

## **CIRCULAR DATED 30 MARCH 2016**

This Circular is issued by Fragrance Group Limited (the “**Company**”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

This Circular and its Appendix is circulated to you together with the Group’s (as defined herein) annual report for the financial year 2015 (the “**Annual Report**”). Its purpose is to provide the Shareholders (as defined herein) with the relevant information relating to, and seek the Shareholders’ approval for the renewal of the Share Buy Back Mandate (as defined herein) to be held at 456 Alexandra Road #04-07 Fragrance Empire Building Singapore 119962 on 15 April 2016 at 9.00 a.m. The Notice of the 2016 AGM and the Proxy Form are enclosed with the Annual Report.

**The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements or opinions made or reports contained in this Circular.**



## **FRAGRANCE GROUP LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200006656M)

# **CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE**

---

## CONTENTS

---

	PAGE
DEFINITIONS .....	2
LETTER TO SHAREHOLDERS .....	6
1. INTRODUCTION .....	6
2. THE PRINCIPAL TERMS OF THE PROPOSED SHARE BUY BACK MANDATE ..	6
3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS .....	22
4. DIRECTORS' INTERESTS .....	22
5. DIRECTOR'S RECOMMENDATIONS .....	23
6. INSPECTION OF DOCUMENTS .....	23
7. DIRECTOR'S RESPONSIBILITY STATEMENT .....	23

---

## DEFINITIONS

---

### 1. DEFINITIONS

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

<b>“2016 AGM”</b>	:	The annual general meeting of the Company to be held at 456 Alexandra Road #04-07 Fragrance Empire Building Singapore 119962 on 15 April 2016 at 9.00 a.m. (or any adjournment thereof).
<b>“ACRA”</b>	:	Accounting and Corporate Regulatory Authority of Singapore.
<b>“Act” or “Companies Act”</b>	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time.
<b>“Associate” or “Associates”</b>	:	(a) In relation to any Director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none"><li>i. his immediate family;</li><li>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</li><li>iii. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and</li></ul> (b) In relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of 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.
<b>“Board” or “Board of Directors”</b>	:	The board of Directors of the Company.
<b>“CDP”</b>	:	Central Depository (Pte) Limited.
<b>“Code” or “Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers, as may be amended from time to time.
<b>“Company”</b>	:	Fragrance Group Limited, a company incorporated in Singapore.

---

## DEFINITIONS

---

<b>“Constitution”</b>	:	The constitution of the Company which was previously known as the memorandum and articles of association of the Company which were in force immediately before 3 January 2016.
<b>“Controlling Shareholder”</b>	:	A person who: <ul style="list-style-type: none"><li>(a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or</li><li>(b) in fact exercises control over the Company; or</li><li>(c) such other meaning as the SGX-ST may ascribe to this term from time to time.</li></ul>
<b>“Directors”</b>	:	The directors of the Company, including alternate directors of the Company (if any), as at the date of this Circular.
<b>“FY”</b>	:	Financial Year ended or ending 31 December (as the case may be)
<b>“Group”</b>	:	The Company and its subsidiaries.
<b>“Latest Practicable Date”</b>	:	7 March 2016, being the latest practicable date prior to the printing of this Circular.
<b>“Listing Manual”</b>	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time.
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities.
<b>“Notice”</b>	:	The notice of the Annual General Meeting.
<b>“NTA”</b>	:	Net tangible assets.
<b>“Ordinary Resolution”</b>	:	The ordinary resolution as set out in the Notice of AGM in the Annual Report of the Company.
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited.
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company.

