 7,591                  | (7,053)            |
| Cash and cash equivalents at beginning of period/year           | 286,679                     | 255,485            | 364,140                | 261,516            |
| Cash and cash equivalents at end of period/year                 | <u>247,827</u>              | <u>270,374</u>     | <u>247,827</u>         | <u>270,374</u>     |
| <b>Cash and cash equivalents carried forward consists of :-</b> |                             |                    |                        |                    |
| Deposits with licenced banks                                    | 219,302                     | 231,935            | 219,302                | 231,935            |
| Less : Pledged deposits   | (9,062)                     | (8,778)            | (9,062)                | (8,778)            |
|   | <u>210,240</u>              | <u>223,157</u>     | <u>210,240</u>         | <u>223,157</u>     |
| Cash and bank balances  | 37,587                      | 47,217             | 37,587                 | 47,217             |
|   | <u>247,827</u>              | <u>270,374</u>     | <u>247,827</u>         | <u>270,374</u>     |

**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)

|   | ← ATTRIBUTABLE TO OWNERS OF THE PARENT → |                              |                                      |  |   |                             |                                |                 | NON-                | TOTAL    |
|---|--|------------------------------|--------------------------------------|--|---|-----------------------------|--------------------------------|-----------------|---------------------|----------|
|   |  |                              |                                      | ← Non-distributable →                    |   |                             | Distributable                  |                 | CONTROLLING         |          |
|   | Ordinary<br>shares<br>RM'000             | Treasury<br>shares<br>RM'000 | Total<br>other<br>reserves<br>RM'000 | Foreign<br>exchange<br>reserve<br>RM'000 | Net premium paid/<br>received on<br>transactions with<br>non-controlling<br>interests<br>RM'000 | Others<br>reserve<br>RM'000 | Retained<br>earnings<br>RM'000 | Total<br>RM'000 | INTERESTS<br>RM'000 | RM'000   |
| <b>GROUP (Cont'd)</b>                                 |  |                              |                                      |  |   |                             |                                |                 |                     |          |
| <b>At 1 March 2017</b>                                | 576,941                                  | (532)                        | (110,674)                            | 29                                       | (142,413)   | 31,710                      | 70,345                         | 536,080         | 16,217              | 552,297  |
| Profit, net of tax                                    | -  | -                            | -                                    | -  | -   | -                           | 29,119                         | 29,119          | 2,986               | 32,105   |
| Total comprehensive income for the period             | -  | -                            | -                                    | -  | -   | -                           | -                              | -               | -                   | -        |
|   | -  | -                            | -                                    | -  | -   | -                           | 29,119                         | 29,119          | 2,986               | 32,105   |
| Transfer of reserve arising from expiring of warrants | -  | -                            | (31,049)                             | -  | -   | (31,049)                    | 31,049                         | -               | -                   | -        |
| Transactions with owners:                             |  |                              |                                      |  |   |                             |                                |                 |                     |          |
| Purchase of treasury shares                           | -  | (7,401)                      | -                                    | -  | -   | -                           | -                              | (7,401)         | -                   | (7,401)  |
| Allotment of new ordinary shares                      | 41,032                                   | -                            | -                                    | -  | -   | -                           | -                              | 41,032          | -                   | 41,032   |
| Share issuance expenses                               | (1,221)                                  | -                            | -                                    | -  | -   | -                           | -                              | (1,221)         | -                   | (1,221)  |
| Dividend on ordinary shares                           | -  | -                            | -                                    | -  | -   | -                           | (13,591)                       | (13,591)        | -                   | (13,591) |
| Dividend payable to non-controlling interests         | -  | -                            | -                                    | -  | -   | -                           | -                              | -               | (1,460)             | (1,460)  |
| Total transactions with owners                        | 39,811                                   | (7,401)                      | -                                    | -  | -   | -                           | (13,591)                       | 18,819          | (1,460)             | 17,359   |
| Transactions with non-controlling interests:          | -  | -                            | -                                    | -  | -   | -                           | -                              | -               | -                   | -        |
| <b>At 31 August 2017</b>                              | 616,752                                  | (7,933)                      | (141,723)                            | 29                                       | (142,413)   | 661                         | 116,922                        | 584,018         | 17,743              | 601,761  |

**DUTY FREE INTERNATIONAL LIMITED**

(Company Registration No. 200102393E)

(Incorporated in the Republic of Singapore)

