FRAGRANCE GROUP LIMITED
Company Registration No.: 200006656M

ANNOUNCEMENT

PROPOSED DISTRIBUTION *IN SPECIE* OF SHARES IN AF GLOBAL LIMITED

1. INTRODUCTION

The Board of Directors ("**Board**") of Fragrance Group Limited ("**FGL**" or the "**Company**") is pleased to announce that:

(i) AF Corporation Pte. Ltd. ("**AFC**"), a private limited company jointly controlled by the Company and Aspial Corporation Limited ("**Aspial**"), proposes to undertake a distribution *in specie* (the "**AFC Distribution**") to distribute substantially all of the 881,383,569 ordinary shares (the "**AF Global Shares**") in the capital of AF Global Limited ("**AF Global**") held by AFC to the Company and Aspial in proportion to their shareholdings in AFC; and

(ii) subject to, among others, the AFC Distribution being completed, the Company proposes to undertake a distribution *in specie* (the "**Proposed Distribution**") to distribute substantially all of the 440,691,784 AF Global Shares that it will receive from the AFC Distribution to the shareholders of the Company (the "**Shareholders**").

2. INFORMATION ON AF GLOBAL

AF Global is a public limited company incorporated in Singapore on **14 June 1973** and listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). As at 22 August 2019, AF Global has a market capitalisation of approximately S$156.2 million and has 1,055,639,464 AF Global Shares in issue.

The principal activities of AF Global are investment holding and the provision of management services to its subsidiary companies. The group comprising AF Global and its subsidiaries ("**AF Global Group**") invests in and develops properties, provides a full suite of real estate consultancy services and owns and operates hotels and serviced residences.

Based on the unaudited consolidated financial results of the AF Global Group for the second quarter and half-year period ended 30 June 2019 (the "**AF Global 2Q Results**"):

(i) the revenue and net profit of the AF Global Group are approximately S$15.3 million and S$20.8 million respectively for the half-year period ended 30 June 2019; and

(ii) the net asset value of the AF Global Group is approximately S$250.2 million as at 30 June 2019.

3. AFC DISTRIBUTION

3.1 **Method of Distribution.** The AFC Distribution will be effected by way of dividend distribution, repayment of shareholders' loans and/or capital reduction exercise to be undertaken by AFC (the "**AFC Restructuring Exercise**"). The Company will receive the AF Global Shares free of cash outlay. The AF Global Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the AFC Distribution is effected. The AFC Distribution is subject to the approval of the shareholders of AFC and the completion of the AFC Restructuring Exercise.

3.2 **Rationale for the AFC Distribution.** AFC proposes to undertake the AFC Distribution to simplify the holding structure of AF Global. The Company is supportive of the AFC Distribution as the AFC Distribution will cater the Company greater flexibility to deal directly with its AF Global Shares.

3.3 **Effect of the AFC Distribution**

3.3.1 **The Company's shareholding in AF Global before the AFC Distribution.** As at the date hereof:

(i) AFC is jointly owned by the Company and Aspial on a 50:50 basis;

(ii) AFC holds 881,383,569 AF Global Shares, representing approximately 83.49 per cent. of the total number of AF Global Shares in issue; and

(iii) the Company does not have any direct interest in AF Global. However, by virtue of its 50 per cent. shareholding in AFC:

(a) the Company is deemed to have an interest in 881,383,569 AF Global Shares, representing approximately 83.49 per cent. of the total number of AF Global Shares in issue; and

(b) the Company has an effective interest in 440,691,784 AF Global Shares, representing approximately 41.75 per cent. of the total number of AF Global in issue.

3.3.2 **The Company's shareholding in AF Global after the AFC Distribution**. Immediately after the AFC Distribution:

(i) the Company will cease to hold a deemed interest in the 881,383,569 AF Global Shares currently held by AFC and will have a direct interest in 440,691,784 AF Global Shares, representing approximately 41.75 per cent. of the total number of AF Global in issue; and

(ii) there will be no change to the Company's effective interest in AF Global.

3.4 **Securities Industry Council.** The Securities Industry Council of Singapore (the "**SIC**") has confirmed that the AFC Distribution will not give rise to an obligation by the Company to make an offer for all the AF Global Shares not owned by it or persons acting in concert with it under The Singapore Code on Take-overs and Mergers (the "**Code**").

3.5 **Cautionary Note. The AFC Distribution is subject to the completion of the AFC Restructuring Exercise. The Company will provide an update as and when the AFC Restructuring Exercise and the AFC Distribution is completed. In the meantime, Shareholders are advised to exercise caution when dealing in the shares in the Company and to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests.**

4. PROPOSED DISTRIBUTION

4.1 **Method of Distribution and Distribution Ratio.** Subject to, among others, the AFC Distribution being completed, the Company proposes to undertake the Proposed Distribution to distribute substantially all of the 440,691,784 AF Global Shares that it will receive from the AFC Distribution to the Shareholders. The Proposed Distribution, which will be subject to, among others, the approval of the Shareholders, will be effected by way of a dividend *in specie* to Shareholders *pro rata* to their respective shareholdings in the Company, on the basis of 0.065 AF Global Share for each ordinary share in the issued share capital of the Company (the "**Share**" or the "**FGL Share**") held by Shareholders or on their behalf as at a books closure date to be determined by the Company (the "**Books Closure Date**"), fractional entitlements to be disregarded.