---

## DEFINITIONS

---

<b>“Shareholders”</b>	:	Registered holders of Shares, except that where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register.
<b>“Share Buy Back Mandate”</b>	:	The general mandate to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms of such mandate.
<b>“Substantial Shareholder”</b>	:	A person who has an interest or interests in one (1) or more voting Shares in the Company and the total votes attached to that Share, or those Shares, is not less than five (5) per cent of the total votes attached to all the voting Shares of the Company.
<b>“Take-over Code”</b>	:	Singapore Code on Take-overs and Mergers, and all practice notes, rules and guidelines thereunder, as amended, modified, or supplemented from time to time.
<b>“Treasury Shares”</b>	:	Issued Shares of the Company which was (or is treated as having been) purchased by the Company in circumstances in which Section 76H of the Act applies and has been held by the Company continuously since such Shares were so purchased.
<b>“\$” or “S\$” and “cents”</b>	:	Singapore dollars and cents respectively.
<b>“%” or “per cent”</b>	:	Per centum or percentage.

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

The term **“subsidiary”** shall have the meaning ascribed to it by Section 5 of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing one gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference to a time or day in this Circular is made by reference to Singapore time and date unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any words defined under the Act, the Listing Manual or modification thereof, and used in this Circular shall, unless the context otherwise requires, have the meaning assigned to them respectively under the Act, the Listing Manual or such modification thereof, as the case may be.

---

## **DEFINITIONS**

---

Any discrepancies in figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

---

## LETTER TO SHAREHOLDERS

---

### FRAGRANCE GROUP LIMITED

(Incorporated in the Republic of Singapore)  
Company Registration No. 200006656M

#### Board of Directors:

Mr. Koh Wee Meng (Executive Chairman and  
Chief Executive Officer)  
Ms. Lim Wan Looi (Executive Director)  
Mr. Periakaruppan Aravindan (Executive Director)  
Mr. Teo Cheng Kuang (Independent Director)  
Mr. Watt Kum Kuan (Independent Director)  
Mr. Leow Chung Chong Yam Soon (Independent Director)

#### Registered Office:

456 Alexandra Road  
#26-01  
Fragrance Empire Building  
Singapore 119962

30 March 2016

**To: The Shareholders of Fragrance Group Limited**

Dear Sir/Madam,

#### THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

##### 1. INTRODUCTION

The Directors are convening an AGM to be held on 15 April 2016 to seek Shareholders' approval for the proposed renewal of the Share Buy Back Mandate (the "**Proposed Resolution**").

##### 1.1 Proposed Renewal of the Share Buy Back Mandate

At the annual general meeting of the Company held on 10 April 2015 (the "**2015 AGM**"), the Shareholders had approved the renewal of a share buy back mandate (the "**2015 Mandate**") to enable the Company to purchase or otherwise acquire issued ordinary Shares. The rationale for, the authority and limitations on, and the financial effects of, the 2015 Mandate were set out in the Company's circular to Shareholders dated 25 March 2015. The 2015 Mandate was expressed to take effect on the date of the passing of the ordinary resolution approving the Share Buy Back Mandate at the 2015 AGM and will expire on the date of the forthcoming 2016 AGM. The purpose of this Circular is to explain the reasons for, and to provide Shareholders with, inter alia, the relevant information pertaining to the proposed renewal of the Share Buy Back Mandate, and to seek Shareholders' approval at the 2016 AGM for the proposed renewal of the Share Buy Back Mandate. The Directors propose that the 2015 Mandate be renewed at the 2016 AGM to authorise the Company to purchase or acquire Shares in the capital of the Company. The Share Buy Back Mandate is set out as Resolution 7 in the Notice of the AGM accompanying this Circular.

##### 2. THE PRINCIPAL TERMS OF THE PROPOSED SHARE BUY BACK MANDATE

##### 2.1 Mandate

Any purchase or acquisition of Shares by the Company would have to be made in accordance with and in the manner prescribed by the Act and the Listing Manual and such other laws and regulations as may, for the time being, be applicable.

---

## LETTER TO SHAREHOLDERS

---

Under Rule 881 of the Listing Manual, a company which wishes to purchase or acquire its own shares should obtain approval of its Shareholders to do so at a general meeting. As the 2015 Mandate will expire on the date of the forthcoming 2016 AGM, approval is being sought from Shareholders at the 2016 AGM for the renewal of the Share Buy Back Mandate.

