NORDIC GROUP LIMITED
(Company Registration Number: 201007399N)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF AUSTIN ENERGY (ASIA) PTE LTD

1. INTRODUCTION

The Board of Directors (the "**Board**") of Nordic Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Nordic Flow Control Pte Ltd (the "**Purchaser**"), had on 12 March 2015 entered into a non-binding memorandum of understanding (the "**MOU**") with Mr David Tan Choon Watt, Ms Tay Alice and Ms Lyanne Tan Rui Lin (collectively, the "**Vendors**") to acquire the entire issued and paid-up share capital of Austin Energy (Asia) Pte Ltd (the "**Proposed Acquisition**").

Austin Energy (Asia) Pte Ltd ("**Austin Energy**") and its wholly-owned subsidiary, KKH (2003) Engineering Enterprises Pte. Ltd. ("**KKH**", and together with Austin Energy, the "**AE Group**"), are principally engaged in providing construction services, specialising in thermal insulation, fireproofing and fire protection services in the petrochemical, pharmaceutical and offshore industries.

2. PRINCIPAL TERMS OF THE MOU

2.1 Purchase Consideration

The purchase consideration for the Proposed Acquisition (the "**Consideration**") shall be S$26.0 million, payable as follows:-

(a) S$15.0 million upon completion of the Proposed Acquisition ("**Completion**");

(b) S$5.5 million, within six months from Completion; and

(c) S$5.5 million, within twelve months from Completion.

The Consideration was negotiated between the Purchaser and the Vendors, after taking into consideration the conditions that (i) the net tangible assets of the AE Group as at the date of Completion shall not be less than S$14.5 million, (ii) neither Austin Energy nor KKH shall declare or pay any dividends from 1 January 2015 up to Completion, save for dividends already declared in respect of the financial year ended 31 December 2014 ("**FY2014**") prior to the date of the MOU, and (iii) neither Austin Energy nor KKH shall pay any director's fee from 1 January 2015 up to Completion.

Based on the unaudited management accounts of the AE Group, the net tangible assets of the AE Group as at 31 December 2014 was S$12.4 million.

2.2 Material Conditions

Completion is conditional upon, *inter alia*:-

(a) satisfactory due diligence to be conducted by the Purchaser on the legal, financial and other affairs of the AE Group;

(b) execution of definitive agreements, including but not limited to the sale and purchase agreement between the Purchaser and the Vendors and the service agreement between Austin Energy and a key management staff;

(c) the approval of the board of directors and shareholders of the Company ("**Shareholders**"), and the receipt of all corporate, third party, governmental and regulatory approvals, where applicable.

2.3 Exclusivity

Under the MOU, the Purchaser shall be granted a period of three months or any such longer period as mutually agreed to perform the formal due diligence, and to negotiate the definitive agreements for the Proposed Acquisition. During this period, the Vendors shall not solicit or initiate or enter into any negotiations or discussions with any other party for the disposal of any interest in the AE Group unless the Purchaser concludes, at any time within the said period, that it no longer desires to pursue negotiations for the Proposed Acquisition with the Vendors and notifies the Vendors accordingly.

2.4 Non-Binding

Except for certain provisions relating to exclusivity and confidentiality, amongst others, the MOU is not intended to be legally binding and it does not constitute a commitment to invest in or acquire any interest in the AE Group.

3. RATIONALE FOR THE PROPOSED ACQUISITION

In line with the Group's strategy to acquire new businesses which are synergistic with its existing businesses, the Proposed Acquisition presents the opportunity for the Group to expand its service offering.

4. FINANCING

The Proposed Acquisition will be financed through a combination of internally generated funds and bank borrowings.

5. CHAPTER 10 OF THE LISTING MANUAL

Based on the latest announced consolidated financial statements of the Company for FY2014, the relative figures relating to the Proposed Acquisition, computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Relative Figures under Rule 1006

(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	N.A.
(b)	Net profits attributable to the assets acquired, compared with the group's net profits	
	Profit or loss before income tax, minority interests and extraordinary items attributable to the acquired assets for FY2014[(1)] (S$'000)	9,907
	Profit or loss before income tax, minority interests and extraordinary items attributable to the owners of the parent for FY2014 (S$'000)	9,157
	Size of relative figure	108.2%

(c)	Aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	
	Value of the consideration given (S$' million)	26
	Company's market capitalisation as at 11 March 2015, being the market day immediately preceding the date of the MOU on which shares were traded (S$' million)(2)	52
	Size of relative figure	50.0%
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.

Notes:

(1) Based on the unaudited management accounts of the AE Group.

(2) Based on the weighted average price of S$0.13 per share and 400,000,000 shares in issue

Although the relative figure under Rule 1006(b) of the Listing Manual exceeds 100% as set out above, the Proposed Acquisition is not deemed a "very substantial acquisition" under Rule 1015 of the Listing Manual as Rule 1015(7) of the Listing Manual provides that Rule 1015 does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b). Furthermore, the Proposed Acquisition will not result in a change in control of the Company. Accordingly, the Proposed Acquisition shall be deemed a "major transaction" under Rule 1014 of the Listing Manual and shall be subject to the approval of Shareholders.

6. FINANCIAL EFFECTS

Based on the latest announced financial statements of the Group for FY2014:

(i) assuming that the Proposed Acquisition had been effected at the end of FY2014, the net tangible assets per share of the Group as at 31 December 2014 would have been 7.6 cents instead of 10.2 cents; and

(ii) assuming that the Proposed Acquisition had been effected at the beginning of FY2014, the earnings per share of the Group for FY2014 would have been 4.0 cents instead of 2.0 cents.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors (other than in his capacity as Director or Shareholder of the Company) has any interest, direct or indirect, in the Proposed Acquisition. The Directors are not aware of any controlling shareholders of the Company having any direct or indirect interest in the Proposed Acquisition.

8. GENERAL

Shareholders should note that there is no assurance that the Proposed Acquisition will be completed or will proceed at all as the MOU is not legally binding.

The Company will make the necessary announcement upon the signing of the definitive agreement(s) relating to the Proposed Acquisition.

9. DOCUMENTS FOR INSPECTION

A copy of the MOU is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the registered office of the Company at 5 Kwong Min Road Singapore 628708 for a period of three months from the date of this announcement.

BY ORDER OF THE BOARD

CHANG YEH HONG
EXECUTIVE CHAIRMAN
12 MARCH 2015