

ASX Announcement/Media Release

28 February 2017

Update on proposal from Al Alfia

Specialty Fashion Group Limited (ASX: SFH) (the “**Group**”) today provides an update on the confidential, indicative and non-binding change of control proposal from Al Alfia Holding WLL (“**Al Alfia**”).

As disclosed on 8 and 9 February 2017 in response to media speculation, the Group has been in discussions with Al Alfia for a period of time in relation to a potential transaction and has been working toward an outcome that will result in a definitive proposal capable of being put to shareholders.

As part of these discussions, the Group granted Al Alfia access to customary due diligence which has been successfully completed in all material respects.

As part of discussions of the proposal, the Group had sought clarity regarding Al Alfia’s capacity to complete a transaction. Al Alfia holds and manages substantial investment assets well in excess of the intended acquisition consideration and its bank had provided a confirmation letter stating that, to their knowledge, the sole shareholder of Al Alfia, has the financial means to enter into the intended acquisition. However, due to the unforeseen circumstances relating to the death of the father of the sole shareholder of Al Alfia, the funding has been temporarily restricted in probate. Al Alfia has advised they are addressing the probate issue however has not been able to confirm when this will be resolved.

In light of this uncertainty, the Group will continue to focus on the standalone strategy and key growth priorities: rejuvenation of existing brands across the Group; transformation of Rivers into a profitable, growing brand for the Group; and expansion into new markets beyond Australia for City Chic.

At the time that the probate issue is resolved and Al Alfia returns to the Board with a proposal capable of being put to shareholders, the Board will assess it on its merits.

The Group will provide further updates to the market as appropriate in accordance with its continuous disclosure obligations.

ENDS

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