If approved by Shareholders at the 2016 AGM, the authority conferred by the Share Buy Back Mandate will continue to be in force until the next annual general meeting (“**AGM**”) of the Company or date by which AGM is required to be held (whereupon it will lapse, unless renewed at such meeting), until the date on which the buy back of the Shares is carried out to the full extent mandated or until it is varied or revoked by the Company in general meeting (if so varied or revoked prior to the next AGM), whichever is the earlier.

### 2.2 Rationale

The proposed Share Buy Back Mandate will give the Directors the flexibility to purchase or acquire the Shares of the Company if and when circumstances permit. The Directors believe that share buy back provides the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Directors to exercise greater control over the Company’s share capital structure, dividend payout and cash reserves.

The buy back of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per share of the Company, and will only be made when the Directors believe that such buy back would benefit the Company and its Shareholders.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate will only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position or listing status of the Company.

### 2.3 The Terms of the Share Buy Back Mandate

The authority and limitations placed on purchases of Shares by the Company under the Share Buy Back Mandate are summarised below:

#### 2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than 10% of the total number of Shares in the issued ordinary share capital of the Company (excluding treasury shares), ascertained as at the date on which the resolution for the renewal of the Share Buy Back Mandate is approved unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the relevant period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For purposes of calculating the percentage of issued Shares above, any of the Shares which are held as treasury shares will be disregarded.



---

## LETTER TO SHAREHOLDERS

---

**For illustrative purposes only**, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date of S\$150,000,000 comprising 6,712,400,000 Shares (excluding 7,600,000 treasury shares), and assuming that no further Shares are issued and no Shares are purchased or acquired by the Company on or prior to the 2016 AGM, not more than 671,240,000 Shares (representing 10% of the total number of issued shares in the capital of the Company (excluding treasury shares) as at that date) may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate.

### 2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the passing of the Ordinary Resolution, at which the renewal of the Share Buy Back Mandate is approved, up to the earlier of:

- (a) the conclusion of the next AGM or the date by which such AGM is required to be held;
- (b) the date on which the buy back of the Shares is carried out to the full extent mandated; or
- (c) the date on which the authority conferred in the Share Buy Back Mandate is varied or revoked by the Shareholders in a general meeting.

### 2.3.3 Manner of Purchase of Shares

Purchases of Shares may be made by way of:

- (a) on-market purchase(s) ("**Market Purchase**"), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one (1) or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Manual.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Listing Manual, the Act, the Constitution and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme(s). An Off-Market Purchase must, however, satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and

---

## LETTER TO SHAREHOLDERS

---

- (c) the terms of all the offers shall be the same, except that there shall be disregarded:
  - (i) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
  - (ii) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
  - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed share buy back;
- (d) the consequences, if any, of the share buy backs by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the share buy back, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any share buy back made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

### 2.3.4 Maximum Purchase Price

The purchase price to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, up to 120% of the Average Closing Price (as defined hereinafter),

---

## LETTER TO SHAREHOLDERS

---

(the “**Maximum Price**”) in either case.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days, on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) day period; and

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 2.4 Status of purchased Shares under the Share Buy Back Mandate

#### 2.4.1 Cancellation

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Act) will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following such cancellation.

#### 2.4.2 Treasury Shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarized below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

In the event that the number of treasury shares held by the Company exceeds 10% of the total number of issued Shares, the Company shall dispose or cancel the excess shares within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies may allow.

---

## LETTER TO SHAREHOLDERS

---

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the “**usage**”). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

---

## LETTER TO SHAREHOLDERS

---

### 2.5 Take-over Implications

The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

#### 2.5.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

#### 2.5.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights. For this purpose, a company is an “**associated company**” of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client’s equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

---

## LETTER TO SHAREHOLDERS

---

- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in its ordinary course of business) to any of the foregoing for the purchase of voting rights.

