Duty Free International Limited

(Company Registration No. 200102393E)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF UP TO APPROXIMATELY 25% EQUITY INTEREST IN DFZ CAPITAL BERHAD (THE "PROPOSED DISPOSAL")

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1. Introduction

The board of directors (the "**Board**" or "**Directors**") of Duty Free International Limited (the "**Company**") wishes to announce that the Company had, on 17 March 2016, entered into a sale and purchase agreement ("**SPA**") to dispose of 10% equity interest plus one share, comprising an aggregate of 20,996,384 shares in DFZ Capital Berhad ("**DFZ**"), a wholly-owned subsidiary of the Company, to Heinemann Asia Pacific Pte. Ltd. ("**HAP**") (the "**First Tranche Sale Shares**") for a consideration of EUR19,700,000.

Under the terms of the SPA, the Company has also granted the following call options to HAP ("**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 ("**Completion**"), the option to require the Company to sell to HAP 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 HAP a third tranche of shares in DFZ (the "**Third Tranche Sale Shares**") ("**Third Tranche Call Option**").

The aggregate number of shares in DFZ which may be acquired by HAP under the Call Options shall not exceed 15% of the issued and paid-up share capital of DFZ as at the date of the SPA. 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 HAP.

Further information relating to the Proposed Disposal as well as the illustrative financial effects of the Proposed Disposal on the Company and its subsidiaries (collectively, the "**Group**"), are set out below.

2. Information on DFZ and HAP

<u>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.

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 and Johor Bahru.

Please refer to Appendix I to this announcement for more information on DFZ and selected financial information of the DFZ Group.

HAP

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 SGD100. The directors of HAP as at the date of this announcement are Max Heinemann, Tay Xiu Bin and Julia Baumann.

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 with a turnover of USD2.8 billion in the year 2014. Gebr. Heinemann employed approximately 6,000 employees across 230 Heinemann Duty Free & Travel Value shops, brands and concept shops at 78 international airports in 29 countries. HAP is headquartered in Singapore and is the retail and distribution arms 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".

3. Rationale for the Proposed Disposal and the Intended Use of Proceeds

The Company views HAP 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 HAP in the areas of product assortment and costing, retail store management, distribution and logistics management of DFZ products. HAP'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 Group's financial strength, enabling the Group to consider future business opportunities.

In relation thereto, it is intended that the following agreements will also be entered into subsequently in connection with the Proposed Disposal:

(a) a shareholders' agreement between HAP, DFI and DFZ (the "**Shareholders' Agreement**"), for the purposes of regulating the relationship between HAP and DFI as shareholders;

(b) a management agreement between HAP and DFZ (the "**Management Agreement**"), pursuant to which HAP shall be appointed to provide management services to DFZ; and

(c) a supply and distribution agreement between HAP, DFZ and its subsidiaries (the "**DFZ Group**") (the "**Supply and Distribution Agreement**"), pursuant to which HAP shall be granted extensive rights for the purchase, and exclusive supply of, certain product categories,

(collectively, known as the "**Transaction Agreements**").

The Company intends to utilise the proceeds from the Proposed Disposal of up to EUR52.21 million (equivalent to RM239.10 million based on an exchange rate of EUR1.00:RM4.58 as at 16 March 2016), assuming that HAP acquires an additional 15% of DFZ's share capital 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 are 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 announcement, the Company has yet to identify any potential/future acquisitions or investments.

(2) The working capital requirements of the Group include, amongst others, operating expenses, repair and maintenance of its assets, labour costs and other administrative expenses. As at the date of this announcement, 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.

4. 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) was derived on a “willing buyer, willing seller” basis, and represents the proportion attributable to the First Tranche Sale Shares of the agreed enterprise value in respect of the DFZ Group of EUR197,000,000 (equivalent to RM902,260,000 based on the exchange rate of EUR1.00:RM4.58 as at 16 March 2016). 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 enterprise value 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 enterprise value of the DFZ Group of EUR216,700,000 (equivalent to RM992,486,000 based on the exchange rate of EUR1.00:RM4.58 as at 16 March 2016).

Subject to the terms and conditions of the SPA, the Company shall sell and HAP shall purchase the First Tranche Sale Shares, Second Tranche Sale Share 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 enterprise value was determined after taking into consideration of the following factors, including but not limited to:

- the prospects of the DFZ Group;
- the strength and competitive advantage of the DFZ Group in the duty free retail industry in Malaysia;
- the DFZ Group's extensive retail foot print with strategic presence at all leading entry and exit points in Peninsular Malaysia; and
- the earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of the DFZ Group based on its latest audited consolidated financial statements for the financial year ended 28 February 2015 ("**FY2015**").