I(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<br>shares<br>RM'000                      | Treasury<br>shares<br>RM'000 | Total<br>other<br>reserves<br>RM'000 | Foreign<br>exchange<br>reserve<br>RM'000 | Net premium paid/<br>received on<br>transactions with<br>non-controlling<br>interests<br>RM'000 | Gain on<br>reissuance<br>of treasury<br>shares<br>RM'000 | Retained<br>earnings<br>RM'000 | Total equity<br>attributable to<br>owners of the<br>Company<br>RM'000 | Non-controlling<br>interests<br>RM'000 | Total<br>equity<br>RM'000 |
| <b>GROUP (Cont'd)</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<br>shares<br>RM'000 | Treasury<br>shares<br>RM'000 | Others<br>reserve<br>RM'000 | Accumulated<br>losses<br>RM'000 | Total<br>equity<br>RM'000 |
|---|------------------------------|------------------------------|-----------------------------|---------------------------------|---------------------------|
| <b><u>COMPANY (Cont'd)</u></b>                        |                              |                              |                             |                                 |                           |
| <b>At 1 March 2017</b>                                | 1,067,763                    | (532)                        | 31,710                      | (37,598)                        | 1,061,343                 |
| Profit, net of tax                                    | -                            | -                            | -                           | 18,191                          | 18,191                    |
| Other comprehensive income for the period             | -                            | -                            | -                           | -                               | -                         |
| Total comprehensive income for the period             | -                            | -                            | -                           | 18,191                          | 18,191                    |
| Transfer of reserve arising from expiring of warrants | -                            | -                            | (31,049)                    | 31,049                          | -                         |
| Transactions with owners:                             |                              |                              |                             |                                 |                           |
| Purchase of treasury shares                           | -                            | (7,401)                      | -                           | -                               | (7,401)                   |
| Allotment of new ordinary shares                      | 41,032                       | -                            | -                           | -                               | 41,032                    |
| Share issuance expenses                               | (1,221)                      | -                            | -                           | -                               | (1,221)                   |
| Dividend  | -                            | -                            | -                           | (13,591)                        | (13,591)                  |
|   | 39,811                       | (7,401)                      | -                           | (13,591)                        | 18,819                    |
| <b>At 31 August 2017</b>                              | 1,107,574                    | (7,933)                      | 661                         | (1,949)                         | 1,098,353                 |

**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<br>shares<br>RM'000 | Treasury<br>shares<br>RM'000 | Gain on<br>reissuance of<br>treasury shares<br>RM'000 | (Accumulated losses)/<br>retained earnings<br>RM'000 | Total<br>equity<br>RM'000 |
|---|------------------------------|------------------------------|---|--|---------------------------|
| <b><u>COMPANY (Cont'd)</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>          |

**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 2018  | 1,218,046                    | 1,107,574                   |
| Purchase of shares pursuant to the Share Buy-Back Mandate approved by the shareholders on 28 June 2018 | (8,519)                      | -                           |
| As at 31 August 2018   | 1,209,527                    | 1,107,574                   |

Outstanding Convertible Securities

|   | <b>Company</b>              |                             |
|---|-----------------------------|-----------------------------|
|   | <b>As at 31 August 2018</b> | <b>As at 31 August 2017</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) | 1,209,527                   | 1,220,980                   |
| As a percentage of total ordinary shares issued (%)                     | 40.6                        | 40.2                        |

Total treasury shares as at 31 August 2018 was 19,670,900 (31 August 2017: 8,218,000).

During the second quarter ended 31 August 2018 and up to the date of this announcement, the Company purchased a total of 8,519,000 shares in the Company on the open market for a total

consideration of approximately RM5,332,000 (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 1,209,527,493 ordinary shares, excluding treasury shares and Company has 491,400,042 outstanding convertible warrants each with exercise price of S\$0.43 expiring 13 May 2022. The Company's treasury shares as at the date of this announcement is 19,670,900.

Save as disclosed above, the Company did not have any subsidiary holdings or other convertibles as at 31 August 2018.

**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 2018 was 1,209,527,493 (28 February 2018: 1,218,046,493). Total treasury shares as at 31 August 2018 was 19,670,900 (28 February 2018: 11,151,900).

**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 2018 ("2Q FY2019"), a total of 8,519,000 ordinary shares were acquired pursuant to the Share Buy-Back Mandate approved by the shareholders. The shares were held as treasury shares as at 31 August 2018.

