

CIRCULAR DATED 13 MAY 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular (as defined herein) is issued by Duty Free International Limited (the “**Company**”). If you are in any doubt about the contents of this Circular or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular, the Notice of Extraordinary General Meeting and the attached proxy form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular, the Notice of Extraordinary General Meeting and the attached proxy form to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the attached proxy form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Canaccord Genuity Singapore Pte. Ltd. (“**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made, or reports contained in this Circular.

The contact person for the Sponsor is Ms Goh Mei Xian, Associate Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED “RISK FACTORS” OF THIS CIRCULAR WHICH YOU SHOULD REVIEW CAREFULLY IN CONJUNCTION WITH THE ENTIRE CIRCULAR.



DUTY FREE INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200102393E)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED DISPOSAL BY THE COMPANY OF UP TO 25% EQUITY INTEREST PLUS ONE SHARE IN DFZ CAPITAL BERHAD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of proxy form	:	28 May 2016 at 2.30 p.m.
Date and time of Extraordinary General Meeting	:	30 May 2016 at 2.30 p.m.
Place of Extraordinary General Meeting	:	Novotel Singapore Clarke Quay Phoenix 1, Level 6, 177A River Valley Road Singapore 179031

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:-

General

- “Agreement”* : The sale and purchase agreement entered into between the Purchaser and the Company on 17 March 2016 pursuant to which the Purchaser agreed to acquire and the Company agreed to sell the Sale Shares
- “Associate”* : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Board”* : The board of Directors of the Company as at the date of this Circular
- “Call Options”* : Has the meaning ascribed to it in Section 3.1 of this Circular
- “Catalist Rules”* : The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
- “CDP”* : The Central Depository (Pte) Limited
- “Claims Call Option”* : Has the meaning ascribed to it in Section 3.2 of this Circular
- “Companies Act”* : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “Company” or “DFI”* : Duty Free International Limited
- “Controlling Shareholder”* : A person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company (subject to SGX-ST determining that such a person is not a controlling shareholder) or a person who in fact exercises control over the Company
- “DFI Group”* : DFI and its subsidiaries

DEFINITIONS

<i>“DFZ”</i>	:	DFZ Capital Berhad, a wholly-owned subsidiary of the Company
<i>“DFZ Group”</i>	:	DFZ and its subsidiaries
<i>“Directors”</i>	:	The directors of the Company as at the date of this Circular
<i>“EBITDA”</i>	:	Earnings before interest, taxes, depreciation and amortization
<i>“EGM”</i>	:	The extraordinary general meeting of the Company to be held on 30 May 2016 at 2.30 p.m., notice of which is set out on pages 21 and 22 of this Circular
<i>“EV”</i>	:	Enterprise value, the agreed valuation of DFZ between the Parties for the Proposed Disposal
<i>“EPS”</i>	:	Earnings per Share
<i>“First Tranche Completion”</i>	:	Has the meaning ascribed to it in Section 3.1(a) of this Circular
<i>“First Tranche Sale Shares”</i>	:	Has the meaning ascribed to it in Section 3.1 of this Circular
<i>“FY”</i>	:	Financial year ended or ending 29 February, as the case may be
<i>“Latest Practicable Date”</i>	:	29 April 2016, being the latest practicable date prior to the printing of this Circular
<i>“Long-Stop Date”</i>	:	Five months after the date of the Agreement
<i>“NTA”</i>	:	Net tangible assets
<i>“Parties”</i>	:	Parties to the Agreement, namely the Company and the Purchaser
<i>“Proposed Disposal”</i>	:	Means the proposed disposal of up to 25% equity interest plus one share in DFZ by the Company to the Purchaser
<i>“Purchaser”</i>	:	Heinemann Asia Pacific Pte. Ltd.
<i>“Sale Shares”</i>	:	Collectively the First Tranche Sale Shares and the shares in the issued and paid-up share capital of DFZ that may be acquired by the Purchaser under the Second Tranche Call Option and/or the Third Tranche Call Option
<i>“Second Tranche Call Option”</i>	:	Has the meaning ascribed to it in Section 3.1(a) of this Circular
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“SGXNet”</i>	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
<i>“Shareholders”</i>	:	Registered holders of Shares except that where CDP is the registered holder, the term “Shareholders” shall in relation to such Shares, mean Depositors who have Shares entered against their names in the Depository Register
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company

DEFINITIONS

“Substantial Shareholder”	:	In relation to a company that is listed on the SGX-ST, a person who has an interest of not less than 5% of the issued voting shares of that listed company
“Third Tranche Call Option”	:	Has the meaning ascribed to it in Section 3.1(b) of this Circular
“Transaction Agreements”	:	Has the meaning ascribed to it in Section 3.9 of this Circular
“%” or “per cent”	:	Percentage or per centum.
Currencies		
“EUR”	:	The single lawful currency of any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to the Economic and Monetary Union
“RM” or “RM Sen”	:	Malaysian Ringgit, the lawful currency of Malaysia
“S\$” and “cents”	:	Singapore dollar and cents respectively, the lawful currency of Singapore
“US\$”	:	United States dollars, the lawful currency of the United States of America

In this Circular:-

- (i) The terms “Depositor”, “Depository Register” and “Depository Agent” shall have the meaning ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.
- (ii) The term “subsidiary” shall have the meaning ascribed to it in Section 5 of the Companies Act.
- (iii) Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.
- (iv) References to persons shall include corporations.
- (v) The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.
- (vi) Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.
- (vii) Any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated.
- (viii) Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

DUTY FREE INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200102393E)

