

## THE PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION

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### 1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Duty Free International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company intends to undertake a capital reduction exercise (the “**Capital Reduction**”) pursuant to Sections 78A and 78C of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) to return to the shareholders of the Company (“**Shareholders**”) surplus capital in excess of the Company’s immediate needs by way of a cash distribution of S\$0.035 for each ordinary share in the share capital of the Company (“**Share**”) held by Shareholders (the “**Cash Distribution**”).

The books of the Company will be closed at a books closure date to be determined by the Board for the purpose of determining the entitlements of Shareholders in connection with the Cash Distribution.

The Company intends to seek Shareholders’ approval for the Capital Reduction and Cash Distribution at an extraordinary general meeting of the Company to be convened (the “**EGM**”).

### 2. THE CAPITAL REDUCTION AND CASH DISTRIBUTION

#### 2.1 Details of the Capital Reduction and Cash Distribution

The Capital Reduction and Cash Distribution will be effected in the following manner:

- (a) reducing the issued and paid-up share capital of the Company by S\$0.035 per Share which will amount to the aggregate sum of approximately S\$41,936,968.26 from S\$410,216,198.44 (as at the date of this announcement) to S\$368,279,230.18; and
- (b) the Cash Distribution of S\$0.035 per Share to Shareholders which will amount to the aggregate sum of approximately S\$41,936,968.26, based on the issued and paid-up share capital of the Company of S\$410,216,198.44 comprising 1,198,199,093 Shares (which excludes 30,999,300 treasury shares) as at the date of this announcement, will be paid out to the Shareholders.

The Cash Distribution amount of S\$0.035 per Share comprises the issued and paid-up capital in excess of the immediate requirements of the Company.

As at the date of this announcement, the Company has an issued and paid-up share capital of approximately S\$410,216,198.44. Upon completion of the Capital Reduction, the Company will have an issued and paid-up share capital of S\$368,279,230.18.

#### 2.2 Rationale for the Capital Reduction and Cash Distribution

The Directors are of the view that the Capital Reduction is in the best interests of the Company as the amount under the Cash Distribution comprises the paid-up capital in excess of the immediate requirements of the Company. If effected, the Capital Reduction and Cash Distribution would result in the Company having a more efficient capital structure, thereby improving Shareholders’ return on equity. In determining the level of capital to be returned to Shareholders, the Company has ensured that it retains sufficient capital for business and operational needs.

The Directors have recommended the Capital Reduction to return cash in excess of its immediate requirements to the Shareholders whilst maintaining sufficient flexibility to position itself to take advantage of any business opportunity that may arise in the future and to cater for the Group's growth needs.

## 2.3 Conditions of the Capital Reduction and Cash Distribution

The Capital Reduction and Cash Distribution are subject to, *inter alia*, the following conditions:

- (a) the Company obtaining Shareholders' approval by way of a special resolution of the Capital Reduction at the extraordinary general meeting ("**EGM**"), to be approved by a majority of not less than three-fourths of the Shareholders present and voting at the EGM, of which not less than 21 days' notice of the EGM shall have been given;
- (b) the Directors making the solvency statements (the "**Solvency Statements**") in relation to the Capital Reduction and compliance with other relevant solvency requirements as required by the Companies Act;
- (c) the Company complying with the relevant publicity requirements as prescribed in the Companies Act;
- (d) lodgement with the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") of copies of the Solvency Statements and the Capital Reduction resolution, within 15 days beginning with the date of the Capital Reduction resolution;
- (e) no application being made for the cancellation of the Capital Reduction resolution by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the dismissal thereof by the judicial authorities; and
- (f) lodgement of the relevant documents with ACRA after the end of the six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction resolution.

## 2.4 Adjustments to the existing Warrants

Pursuant to the terms and conditions of the Warrants as set out in the deed poll dated 2 May 2017 as amended by the supplemental deed poll dated 27 November 2019 ("**Deed Poll**"), whenever the Company makes a distribution in cash or *in specie* (other than dividends), the exercise price of the Warrants shall be adjusted in accordance with such terms and conditions.

The exercise price of the Warrants will be adjusted by the Directors in consultation with the Approved Professional (as defined in the Deed Poll) and such adjustment will be effective from the commencement of the market date next following the Books Closure Date. The Company will make an announcement of such adjusted exercise price at the appropriate juncture.