### 2.5.3 Effect of Rule 14 and Appendix 2

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one (1)% in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Buy Back Mandate.

Based on the shareholding interests of the Directors in the Shares of the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer under Rule 14 of the Take-over Code by reason only of the exercise in full by the Company of the Share Buy Back Mandate.

The Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Buy Back Mandate.

**The statements herein in relation to the Take-over Code do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.**

---

## LETTER TO SHAREHOLDERS

---

### 2.6 Financial Impact

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analyses set out below are based on the audited financial statements of the Company for FY2015 and are not necessarily representative of future financial performance of the Group. Although the proposed Share Buy Back Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares (excluding treasury shares), the Company may not necessarily buy back or be able to buy back 10% of the issued Shares (excluding treasury shares) in full.

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy Back Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices and expenses paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The Directors do not propose to exercise the Share Buy Back Mandate to such an extent that it would have a material adverse effect on the financial condition or working capital requirements of the Company. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Company, and the prevailing market conditions. The proposed Share Buy Back Mandate will be exercised with a view to enhance the earnings and/or NTA value per Share of the Company. The financial effects presented in this Section of this Circular are based on the assumptions set out below:

(a) Information as at the Latest Practicable Date

As at the Latest Practicable Date, the Company has 6,712,400,000 issued Shares (excluding 7,600,000 treasury shares).

(b) Purchase or Acquisition out of Profits and/or Capital

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration (including expenses) will not affect the amount available for distribution in the form of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of retained profits, such consideration (including expenses) will correspondingly reduce the amount available for distribution in the form of cash dividends by the Company.

(c) Purchase or Acquisition out of Internal Resources and/or External Borrowing

Where the purchase or acquisition of Shares is financed through internal resources, it will reduce the cash reserves of the Group and of the Company, and thus the current assets and Shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired, the prices at which the Shares are purchased or acquired and the expenses incurred in relation thereto.



---

## LETTER TO SHAREHOLDERS

---

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would also be a similar increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired, the prices at which the Shares are purchased or acquired and the expenses incurred in relation thereto.

The impact of purchases or acquisitions under the Share Buy Back Mandate on net asset value, earnings per Share and gearing of the Company and the Group will depend, inter alia, on the number of shares purchased or acquired, the price at which they are purchased or acquired, the expenses incurred in relation thereto and the manner in which the purchase or acquisition is funded. It is therefore not possible to realistically calculate or quantify the impact at this point of time.

Purely for illustrative purposes, on the basis of 6,712,400,000 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are purchased or acquired by the Company on or prior to the AGM, the purchase by the Company of 10% of its issued Shares (excluding treasury shares) will result in the purchase of 671,240,000 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 671,240,000 Shares at the Maximum Price of S\$0.185 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the last five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date) and no expenses are incurred in relation thereto, the maximum amount of funds required for the purchase or acquisition of 671,240,000 Shares is S\$124,179,400.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 671,240,000 Shares at the Maximum Price of S\$0.211 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the last five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date) and no expenses are incurred in relation thereto, the maximum amount of funds required for the purchase or acquisition of 671,240,000 Shares is S\$141,631,640.

For illustrative purposes only and on the basis of the assumptions set out above, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate on the audited financial statements of the Company for FY2015, are set out below and assuming the following:

- (i) the acquisition of 10% of its issued Shares (excluding treasury shares) by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Buy Back Mandate by way of purchases made entirely out of capital and held as treasury shares;
- (ii) the acquisition of 10% of its issued Shares (excluding treasury shares) by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Buy Back Mandate by way of purchases made entirely out of capital and cancelled;
- (iii) the acquisition of 10% of its issued Shares (excluding treasury shares) in a Market Purchase or Off-Market Purchase made by the Company pursuant to the Share Buy Back Mandate by way of purchases made entirely out of profits and cancelled;



## LETTER TO SHAREHOLDERS

- (iv) the acquisition of 10% of its issued Shares (excluding treasury shares) in a Market Purchase or Off-Market Purchase by the Company pursuant to the Share Buy Back Mandate by way of purchases made entirely out of profits and held as treasury shares; and
- (v) no expenses are incurred in the acquisition of the Shares set out above.