Directors:-

Dato' Sri Adam Sani Abdullah (*Non-Executive Chairman*)
Ong Bok Siong (*Managing Director*)
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)
(*Lead Independent Director*)
Dato' Megat Hisham bin Megat Mahmud (*Independent Director*)
Chew Soo Lin (*Independent Director*)
Lee Sze Siang (*Executive Director*)

Registered Office:-

Six Battery Road #10-01
Singapore 049909

13 May 2016

LETTER TO SHAREHOLDERS

To: The Shareholders of Duty Free International Limited

Dear Sir / Madam,

THE PROPOSED DISPOSAL BY THE COMPANY OF UP TO 25% EQUITY INTEREST PLUS ONE SHARE IN DFZ CAPITAL BERHAD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

1.1 Background

On 17 March 2016, the Company made an announcement in relation to the proposed disposal of a 10% equity interest plus one share in DFZ to the Purchaser with two call options to purchase up to a further 15% equity interest in DFZ pursuant to the Agreement entered into between the Parties.

A copy of the announcement made on 17 March 2016 is available on SGXNet.

The key terms of the Proposed Disposal, including those in relation to the Call Options, are set out in Section 3 of this Circular.

1.2 Approval of Shareholders

The Proposed Disposal constitutes a "discloseable transaction" under Chapter 10 of the Catalyst Rules. Please refer to Section 8 of this Circular for further details. Even though the Proposed Disposal does not constitute a "major transaction" under Chapter 10 of the Catalyst Rules and is not subject to Shareholders' approval in a general meeting, the Company will nonetheless be convening a general meeting to seek Shareholders' approval for the Proposed Disposal and the terms of the Transaction Agreements.

1.3 EGM

The purpose of this Circular is to provide Shareholders with the relevant information and the underlying rationale regarding the Proposed Disposal, the Transaction Agreements and the grant of Call Options. The approval of the Shareholders will be sought at an EGM to be held on 30 May 2016 at 2.30 p.m. at Novotel Singapore Clarke Quay, Phoenix 1, Level 6, 177A River Valley Road, Singapore 179031.

Shareholders are advised to read this Circular in its entirety and any Shareholder who requires advice in the context of this Circular is advised to consult his legal, financial, tax, or other professional adviser. This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any person (other than the Shareholders to whom this Circular is dispatched by the Company) or for any other purpose.

LETTER TO SHAREHOLDERS

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Circular.

2. INFORMATION ON DFZ AND THE PURCHASER

2.1 Information on DFZ

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.

The principal activities of 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 (“**KLIA**”) and Johor Bahru.

2.2 Information on the Purchaser

The Purchaser was incorporated in Singapore on 13 January 2010 under the Companies Act under its present name. As at the date of this Circular, the Purchaser’s issued and fully-paid up ordinary share capital is S\$100. The directors of the Purchaser as at the date of this Circular are Max Heinemann, Tay Xiu Bin and Julia Baumann.

The Purchaser 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 with a turnover of US\$2.8 billion in the year 2014. Gebr. Heinemann employs approximately 6,000 employees across 230 Heinemann Duty Free & Travel Value shops, brands and concept shops at 78 international airports in 29 countries. The Purchaser is headquartered in Singapore and is the retail and distribution arm of Gebr. Heinemann’s business in the entire Asia Pacific region. The Purchaser is one of the leading multi-category duty free retailers at KLIA2, Kuala Lumpur, Malaysia retailing under the brand “Be Duty Free”.

3. DETAILS OF THE PROPOSED DISPOSAL

3.1 Sale and Purchase Agreement

Pursuant to the terms of the Agreement, the Company shall sell and the Purchaser shall purchase 20,996,384 ordinary shares of DFZ, representing 10% plus one share of the issued and paid-up share capital of DFZ (“**First Tranche Sale Shares**”) for a consideration of EUR19,700,000.

Under the terms of the Agreement, the Company has also granted the following call options to the Purchaser (“**Call Options**”) for a nominal consideration of EUR1.00 each:-

- (a) In the 18-month period beginning on the date of completion of the sale of the First Tranche Sale Shares (“**First Tranche Completion**”), the option to require the Company to sell to the Purchaser a second tranche of shares in DFZ (the “**Second Tranche Sale Shares**”) (“**Second Tranche Call Option**”); and
- (b) In the 12-month period beginning on the date of expiry of the Second Tranche Call Option period, the option to require the Company to sell to the Purchaser a third tranche of shares in DFZ (the “**Third Tranche Sale Shares**”) (“**Third Tranche Call Option**”).

LETTER TO SHAREHOLDERS

The aggregate number of shares in DFZ which may be acquired by the Purchaser under the Call Options shall not exceed 15% of the issued and paid-up share capital of DFZ as at the date of the Agreement. Each Call Option may only be exercised once. The Third Tranche Call Option will remain valid and binding notwithstanding the Second Tranche Call Option not being exercised.

Upon the completion of the Proposed Disposal (assuming all the Call Options are fully exercised), 75% minus one share of the issued and paid-up share capital of DFZ will be held by the Company while the remaining 25% plus one share will be held by the Purchaser.

Further information relating to the Proposed Disposal as well as the illustrative financial effects of the Proposed Disposal on the DFI Group are set out below.

3.2 Claims Call Option

Pursuant to the Agreement, the Purchaser has granted the Company a call option to require the Purchaser to sell to the Company all of the First Tranche Sale Shares, Second Tranche Sale Shares (if any) and Third Tranche Sale Shares (if any) held by the Purchaser (“**Claims Call Option**”) at the same consideration as the First Tranche Sale Shares, Second Tranche Sale Shares and/or Third Tranche Sale Shares.

