DUTY FREE INTERNATIONAL LIMITED
(Company Registration No. 200102393E)
(Incorporated in the Republic of Singapore)

ACQUISITION OF REMAINING SHARES IN A SUBSIDIARY COMPANY – DFZ CAPITAL SDN BHD

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1. INTRODUCTION

References are made to the announcements made by the Company on 17 March 2016, 12 May 2016, 30 May 2016, 1 June 2016 and the circular to shareholders issued by the Company on 13 May 2016 in relation to the Sale Shares as defined below.

The board of directors ("**Board**") of Duty Free International Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 7 December 2021 entered into a termination deed ("**Deed**") with Heinemann Asia Pacific Pte. Ltd. ("**HAP**") and DFZ Capital Sdn Bhd ("**DFZ**"), pursuant to which (amongst other things) HAP agreed to sell, and the Company agreed to purchase 31,494,575 ordinary shares (the "**Sale Shares**") in the capital of DFZ, representing 15% plus one ordinary share of the issued and paid up share capital in DFZ (the "**Acquisition**"). The Deed also provided for the termination of ancillary agreements entered into between DFZ and HAP relating to the supply of duty free products.

Completion of the acquisition of the Sale Shares has taken place today on 7 December 2021 ("**Completion**").

DFZ is an existing subsidiary of the Company and the Company held 178,469,254 ordinary shares in the capital of DFZ, comprising 85% less one ordinary share of DFZ's share capital prior to Completion. Upon Completion, DFZ became a wholly owned subsidiary of the Company.

2. DETAILS OF THE ACQUISITION

2.1 <u>Information on DFZ</u>

DFZ was incorporated in Malaysia on 27 July 1983 under the Companies Act, 1965 as a private limited company under the name of Usaha Borong Sdn Bhd and subsequently on 25 April 1986, it changed its name to Sriwani Holdings Sdn Bhd. On 28 March 1991, DFZ was converted into a public limited company under the name of Sriwani Holdings Berhad. On 25 July 2005, DFZ adopted its present name and subsequently, converted its status as private company limited by shares on 6 October 2017.

The principal activities of the DFZ and its subsidiaries (the "**DFZ Group**") are mainly trading of duty-free goods and non-dutiable merchandise where the duty-free retail outlets, duty-free wholesale outlets and duty-paid retail outlets of the DFZ Group are located at various locations throughout Peninsular Malaysia such as Padang Besar, Langkawi, Bukit Kayu Hitam, Kuala Lumpur International Airport and Johor Bahru.

The current DFZ's board of directors are as follows: -

<u>DFI Directors</u>
Ong Bok Siong
Lee Sze Siang
Ho Yuet Leng
(collectively, known as "**DFI Directors**")

<u>HAP Directors</u>
Max Borries Claus Heinemann
Marvin Christian von Plato
(collectively, known as "**HAP Directors**").

Based on the audited financial statements for the financial year ended 28 February 2021, the net asset value of DFZ was MYR161.92 million.

2.2 <u>Information on HAP</u>

HAP was incorporated in Singapore on 13 January 2010 under the Companies Act (Chapter 50) of Singapore under its present name. As at the date of this announcement, HAP's issued and fully-paid up ordinary share capital is SGD197,453,655. The directors of HAP as at the date of this announcement are Max Borries Claus Heinemann, Marvin Christian von Plato, Tay Xiu Bin and Johannes Maximilian Rudolf Georg Zeno Sammann.

HAP is a wholly-owned subsidiary of Gebr. Heinemann SE & Co KG ("Gebr. Heinemann"). Gebr. Heinemann started as a ship chandler in the year 1879. Since then, the company has grown to be one of the more prominent global travel retail players in the world, operating as a wholesaler and retailer in over 100 countries worldwide and employing approximately 7,400 employees. HAP is headquartered in Singapore and is the retail and distribution arm of Gebr. Heinemann's business in the entire Asia Pacific region. HAP is one of the leading multi-category duty free retailers at KLIA2, Kuala Lumpur, Malaysia retailing under the brand "Be Duty Free", as well as at Sydney International Airport, Gold Coast International Airport and Hong Kong International Airport. HAP also has extensive distribution partnerships with leading local duty-free operators in the region, supplying international products to airport, cruise line, border, downtown and diplomatic shops across the Asia Pacific.

3. SALIENT TERMS OF THE ACQUISITION

3.1 <u>Acquisition Consideration</u>

The purchase consideration for the Sale Shares is MYR45,800,000 (the "**Consideration**"). The consideration for the Acquisition was arrived after arm's length negotiations, taking into consideration, *inter alia*, various factors, including the latest valuation on the Sale Shares of DFZ by Deloitte and Touche Financial Advisory Services Pte Ltd ("**DTFAS**" or the "**Valuer**").

DTFAS is an independent valuer jointly commissioned by the Company and HAP in accordance with Clause 13 of the Shareholders' Agreement (as defined below), to perform independent fair valuation services in connection with the acquisition of all ordinary shares of DFZ owned by HAP by the Company.

The valuation was carried out based on a few scenarios as agreed by the Company and HAP as stated in the Valuation Letter dated 11 November 2021 ("**Valuation Letter**"). The primary approach adopted is the income approach which has been corroborated by the market approach.

The Purchase Consideration is within the valuation range between MYR15 million and MYR54 million derived from the various scenarios ascribed by the Valuer.

The Consideration was satisfied in cash and funded from the Company's internal cash resources.

