



FRASER AND NEAVE, LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 189800001RK)

PROPOSED DISPOSAL OF THE COMPANY'S INTERESTS IN ASIA PACIFIC BREWERIES LIMITED ("APBL") AND ASIA PACIFIC INVESTMENT PTE LTD ("APIPL") AND PROPOSED CAPITAL REDUCTION IN CONJUNCTION THEREWITH

Fraser and Neave, Limited (the "**Company**") refers to the following:

- (i) the circular to shareholders dated 6 September 2012 (the "**Circular**") issued by the Company to shareholders of the Company ("**Shareholders**") in relation to the proposed sale of the Company's direct and indirect interests in APBL and the Company's interest in certain non-APBL assets held by APIPL (collectively, the "**Proposed Transaction**") pursuant to the agreements entered into by the Company with Heineken International B.V. for the Proposed Transaction (the "**Agreements**") and the proposed capital reduction to be carried out by the Company pursuant to Section 78G of the Companies Act, Chapter 50 of Singapore in the event the Proposed Transaction is approved by Shareholders and completed in accordance with the terms of the Agreements (the "**Proposed Capital Reduction**");
- (ii) the notice of extraordinary general meeting ("**Notice of EGM**") dated 6 September 2012 convening the extraordinary general meeting of the Company to consider and approve the Proposed Transaction and the Proposed Capital Reduction (the "**EGM**");
- (iii) the announcement dated 13 September 2012 made by United Overseas Bank Limited, DBS Bank Ltd. and Morgan Stanley Asia (Singapore) Pte. for and on behalf of TCC Assets Limited (the "**Offeror**") in relation to the mandatory conditional cash offer (the "**Offer**") for all of the issued and paid-up ordinary shares in the capital of the Company (the "**Shares**"), other than those already owned by the Company as treasury shares, and those Shares owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and International Beverage Holdings Limited ("**IBHL**") as at the date of the Offer (the "**Offer Shares**").

EFFECT OF THE PROPOSED CAPITAL REDUCTION ON SHAREHOLDERS' ENTITLEMENTS UNDER THE OFFER

Under the Proposed Capital Reduction, the Company proposes to, amongst others, effect the following:

- (a) The Company will cancel one out of three Shares (the "**Reduction Ratio**"), subject to the adjustments to be made on the number of Shares to be cancelled from each Shareholder such that the resultant number of Shares which would have been held by or on behalf of each Shareholder following the proposed cancellation of Shares based on the Reduction Ratio will be rounded up (where applicable) to the nearest multiple of 10 Shares (the "**Rounding Up**"). However, in the event that the resultant number of Shares arising from the Rounding Up:
 - (i) is greater than that held by or on behalf of such Shareholder as at the date, to be announced, for the purposes of determining Shareholders' entitlements to the capital distribution pursuant to the Capital Distribution (the "**Books Closure Date**"), no Rounding Up will be applied and the number of Shares proposed to be cancelled from such Shareholder will be the number of Shares cancelled based solely on the Reduction Ratio, disregarding fractions; or
 - (ii) is equal to that held by or on behalf of such Shareholder as at the Books Closure Date, no Shares shall be cancelled from such Shareholder.
- (b) In exchange for the cancellation of Shares pursuant to the Proposed Capital Reduction, the Company will make a cash distribution of \$8.50 for each Share held by or on behalf of Shareholders as at the Books Closure Date which is cancelled pursuant to the Proposed Capital Reduction.