The Claims Call Option may be exercised by the Company at its discretion in the event that the amounts paid to the Purchaser or attributable to the Purchaser for claims relating to breach of the warranties given by the Company under the Agreement and the aggregate amount of such claims paid or attributable to the Purchaser amount to 20% or more of the aggregate of the consideration for the First Tranche Sale Shares and (where any of the Call Options are exercised) the consideration for the shares acquired under the Call Options. In the event that the aggregate amount of claims exceeds 90% of the consideration paid, the Claims Call Option shall deem to be automatically exercised.

The completion of the Claims Call Option shall constitute a full and final settlement of any claims that either the Company or the Purchaser may have under the Agreement.

3.3 Consideration

The disposal consideration of EUR19,700,000 for the First Tranche Sale Shares (equivalent to RM90,226,000 based on the exchange rate of EUR1.00:RM4.58 as at 16 March 2016 (the “**Exchange Rate**”)) was derived on a “willing buyer, willing seller” basis, and represents the proportion attributable to the First Tranche Sale Shares of the agreed EV in respect of the DFZ Group of EUR197,000,000 (equivalent to RM902,260,000 based on the Exchange Rate). The disposal consideration for the Second Tranche Sale Shares was derived on a “willing buyer, willing seller” basis, and shall also be based on the proportion attributable to the Second Tranche Sale Shares of the agreed EV of the DFZ Group of EUR197,000,000.

The disposal consideration for the Third Tranche Sale Shares was derived on a “willing buyer, willing seller” basis, and shall be based on the proportion attributable to the Third Tranche Sale Shares of the agreed EV of the DFZ Group of EUR216,700,000 (equivalent to RM992,486,000 based on the Exchange Rate).

Subject to the terms and conditions of the Agreement, the Company shall sell and the Purchaser shall purchase the First Tranche Sale Shares, Second Tranche Sale Shares and Third Tranche Sale Shares free from all liens, mortgages, charges and other encumbrances but with all rights attaching thereto for the disposal consideration and upon the terms and conditions therein contained.

The agreed EV was determined after taking into consideration of the following factors, including but not limited to:-

- (a) the prospects of the DFZ Group;

LETTER TO SHAREHOLDERS

- (b) the strength and competitive advantage of the DFZ Group in the duty free retail industry in Malaysia;
- (c) the DFZ Group's extensive retail foot print with strategic presence at all leading entry and exit points in Peninsular Malaysia; and
- (d) the EBITDA of the DFZ Group based on its latest audited consolidated financial statements for FY2015.

Premised on the agreed EV of the DFZ Group in respect of the First Tranche Sale Shares and Second Tranche Sale Shares, the agreed EV of EUR197,000,000 represents a EV/EBITDA ratio of approximately 11.5 times (based on the latest audited consolidated financial statements of the DFZ Group for FY2015).

Further, the agreed EV of EUR216,700,000 in respect of the Third Tranche Sale Shares represents a EV/EBITDA ratio of approximately 12.6 times (based on the latest audited consolidated financial statements of the DFZ Group for FY2015).

No independent valuation was conducted on DFZ by the Company.

The consideration for the respective tranches will be satisfied fully in cash by the Purchaser upon the completion of the sale of the respective tranches.

3.4 Conditions Precedent

Pursuant to the Agreement, the completion of the sale and purchase of the First Tranche Sale Shares is conditional upon:-

- (a) the licences that the DFZ Group has to operate the business of trading in duty free merchandise in Peninsular Malaysia remaining in full force and effect;
- (b) the concessions that the DFZ Group has enjoyed in its duty free outlets located in airports in Peninsular Malaysia as at the date of the Agreement remaining in full force and effect;
- (c) the Purchaser having undertaken and having completed its due diligence investigations in respect of the DFZ Group, and the results of such due diligence investigation to the Purchaser's reasonable satisfaction;
- (d) the Shareholders in a general meeting approving the Proposed Disposal and the terms of the Transaction Agreements;
- (e) unless otherwise waived by Bursa Malaysia, the shareholders of Atlan Holdings Bhd (the majority Shareholder of the Company) approving the Proposed Disposal and the terms of the Transaction Agreements in a general meeting;
- (f) there being no breaches of any warranties, covenants and undertakings made by the Parties in relation to the Agreement;
- (g) the Transaction Agreements and all other legal documentation being in agreed form and signed by the parties thereto;
- (h) there not having been at any time between the date of the Agreement and completion, any material adverse change in the business, operations, assets and financial results of the DFZ Group; and
- (i) the updated disclosure letter to be delivered by the Company to the Purchaser prior to completion, containing no new material disclosures from the disclosure letter dated on the date of the Agreement.

LETTER TO SHAREHOLDERS

3.5 Completion

The completion of the sale and purchase of the First Tranche Sale Shares is expected to take place on 1 June 2016 or such other date as the Parties may mutually agree in writing ("**Completion Date**").

If the conditions precedent above are not fulfilled by the Long-Stop Date, then unless the Parties agree in writing to waive that requirement or extend the Long-Stop Date, the Agreement shall cease to have any force and effect save as expressly provided therein, and each of the Parties shall, save for any antecedent breaches of the Agreement, not have any claim whatsoever against the other for costs, damages or compensation.

