



DUTY FREE INTERNATIONAL LIMITED

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

RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (“**Board**”) of Duty Free International Limited (“**Company**”, together with its subsidiaries, “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Proposed Joint Development on a parcel of leasehold land held under H.S.(D) 605698, Lot No. PTB 20379, Bandar Johor Bahru, Daerah Johor Bahru, Negeri Johor, Malaysia By Kelana Megah Sdn. Bhd., being a major transaction under the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Company’s response to SIAS questions are set out as follows:

SIAS Question 1:

The group has entered into an agreement with Chin Hin Group, through an indirect subsidiary of the Bursa Malaysia-listed company, to jointly develop two blocks comprising 1,010 serviced apartments units, 250 affordable homes, 10 units of retail lots and multi-storey car parks on the land at Lot No. PTB 20379, Bandar Johor Bahru, Daerah Johor Bahru, Negeri Johor, Malaysia.

The group’s entitlement, representing 18% of the total net saleable area, is estimated to be valued at RM83.57 million.

Details of the proposed joint development are outlined in the circular¹ dated 4 March 2025.

As this constitutes a major transaction under Chapter 10 of the Listing Manual, the company is convening an extraordinary general meeting to seek shareholder approval.

- (i) **How was the joint development partner identified and what were the key criteria used in the selection process?**

Company’s response:

The joint development partner, Chin Hin Group, was identified based on its strong track record in property development, financial capability, and strategic alignment with the project’s objectives. The key criteria considered in the selection process included:

¹ <https://links.sgx.com/FileOpen/Duty%20Free-Circular.ashx?App=Announcement&FileID=835433>

1. **Financial Strength & Market Position** – Chin Hin Group Property Berhad (“CHGP”) is a publicly listed company on Bursa Malaysia, ensuring financial stability and the ability to secure necessary funding.
2. **Experience in High-Rise & Mixed-Use Developments** – CHGP has prior expertise in developing serviced apartments and mixed-use projects, aligning with the proposed development.
3. **Synergy with Existing Business Strategy** – The collaboration leverages CHGP’s market reach, branding, and execution capabilities.
4. **Ability to Secure Approvals & Compliance** – CHGP’s experience in dealing with regulatory authorities was crucial to ensuring smooth project approvals.
5. **Commitment to Project Delivery** – A proven track record of timely and quality project completion was a key factor in the selection.

(ii) **Has the revised development concept (to build two blocks instead of four) been approved by the Johor State Economic Planning Unit?**

Company’s response:

No, the revised development concept has not yet been approved by the Johor State Economic Planning Unit (“**UPEN Johor**”), as both joint development parties have yet to finalise the details. The submission is targeted for May 2025. For clarity, UPEN Johor’s approval of the revised development concept is a condition precedent under the Joint Development Agreement (“**JDA**”), and KMSB has nine (9) months from the date of the JDA, i.e. until 9 June 2025 to fulfill this condition.

(iii) **How have market dynamics for serviced apartments in Johor evolved in recent years, and what demand drivers support the viability of this project?**

Company’s response:

The Johor Bahru market has seen a growing demand for convenient living, particularly for integrated developments that combine residential spaces with commercial facilities. The development project meets this demand with its prime location near the CIQ and commercial center, offering excellent connectivity. It features a flexible layout with dual-key and tri-key options, making it suitable for both homeowners and investors targeting the rental market. As a new iconic waterfront architectural development, it is designed with modern amenities and fully furnished apartment units by Signature. Additionally, the project integrates smart home and security features, enhancing convenience, comfort, and safety for residents.

SIAS Question 2:

As stated in the circular, the title to the land is still registered under Perbadanan Setiausaha Kerajaan Johor (the State Secretary, Johor (Incorporated)). The company's subsidiary, Kelana Megah Sdn. Bhd. (KMSB), is in the process of registering the land under its name.

- (i) **Have there been any challenges in registering the land to KMSB, given that the land acquisition agreement was signed nearly six years ago on 27 May 2019 for RM13.5 million?**

Company's response:

Department of Director General of Lands and Mines, Johor or Pejabat Pengarah Tanah dan Galian Johor ("**PTG Johor**") had approved the said land for registration on 26 February 2025, and on the same day, KMSB had presented the relevant documents for the land title registration to PTG Johor Office. The issuance of the land title is currently pending.

- (ii) **Is the completion of the land registration a critical prerequisite for the joint development to proceed, and what are the implications if delays persist?**

Company's response:

Yes, the completion of the land registration is a critical pre-requisite for the joint development to proceed, as it forms part of the conditions precedent under the JDA. The Company does not anticipate any delays in the land registration process, and it is expected to be completed within the Condition Precedent period as referred in Section 2.6.3 in the Circular.

