

AUSGROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200413014R)

PROPOSED SETTLEMENT OF AN AMOUNT OWING BY THE COMPANY OF APPROXIMATELY AUS\$2.7 MILLION VIA THE PROPOSED PLACEMENT OF AN AGGREGATE OF 49,202,971 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.058 PER NEW ORDINARY SHARE

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or “**Directors**”) of AusGroup Limited (the “**Company**” together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today entered into a subscription agreement (the “**Subscription Agreement**”) with Suntera Limited (the “**Subscriber**”) pursuant to which the Company has agreed to allot and issue to the Subscriber, and the Subscriber has agreed to subscribe for, an aggregate of 49,202,971 new ordinary shares in the capital of the Company (the “**Shares**”) at an issue price of S\$0.058 per new Share (the “**Issue Price**”), as full and final settlement of AU\$2,717,878.41 (equivalent to S\$2,853,772.33 based on the exchange rate as at 30 June 2017 of AU\$1 : S\$1.05) outstanding and owing by the Company to the Subscriber (the “**Outstanding Balance**”) (the “**Subscription**”). For the avoidance of doubt, no proceeds will be raised by the Company in connection with the Subscription.
- 1.2 The Company will make an application to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the new Shares on the Main Board of the SGX-ST. The Company will make an appropriate announcement as soon as reasonably practicable after the receipt of approval in-principle from the SGX-ST.

2. THE SUBSCRIPTION

- 2.1. The Issue Price of S\$0.058 represents a premium of 20.83% above the volume-weighted average price (“**VWAP**”) of S\$0.048 per Share for trades done on the SGX-ST on 30 June 2017, being the full market day on which the Subscription Agreement was signed.
- 2.2. The new Shares will not be issued to transfer a controlling interest of the Company under Rule 803 of the listing manual of the SGX-ST (the “**Listing Manual**”). Additionally, the new Shares will not be issued to any person who falls within the class of restricted persons under Rule 812 of the Listing Manual.
- 2.3. No placement agent was appointed in connection with the Subscription. The Subscriber is a trade creditor of the Company to whom the Outstanding Balance is owing from the Company, and the Company proposes to allot and issue the new Shares to the Subscriber as full and final settlement of the Outstanding Balance.

3. NEW SHARES

- 3.1. As of the date of this Announcement, the Company has an issued share capital of 1,364,047,515 Shares and has no treasury Shares. The 49,202,971 new Shares represent approximately 3.61% and 3.48% of the existing and enlarged issued share capital of the Company, respectively.

- 3.2. The new Shares will be issued pursuant to the share issue mandate given by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company held on 15 December 2016 for the Directors of the Company to issue Shares, whereby the aggregate number of Shares to be issued other than on a *pro rata* basis to existing Shareholders shall not exceed 20% of the total number of issued Shares (excluding treasury shares) (the “**Share Issue Mandate**”). As the total number of issued Shares as at the date on which the Share Issue Mandate was passed was 740,432,016 Shares, the total number of Shares which may be issued pursuant to the Share Issue Mandate is 148,086,403 Shares. No Shares have previously been issued pursuant to the Share Issue Mandate.
- 3.3. Accordingly, the proposed allotment and issuance of the new Shares falls within the limit of the Share Issue Mandate.
- 3.4. The new Shares will, when allotted and issued, be credited as fully-paid Shares free from any and all encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to the Shares in issue as at the date of issue of the new Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of issue of the new Shares.
- 3.5. The new Shares shall be subject to a moratorium on trading for three (3) calendar months commencing from the date on which they are listed on the SGX-ST.