With regard to part (e) of the conditions precedent set out above, Atlan Holdings Bhd has on 8 April 2016, obtained a waiver from Bursa Malaysia from having to seek its shareholders' approval for the Proposed Disposal. The Company will make an announcement(s) as and when appropriate in the event any of the conditions precedent above is waived or the Long-Stop Date is extended.

3.6 Shareholders' Agreement

In connection with the Proposed Disposal, a shareholders' agreement will be entered into between the Purchaser, DFI and DFZ (the "**Shareholders' Agreement**"), for the purposes of regulating the relationship between the Purchaser and DFI as shareholders of DFZ which includes, *inter alia*, the following key terms:-

- (a) board composition: both DFI and the Purchaser shall be entitled to appoint directors on the board of directors of DFZ and the directors appointed by DFI shall form the majority of the board of directors of DFZ;
- (b) restrictions on transfer of shares: the Shareholders' Agreement shall provide that should either shareholder decide to sell its shares in DFZ, it shall offer the shares to the other shareholder by giving the relevant notice;
- (c) tag-along right: DFI shall grant the Purchaser a tag-along right such that should DFI propose to sell its shares in DFZ to a third party in compliance with the pre-emption provisions of the Shareholders' Agreement, the Purchaser may require DFI to procure that the third party offers to purchase the shares held by the Purchaser in DFZ on the same terms offered to DFI;
- (d) deadlock resolution: if DFI and the Purchaser are unable to resolve a deadlock within a certain period, DFI shall have the right to purchase all of the Purchaser's shares in DFZ at a price equal to 100% of the fair value of the shares and the Purchaser shall have the right to require DFI to purchase all of the Purchaser's shares in DFZ at a price equal to 100% of the fair value of the shares; and
- (e) put option: the Purchaser shall be granted a put option by DFI which it may exercise if there is a material or substantial violation to the terms of the Shareholders' Agreement, an occurrence of a change of control event or a termination of the Management Agreement or the Supply and Distribution Agreement. The exercise of the put option may require DFI to purchase the shares held by the Purchaser in DFZ, at a price equal to 100% of the fair value of the shares. The fair value of these shares shall be determined by an auditor or an investment bank of international repute, jointly appointed by the Purchaser and DFI.

LETTER TO SHAREHOLDERS

3.7 Management Agreement

In connection with the Proposed Disposal, a management agreement will be entered into between the Purchaser and DFZ (the “**Management Agreement**”) which includes, *inter alia*, the following key terms:-

- (a) term: the term of the Management Agreement shall be for a period of 10 years commencing from the Completion Date, subject to termination or extension by the Purchaser and DFZ;
- (b) services: the Purchaser shall provide services to DFZ in the form of advice on personnel and presentation of products, general advice on marketing and training for personnel and advice with respect to shop construction and refurbishment, customer relation services and information technology;
- (c) obligations: the Purchaser and DFZ shall agree to act dutifully and in good faith in relation to each other. Further, DFZ shall undertake to seriously consider and, unless unreasonable to do so, comply with the Purchaser’s advice provided in connection with the services provided by the Purchaser; and
- (d) personnel: the Purchaser shall provide DFZ with key management personnel for the management of the operations of the DFZ Group for an agreed period of time.

3.8 Supply and Distribution Agreement

In connection with the Proposed Disposal, a supply and distribution agreement will be entered into between the Purchaser and the DFZ Group (the “**Supply and Distribution Agreement**”), which includes, *inter alia*, the following key terms:-

- (a) selling price: the selling price of the products supplied shall be consolidated prices made in US\$ or RM;
- (b) term: the term of the Supply and Distribution Agreement shall be for a period of 10 years commencing from the Completion Date, subject to termination or extension by the Purchaser and the DFZ Group; and
- (c) supply: the DFZ Group shall agree that for the subsistence of the Supply and Distribution Agreement, the Purchaser shall be granted extensive purchasing rights for the supply of key duty free products in the areas of liquor, confectionery, perfume and cosmetics.

3.9 Transaction Agreements

The Shareholders’ Agreement, the Management Agreement and the Supply and Distribution Agreement shall be collectively known as the “**Transaction Agreements**”.

4. RATIONALE FOR THE PROPOSED DISPOSAL AND INTENDED USE OF PROCEEDS

4.1 Rationale for the Proposed Disposal

The Company views the Purchaser as a strategic investor, and the Proposed Disposal is expected to enable the Company to benefit from the resources and expertise of Gebr. Heinemann and the Purchaser in the areas of product assortment and costing, retail store management, distribution and logistics management of DFZ products. The Purchaser’s investment in DFZ will allow Malaysians and visitors to Malaysia an enhanced travel retail experience, one on par with the best available in the world. The Proposed Disposal is also expected to further strengthen the DFI Group’s financial strength enabling the DFI Group to consider future business opportunities.

LETTER TO SHAREHOLDERS

4.2 Intended use of proceeds

The Company intends to utilise the proceeds from the Proposed Disposal of up to EUR52.21 million (equivalent to RM239.10 million based on the Exchange Rate), assuming that the Purchaser acquires an additional 15% of the issued and paid-up share capital of DFZ pursuant to the exercise of the Third Tranche Call Option as follows:-

Item	Notes	Estimated timeframe for utilisation from completion of the disposal of the First Tranche Sale Shares, Second Tranche Sale Shares and Third Tranche Sale Shares respectively	Amount (%)
(a) General corporate requirements	1	36 months	85%
(b) General working capital	2	12 months	10%
(c) Estimated expenses	3	6 months	5%
			100%