- (iii) **When does management expect the land registration to be completed, and what steps are being taken to expedite the process?**

Company's response:

The land title is anticipated to be registered with PTG Johor, with the hard copy of the title being issued within three months after the relevant documents are presented for registration, i.e. by the end of May 2025.

SIAS Question 3:

The group will receive, as its entitlement from the joint development project, a standalone en-bloc tower. The tower will be designed, planned, and constructed to allow for the formation of a subsidiary management corporation. However, the partner is given full authority over the project's design, management and construction.

- (i) **How does the group ensure its input is integrated into key decisions—such as design specifications, layout optimisation, tower orientation and positioning — to maximise long-term operational efficiency and asset value?**

Company's response:

The group ensures its input is integrated into key decisions through regular meetings of the Project Management Committee, which reviews and provides inputs on various aspects of the joint development, such as planning and approvals, product design, marketing and sales, tender and awards and project implementation. Additionally, pursuant to Clause 2.1(a) of the JDA, KMSB's approval is required before the development plan is submitted to the relevant authorities. Furthermore, the joint development parties have agreed that the entitlement units shall be constructed, furnished, and equipped in accordance with mutually agreed parameters under the JDA.

- (ii) **What level of due diligence has the group conducted on Johor's serviced apartment market, and does management intend to hold the asset for recurring income?**

Company's response:

The group has conducted extensive market research on Johor's serviced apartment market, informing the project's planning, design, and pricing strategy. The group's primary objective is to position the project for sale rather than long-term holding for rental income.

- (iii) **What are the key risks associated with this joint development and how does management plan to mitigate these risks?**

Company's response:

The Proposed Joint Development is subject to the risks inherent in the real estate and construction industry.

The key risks are as follows:

- **Non-Fulfillment of conditions precedent of the JDA**

The completion of the JDA is conditional upon the fulfilment of the Conditions Precedent. If any of the Conditions Precedent is not met or waived, the JDA may be terminated. However, both joint venture partners namely, KMSB and CHPG are

committed and shall use its best endeavours to ensure that every effort is made to obtain all necessary approvals.

- **Delay or non-completion of the Project**

The timely completion of the Project by Chin Hin Property (Stulang) Sdn Bhd (“**CHPSSB**”) is subject to certain conditions, such as the approvals, permits and/or licenses from relevant authorities required for the Project, availability and adequacy of raw materials and labour and any unforeseen circumstances.

To mitigate this risk, the JDA provides that if the Project is not completed within the agreed completion period (as referred to in Section 2.6.5 of the Circular), CHPSSB shall be granted an additional 1-year extension (“**Extended Completion Period**”) to complete the project, subject to an interest penalty of 9% per annum on RM90 million, calculated daily, until the Project is completed.

Furthermore, if the Project remains incomplete beyond the Extended Completion Period, KMSB may:

- (a) claim for specific performance of the JDA at the cost and expense of CHPSSB; OR
- (b) terminate the JDA, in which case:
 - (i) KMSB shall be entitled to call on the standby letter of credit for a total sum of RM90,000,000.00 immediately without any reference to CHPSSB; and
 - (ii) CHPSSB shall pay a sum of RM10,000,000.00 to KMSB as agreed liquidated damages within 14 days from the date of termination notice; and
 - (iii) KMSB shall be entitled to forfeit RM3,000,000.00 and refund all other sum paid by CHPSSB (if any) without interest within 14 days from the date of termination notice; and
 - (iv) Without prejudice to any other rights and remedies to which KMSB may be entitled to at law and/or under equity, KMSB shall be entitled to recover any costs, expenses and damages which KMSB has incurred and/or suffered under the JDA and for the Project including any liquidated ascertained damages due to end-purchaser. All the costs shall be paid by CHPSSB to KMSB within 14 days from the date of finalisation of the calculation of such costs; and
 - (v) Concurrently with the receipt of payment under (i), (ii) and (iii) by KMSB, KMSB shall immediately transfer the Land to CHPSSB; and
 - (vi) CHPSSB shall take all necessary steps, at its own costs and expenses, to effectively revoke the powers of attorneys with KMSB’s rights, benefits and interests therein intact.

- **Political, economic and regulatory risk**

Adverse changes in political, economic and regulatory conditions in Malaysia could materially affect the financial and prospects of the property development business. Amongst the political, economic and regulatory uncertainties are the changes in the risks of economic downturn, unfavourable monetary and fiscal policy changes, exchange control regulations or introductions of new rules or regulations affecting the property development industry, changes in interest rates, inflation, taxation method, general employment outlook and political leadership.

The Group will continue to review its business development strategies in response to the changes in political, monetary, fiscal and economic conditions. Nonetheless, no assurance that any change to these factors would not have any material adverse impact on the Group's business in the future.

By Order of the Board

Lee Sze Siang
Executive Director
13 March 2025