**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 2018, except for the adoption of Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group and the Company has adopted



SFRS(I) on 1 March 2018, including improvements to SFRS(I) and Interpretations of SFRS(I) that are mandatory for financial years beginning on or after 1 January 2018. The adoption of these new and revised standards and interpretations 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 for SFRS(I) 15 Revenue 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**

On 1 March 2018, the Group and the Company has adopted SFRS(I) and Interpretations of SFRS(I) that are mandatory for application on or after 1 January 2018.

Except for the adoption of SFRS(I) 15 Revenue from Contracts with Customers, the application of these new SFRS(I) did not result in changes in the Group's accounting policies and has no material effect on the amount reported for the current period or prior years.

The impact of adoption of amendments to SFRS(I) 15 is summarized below:

**Consolidated Income Statement**

|  | <b>2<sup>nd</sup> Quarter ended<br/>31 August 2017</b> |                                 | <b>Half year ended<br/>31 August 2017</b>    |                                 |
|--|--|---------------------------------|--|---------------------------------|
|  | <b>As previously<br/>stated<br/>(RM'000)</b>           | <b>As restated<br/>(RM'000)</b> | <b>As previously<br/>stated<br/>(RM'000)</b> | <b>As restated<br/>(RM'000)</b> |
| Revenue  | 148,343  | 146,279                         | 315,806                                      | 311,418                         |
| Inventories purchased<br>and material consumed | (78,358)   | (76,294)                        | (170,696)                                    | (166,308)                       |

**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<br/>31 August</b> |                        | <b>Half year ended<br/>31 August</b> |                        |
|  | <b>2018<br/>RM'000</b>                    | <b>2017<br/>RM'000</b> | <b>2018<br/>RM'000</b>               | <b>2017<br/>RM'000</b> |
| Profit for the period, net of tax<br>attributable to owners of the Company                       | 12,294                                    | 14,068                 | 21,342                               | 29,119                 |
| Weighted average number of ordinary<br>shares for basic earnings per share<br>computation ('000) | 1,210,978                                 | 1,224,501              | 1,214,512                            | 1,220,747              |

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Weighted average number of ordinary shares for diluted earnings per share computation ('000)           | 1,210,978 | 1,224,501 | 1,214,512 | 1,220,747 |
| Earnings per ordinary share from continuing operations attributable to owners of the Company (RM sen): |           |           |           |           |
| (a) Basic  | 1.02      | 1.15      | 1.76      | 2.39      |
| (b) Fully diluted  | 1.02      | 1.15      | 1.76      | 2.39      |

For 2Q FY2019, 2Q FY2018, 1H FY2019 and 1H FY2018, 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<br>31 August<br>2018 | As at<br>28 February<br>2018 | As at<br>31 August<br>2018 | As at<br>28 February<br>2018 |
| Net asset value per ordinary share (RM sen)                           | 47.05                      | 47.78                        | 90.83                      | 90.04                        |
| Number of shares used in calculating net asset value per share ('000) | 1,209,527                  | 1,218,046                    | 1,209,527                  | 1,218,046                    |

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 2018 ("2Q FY2019") vs Second quarter ended 31 August 2017 ("2Q FY2018")

### Revenue

The Group recorded a revenue of RM114.4 million in 2Q FY2019, representing a decrease of 21.8% or RM31.9 million, over the revenue of RM146.3 million in 2Q FY2018. The drop was largely due to lower availability of certain popular products for sale, which affected the revenue performance of the Group.

### 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 FY2019, the value of the closing inventories was higher than the value of the opening inventories by RM6.9 million. In 2Q FY2018, the value of the closing inventories was lower by RM24.5 million. This resulted in a variance of RM31.4 million for 2Q FY2019 vis-à-vis 2Q FY2018, which was mainly due to consolidation of the inventories of the newly acquired Brand Connect Group as well as timing differences in purchases and consumption of inventories in the respective quarters.

### Inventories purchased and material consumed

Inventories purchased and material consumed increased by 6.5% or RM5.0 million, from RM76.3 million in 2Q FY2018 to RM81.3 million in 2Q FY2019. This was mainly due to consolidation of purchases from the newly acquired Brand Connect Group as well as higher purchases as compared with the corresponding quarter of the previous financial year.