Shareholders will receive AF Global Shares free of cash outlay. The AF Global Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected.

4.2 **Rationale for the Proposed Distribution.** The Board believes that the Proposed Distribution will benefit the Company and the Shareholders as follows:

(i) **Creates Investment Flexibility and Unlocks Value for Shareholders.** The Company is of the view that the Proposed Distribution will unlock shareholder value by giving Shareholders direct ownership of AF Global Shares. The Proposed Distribution will also give Shareholders the flexibility to deal with the AF Global Shares independently of their FGL Shares, and benefit from the direct holdings of two distinct entities without any additional cash outlay. Shareholders will have the discretion and flexibility to separately decide on their holdings of FGL and AF Global in accordance with their individual investment objectives. They will have the option to either sell AF Global Shares in the open market after the completion of the Proposed Distribution, or retain the distributed AF Global Shares and receive potential future dividends.

(ii) **Enhancement in Trading Liquidity of AF Global.** As at the date hereof, based on information provided by AF Global, approximately 16.05 per cent. of the AF Global Shares is held in public hands. Assuming that the AFC Distribution and the Proposed Distribution were completed today, it is anticipated that this percentage would increase to approximately 20.41 per cent. An increase in public float would help to improve trading liquidity in AF Global Shares.

4.3 Details of the Proposed Distribution

(i) **Entitled Shareholders.** Shareholders who hold Shares as at the Books Closure Date will be entitled to the Proposed Distribution ("**Entitled Shareholders**").

(ii) **The Proposed Distribution.** Assuming that the AFC Distribution was completed as at the date of this Announcement, the Company would hold 440,691,784 AF Global Shares, representing approximately 41.75 per cent. of the total number of AF Global in issue. Subject to, among others, the completion of the AFC Distribution, the Proposed Distribution will be effected by way of a dividend *in specie* of such AF Global Shares to Entitled Shareholders on a *pro rata* basis and in proportion to each Entitled Shareholder's shareholding as at the Books Closure Date such that Entitled Shareholders will be given 0.065 AF Global Share for each Share held by the Entitled Shareholders or on their behalf, fractional entitlements to be disregarded. Accordingly, for every 1000 Shares held by a Shareholder as at the Books Closure Date, the Shareholder will receive 65 AF Global Shares.

The AF Global Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected. Following completion of the Proposed Distribution, any resultant fractional AF Global Shares will be aggregated and held by the Company for future disposal.

(iii) **Odd Lots.** Shareholders who receive odd lots of AF Global Shares pursuant to the Proposed Distribution and who wish to trade such odd lots on the SGX-ST should note that an application will be made to the SGX-ST to set up a temporary counter for the trading of the smaller board lots of AF Global Shares for a period of one month after the completion of the Proposed Distribution for the convenience of such Shareholders. Further details of the application will be set out in the Circular (as defined below).

(iv) **Appropriation from Retained Profits.** To effect the Proposed Distribution as a dividend *in specie*, the Company will appropriate an amount of approximately S$113.4 million out of the retained profits of the Company to meet the dividend to be declared based on the carrying value (or cost of investment) of the AF Global Shares in the accounts of the Company.

(v) **Effects of the Proposed Distribution.** On completion of the Proposed Distribution, the Company will have distributed substantially all of its holding of AF Global Shares that it will receive from the AFC Distribution and Shareholders will hold listed shares in both the Company and AF Global. **The Proposed Distribution will not result in any change to the issued and paid up share capital of the Company after the Proposed Distribution or to the number of Shares held by a Shareholder.**

4.4 **Financial Effects.** For illustrative purposes only, the pro forma financial effects of the Proposed Distribution on the FGL Group are set out in **Appendix 1**. The pro forma financial effects are for illustrative purposes only and do not reflect the actual financial position of the FGL Group after the Proposed Distribution.

4.5 **Conditions to the Proposed Distribution.** The Proposed Distribution and the completion thereof is subject to:

(i) the completion of the AFC Distribution; and

(ii) the approval of Shareholders by way of an ordinary resolution for the Proposed Distribution at the extraordinary general meeting to be convened (the "**EGM**").

For the avoidance of doubt, the AFC Distribution is not subject to the Proposed Distribution being approved, and will take place regardless of whether the Proposed Distribution is approved by the Shareholders.

4.6 **Controlling Shareholders' Support.** Mr. Koh Wee Meng ("**KWM**") and his spouse, Ms. Lim Wan Looi ("**LWL**"), being the controlling shareholders of the Company holding in aggregate 5,750,500,000 Shares, representing approximately 85.66 per cent. of total number of Shares in issue as at the date hereof, are supportive of the Proposed Distribution and intend to vote in favour of the resolutions approving the Proposed Distribution at the EGM.