For illustrative purposes, based on the existing issued share capital of 1,198,199,093 Shares (which excludes 30,999,300 treasury shares), the existing number of outstanding Warrants of 491,400,042 and assuming a current market price of S\$0.145 per Share as at 27 November 2019, being the market day immediately preceding the date on which this announcement is made), the following adjustments will be made to the exercise price of the Warrants:

	Before Adjustment	After Adjustment
Exercise price of each Warrant	S\$0.430	S\$0.330

## 3. FINANCIAL EFFECTS OF THE CAPITAL REDUCTION AND CASH DISTRIBUTION

For illustrative purposes only, based on the Group's audited consolidated financial statements for the financial year ended 28 February 2019 ("**FY2019**"), the pro forma financial effects of the Capital Reduction and Cash Distribution on the Company are as follows:

The pro forma financial effects are calculated on the assumption that:

- (i) the Capital Reduction and Cash Distribution were completed on 28 February 2019 and based on 1,208,445,693 Shares (excluding 20,752,700 treasury shares) in issue, as at 28 February 2019;
- (ii) the aggregate amount of cash required for the Cash Distribution will be generated through the Company's available liquid cash resources on hand;
- (iii) the computation does not take into account any expenses that may be incurred in relation to the Capital Reduction and Cash Distribution; and
- (iv) the net asset value per Share is computed based on 1,208,445,693 Shares (excluding 20,752,700 treasury shares) in issue, as at 28 February 2019.

**The Directors note that the pro forma financial effects have been prepared solely for illustrative purposes and do not purport to be indicative or a projection of the results and financial position of the Company after the Capital Reduction and Cash Distribution have been effected.**

**(a) Share Capital**

The Capital Reduction and Cash Distribution will not have any impact on the number of Shares held by the Shareholders after the Capital Reduction and Cash Distribution. The pro forma financial effects of the Capital Reduction and Cash Distribution on the share capital of the Company for FY2019 are as follows:

	<b>Before the Capital Reduction and Cash Distribution</b>	<b>After the Capital Reduction and Cash Distribution</b>
Number of issued Shares (including treasury shares)	1,229,198,393	1,229,198,393
Number of issued Shares (excluding treasury shares)	1,208,445,693	1,208,445,693
Amount of share capital (S\$)	410,216,198.44 <sup>(1)</sup>	367,920,599.19

Note: (1) The amount of share capital of S\$410,216,198.44 is based on the records of ACRA as at 28 February 2019.

**(b) EPS**

The Capital Reduction and Cash Distribution will have no impact on the EPS of the Company.

**(c) NAV**

The pro forma financial effects of the Capital Reduction and Cash Distribution on the NAV of the Company for FY2019 are as follows:

	<b>Company</b>		<b>Group</b>	
	<b>Before the Capital Reduction and Cash Distribution</b>	<b>After the Capital Reduction and Cash Distribution</b>	<b>Before the Capital Reduction and Cash Distribution</b>	<b>After the Capital Reduction and Cash Distribution</b>
Net asset (RM'000)	1,091,092	963,799	569,299	442,006

	Company		Group	
	Before the Capital Reduction and Cash Distribution	After the Capital Reduction and Cash Distribution	Before the Capital Reduction and Cash Distribution	After the Capital Reduction and Cash Distribution
Number of issued Shares (excluding treasury shares)	1,208,445,693	1,208,445,693	1,208,445,693	1,208,445,693
NAV per Share (RM sen)	90.29	79.76	47.11	36.58

**(d) Gearing**

The pro forma financial effects of the Capital Reduction and Cash Distribution on the gearing ratio of the Company for FY2019 are as follows:

	Company		Group	
	Before the Capital Reduction and Cash Distribution	After the Capital Reduction and Cash Distribution	Before the Capital Reduction and Cash Distribution	After the Capital Reduction and Cash Distribution
Total borrowings (RM'000)	-	-	21,938	21,938
Net assets (RM'000)	1,091,092	963,799	569,299	442,006
Gearing (%)	-	-	3.85	4.96

**(e) Return on Equity**

The pro forma financial effects of the Capital Reduction and Cash Distribution on the return on equity of the Company for FY2019 are as follows:

	Before the Capital Reduction and Cash Distribution	After the Capital Reduction and Cash Distribution
Profits attributable to Shareholders (RM'000)	46,517	46,517
Net assets (RM'000)	569,299	442,006
Return on Equity (%)	8.17	10.52

**4. CIRCULAR TO SHAREHOLDERS**

A circular containing further information on the Capital Reduction and Cash Distribution, and the EGM will be despatched to Shareholders in due course.

**5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

None of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Capital Reduction and Cash Distribution (other than through their respective shareholdings in the Company, if any).

## **6. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Capital Reduction and Cash Distribution, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

### **BY ORDER OF THE BOARD**

Lee Sze Siang  
Executive Director  
28 November 2019