### Other operating income

Other operating income increased by RM1.0 million from RM3.6 million in 2Q FY2018 to RM4.6 million in 2Q FY2019. The increase was mainly due to increase in interest income of RM1.0 million.

### Professional fees

Total professional fees increased by RM0.3 million or 86.4%, from RM0.4 million in 2Q FY2018 to RM0.7 million in 2Q FY2019. The professional fees incurred for 2Q FY2019 was mainly due to advisory and consultancy services incurred in relation to corporate exercises.

### Gain arising from changes in fair value of option

There is no gain arising from changes in fair value of option in 2Q FY2019 as compared to RM1.6 million gain in 2Q FY2018. The gain in 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 Sdn Bhd (formerly known as DFZ Capital Berhad), a subsidiary of the Company.

Realised foreign exchange (loss)/gain

Realised loss in foreign exchange in 2Q FY2019 was RM1.0 million as compared to RM0.8 million realised foreign exchange gain in 2Q FY2018. This was mainly due to the currency translation loss on Group's purchases from overseas suppliers as a result of weak Ringgit Malaysia against US dollar.

Unrealised foreign exchange gain/(loss)

Unrealised gain in foreign exchange in 2Q FY2019 was RM4.1 million as compared to RM0.5 million unrealised foreign exchange loss in 2Q FY2018. This was mainly due to the currency translation to Ringgit Malaysia of the Group's deposits in financial institutions of SGD1.8 million and USD26.5 million as at 31 August 2018, whereby Ringgit Malaysia had weakened against Singapore Dollar by approximately 1.0% from RM2.97 as at 31 May 2018 to RM3.00 as at 31 August 2018 and US Dollar by approximately 3.5% from RM3.98 as at 31 May 2018 to RM4.12 as at 31 August 2018.

The rest of the expenses on the Group's profit and loss account remained largely unchanged in 2Q FY2019 as compared to 2Q FY2018.

Profit before income tax

The Group reported a profit before income tax of RM16.9 million for 2Q FY2019, which was 21.3% or RM4.6 million lower than the profit before income tax of RM21.5 million recorded in 2Q FY2018. The decrease was mainly due to the lower revenue recorded, and absence of gain arising from changes in fair value of option amounting to RM1.6 million as compared to 2Q FY2018. However, the negative effects were partially offset by higher net gain in foreign exchange of RM2.8 million as compared to 2Q FY2018.

Income tax expenses

The Malaysia statutory income tax rate is 24% for year of assessment 2019 (2018: 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 RM3.3 million mainly comprised of provision for taxation for current year to date profits of RM3.6 million. The effective tax rate of the Group for 2Q FY2019 at 19.5% was lower than the statutory rate, principally due to higher non-taxable income relating to unrealised foreign exchange gain for the period.

Half year ended 31 August 2018 ("1H FY2019") vs Half year ended 31 August 2017 ("1H FY2018")

The Group reported a profit before income tax of RM31.3 million for 1H FY2019, representing a decrease of 28.2% or RM12.2 million as compared to RM43.5 million recorded in 1H FY2018. The decrease in profit was mainly due to lower revenue recorded, donation of RM3.0 million in 1H FY2019 and the absence of gain arising from changes in fair value of option amounting to RM7.5 million as compared to 1H FY2018. However, the negative effects was partially offset by net gain in foreign exchange of RM5.3 million as compared to net foreign exchange loss of RM5.7 million in 1H FY2019.

## **Statement of Financial Position**

### Assets

#### Non-current prepayments

Non-current prepayments decreased by RM4.9 million, from RM39.5 million as at 28 February 2018 to RM34.6 million as at 31 August 2018 which were mainly related to rental paid in advance for the Group's retail outlets.

#### Trade and other receivables

Trade receivables increased by RM5.3 million, from RM5.5 million as at 28 February 2018 to RM10.8 million as at 31 August 2018. The increase was mainly due to consolidation of trade receivables of the newly acquired Brand Connect Group (refer to Note 10(iii)) which amounted to RM7.7 million as well as timing differences in trade-related collections. In addition, sundry receivables also increased by RM1.0 million, from RM9.8 million as at 28 February 2018 to RM10.8 million as at 31 August 2018. There was also an increase in other receivables of RM30.0 million arising from an investment in debt securities (as disclosed in Note 1(b)(v) above).