### **Table A:**

#### ***Scenario of purchase or acquisition of Shares***

The following eight (8) possible scenarios in Table A are purchases or acquisitions of Shares by the Company pursuant to the Share Buy Back Mandate, with pro-forma financial effects shown in detail in Table B and Table C below:

Share Purchase					Maximum Number of Shares to be Purchased	
Scenario	Out of	Type	Number of Shares Held as Treasury Shares/ Cancelled	Maximum Price per Share (S\$)	Number of Shares	Equivalent Percentage of Issued Shares (Excluding Treasury Shares)
1(A)	Capital	Market	Held as treasury shares	0.185	671,240,000	10%
1(B)	Capital	Market	All cancelled	0.185	671,240,000	10%
1(C)	Capital	Off-Market	Held as treasury shares	0.211	671,240,000	10%
1(D)	Capital	Off-Market	All cancelled	0.211	671,240,000	10%
2(A)	Retained Profits	Market	Held as treasury shares	0.185	671,240,000	10%
2(B)	Retained Profits	Market	All cancelled	0.185	671,240,000	10%
2(C)	Retained Profits	Off-Market	Held as treasury shares	0.211	671,240,000	10%
2(D)	Retained Profits	Off-Market	All cancelled	0.211	671,240,000	10%

## LETTER TO SHAREHOLDERS

**Table B:**

*Pro-forma financial effects on the Group for scenarios of Share purchases or acquisitions by the Company out of capital*

	Per Consolidated Financial Statements as at 31 December 2015	Pro-forma Financial Effects as at 31 December 2015 for Scenarios in Table A			
		1(A)	1(B)	1(C)	1(D)
Share Capital (\$'000)	150,000	150,000	25,821	150,000	8,368
Reserves (\$'000)	886,317	886,317	886,317	886,317	886,317
Non-controlling Interests (\$'000)	13,774	13,774	13,774	13,774	13,774
Treasury Shares (\$'000)	(1,050)	(124,179)	–	(141,632)	–
Performance share reserve	308	308	308	308	308
Total Equity (\$'000)	1,049,349	926,220	926,220	908,767	908,767
Net Tangible Assets ("NTA") – (\$'000)	1,049,349	926,220	926,220	908,767	908,767
Current Assets (\$'000)	923,199	799,020	799,020	781,567	781,567
Current Liabilities (\$'000)	575,362	575,362	575,362	575,362	575,362
Number of Shares ('000) (Excluding Treasury Shares)	6,712,400	6,041,160	6,041,160	6,041,160	6,041,160
Financial Ratios					
NTA per Share <sup>(1)</sup> (cents)	15.63	15.33	15.33	15.04	15.04
Current Ratio (times)	1.60	1.39	1.39	1.36	1.36

**Note:**

(1) NTA per share is calculated based on 6,041,160,000 Shares.

## LETTER TO SHAREHOLDERS

**Table C:**

***Pro-forma financial effects on the Group for scenarios of Share purchases or acquisitions by the Company out of retained profits***