4.7 **SIC.** The SIC has confirmed that the Proposed Distribution will not give rise to an obligation by KWM and LWL to make an offer for all the AF Global Shares not owned by them or parties acting in concert with them under the Code.

4.8 **Notice of Books Closure Date.** Subject to the fulfilment of the conditions to the Proposed Distribution, the Company will, in due course, announce the Books Closure Date in order to determine the entitlements of each Entitled Shareholder to the AF Global Shares.

4.9 **Overseas Shareholders.** Where the Board is of the view that the distribution of the AF Global Shares to any Overseas Shareholders (as defined below) may infringe any relevant foreign law or may necessitate compliance with conditions or requirements which they, in their sole discretion, regard as onerous by reason of costs, delay or otherwise, the AF Global Shares which such Overseas Shareholders would have been entitled to pursuant to the Proposed Distribution (the "**Overseas Shareholders' AF Global Shares**") will not be distributed to such Overseas Shareholders. Instead, the Overseas Shareholders' AF Global Shares shall be transferred to such person(s) as the Board may appoint, to sell the relevant AF Global Shares and thereafter to distribute the net proceeds proportionately among such Overseas Shareholders. For the purposes of this Announcement, "**Overseas Shareholders**" means Shareholders whose registered address appearing in the register of members of the Company or the depository register maintained by The Central Depository (Pte) Limited (as the case may be) is outside Singapore.

Further information on the entitlements of the Overseas Shareholders will be set out in the Circular (as defined below).

4.10 **Circular.** Subject to completion of the AFC Distribution, a circular to Shareholders (the "**Circular**") in respect of the resolution to approve the Proposed Distribution, together with a notice of the EGM to be convened, will be despatched in due course to Shareholders to provide details on the Proposed Distribution.

4.11 **Cautionary Note. The Proposed Distribution is subject to, among others, the completion of the AFC Distribution. The Company will provide an update as and when the AFC Distribution is completed. In the meantime, Shareholders are advised to exercise caution when dealing in the Shares and to refrain from taking any action in respect of their Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations to be set out in the Circular.**

By Order of the Board

Periakaruppan Aravindan
Executive Director and Deputy CEO
22 August 2019

APPENDIX 1

FINANCIAL EFFECTS

1. **Assumptions.** The pro forma financial effects of the Proposed Distribution on selected financial measures of the FGL Group have been prepared based on the audited consolidated financial statements of the FGL Group for the financial year ended 31 December 2018 ("**FY2018**") and take into account the following assumptions:

   (i) the net asset value (the "**NAV**") and net tangible assets (the "**NTA**") as at 31 December 2018 have been prepared on a pro forma basis on the assumption that the AFC Distribution and the Proposed Distribution had been completed on 31 December 2018;

   (ii) the earnings per share (the "**EPS**") has been prepared on a pro forma basis on the assumption that the AFC Distribution and the Proposed Distribution had been completed on 1 January 2018;

   (iii) the AFC Distribution will be effected at the carrying value (or cost of investment) of AF Global of approximately S$256.8 million as recorded in the accounts of AFC as at 31 December 2018; and

   (iv) the Company will receive 440,691,784 AF Global Shares from the AFC Distribution and the Proposed Distribution of such AF Global Shares will be effected at the carrying value (or cost of investment) of AF Global of approximately S$113.4 million as recorded in the accounts of the Company as at 31 December 2018.

   The pro forma financial effects are purely for illustrative purposes only and do not reflect the actual financial position of the FGL Group after the completion of the AFC Distribution and the Proposed Distribution.

2. **NAV/NTA and NAV/NTA per Share.** The pro forma financial effects of the Proposed Distribution on the NAV/NTA and NAV/NTA per Share of the FGL Group as at 31 December 2018 are as follows:

	Before the AFC Distribution and the Proposed Distribution	**After the AFC Distribution and the Proposed Distribution**
NAV/NTA[1] (S$ million)	1,314	1,200
NAV/NTA per Share[2] (S$)	0.196	0.179

Notes:

1. Non-controlling interests have been excluded from the computation.
2. The figures are based on the issued share capital of 6,713,600,000 FGL Shares (excluding 6,400,000 treasury shares) as at 22 August 2019.

3. **Earnings and EPS.** The pro forma financial effects of the Proposed Distribution on the earnings of the FGL Group for FY2018 are as follows:

	Before the AFC Distribution and the Proposed Distribution	After the AFC Distribution and the Proposed Distribution
Net Profit (S$ million)	266.0	266.3
EPS[1] (cents)	3.96	3.97

Note:

1. The figures are based on the weighted average of 6,713,462,734 FGL Shares as at 22 August 2019.

4. **Leverage Ratios.** The pro forma financial effects of the Proposed Distribution on the leverage ratios of the FGL Group for FY2018 are as follows:

	Before the AFC Distribution and the Proposed Distribution	After the AFC Distribution and the Proposed Distribution
Total borrowings (S$ million)	1,390	1,390
NAV (S$ million)	1,314	1,200
Gearing (x)	1.06	1.16

5. **Share Capital.** The Proposed Distribution will not have any impact on the number of Shares held by Shareholders after the Proposed Distribution or on the share capital of the Company.