#### Inventories

Inventories increased by RM4.1 million, from RM135.4 million as at 28 February 2018 to RM139.5 million as at 31 August 2018, mainly due to consolidation of inventories of the newly acquired Brand Connect Group amounting to RM6.7 million.

Other than Cash and Bank balances which decreased by RM116.1 million from RM373.0 million to RM256.9 million, the rest of the asset items on the Group's statement of financial position remained largely unchanged as at 31 August 2018 vis-à-vis 28 February 2018.

### Liabilities

#### Trade and other payables

The decrease in trade and other payables was mainly due to a decrease in trade payables by RM14.2 million, from RM66.4 million as at 28 February 2018 to RM52.2 million as at 31 August 2018 and absence of dividends payable to ordinary shareholders by the Company of RM36.2 million. The aforesaid decrease in trade payables was due to lower purchases during the period and also timing differences in the settlement of payables.

#### Derivative financial liabilities

Derivative financial liabilities of RM1.0 million as at 31 August 2018 and 28 February 2018 was mainly in relation to the fair value of call options issued which gives Heinemann Asia Pacific Pte Ltd ("HAP") the option to acquire the remaining 10% additional equity interest in DFZ Capital Sdn Bhd (formerly known as DFZ Capital Berhad) ("DFZ"), a subsidiary of the Company.

Borrowings

Total borrowings decreased by RM13.6 million, from RM16.4 million as at 28 February 2018 to RM2.8 million as at 31 August 2018, mainly due to decrease in trade facilities utilisation of RM13.5 million.

As at 31 August 2018, the Group was in a positive working capital position of RM434.3 million.

Equity

Total equity decreased by RM10.1 million, from RM599.7 million as at 28 February 2018 to RM589.6 million as at 31 August 2018, mainly due to profit for the period of RM21.3 million as well as increase in capital contribution from non-controlling interest in subsidiaries of RM4.9 million in relation to the new acquisition of Brand Connect Group and an increase in non-controlling interests of RM2.3 million, partially offset by purchase of treasury shares of RM5.3 million and total dividends paid of RM33.3 million.

**Statement of Cash Flows**

The Group net cash flow used in operating activities was RM14.3 million in 2Q FY2019. Net cash generated from investing activities was RM7.3 million for 2Q FY2019, mainly due to net cash inflow on acquisition of a subsidiary of RM1.7 million, capital contribution from non-controlling interest in subsidiaries of RM4.9 million and interest received of RM2.8 million. However, the cash flow was partially offset by purchase of plant and equipment amounting to RM2.1 million. Net cash used in financing activities for 2Q FY2019 of RM37.3 million was mainly due to dividend payout of RM33.3 million and purchase of treasury shares of RM5.3 million. Overall, the cash and cash equivalents of the Group decreased by RM44.3 million in 2Q FY2019, ending the period with cash and cash equivalents of RM247.8 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) Given the present economic outlook and the weak consumer sentiment, on the back of rising inflationary environment, the Group expects its operating environment to remain challenging. The Group will continue its efforts in enhancing operational efficiency, stringent cost control measures, intensifying marketing efforts and improving its core business by focusing on product quality and product mix as well as exploring further business opportunities and strategies.

- (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 has since been postponed to 10 December 2018.

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 12 December 2017, SMSB had appealed to the Director-General 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 Company, after consultation with its solicitors, strongly believes that there is no legal and/or factual basis for Customs Department to arrive at their decision to raise

the said Bills of demand. This is especially so when SMSB's duty free shop is located after the last customs station en-route out of Malaysia and before the first customs station en-route into Malaysia, where no duties, sales tax and/or GST are payable.

The Company will make further announcement(s) if there is any material update on the above said matter.

- (iii) On 9 July 2018, the Company announced that it had entered into a conditional subscription agreement ("Agreement") with Mr. Robert Justin Frizelle and Meridian Compass Ltd ("Founders"), and Brand Connect Holding Pte Ltd ("Brand Connect") pursuant to which the Company shall subscribe for 2,800,000 new ordinary shares in the capital of Brand Connect ("Subscription Shares") (the "Proposed Subscription").

Under the Agreement, one of the conditions precedent to the completion of the Company's subscription ("Completion") was that the Founders and Brand Connect complete an internal restructuring exercise of the Brand Connect group of companies ("Brand Connect Group"). Completion was also subject to other conditions precedent customary in transactions of this nature.