	Per Consolidated Financial Statements as at 31 December 2015	Pro-forma Financial Effects as at 31 December 2015 for Scenarios in Table A			
		2(A)	2(B)	2(C)	2(D)
Share Capital (\$'000)	150,000	150,000	150,000	150,000	150,000
Reserves (\$'000)	886,317	886,317	762,138	886,317	744,685
Non-controlling Interests (\$'000)	13,774	13,774	13,774	13,774	13,774
Treasury Shares (\$'000)	(1,050)	(124,179)	–	(141,632)	–
Performance share reserve	308	308	308	308	308
Total Equity (\$'000)	1,049,349	926,220	926,220	908,767	908,767
Net Tangible Assets (“NTA”) – (\$'000)	1,049,349	926,220	926,220	908,767	908,767
Current Assets (\$'000)	923,199	799,020	799,020	781,567	781,567
Current Liabilities (\$'000)	575,362	575,362	575,362	575,362	575,362
Number of Shares ('000) (Excluding Treasury Shares)	6,712,400	6,041,160	6,041,160	6,041,160	6,041,160
<b>Financial Ratios</b>					
NTA per Share <sup>(1)</sup> (cents)	15.63	15.33	15.33	15.04	15.04
Current Ratio (times)	1.60	1.39	1.39	1.36	1.36

**Note:**

(1) NTA per share is calculated based on 6,041,160,000 Shares.

**The above pro-forma financial effects are for illustrative purposes only. Although the Share Buy Back Mandate would authorise the Company to purchase up to 10% of the issued Shares (excluding treasury shares), the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares (excluding treasury shares).**

**In addition, the Company may cancel all or parts of the Shares repurchased or hold all or part of the Shares repurchased in treasury, subject to the provisions of the Act.**

---

## LETTER TO SHAREHOLDERS

---

### 2.7 Source of Funds for Share Buy Back

In buying back Shares, the Company may only apply funds legally available for such purchase in accordance with its Constitution and the applicable laws in Singapore. The Company may not buy Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST. The buy back of Shares by the Company may be made out of the Company's profits or capital so long as the Company is solvent.

Pursuant to Section 76F(4) of the Act, the Company is solvent if:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if:
  - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
  - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due within the period of 12 months immediately after the date of the payment; and
- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of shares, become less than the value of its liabilities (including contingent liabilities).

When Shares are purchased or acquired, and cancelled:

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its capital by the total amount of the purchase price paid by the Company for the Shares (including expenses (such as brokerage or commission)) (the "**Purchase Price**");
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits by the total amount of the Purchase Price; or
- (c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its capital and profits proportionately by the total amount of the Purchase Price.

The Company may use internal resources and/or external borrowings to finance purchases of its Shares pursuant to the Share Buy Back Mandate.

The Directors do not propose to exercise the Share Buy Back Mandate in a manner and to such extent that the financial condition or liquidity and capital adequacy position of the Group would be materially adversely affected.

---

## LETTER TO SHAREHOLDERS

---

### 2.8 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Buy Back Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

### 2.9 Interested Persons

The Company shall not knowingly buy Shares on the SGX-ST from an interested person, that is, a Director, the chief executive of the Company or Controlling Shareholder of the Company or any of their Associates.

### 2.10 Reporting Requirements under the Companies Act

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 30 days of a purchase of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including inter alia, details of the date of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of the profits or the capital of the Company and such other particulars as may be required in the prescribed form.

### 2.11 Requirements under the Listing Manual

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. As at the Latest Practicable Date, 728,803,300 Shares representing 11.0% of the total number of issued shares of the Company (excluding treasury shares) are held in the hands of the public by an aggregate of 3,524 Shareholders. For illustrative purposes only, assuming that the Company repurchased the maximum of 10% of the total number of issued shares in its share capital (excluding treasury shares) as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 1.0%.

**The Directors will use their best efforts to ensure that the Company does not effect buy back of Shares if the buy back of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status or orderly trading of the Shares of the Company.**

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than five (5) per cent above the average closing market price. The term average closing market price is defined as the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3.4 of this Circular, conforms to this restriction.

---

## LETTER TO SHAREHOLDERS

---

Additionally, the Listing Manual also specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement shall include, inter alia, details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or (in the case of Market Purchases) the purchase price per share or the highest price and lowest price per share, the total consideration paid for the shares and the number of issued shares (excluding treasury shares) after purchase, in the form prescribed under the Listing Manual.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Listing Manual, the Company will not purchase or acquire any Shares during the period commencing two (2) weeks before the announcement of the Company’s financial statements for each of the first three (3) quarters of its FY, or one (1) month immediately preceding the announcement of the Company’s annual (full-year) results.

