DUTY FREE INTERNATIONAL LIMITED

Duty Free International Limited
Wisma Atlan, 8, Persiaran Kampung Jawa,
Bayan Lepas, 11900 Penang, Malaysia.
Tel: (604) 6413 200 ax: (604) 6423 200
www.dfi.com.sg

Six Battery Road, #10-01
Singapore 049909
Tel: (65) 6381 6966 Fax: (65) 6381 6967

Media Release

Duty Free International's net profit attributable to shareholders was RM12.3 million in 2Q2019

- **2Q2019 revenue declined by 21.8% to RM114.4 million with net profit attributable to shareholders decreasing by 12.6% at RM12.3 million**
- **Net foreign exchange gain of RM3.1 million due to currency translations**

Singapore, 10 October 2018 – SGX Mainboard listed Duty Free International Limited ("DFI" or the "Company", and together with its subsidiaries, the "Group"), the largest multi-channel duty free and duty paid retail group in Malaysia with more than 40 retail outlets, today announced its financial results for the three months ("2Q2019") and half year ("1H2019") ended 31 August 2018.

FINANCIAL HIGHLIGHTS						
In RM million except otherwise stated	**2Q2019**	**2Q2018**	**% Change**	**1H2019**	**1H2018**	**% Change**
Revenue	114.4	146.3	(21.8)	231.8	311.4	(25.6)
Profit before income tax	16.9	21.5	(21.3)	31.3	43.5	(28.2)
Net Profit after income tax	13.6	15.6	(12.6)	23.6	32.1	(26.4)
Net Profit attributable to shareholders	12.3	14.1	(12.6)	21.3	29.1	(26.7)

The Group's revenue decreased RM31.9 million or 21.8% from RM146.3 million in 2Q2018 to RM114.4 million in 2Q2019. The decline was mainly attributable to lower availability of certain popular products for sale which had affected the Group's revenue performance. However, other operating income increased 26.0% to RM4.6 million in 2Q2019 as compared to RM3.6 million in 2Q2018, and this was mainly due to an increase in interest income.

Profit before income tax was RM16.9 million in 2Q2019 compared to RM21.5 million in 2Q2018. This 21.3% decrease was mainly due to the lower revenue recorded and the absence of gain arising from changes in fair value of option amounting to RM1.6 million which was recorded in 2Q2018.

The negative effects were partially offset by a net foreign exchange gain of RM3.1 million in 2Q2019, compared to a net gain of RM0.3 million in 2Q2018. This increase was largely due to currency translations of the Group's deposits in various financial institutions to Ringgit Malaysia. Ringgit Malaysia had weakened against the Singapore Dollar by approximately 1.0% from RM2.97 as at 31 May 2018 to RM3.00 as at 31 August 2018, and against the US Dollar by approximately 3.5% from RM3.98 to RM4.12 in the same period.

For 1H2019, the Group recorded a revenue of RM231.8 million (1H2018: RM311.4 million) and a profit before income tax of RM31.3 million (1H2018: RM43.5 million). The decrease in profit was mainly due to the lower revenue recorded, donation of RM3.0 million, as well as the absence of gain arising from changes in fair value of option amounting to RM7.5 million as compared to 1H2018. However, these were partially mitigated by an increase in other operating income of 22.2% from RM7.2 million in 1H2018 to RM8.8 million in 1H2019 and a net gain in foreign exchange of RM5.3 million in 1H2019 compared to a net loss of RM5.7 million in 1H2018.

As a result of the above, net profit attributable to shareholders of the Company was RM12.3 million for 2Q2019, and for 1H2019 it was RM21.3 million.

Financial Position and Cashflow Highlights

The Group's inventories increased slightly from RM135.4 million in the financial year ended 28 February 2018 to RM139.5 million in 2Q2019. This was the result of a consolidation of inventories of the newly acquired Brand Connect Group amounting to RM6.7 million.

The Group's net cash used in operating activities was RM14.3 million in 2Q2019 compared to RM36.0 million net cash generated in 2Q2018. Net cash used in financing activities for 2Q2019 was RM37.3 million, mainly due to a dividend payout of RM33.3 million. Overall cash and cash equivalents of the Group decreased to RM247.8 million at the end of 2Q2019 as compared to RM270.4 million in 2Q2018.

Business Outlook

The Group expects the operating environment to remain challenging on the back of rising inflationary cost and weak consumer sentiment. However, the Group will continue its efforts to identify new market opportunities to further strengthen its customer base and distribution channel. It will also closely monitor key cost drivers and intensify marketing efforts to remain competitive and profitable for the remaining quarters of the financial year ending 28 February 2019.

Bills of Demand Hearing Update

In the High Court hearing on 29 June 2018 regarding the bills of demand that was received by the Company's subsidiary, Seruntum Maju Sdn. Bhd. ("SMSB"), the decision of the High Court was not to grant an application for judicial review to SMSB. SMSB subsequently filed an appeal to the Court of Appeal on 2 July 2018, against the High Court's decision. SMSB also filed a formal application to stay the effect and enforcement of the bills of demand, and will file 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 28 August 2018, the High Court granted an 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.

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, this matter is still pending a decision from the Director-General.

The Company, after consulting with its solicitors, strongly believes that there is no legal and/or factual basis for the Customs Department to arrive at their decision to raise the said Bills of Demand. This is especially so given that SMSB's duty free shop is located after the last customs station en-route out of Malaysia before the first customs station en-route into Malaysia, where no duties, sales tax and/or GST are payable. The Company will make further announcements as and when there are any material updates on the abovesaid matter.

Acquisition of Brand Connect

On 9 July 2018, the Company announced that it had entered into a conditional subscription agreement with Mr. Robert Justin Frizelle and Meridian Compass Ltd ("Founders"), and Brand Connect Holding Pte Ltd ("Brand Connect") to subscribe for 2.8 million new ordinary shares in the capital of Brand Connect for a consideration amount of US$2.8 million ("Subscription"). On 8 August 2018, the Subscription was completed following the satisfaction of the conditions precedent to the agreement, making Brand Connect a 70% owned subsidiary of the Company.

The 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 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 Southeast Asia.

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

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Note: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

About Duty Free International Ltd. and DFZ Capital Sdn Bhd

DFZ Capital Sdn Bhd (formerly known as DFZ Capital Berhad), a group subsidiary of DFI with an operating history of more than 39 years, is the largest multi-channel duty free and duty paid retailing group in Malaysia. The Company through its "ZON" brand of retail shops serves both Malaysian and international customers across all major entry and exit points in Peninsular Malaysia including operations at international and domestic airports, duty free zones, seaports, border towns, duty free islands and other tourist destinations.

For more information, please visit http://dfi.com.sg

Issued for and on behalf of Duty Free International Limited by Cogent Communications Pte Ltd. For media queries, please contact:

Ms Melissa Sim, Tel: (65) 6704-9287
Mob: (65) 9380-2938, Email: melissasim@cogentcomms.com

Mr Gerald Woon, Tel: (65) 6704-9268
Mob: (65) 9694-8364, Email: woon@cogentcomms.com