On 8 August 2018, the Acquisition was completed. The Company subscribed 2,800,000 new ordinary shares in the Capital of Brand Connect Holding Pte. Ltd. at the consideration of US\$2,800,000 following the satisfaction of the conditions precedent to the Agreement ("Acquisition"). Following the completion of the Acquisition, Brand Connect Holding Pte. Ltd. became a 70% owned subsidiary of the Company.

Brand Connect group of companies is engaged in the business of marketing and the trading, wholesale and retail distribution of alcohol and other beverage products across countries in the Asia Pacific region. The acquisition of Brand Connect group of companies by the Company is to develop and grow the Group's alcohol distribution business as well as to expand the Group's market operations beyond the current sales channels in the duty free market of Malaysia to include the duty paid market across South East Asia.

Mr. Robert Justin Frizelle has been appointed as the Chief Executive Officer, and Mr. Patrick James Looram as the Chief Operating Officer of the Brand Connect Group of Companies.

The fair value of assets acquired and liabilities assumed and purchase consideration have been determined on a provisional basis pending completion of purchase price allocation ("PPA") exercise. The PPA exercise is expected to be completed not exceeding one year from 8 August 2018, being the date of acquisition. Provisional goodwill of RM0.6 million has been recorded in the statement of financial position of the group at 31 August 2018. Accordingly, the fair value of assets and liabilities of



Brand Connect will be adjusted accordingly on a retrospective basis upon finalisation of PPA exercise.

The consolidated financial information reflects the following:

**Consolidated statement of financial position**

- (a) The assets and liabilities of the Brand Connect Group as at 31 August 2018 were recognised and measured in the consolidated statement of financial position at their carrying amounts after the restructuring exercise;
- (b) The assets and liabilities of the Brand Connect Group on acquisition date were recognised and measured in the consolidated statement of financial position at their acquisition date fair values as provisionally determined by the management;
- (c) The comparative figures as at 28 February 2018 presented in the consolidated statement of financial position relate to the Duty Free International Limited (“DFIL”) Group;
- (d) The retained earnings of the Group as at 31 August 2018 included that of the DFIL Group at their carrying amounts and the post-acquisition reserves of the Brand Connect Group.

**Consolidated statement of profit and loss and other comprehensive income**

- (a) The consolidated statement of profit or loss and other comprehensive income for the period from 1 March 2018 to 31 August 2018 (“1HFY2019), reflect that of DFIL Group and the post-acquisition results of Brand Connect Group;
- (b) The comparative figures for the period from 1 March 2017 to 31 August 2017 (“1HFY2018) presented in the consolidated statement of profit or loss and other comprehensive income were that of DFIL Group.

**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\$0.005 per share |
| Tax rate                  | One tier exempt    |
| Date payable              | 2 November 2017    |
| Book closure date         | 20 October 2017    |

**(c) Date payable**

Not applicable.

**(d) Book closure date**

Not applicable.

**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 FY2019.

**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 had on 8 August 2018 utilised US\$2.8 million (or approximately S\$3.82 million based on the exchange rate of 1.363) for the subscription for 2,800,000 new ordinary shares in Brand Connect Holding Pte. Ltd as disclosed in Note 10(iii).

As at the date of this announcement, following the abovementioned utilisation, approximately S\$39.78 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. 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<br>Second quarter ended<br>31 August |                | Group<br>Half year ended<br>31 August |                |
|---|--|----------------|---------------------------------------|----------------|
|   | 2018<br>RM'000                             | 2017<br>RM'000 | 2018<br>RM'000                        | 2017<br>RM'000 |
| <b>Related company:</b>                                   |  |                |                                       |                |
| - Management fee  | 500  | 500            | 1,000                                 | 1,000          |
| <b>Related parties:</b>                                   |  |                |                                       |                |
| - Donation to Yayasan Harmoni                             | -  | -              | 3,000                                 | -              |
| - Purchases from Heinemann Asia Pacific Pte. Ltd. ("HAP") | 40,316                                     | 44,844         | 84,469                                | 102,935        |
| - Management fee paid/payable to HAP                      | (235)                                      | 624            | 42                                    | 1,082          |
| - Ad-space rental received/receivable from HAP            | 434  | 755            | 875                                   | 1,196          |
| - Reimbursement of costs from HAP                         | 1,038                                      | 855            | 2,115                                 | 2,244          |

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

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results for the second quarter ended 31 August 2018 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  
10 October 2018