4. RATIONALE FOR THE SUBSCRIPTION

- 4.1. The Board refers to the Company's announcement of even date in relation to settlement of the Exchange Offer and completion of the Ezion Loan Capitalisation (both as defined therein).
- 4.2. The purpose of the Subscription is to build on the success of the Company's recent debt restructuring, and includes the following commercial objectives:
- (a) to improve the Company's net asset position on its balance sheet by reducing debt and increasing paid-up capital;
 - (b) to improve the Company's ability to raise funds from financial markets due to a healthier balance sheet;
 - (c) to improve the Company's ability to win new contracts from potential customers; and
 - (d) to improve the perception and confidence of the Company's customers, suppliers, employees and other stakeholders.
- 4.3. Upon completion of the Subscription, the Group's total debt will be reduced by approximately S\$2.85 million.
- 4.4. In addition to the above, the Subscription will also be beneficial to the Company as it enlarges the shareholder base of the Company and is also expected to improve the level of trading liquidity of the Shares.

5. ILLUSTRATIVE FINANCIAL EFFECTS

The *pro forma* financial effects of the Subscription, based on the unaudited consolidated financial statements of the Group for the financial third quarter ended 31 March 2017, are set out below. The information presented below has been prepared based on the following assumptions:

- (a) the issued share capital of the Company as at the date of this announcement of 1,364,047,515 Shares; and
- (b) all expenses in connection with the Subscription have been disregarded.

The *pro forma* financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Subscription.

5.1. Share Capital

Assuming that the Subscription had been completed on 31 March 2017, the effect on the share capital of the Company as at 31 March 2017 will be as follows:

| | Before the Subscription | After the Subscription |
|--|-------------------------|------------------------|
| Issued and paid-up share capital (S\$'000) | 189,351 | 192,205 |
| Number of Shares | 1,364,047,515 | 1,413,250,486 |

5.2. NTA/NTL per Share

Assuming that the Subscription had been completed on 31 March 2017, the effect on the NTA/NTL per Share of the Company as at 31 March 2017 will be as follows:

| | Before the Subscription | After the Subscription |
|---|-------------------------|------------------------|
| NTA / (NTL) attributable to owners of the Company (S\$'000) | (23,053) | (20,199) |
| Number of Shares | 1,364,047,515 | 1,413,250,486 |
| NTA / (NTL) per Share (cents) | (1.69) | (1.43) |

5.3. Earnings/Loss per Share

Assuming that the Subscription had been completed on 1 July 2016, the effect on the Earnings/Loss per Share of the Company as at 31 March 2017 (for the nine month financial period from 1 July 2016 to 31 March 2017) will be as follows:

| | Before the Subscription | After the Subscription |
|---------------------|-------------------------|------------------------|
| Net profit / (loss) | 4,632 | 4,972 |

| | | |
|---|---------------|---------------|
| attributable to owners of the Company (S\$'000) | | |
| Number of Shares | 1,364,047,515 | 1,413,250,486 |
| Earnings / (Loss) per Share (cents) | 0.34 | 0.35 |

5.4. Gearing

Assuming that the Subscription had been completed on 31 March 2017, the effect on the gearing of the Company as at 31 March 2017 will be as follows:

| | Before the Subscription | After the Subscription |
|------------------------|--------------------------------|-------------------------------|
| Total debt (S\$'000) | 145,794 | 142,940 |
| Total equity (S\$'000) | 28,842 | 31,696 |
| Gearing ratio | 5.1 | 4.5 |

6. **CONDITIONS PRECEDENT**

Completion of the Subscription is conditional upon, among others, the approval in principle of the SGX-ST for the listing and quotation of the new Shares on the Main Board of the SGX-ST having been obtained from the SGX-ST (and such approval not having been withdrawn or revoked on or prior to completion), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company.

7. **INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors and substantial Shareholders has any interests, direct or indirect, in the Subscription, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

8. **RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Subscription, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

9. DOCUMENT FOR INSPECTION

A copy of the Subscription Agreement may be inspected by Shareholders during normal business hours at the registered address of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 for a period of three (3) months from the date of this announcement.

By Order of the Board
AusGroup Limited

Eng Chiaw Koon
Managing Director
30 June 2017