Notes:-

- (1) Being proceeds to be utilised for general corporate requirements including but not limited to acquisition and funding of potential business opportunities, if any. The estimated time frame for the full utilisation of the proceeds for the general corporate requirements is dependent on the timing of the disposal of the First Tranche Sale Shares, Second Tranche Sale Shares and Third Tranche Sale Shares and the availability of suitable assets and/or businesses that are available for acquisition and potential business opportunities. As at the date of this Circular, the Company has yet to identify any potential/future acquisitions or investments.
- (2) The working capital requirements of the DFI Group include, amongst others, operating expenses, repair and maintenance of its assets, labour costs and other administrative expenses. As at the date of this Circular, the breakdown of the actual proceeds to be utilised for each component of working capital have yet to be determined and will be subject to the operating requirements at the time of utilisation.
- (3) Being defrayment of estimated transactional expenses to be incurred in connection with the Proposed Disposal (such as professional fees, fees payable to relevant authorities and costs related to convening a general meeting) which is expected to amount to RM3.7 million for the disposal of the First Tranche Sale Shares, and RM9.0 million for the disposal of the entire 25% equity interest plus one share in DFZ pursuant to the Proposed Disposal. Any shortfall or surplus of funds for the payment of expenses for the Proposed Disposal will be funded from working capital or be utilised for working capital, respectively.

Pending the deployment of the proceeds, such proceeds may be placed as deposits with financial institutions or investment in low risk investment grade instruments as the Directors may in their absolute discretion deem fit, from time to time.

5. RISK FACTORS

To the best of the Board's knowledge and belief as at the Latest Practicable Date, the risk factors that are material to the Shareholders in making an informed judgment on the Proposed Disposal are set out below. Shareholders should carefully evaluate each of the following risk factors prior to deciding on the Proposed Disposal.

In general, the Company could be affected by a number of risks that may generally arise from, among others, economic, business, market and political factors, including the risks set out herein. The risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Board or that the Board may currently deem immaterial, which could affect the future revenues arising from the business of the DFI Group. If any such risk develops into an actual event, the potential revenue arising from the business of the DFI Group could be materially and adversely affected. In such event, the financials of the DFI Group may be adversely affected.

LETTER TO SHAREHOLDERS

Save as disclosed in this Circular, the Board is not aware of any material information including any special business factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the business of the DFI Group.

5.1 The DFZ Group may not be able to realise the full synergies of the Proposed Disposal if it is unable to successfully integrate its businesses

There is no absolute assurance that the DFZ Group will be able to successfully integrate the involvement of the Purchaser. There may be unexpected integration challenges and potential instabilities which may adversely affect or disrupt the business operations of the DFZ Group and its financial performance, financial position and prospects. Accordingly, there is no assurance that the Company, the DFZ Group and the Purchaser will achieve the synergies, the returns and other benefits expected of the Proposed Disposal.

5.2 The Share price may be volatile, which could result in substantial losses for investors in the Shares after Completion

The market price of the Shares may fluctuate significantly and rapidly as a result of, *inter alia*, the following factors, some of which are beyond the control of the DFI Group:-

- (i) the success or failure of the DFZ Group's management team in implementing business and growth strategies;
- (ii) gain or loss of important or significant business or other relationships;
- (iii) the addition or departure of key personnel;
- (iv) announcements by the Company, the DFZ Group or their competitors of significant contracts, acquisitions, strategic alliances, partnerships, joint ventures, capital commitments or new products and/or services which may be offered by the Company, the DFZ Group or their competitors;
- (v) changes in the DFZ Group's operating results;
- (vi) delay in the supply of goods for retail;
- (vii) fluctuations in general stock market conditions including stock prices and volume;
- (viii) involvement in litigation or other legal proceedings or processes;
- (ix) differences between the actual financial operating results of the DFZ Group and those expected by investors;
- (x) changes in investor sentiment towards particular market sectors;
- (xi) changes in securities analysts' estimates of the DFZ Group's financial performance; and
- (xii) changes or uncertainty in the general economic, political and regulatory environment in the markets in which the DFZ Group operate.

In recent years, the stock markets including the SGX-ST have experienced price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the DFI Group, and these fluctuations may materially affect the price of its Shares.

LETTER TO SHAREHOLDERS

5.3 **The Company's ability to declare dividends in the future depends on the performance of its subsidiaries**

The Company's ability to declare dividends to Shareholders will depend on its future financial performance and distributable reserves, which, in turn, depends on the DFZ Group successfully implementing their plans and strategies and capital requirements as well as financial, competitive, regulatory, technical and other factors, general economic conditions, order books and other factors specific to its industry and business, many of which are beyond the control of the DFI Group. As such, there is no assurance that the Company will be able to pay dividends to its Shareholders after the First Tranche Completion.

5.4 **The Purchaser will control around 10% of the issued and paid-up share capital of DFZ upon the First Tranche Completion**

Immediately after the First Tranche Completion before the exercise of the Call Options, the Purchaser will control approximately 10% of the issued and paid-up share capital of DFZ. They will also be entitled to board seats on the board of DFZ. As a result, the Purchaser will be able to influence matters requiring approval of the shareholders or board of directors of DFZ (other than the approval of transactions for which they and their Associates may be prohibited from voting) in a manner which may or may not be in the interests of other shareholders, including the timing and payment of dividends and the carrying out of operations in the DFZ Group. The Purchaser will be required to consent to any shareholder reserved matters or board reserved matters before any shareholders and board resolution can be passed pursuant to the Shareholders Agreement. Some of these reserved matters include the approval of DFZ Group's annual budget and any change in nature and/or scope of the DFZ Group.

6. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

The financial effects of the Proposed Disposal on the DFI Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the DFI Group immediately after the completion of the Proposed Disposal (assuming the Call Options are fully exercised).

The following pro forma financial effects of the Proposed Disposal have been prepared based on the unaudited consolidated financial statements of the DFI Group for FY2016 and on the following bases and assumptions:-

- (a) the financial effects on the EPS is computed based on the assumption that the Proposed Disposal was completed on 1 March 2015;
- (b) the financial effects on the NTA per Share is computed based on the assumption that the Proposed Disposal was completed on 29 February 2016;
- (c) the estimated transactional expenses to be incurred in connection with the Proposed Disposal amount to RM3.7 million for the disposal of the First Tranche of Sale Shares and RM9.0 million for the disposal of the entire 25% equity interest plus one share in DFZ pursuant to the Proposed Disposal; and
- (d) the Second Tranche Call Option is not exercised and the Purchaser exercised the Third Tranche Call Option to acquire all the 15% of the issued and paid-up share capital of DFZ as at the date of the Agreement.

For the avoidance of doubt, such pro forma financial effects do not take into account (i) any corporate actions announced and undertaken by the DFI Group subsequent to 1 March 2016; and (ii) any issuance of new Shares subsequent to 1 March 2016.

LETTER TO SHAREHOLDERS

EPS

	Before the Proposed Disposal	After disposal of the First Tranche Sale Shares	After disposal of the Second Tranche Sale Shares and/or Third Tranche Sale Shares under the Call Options
Net profits attributable to owners of the Company for FY2016 ⁽²⁾ (RM'000)	62,070	51,944	37,005
Weighted average number of Shares ('000)	1,099,845	1,099,845	1,099,845
EPS ⁽²⁾ (RM cents)	5.64	4.72	3.36

NTA per Share

	Before the Proposed Disposal	After disposal of the First Tranche Sale Shares	After disposal of the Second Tranche Sale Shares and/or Third Tranche Sale Shares under the Call Options
NTA ⁽¹⁾ of the DFI Group ⁽³⁾ (RM'000)	375,515	432,554	531,895
Number of Shares ('000)	1,099,850	1,099,850	1,099,850
NTA ⁽¹⁾ per Share ⁽³⁾ (RM cents)	34.14	39.33	48.36

Notes:-

- (1) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets.
- (2) Excludes the gain on disposal on completion of the Proposed Disposal.
- (3) Includes the gain on disposal on completion of the Proposed Disposal.

7. EXCESS OF THE PROCEEDS OVER BOOK VALUE

Based on the unaudited consolidated financial statements of the DFZ Group for FY2016, the DFI Group is expected to record a gain on disposal, or an excess of the proceeds over the book value of (i) the First Tranche Sale Shares; and (ii) the First Tranche Sale Shares and assuming the Call Options are fully exercised under the Third Tranche Call Option of approximately RM57.85 million and RM158.15 million respectively. Pursuant to Financial Reporting Standard 110, any changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity. Any difference between the book value of the Company's equity interest in DFZ to be disposed off and the consideration received is recognised directly in equity and attributed to owners of the Company.

LETTER TO SHAREHOLDERS

8. THE PROPOSED DISPOSAL AS A DISCLOSEABLE TRANSACTION

8.1 Requirements of the Catalist Rules

Under Rule 1006 of the Catalist Rules, a transaction (as defined in the Catalist Rules) may be categorised as a (a) non-discloseable transaction; (b) discloseable transaction; (c) major transaction; or (d) very substantial acquisition or reverse takeover, depending on the size of the relative figures computed on the bases set out thereunder.

8.2 Relative Figures Pursuant to Rule 1006 of the Catalist Rules

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules and based on the unaudited consolidated financial results of the DFI Group for the nine-month financial period ended 30 November 2015 (“9M2016”) (the latest announced financial results of the DFI Group prior to the announcement of the Proposed Disposal on 17 March 2016) are as follows:-

		First Tranche Sale Shares	First Tranche Sale Shares and assuming the Call Options are fully exercised
Rule 1006(a)	Net asset value of the Company's equity interest in DFZ to be disposed of, compared with DFI Group's net asset value	8.0% ⁽¹⁾	20.0% ⁽²⁾
Rule 1006(b)	Net profits attributable to the Company's equity interest in DFZ to be disposed of compared with the Company's net profits	10.2% ⁽³⁾	25.6% ⁽⁴⁾
Rule 1006(c)	Aggregate value of the consideration received, compared with the market capitalisation based on the total number of issued shares excluding treasury shares	8.0% ⁽⁵⁾	21.2% ⁽⁶⁾
Rule 1006(d)	Number of equity securities issued by the issuer as consideration for the acquisition, compared with the number of equity securities previously issued	Not applicable as this transaction is not an acquisition and equity securities are not issued	Not applicable as this transaction is not an acquisition and equity securities are not issued
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the DFI Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable as this transaction is not a disposal of mineral, oil or gas assets by a mineral, oil or gas company	Not applicable as this transaction is not a disposal of mineral, oil or gas assets by a mineral, oil or gas company

