

AUSGROUP LIMITED
(UNDER INTERIM JUDICIAL MANAGEMENT)
(Incorporated in the Republic of Singapore)
(Company Registration Number No. 200413014R)

WAIVER FROM COMPLIANCE WITH RULE 1014(2) OF THE SGX-ST LISTING MANUAL

1. INTRODUCTION

AusGroup Limited (Under Interim Judicial Management) ("**Company**") wishes to announce that it has, on 16 December 2022, obtained a waiver for the requirement under Rule 1014(2) of the Listing Manual of the Singapore Exchange Securities Limited ("**SGX-ST**").

On 13 December 2022, the Company applied to the SGX-ST for a waiver ("**Waiver**") of the requirement under Rule 1014(2) of the Listing Manual of the SGX-ST ("**Listing Manual**") for the Company to seek approval of its shareholders for the Proposed Disposal (defined below).

On 16 December 2022, the SGX-ST informed the Company that the SGX-ST has no objections to the Company's application for the Waiver, subject to the conditions set out in paragraph 3.1 below.

2. THE PROPOSED DISPOSAL

Following the appointment of the interim judicial managers ("**IJMs**") of the Company, the IJMs have sought to formulate a restructuring plan for the Company and its subsidiaries ("**Group**"). Following receipt of expressions of interest from various interested parties, the IJMs have assessed that the restructuring of the Group would necessarily require the proposed disposal of 100% of the shares in AusGroup Companies Pty Ltd ("**AGC**") and/or the business/assets held thereunder (or part thereof) ("**Proposed Disposal**").

3. APPLICATION TO AND WAIVER GRANTED BY THE SGX-ST

3.1 Grant of Waiver and Waiver conditions

Under Chapter 10 of the Listing Manual, where any of the relative figures in Rule 1006 exceeds 20%, the transaction will be considered a "major transaction" and must be made conditional upon the approval by shareholders of the issuer in a general meeting. Based on the calculations of the IJMs, it is likely that the Proposed Disposal will trigger the shareholders' approval requirement under Rule 1014(2). The Company has therefore applied to the SGX-ST for a Waiver of the requirement under Rule 1014 of the Listing Manual such that the Company will not be required to seek shareholders' approval for the Proposed Disposal and make the Proposed Disposal conditional upon or subject to the approval of the shareholders.

The conditions of the Waiver granted by the SGX-ST are:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual;

- (b) the board of directors of the Company confirming that the Waiver will not be in contravention of any laws and regulations governing the Company and its constitution; and
- (c) provided the above conditions (a) and (b) have been satisfied, the Company making an update announcement that all the conditions of the Waiver have been satisfied.

The release of this announcement seeks to satisfy the condition set out in paragraph (a) above. The conditions in paragraphs (b) and (c) above will be satisfied in due course as the IJMs will take steps to procure the necessary confirmation from the management and following that, make the update announcement.

3.2 Rationale for Waiver Application

The Company submitted to the SGX-ST that the approval of the SGX-ST to waive the requirement under Rule 1014(2) of the Listing Manual to enable the Company to complete the Proposed Disposal without having to obtain shareholders' approval should be given for the key reasons summarised below:

(a) More advantageous realisation of the Proposed Disposal assets

The Company and the Group as a whole is facing a very real and significant prospect of adverse deterioration of their respective financial positions. The Company is not in a position to contribute fresh funds to support or continue the projects under AGC (and its subsidiaries), there is likely no external financing available given the overall distressed state, and accounts receivable are presently insufficient to sustain the business of AGC (and its subsidiaries). The Group is therefore at risk of customers ceasing engagements with the Group as customers pre-empt the risk of operation stoppages due to the Group's uncertain financial position (in particular labour stoppages or cessation/suspension of supplies), thereby impacting income and accounts receivable for the Group. It is not business-as-usual given the negative publicity on its overall state of affairs, nor is the Group currently in a position to secure new project-related bank guarantees for new contracts (having regard to its financial position and perceived credit-worthiness), thereby impacting its ability to secure new contracts and income streams. There is also a real possibility that legal actions or proceedings are taken by stakeholders to place Group entities under administration or liquidation in the jurisdictions they are situated in, which impacts the control that the IJMs have over these entities and their ability to negotiate a potentially more favourable "packaged" deal for the Group as a whole (as compared to a situation where piecemeal entities are disposed or realised under administration or liquidation while leaving the liabilities of AGC (and its subsidiaries) within the Group), thereby yielding a less-favourable outcome for the Group as a whole. In such a scenario, the IJMs will not be in a position to negotiate deals which ring-fence the Company from further liabilities in the face of parent guarantees and other assurances given by the Company to support the business and operations of AGC (and its subsidiaries), e.g. rental payable by AGC for the Perth Facility is guaranteed by the Company, and AGC is already in arrears in relation to the payment of such rental. The Company will thus need to act quickly and urgently to obtain potentially the best possible value of its assets by carrying out the Proposed Disposal, or risk significant value erosion and possibly realisation at liquidation value. A disposal in a liquidation scenario is unlikely to fetch the same or better price as compared to a sale made by the IJMs.

In seeking to effect the Proposed Disposal on an urgent basis for a potentially more advantageous price, the Proposed Disposal has to be carried out under the powers conferred on the IJMs under the judicial management regime without seeking approval from shareholders as potential buyers may not be agreeable to conditions precedent which are predicated on shareholders' approval. Any such conditions can delay completion significantly and cause a deal to be perceived less attractive by these potential buyers. Value erosion is on a continuing basis, and the longer it takes for completion to occur, the more vulnerable the disposal assets would be and the more uncertain a transaction would complete.

Furthermore, it bears mention that in the Company's current distressed state, the interests of the Company's creditors outweigh that of its shareholders (given that creditors are paid ahead of shareholders in a winding-up). If the value erosion continues, recoverability for creditors would be impacted, and the lesser recoverability there is for creditors, the greater the prospect of limited or nil recoverability for shareholders.

(b) Better position for the Company to engage with creditors and pursue a restructuring deal

In its current financial position, the Company has little to offer for concessions from its creditors. The proceeds from the Proposed Disposal can be helpful for discussions with creditors for concessions and potential restructuring arrangements, potentially involving a potential injection of new businesses and/or assets and/or entry of white-knight investors.

(c) Costs of convening general meetings

It is in the interests of the Company to avoid incurring unnecessary costs to convene potentially multiple general meetings to seek shareholders' approval for the Proposed Disposal (and part(s) thereof). The Company has limited funds and its available cash resources should be channelled to other purposes for the benefit of the Company.

4. NO NEED FOR EXTRAORDINARY GENERAL MEETING

As the SGX-ST has granted the Waiver, the Company will not be convening an extraordinary general meeting to seek shareholders' approval for the Proposed Disposal.

SUBMITTED BY THE INTERIM JUDICIAL MANAGERS

For and on behalf of the Company
Tan Wei Cheong
Joint and Several Interim Judicial Manager

16 December 2022