Premised on the agreed enterprise value of the DFZ Group in respect of the First Tranche Sale Shares and Second Tranche Sale Shares, the agreed enterprise value ("**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 enterprise value 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 HAP upon the completion of the sale of the respective tranches.

5. Principal Terms of the Proposed Disposal

Conditions Precedent

Pursuant to the SPA, 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 Peninsula 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 Peninsula Malaysia as at the date of the SPA remaining in full force and effect;

(c) HAP having undertaken and having completed its due diligence investigations in respect of the DFZ Group, and the results of such due diligence investigation to HAP's reasonable satisfaction;

(d) the Company's 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 to the SPA in relation to the SPA;

(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 SPA 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 HAP prior to completion, containing no new material disclosures from the disclosure letter dated on the date of the SPA.

It is intended that completion of the sale and purchase of the First Tranche Sale Shares will take place on 1 June 2016 or on such other time and date as the parties to the SPA may agree in writing.

Claims Call Option

Pursuant to the SPA, HAP has granted the Company a call option to require HAP 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 HAP ("**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 HAP or attributable to HAP for claims relating to breach of the warranties given by the Company under the SPA and the aggregate amount of such claims paid or attributable to HAP 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 HAP may have under the SPA.

Liabilities to be assumed

HAP will not assume any liabilities of the DFZ Group, including contingent liabilities and guarantees, in relation to the Proposed Disposal.

6. Financial Effects of the Proposed Disposal

The financial effects of the Proposed Disposal on the Group as set our below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the 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 audited consolidated financial statements of the Group for FY2015 and on the following bases and assumptions:

(a) the financial effects on the earnings per share ("**EPS**") is computed based on the assumption that the Proposed Disposal was completed on 1 March 2014;

(b) the financial effects on the net tangible assets ("**NTA**") per share is computed based on the assumption that the Proposed Disposal was completed on 28 February 2015;

(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 HAP 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 SPA.

For the avoidance of doubt, such pro forma financial effects do not take into account (i) any corporate actions announced and undertaken by the Group subsequent to 1 March 2015; and (ii) any issuance of new Shares subsequent to 1 March 2015.

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 FY2015 (RM'000)	54,997	45,815	32,292
Weighted average number of Shares ('000)	1,102,321	1,102,321	1,102,321
EPS (RM cents)	4.99	4.16	2.93

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 Group (RM '000)	362,731	436,474	560,872
Number of shares ('000)	1,099,844	1,099,844	1,099,844
NTA(1) per share (RM cents)	32.98	39.69	51.00

Note:

(1) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets.

7. Excess of the Proceeds over Book Value

Based on the audited consolidated financial statements of the DFZ Group for FY2015, the 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 RM74.55 million and RM199.90 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.

8. Relative Figures under Rule 1006 of the Catalist Rules

The relative figures for the Proposed Disposal computed on the bases set out in Rule1006 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual: Section B: Rules of Catalist (the **"Catalist Rules**") and based on the unaudited consolidated financial results of the Group for the nine-month financial period ended 30 November 2015 ("**9M2016**") 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 off, compared with the 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 off, 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 capitalization 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
1006(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. 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.

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 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 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 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 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 an exchange rate of EUR1.00:RM4.58 as at 16 March 2016), and the Company's market capitalisation, computed based on the issued share capital of the Company of 1,138,843,647 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 SPA).

(6) Computed based on the aggregate consideration for the First Tranche Sale Shares and the Third Tranche Sale Shares, assuming the 15.0% of the issued and paid-up share capital of DFZ as at the date of the SPA was acquired under the Third Tranche Call Option, of EUR32.51 million (equivalent to RM148.87 million based on an exchange rate of EUR1.00:RM4.58 as at 16 March 2016) and the Company's market capitalisation, computed based on the issued share capital of the Company of 1,138,843,647 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 SPA).

Accordingly, the Proposed Disposal constitutes a 'discloseable transaction' under Rule 1010 of the Catalist Rules as the relative figures computed on the bases set out in Rule 1006 of the Catalist 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 in due course.

9. Interests of Directors and Controlling Shareholders

None of the Directors or the controlling shareholders of the Company has any interests, direct or indirect, in the Proposed Disposal (other than through their respective shareholding interests in the Company). None of the Directors or controlling shareholders of the Company are related to any of HAP, its directors or controlling shareholders.

10. 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.

11. Documents Available for Inspection

A copy of the SPA is available for inspection during normal business hours at the Company's registered office at 6 Battery Road #10-01, Singapore 049909, for a period of three months from the date of this announcement.

By Order of the Board

Lee Sze Siang
Executive Director
17 March 2016

This announcement 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 (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.

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

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