LETTER TO SHAREHOLDERS

Notes:-

- (1) Computed based on the unaudited net asset value of the DFZ Group attributable to the First Tranche Sale Shares as at 30 November 2015 of approximately RM30.63 million, and the unaudited net asset value of the DFI Group as at 30 November 2015 of approximately RM383.12 million.
- (2) Computed based on the unaudited net asset value of the DFZ Group attributable to the First Tranche Sale Shares as well as the Second Tranche Sale Shares and/or Third Tranche Sale Shares under the Call Options as at 30 November 2015 of approximately RM76.57 million, and the unaudited net asset value of the DFI Group as at 30 November 2015 of approximately RM383.12 million.
- (3) Computed based on the unaudited profit before tax, non-controlling interests and extraordinary items of the DFZ Group attributable to the First Tranche Sale Shares for 9M2016 of approximately RM5.72 million, and the unaudited profit before tax, non-controlling interests and extraordinary items of the DFI Group for 9M2016 of approximately RM55.81 million.
- (4) Computed based on the unaudited profit before tax, non-controlling interests and extraordinary items of the DFZ Group attributable to the First Tranche Sale Shares as well as the Second Tranche Sale Shares and/or Third Tranche Sale Shares under the Call Options for 9M2016 of approximately RM14.29 million, and the unaudited profit before tax, non-controlling interests and extraordinary items of the DFI Group for 9M2016 of approximately RM55.81 million.
- (5) Computed based on the consideration for the First Tranche Sale Shares of EUR19.70 million (equivalent to RM90.23 million based on the Exchange Rate), and the Company's market capitalisation, computed based on the issued share capital of the Company of 1,138,850,393 Shares and the volume weighted average price of S\$0.3308 per Share on 16 March 2016 (being the last day on which the Shares were traded prior to the date of the Agreement).
- (6) Computed based on the aggregate consideration for the First Tranche Sale Shares and the Third Tranche Sale Shares, assuming 15% of the issued and paid-up share capital of DFZ as at the date of the Agreement was acquired under the Third Tranche Call Option, of EUR32.51 million (equivalent to RM148.87 million based on the Exchange Rate) and the Company's market capitalisation, computed based on the issued share capital of the Company of 1,138,850,393 Shares and the volume weighted average price of S\$0.3308 per Share on 16 March 2016 (being the last day on which the Shares were traded prior to the date of the Agreement).

Accordingly, the Proposed Disposal constitutes a 'discloseable transaction' under Rule 1010 of the Catalyst Rules as the relative figures computed on the bases set out in Rule 1006 of the Catalyst Rules exceed 5% but do not exceed 50%. Notwithstanding the above, the Company will nonetheless be convening a general meeting to seek Shareholders' approval for the Proposed Disposal and the terms of the Transaction Agreements as required under the conditions precedent to the Agreement.

Accordingly, the Proposed Disposal and the grant of the Call Options shall be conditional upon, *inter alia*, the approval of the Shareholders at the EGM being obtained.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, the Board is not aware of any litigation, claims or proceedings pending or threatened against the entities in the DFI Group or any facts likely to give rise to any litigation, claims or proceedings which, in the opinion of the Board, might materially and adversely affect the financial position of the DFI Group taken as a whole.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for their respective directorships and shareholdings in the Company as at the Latest Practicable Date as recorded below, none of the Directors or the Substantial Shareholders of the Company or the respective Associates has any interests, direct or indirect, in the Proposed Disposal. None of the Directors or Substantial Shareholders of the Company or their respective Associates is related to any of the Purchaser, its directors or controlling shareholders.

LETTER TO SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Directors						
Dato' Sri Adam Sani Abdullah	–	–	905,028,113 ⁽²⁾	79.09	905,028,113	79.09
Ong Bok Siong	–	–	–	–	–	–
Lee Sze Siang	–	–	–	–	–	–
General Tan Sri Dato' Seri Mohd Azumi bin Mohamed (Retired)	–	–	–	–	–	–
Dato' Megat Hisham bin Megat Mahmud	–	–	–	–	–	–
Chew Soo Lin	2,669,399	0.23	133,000 ⁽³⁾	0.01	2,802,399	0.24
Substantial Shareholders						
Atlan Holdings Bhd	905,028,113	79.09	–	–	905,028,113	79.09
Distinct Continent Sdn Bhd	–	–	905,028,113 ⁽⁴⁾	79.09	905,028,113	79.09
Sebastian Paul Lim Chin Foo	–	–	905,028,113 ⁽⁵⁾	79.09	905,028,113	79.09
Dato' Sri Adam Sani bin Abdullah	–	–	905,028,113 ⁽²⁾	79.09	905,028,113	79.09
Berjaya Corporation Berhad	–	–	905,028,113 ⁽⁶⁾	79.09	905,028,113	79.09
Tan Sri Dato' Seri Vincent Tan Chee Yioun	–	–	905,028,113 ⁽⁷⁾	79.09	905,028,113	79.09

Notes:-

- (1) The percentage of Shares is computed based on 1,144,350,393 Shares, being the total number of issued voting shares of the Company (excluding 698,000 treasury shares) as at the Latest Practicable Date.
- (2) Dato' Sri Adam Sani bin Abdullah is deemed interested in the 905,028,113 Shares held by Atlan Holdings Bhd through Distinct Continent Sdn Bhd. His son, Sebastian Paul Lim Chin Foo, has a majority interest in Distinct Continent Sdn Bhd.
- (3) Mr. Chew Soo Lin is deemed interested in the 133,000 Shares held by his mother, Madam Chong Sai Noi @ Chong Mew Leng.
- (4) Distinct Continent Sdn Bhd is a substantial shareholder of Atlan Holdings Bhd. Distinct Continent Sdn Bhd is deemed interested in the 905,028,113 Shares held by Atlan Holdings Bhd by virtue of Section 7 of the Companies Act.
- (5) Sebastian Paul Lim Chin Foo is deemed interested in the 905,028,113 Shares held by Atlan Holdings Bhd through his majority interest in Distinct Continent Sdn Bhd by virtue of Section 7 of the Companies Act.
- (6) Berjaya Corporation Berhad is deemed interested in the 905,028,113 Shares held by Atlan Holdings Bhd through its direct and indirect 23.93% interest in Atlan Holdings Bhd.
- (7) Tan Sri Dato' Seri Vincent Tan Chee Yioun is deemed interested in the 905,028,113 Shares held by Atlan Holdings Bhd through his interest in Berjaya Corporation Berhad. Berjaya Corporation Berhad currently has a direct and indirect interest totalling 23.93% in Atlan Holdings Bhd. Tan Sri Dato' Seri Vincent Tan Chee Yioun is a major shareholder of Berjaya Corporation Berhad.

