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* Asterisks denote mandatory information	
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Company Registration No.	189800001R
Announcement submitted on behalf of	FRASER AND NEAVE, LIMITED
Announcement is submitted with respect to *	FRASER AND NEAVE, LIMITED
Announcement is submitted by *	Anthony Cheong Fook Seng
Designation *	Company Secretary
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Announcement Title *	PROPOSED CAPITAL REDUCTION
Specific shareholder's approval Required? *	Yes
Description	Please see attached.

Attachments

 FNN-Capital_Reduction_10.05.13.pdf
 Total size = **52K**
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FRASER AND NEAVE, LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No: 189800001R)

PROPOSED CAPITAL REDUCTION

1. INTRODUCTION

The Board of Directors of Fraser and Neave, Limited (the "**Company**") wishes to announce a proposed capital reduction exercise (the "**Capital Reduction**") to be carried out by the Company pursuant to Section 78G of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), which will involve a cash distribution (the "**Cash Distribution**") by the Company to the shareholders of the Company (the "**Shareholders**") of S\$3.28 in cash for each ordinary share in the capital of the Company (a "**Share**") held by a Shareholder as at a books closure date to be determined by the Directors of the Company (the "**Books Closure Date**"), amounting to an aggregate distribution of approximately S\$4.73 billion.

2. THE PROPOSED CAPITAL REDUCTION

2.1 The Capital Reduction. The Company is proposing to return S\$3.28 in cash for each Share held by the Shareholders or on their behalf as at the Books Closure Date. Based on the number of existing issued Shares of 1,441,470,259 (excluding 4,100 treasury Shares) as at 9 May 2013 (the "**Latest Practicable Date**", being the latest practicable date prior to the date of this Announcement), an aggregate amount of approximately S\$4.73 billion will be returned to the Shareholders pursuant to the Capital Reduction.

2.2 Capitalisation of Revenue Reserves. The Company will, as part of the Capital Reduction, capitalise an amount of approximately S\$4.61 billion from the revenue reserves of the Company (the "**Capitalisation**") to increase the issued share capital of the Company to approximately S\$6.17 billion. The new ordinary shares ("**Additional Shares**") arising from the Capitalisation will be allotted and issued credited as fully paid up to the Shareholders in the proportion of one Additional Share for each Share held by them as at the Books Closure Date and are issued solely for the purpose of capitalising the revenue reserves and will be cancelled immediately upon their allotment and issue. In connection with the cancellation of the Additional Shares, the enlarged issued share capital will immediately thereafter be reduced by an amount of approximately S\$4.73 billion, and such amount of approximately S\$4.73 billion arising from the said reduction, comprising (i) approximately S\$4.61 billion of the revenue reserves which have been capitalised pursuant to the Capitalisation; and (ii) approximately S\$0.12 billion from the existing issued share capital of the Company prior to the Capitalisation, will be returned in cash to the Shareholders.

2.3 Effects of the Capital Reduction. Pursuant to the Capital Reduction:

Shareholders will receive S\$3.28 for each Share held as at the Books Closure Date, and an aggregate amount of approximately S\$4.73 billion will be returned to Shareholders, of which:

- (a) approximately S\$4.61 billion will originate from the reduction of the issued share capital created from the Capitalisation; and

- (b) approximately S\$0.12 billion will originate from the reduction of the existing issued share capital of the Company prior to the Capitalisation.

The actual aggregate amount to be returned to Shareholders may be adjusted based on the issued share capital of the Company as at the Books Closure Date. The Capital Reduction will not result in any change in the number of Shares held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Capital Reduction.

The above does not take into account the issue of 49,177 new Shares, assuming the exercise of all outstanding Share Options (as defined in paragraph 2.4 below) on or prior to the Books Closure Date, in which event the number of issued Shares as at the Books Closure Date will increase, resulting in a consequent increase in the aggregate amount of distribution to be paid pursuant to the Capital Reduction. In such an event, the distribution to be paid by the Company pursuant to the increased number of Shares as at the Books Closure Date will be increased by an aggregate amount of up to S\$0.2 million. Accordingly, assuming that all outstanding Share Options are exercised, the maximum aggregate amount to be returned to Shareholders will remain at approximately S\$4.73 billion.

- 2.4 Share Options.** The Company has granted share options to subscribe for new Shares ("Share Options") under the F&N Executive Share Option Scheme which was approved and adopted by the Company on 30 September 1999 and expired on 30 September 2009, and of which 49,177 Share Options remain outstanding as at the Latest Practicable Date. Accordingly, the aggregate amount to be returned to the Shareholders pursuant to the Capital Reduction may be adjusted based on the issued share capital of the Company as at the Books Closure Date, taking into account the issue of new Shares arising from the exercise of any Share Options, on or before the Books Closure Date, as described under paragraph 2.3 above.
- 2.5 Funds for the Capital Reduction.** The Capital Reduction will be funded from existing cash and cash equivalents.
- 2.6 Illustration.** The following illustrates the position of a Shareholder who holds 1,000 Shares as at the Books Closure Date:

	Shareholder
<hr/>	
Shareholding before the Capital Reduction	
Number of Shares currently held	1,000
Shareholding after the Capital Reduction	
Cash received (S\$)	3,280
Number of Shares held after the Capital Reduction	1,000

In summary, the Shareholders will receive S\$3,280 in cash for every 1,000 Shares (or S\$3.28 in cash for each Share) held as at the Books Closure Date. Shareholders holding odd lots of Shares (i.e. lots other than board lots of 1,000 Shares) will likewise receive S\$3.28 in cash for each Share held as at the Books Closure Date. The shareholding of each Shareholder in the Company shall remain unchanged after the Capital Reduction.