The Company refers to the Offer Announcement and in particular, paragraph 2.2 of the Offer Announcement, which states:

*“2.2 The Offer Shares are to be acquired (a) fully paid, (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever, and (c) together with all rights, benefits and entitlements attached thereto as at the date of this Announcement (the “Offer Announcement Date”) and hereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date). **If any dividend, other distribution or return of capital is declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividend, distribution or return of capital.**”*

The Company notes that if the Proposed Capital Reduction were to be effected while the Offer has not closed or otherwise lapsed and the Offer subsequently becomes or is declared unconditional as to acceptances:

- (a) A Shareholder who tenders his Shares in acceptance of the Offer prior to the Books Closure Date will stand to receive \$8.88 per Share. Such a Shareholder will not stand to receive any cash distribution under the Proposed Capital Reduction. By way of illustration, a Shareholder who holds 3,000 Shares and tenders his Shares in acceptance of the Offer prior to the Books Closure Date, will stand to receive \$26,640 from the Offeror.
- (b) A Shareholder who tenders his Shares in acceptance of the Offer after the Books Closure Date will:
 - (i) stand to receive \$8.50 from the Company for each Share cancelled pursuant to the Proposed Capital Reduction and have one out of every three Shares held by such Shareholder canceled, subject to the Rounding Up; and
 - (iii) have a reduced number of Shares to tender in acceptance of the Offer (being the resultant number of Shares held by such Shareholder after the Proposed Capital Reduction) and stand to receive the offer price of \$8.88 for each Share.

By way of illustration, a Shareholder who holds 3,000 Shares and tenders his entire holdings of Shares after the Books Closure Date will stand to receive an aggregate of \$26,260, being (1) \$8,500 pursuant to the Proposed Capital Reduction and (2) \$17,760 from the Offeror in respect of the reduced holdings of 2,000 Shares tendered in acceptance of the Offer. This would be \$380 lower than the amount such a Shareholder would have received if he had tendered his Shares in acceptance of the Offer prior to the Books Closure Date.

In light of the above, the Company made application to the Securities Industry Council (the “**SIC**”) for, amongst others, a ruling that the Offeror be required to adjust its offer price of \$8.88 (the “**Offer Price**”) upwards on a weighted-average basis to take into account the effect of the Proposed Capital Reduction, if it were approved by Shareholders and the Books Closure Date were to fall on a date prior to the closing date of the Offer.

SIC RULING

The SIC has on 21 September 2012 ruled that the Offeror is not required to adjust the Offer Price on a weighted-average basis to take into account the effect of the Proposed Capital Reduction. While there will be no reduction to the Offer Price (on a per Share basis) as a result of the Proposed Capital Reduction, the Offeror need not adjust the Offer Price on a weighted-average basis in respect of Offer Shares tendered after the Proposed Capital Reduction has been effected.

PROPOSED ACTION

The Company intends to proceed to put the resolution on the Proposed Capital Reduction, set out as Resolution 2 in the Notice of EGM (the “**Proposed Capital Reduction Resolution**”), to a vote of the Shareholders at the EGM. As there is no assurance that the Offer will become or be declared unconditional as to acceptances, the Board of Directors of the Company (the “**Board**”) is of the view that there is no compelling reason to refrain from putting the Proposed Capital Reduction Resolution to a vote at the EGM.

However, to avoid any prejudice to Shareholders that may result from the juxtaposition of the Proposed Capital Reduction (if effected) with the Offer, the Company proposes to refrain from taking any further steps to implement the Proposed Capital Reduction until after the later of (a) the expiry of the period in which the Company is the subject of a general offer such as the Offer (the "Offer Period") or (b) after completion of the Proposed Transaction.

In the event that the Proposed Capital Reduction Resolution is not approved by Shareholders, the Board will consider all options available to the Company to distribute a portion of the proceeds from the Proposed Transaction to Shareholders, after the expiry of the Offer Period.

CAUTIONARY STATEMENT ON DEALING IN SHARES

The Company refers to its announcement dated 13 September 2012 on the Offer.

Further to this announcement, the Company wishes to highlight that the Code requires the Offeror to despatch an offer document to Shareholders no earlier than 27 September 2012 and no later than 4 October 2012, and for the Board of Directors of the Company to advise shareholders of its views of the Offer within 14 days of the despatch of such offer document.

Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests, and to exercise caution when dealing in the Shares in the meantime.

RESPONSIBILITY STATEMENT

The Directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the Directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

BY ORDER OF THE BOARD

Anthony Cheong Fook Seng
Group Company Secretary

24 September 2012