### 2.12 Details of the Shares bought by the Company in the previous 12 months

The following are details of purchases or acquisitions of Shares made by the Company during the period from 10 April 2015, being the date of the 2015 AGM, to the Latest Practicable Date:

Date of purchase or acquisition	Number of Shares purchased or acquired	Price paid per Share (S\$)	Total consideration paid (S\$)
10 July 2015	1,450,000	0.205	297,695.28
15 July 2015	250,000	0.205	51,449.46
16 July 2015	1,300,000	0.210	273,317.81
<b>Total</b>	<b>3,000,000</b>	<b>–</b>	<b>622,462.55</b>

During this time, a total of 3,000,000 Shares were purchased by the Company pursuant to the 2015 Mandate. The highest price paid was S\$0.210 per Share on 16 July 2015 and the lowest price paid was S\$0.205 per Share on 10 July 2015. The total consideration paid for the Shares purchased by the Company was S\$622,462.55.

## LETTER TO SHAREHOLDERS

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Substantial Shareholders of the Company were as follows:

Substantial Shareholders	Direct Interest		Indirect Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
Koh Wee Meng <sup>(2)</sup>	4,993,900,000	74.398	735,000,000	10.950
Lim Wan Looi <sup>(3)</sup>	735,000,000	10.950	4,993,900,000	74.398

**Notes:**

- (1) The percentage of issued Shares is calculated based on the number of issued Shares as at the Latest Practicable Date, excluding any Shares held in treasury as at that date.
- (2) Koh Wee Meng's indirect interest includes the interest of his wife, Lim Wan Looi.
- (3) Lim Wan Looi's indirect interest includes the interest of her husband, Koh Wee Meng.

Save as disclosed in this Circular, none of the Substantial Shareholders have any interest, direct or indirect, in the proposed renewal of the Share Buy Back Mandate.

### 4. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the Shares, as recorded in the Register of Directors' Shareholdings were as follows:

Directors	Direct Interest		Indirect Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
Koh Wee Meng <sup>(2)</sup>	4,993,900,000	74.398	735,000,000	10.950
Lim Wan Looi <sup>(3)</sup>	735,000,000	10.950	4,993,900,000	74.398
Periakaruppan Aravindan	5,516,000	0.082	0	0
Teo Cheng Kuang	—	—	—	—
Watt Kum Kuan	—	—	—	—
Leow Chung Chong Yam Soon	—	—	—	—

**Notes:**

- (1) The percentage of issued Shares is calculated based on the number of issued Shares as at the Latest Practicable Date, excluding any Shares held in treasury as at that date.
- (2) Koh Wee Meng's indirect interest includes the interest of his wife, Lim Wan Looi.
- (3) Lim Wan Looi's indirect interest includes the interest of her husband, Koh Wee Meng.

Save as disclosed in this Circular and save for their respective shareholding interests in the Company, if any, none of the Directors have any, direct or indirect, interest in the proposed renewal of the Share Buy Back Mandate.

---

## LETTER TO SHAREHOLDERS

---

### 5. DIRECTOR'S RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the resolution relating to the proposed renewal of the Share Buy Back Mandate to be proposed at the 2016 AGM.

### 6. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 456 Alexandra Road #26-01 Fragrance Empire Building Singapore 119962 during normal business hours from the date of this Circular up to the date of the 2016 AGM:

- (a) the Annual Report; and
- (b) the Constitution of the Company.

### 7. DIRECTOR'S RESPONSIBILITY STATEMENT

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 renewal of the Share Buy Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this 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.

Yours faithfully

For and on behalf of the Board of Directors of  
**Fragrance Group Limited**

**KOH WEE MENG**

Executive Chairman and Chief Executive Officer