3.2 Salient Terms of the Acquisition

The salient terms of the Acquisition are as follows:

(i) the consideration of MYR45,800,000 for the Sale Shares shall be paid by the Company to HAP in full on Completion in USD currency, at the middle rate of exchange published by Bank Negara Malaysia on the date falling 1 business day before the Completion;

(ii) the Company shall also pay (on behalf of itself, DFZ and certain subsidiaries of DFZ) the trade payables which are due to HAP, amounting USD4.19 million, on Completion;

(iii) HAP's appointed Operations Director, Mr. Heyde Hendrik Korbinian shall resign from the DFZ Group;

(iv) on Completion, the HAP Directors will resign as DFZ's directors; and

(v) the following ancillary agreements shall be terminated with effect on and from Completion:

(a) the shareholders' agreement between the Company, HAP and DFZ dated 1 June 2016 (the "**Shareholders' Agreement**"), regulating the relationship between the Company and HAP as shareholders;

(b) the management agreement between HAP and DFZ dated 1 June 2016 (the "**Management Agreement**"), pursuant to which HAP was appointed to provide management services to DFZ; and

(c) the supply and distribution agreement between HAP, DFZ and certain subsidiaries of DFZ dated 1 June 2016 (the "**Supply and Distribution Agreement**"), pursuant to which HAP agreed to supply certain product categories to DFZ and certain subsidiaries of DFZ.

4. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING RULES OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("LISTING RULES")

The relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Listing Rules and based on the latest announced unaudited consolidated financial results of the Group for the financial period ended 31 August 2021 prior to the Acquisition are as follows:-

Rule 1006	**Bases**	**Relative Figures for the Acquisition**
(a)	Net asset value of the asset to be disposed of, compared with the Group's net asset value	Not applicable (1)
(b)	Net profits attributable to the assets acquired compared with the Group's net profits	-19.6% (2)
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	13.2% (3)

Rule 1006	Bases	Relative Figures for the Acquisition
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable [(1)]
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable [(1)]

Notes:-

(1) Rules 1006(a), (d) and (e) are not applicable to this Acquisition.

(2) Computed based on the unaudited preliminary loss before tax for the 6 months period ended 31 August 2021. The Group's loss before tax for the financial period ended 31 August 2021 was approximately MYR6,492,000. The loss before tax attributable to the Sale Shares for the financial period ended 31 August 2021 was approximately MYR1,273,000.

(3) The market capitalisation of the Company of approximately MYR348.06 million was computed based on the Company's existing issued and paid-up share capital of 1,198,199,093 shares (excluding 30,999,300 treasury shares) and the volume-weighted average price of SGD0.094 per share on 6 December 2021, converted at SGD1.00 : MYR3.0903.

Based on the ratios computed above, the Acquisition warrants an immediate disclosure under Rule 1010 of the Listing Rules as the relative figures computed on the bases set out above exceeds 5%. However, as the relative figures computed above does not exceed 20% of the respective rules mentioned above, thus the transaction is not subject to shareholders' approval.

5. RATIONALE FOR THE ACQUISITION

The Acquisition by the Company is part of the business optimisation strategy in relation to the current business environment. The Acquisition will enable the Company to hold 100% equity interest in DFZ so to have absolute control in the conduct of the business and affairs of DFZ Group.

6. FINANCIAL IMPACT ON THE COMPANY

For illustrative purposes, the financial effects of the Acquisition on the Group set out below were prepared based on the latest announced audited financial statements of the Group for financial year ending 28 February 2021 ("**FY2021**") and subject to the following main assumptions:-

(a) For the purposes of computing the Earnings per Share ("**EPS**") of the Group after the Acquisition, it is assumed that the Acquisition had been completed at the beginning of the FY2021; and

(b) For the purposes of computing the Net Tangible Assets ("**NTA**") per Share of the Group after the Acquisition, it is assumed that the Acquisition had been completed at the end of FY2021.

6.1 Share capital and shareholding structure

The Acquisition will not have any effect on the share capital and shareholding structure of the Company as the consideration shall be fully satisfied in cash. The Acquisition will result in the Company holding 100% of equity interest in DFZ.

6.2 Earnings

Assuming the Acquisition had been completed at the beginning of FY2021, the Acquisition would have the following effect on the EPS of the Group: -

	Before the Acquisition	After the Acquisition
Net Loss attributable to Shareholders after tax	MYR41.778 million	MYR48.592 million (4)
Number of Shares	1,198,199,093	1,198,199,093
(Loss per Share)	(MYR0.0349)	(MYR0.0406)

Notes:-

(4) Computed based on the net loss for FY2021 and assuming an estimated professional fees of MYR1.16 million.

6.3 Net Tangible Assets ("NTA")

Assuming the Acquisition had been completed at the end of FY2021, the Acquisition would have the following effect on the consolidated NTA of the Group: -

	Before the Acquisition	After the Acquisition
NTA	MYR363.946 million	MYR316.986 million (5)
Number of Shares	1,198,199,093	1,198,199,093
NTA per Share	MYR0.3037	MYR0.2646

Notes:-

(5) Computed based on the NTA for FY2021 and assuming an estimated professional fees of MYR1.16 million.

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition, other than through their respective shareholding interests in the Company.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. 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 Acquisition, 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.

10. DOCUMENTS FOR INSPECTION

A copy of the Deed and Valuation Letter shall be available for inspection at the Company's registered office at 138 Cecil Street, #12-01A Cecil Court, Singapore 069538 during normal business hours for a period of three (3) months from the date of this announcement.

11. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisors.

BY ORDER OF THE BOARD
DUTY FREE INTERNATIONAL LIMITED

Lee Sze Siang
Executive Director
7 December 2021