11. DIRECTORS' SERVICE CONTRACTS

No person will be appointed to the Board of the Company in connection with the Proposed Disposal. Accordingly, no service contract will be entered into by the Company.

LETTER TO SHAREHOLDERS

12. DIRECTORS' RECOMMENDATION

Having considered the rationale for the Proposed Disposal and grant of the Call Options, the Board is of the unanimous opinion that the Proposed Disposal and the grant of the Call Options are in the interests of the Company and its Shareholders. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the resolution relating to the Proposed Disposal, the terms of the Transaction Agreements and the grant of the Call Options to be proposed at the EGM as stated in the notice of EGM on pages 21 and 22 of this Circular.

13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 21 and 22 of this Circular, will be held at Novotel Singapore Clarke Quay, Phoenix 1, Level 6, 177A River Valley Road, Singapore 179031 on 30 May 2016 at 2.30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the notice of EGM on pages 21 and 22 of this Circular.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at Six Battery Road #10-01 Singapore 049909 not later than 48 hours before the time fixed for the EGM. The completion and sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so.

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the EGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been approved by the Board. The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal and the DFI Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Circular 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 the Circular in its proper form and context.

LETTER TO SHAREHOLDERS

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection during normal business hours at the Company's registered office at Six Battery Road #10-01 Singapore 049909 for a period of three months from the date of this Circular:-

- (a) the Agreement;
- (b) the Annual Report of the Company for FY2015; and
- (c) the Constitution of the Company.

Yours faithfully,
For and on behalf of the Board

Lee Sze Siang
Executive Director
Duty Free International Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

DUTY FREE INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200102393E)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of the Shareholders of Duty Free International Limited (the “Company”) will be held at Novotel Singapore Clarke Quay, Phoenix 1, Level 6, 177A River Valley Road, Singapore 179031 on 30 May 2016 at 2.30 p.m., for the purpose of considering and, if thought fit, passing with or without amendment, the ordinary resolution as set out below.

All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular dated 13 May 2016 to Shareholders of the Company.

ORDINARY RESOLUTION 1: THE PROPOSED DISPOSAL BY THE COMPANY OF UP TO 25% EQUITY INTEREST PLUS ONE SHARE IN DFZ CAPITAL BERHAD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

THAT:-

- (a) approval be and is hereby given for the proposed disposal by the Company of 10% plus one share of the issued and paid-up share capital of DFZ for a consideration of EUR19,700,000 subject to the terms and conditions of the Agreement and the terms of the Transaction Agreements; and
- (b) the Board and each of the Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts and things as they or he may deem desirable, necessary or expedient to give effect to the matters referred to in paragraph (a) of this Ordinary Resolution including, without limitation, to negotiate, execute and authorise the release of, in the name of and on behalf of the Company, all such agreements, deeds, undertakings, forms, circulars, announcements, instruments, notices, communications and other documents and things, and to approve any amendment, alteration or modification to any such document.

ORDINARY RESOLUTION 2: GRANT OF CALL OPTIONS

THAT:-

- (a) approval be and is hereby given for the grant of the Call Options for a nominal consideration of EUR1.00 each, subject to the terms and conditions of the Agreement entered into between the Company and the Purchaser; and
- (b) the Board and each of the Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts and things as they or he may deem desirable, necessary or expedient to give effect to the matters referred to in paragraph (a) of this Ordinary Resolution including, without limitation, to negotiate, execute and authorise the release of, in the name of and on behalf of the Company, all such agreements, deeds, undertakings, forms, circulars, announcements, instruments, notices, communications and other documents and things, and to approve any amendment, alteration or modification to any such document.

BY ORDER OF THE BOARD

Lee Sze Siang
Executive Director
13 May 2016

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:-

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
3. The instrument appointing a proxy must be deposited at the registered office of the Company at Six Battery Road #10-01, Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the EGM.

*A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

DUTY FREE INTERNATIONAL LIMITED
(Company Registration Number: 200102393E)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
EXTRAORDINARY GENERAL MEETING
(Please see notes overleaf before completing this Form)

I/We, _____ (Name) _____ (NRIC/Passport No.)
of _____ (Address)

being a member/members of **DUTY FREE INTERNATIONAL LIMITED** (the "Company"), hereby appoint:-

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held on Novotel Singapore Clarke Quay, Phoenix 1, Level 6, 177A River Valley Road, Singapore 179031 on 30 May 2016 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

Ordinary Resolutions	No. of votes 'For'*	No. of votes 'Against'*
Resolution 1 To approve the Proposed Disposal and the terms of the Transaction Agreements		
Resolution 2 To approve the grant of the Second Tranche Call Option and Third Tranche Call Option		

*If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ THE NOTES OVERLEAF



PROXY FORM

Notes:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investors**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

*A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 13 May 2016.