3. RATIONALE

The Company had considered and proposed a capital reduction previously in connection with the sale of the Company's interests in Asia Pacific Breweries Limited and Asia Pacific Investment Pte Ltd last year (the "APB Sale"). When the resolution was not passed, the Board indicated that it would revisit the issue at a later stage. Having reviewed the capital structure and the leverage position of the Company, the Board is of the view that the capital of the Company is in excess of its immediate requirements and the Capital Reduction will allow the Company and its subsidiaries (the "F&N Group") to achieve a more efficient capital structure and also enable the Company to distribute substantially the Company's gain from the APB Sale.

After the Capital Reduction, the Board believes that the Company continues to maintain a sufficient capital base which will allow it to focus on existing operations whilst maintaining sufficient flexibility to position itself to take advantage of business opportunities which may arise in the near or medium term in the food and beverage sectors as well as the real estate sectors in the region.

4. FINANCIAL EFFECTS

The pro forma financial effects of the Capital Reduction are set out in the Appendix to this announcement. The pro forma financial effects are for illustration purposes only and do not reflect the actual financial position of the F&N Group after the Capital Reduction.

5. CONDITIONS

5.1 Conditions for the Capital Reduction. The Capital Reduction is subject to, *inter alia*:

- (i) the approval of the Shareholders by way of a special resolution for the Capital Reduction (i.e. 75 per cent. of those present and voting) at an extraordinary general meeting of the Shareholders to be convened (the "EGM");
- (ii) the approval of the High Court of Singapore for the Capital Reduction; and
- (iii) all other relevant approvals and consents being obtained.

5.2 Payment Date. On the lodgement of the copy of the Order of Court approving the Capital Reduction, together with the other documents as prescribed under the Companies Act, with the Accounting and Corporate Regulatory Authority of Singapore, the Capital Reduction shall take effect, and the Cash Distribution would become payable. Subject to the conditions in paragraph 5.1 above being satisfied, it is currently expected that the Cash Distribution will be paid to the Shareholders on or about 31 July 2013.

6. FURTHER INFORMATION

A circular containing further details of the Capital Reduction and to convene the EGM for the purpose of seeking the Shareholders' approval for the special resolution relating to the Capital Reduction will be despatched to the Shareholders in due course.

By Order of the Board
Anthony Cheong Fook Seng
Company Secretary

10 May 2013

Appendix

FINANCIAL EFFECTS

1. **Assumptions.** The pro forma financial effects of the Capital Reduction on the net asset value (“NAV”) per share, the share capital of the F&N Group and the leverage ratios of the F&N Group have been prepared based on the audited consolidated financial statements of the F&N Group for the financial period ended 30 September 2012 (the “FY2012”) and the unaudited consolidated financial statements of the F&N Group for the half year ended 31 March 2013 (“HY2013”). The pro forma financial effects are purely for illustration purposes only and do not reflect the actual financial position of the F&N Group after the Capital Reduction. As the APB Sale was completed only in the first quarter of the financial year ending 30 September 2013, the pro forma financial effects for FY2012 have been prepared on the assumption that the APB Sale and the Capital Reduction was completed on 30 September 2012 and the pro forma financial effects for HY2013 have been prepared on the assumption that the Capital Reduction was completed on 31 March 2013.

2. **NAV.** The pro forma financial effects of the Capital Reduction on the NAV of the F&N Group for FY2012 and HY2013 are as follows:

(i) FY2012

	Before the APB Sale and the Capital Reduction	Pro forma	
		After the APB Sale	After the APB Sale and the Capital Reduction
NAV (S\$ million)	7,591	12,467	7,782
NAV per Share (S\$)	5.31	8.73	5.45

(ii) HY2013

	Before the Capital Reduction	Pro forma after the Capital Reduction
NAV (S\$ million)	12,679	7,951
NAV per Share (S\$)	8.80	5.52

3. **Share Capital.** The Capital Reduction will not have any impact on the number of Shares held by the Shareholders after the Capital Reduction. The pro forma financial effects of the Capital Reduction on the share capital of the Company for FY2012 and HY 2013 are as follows:

(i) FY2012

	Shares (million)	Value (S\$ million)
Share capital as at 30 September 2012	1,428.364	1,499
Additional Shares issued pursuant to capitalisation of revenue reserves	1,428.364	4,614
Cancellation of Additional Shares	(1,428.364)	(4,685)
Pro forma adjusted issued share capital after the Capital Reduction and the Cash Distribution	1,428.364	1,428

(ii) HY2013

	Shares (million)	Value (S\$ million)
Share capital as at 31 March 2013	1,441.470	1,565
Additional Shares issued pursuant to capitalisation of revenue reserves	1,441.470	4,604
Cancellation of Additional Shares	(1,441.470)	(4,728)
Pro forma adjusted issued share capital after the Capital Reduction and the Cash Distribution	1,441.470	1,441

4. **Leverage Ratios.** The pro forma financial effects of the Capital Reduction on the leverage ratios of the F&N Group as at FY2012 and HY2013 are as follows:

(i) FY2012

	Before the APB Sale and the Capital Reduction	Pro forma	
		After the APB Sale	After the APB Sale and the Capital Reduction
Total net borrowings / (cash) (S\$ million)	2,259	(3,322)	1,363
Net Debt/Total Equity (%)	27.4%	n.m. ⁽¹⁾	16.7%

(ii) HY2013

	Before the Capital Reduction	Pro forma after the Capital Reduction
Total net borrowings / (cash) (S\$ million)	(3,293)	1,435
Net Debt/Total Equity (%)	n.m. ⁽¹⁾	17.3%

Note:

(1) "n.m." means not meaningful.