

AUSGROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200413014R)

**PROPOSED SALE AND LEASEBACK OF PROPERTY LOCATED AT 15 BEACH STREET,
KWINANA BEACH, AUSTRALIA**

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or the “**Directors**”) of AusGroup Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, AusGroup Companies Pty Ltd (“**AGC**”), has on 17 June 2022 entered into a contract for sale (the “**Agreement**”) with Redhill Partners Pty Ltd (the “**Purchaser**” and together with AGC, the “**Parties**”) in its capacity as trustee of Redhill 15 BS Unit Trust for the proposed sale by AGC to the Purchaser of the property located at 15 Beach Street, Kwinana Beach WA 6167 (the “**Property**”) and certain plant, assets and equipment relating thereto, on the terms and subject to the conditions set out in the Agreement (the “**Proposed Sale**”).
- 1.2. Upon completion of the Proposed Sale (“**Completion**”), AGC shall cease to be the registered owner of the Property.

2. INFORMATION ON THE PROPERTY

- 2.1. The Property is located at Kwinana Beach, approximately 35 kilometers south west of the central business district in Perth, Western Australia, and comprises a large sized industrial facility incorporating administration offices, various other office buildings, workshops and factory bays. The Property sits on freehold land, with a site area of 31,258 sqm and a gross lettable area of 14,299 sqm.
- 2.2. The Property is currently owned by AGC, and has been used solely as a fabrication and assembly facility by other Group subsidiaries. In light of the Leaseback (as defined below), in the immediate future following Completion, the Group will be able to continue with such business activities at the Property under a ten year lease of the Property.

3. INFORMATION ON THE PURCHASER

- 3.1. The Purchaser, Redhill Partners Pty Limited, is a company incorporated in Australia and trustee of the Redhill 15 BS Unit Trust. The Purchaser is a specialist investment manager controlled by its management and focusing on commercial real estate investment opportunities within Australia. Its management company, Redhill Property Partners Pty Limited, is the holder of an AFSL license number 503243 and regulated by the Australian Securities and Investment Commission.
- 3.2. As at the date of this announcement, the Purchaser (a) does not hold any shares in the Company; and (b) is not related to any of the Directors, substantial shareholders of the Company, or their respective associates. There is also no connection (including business relationship) between the Purchaser and the Directors or substantial shareholders of the Company.

4. RATIONALE FOR THE PROPOSED SALE

- 4.1. The Property is currently owned by AGC and has been used solely as a fabrication and assembly facility by other Group subsidiaries. The Board is of the view that the Proposed Sale will enable the Group to realise the value of the Property, and is in the best interests of the Group for the following reasons:

- (a) Increased liquidity: The Proposed Sale will enable the Company to receive AU\$16.2 million in cash proceeds. After deducting transaction-related expenses of approximately AU\$200,000, the Proposed Sale will provide the Group with AU\$13.4 million of usable cash to bolster working capital and assist with debt management. The remaining AU\$2.6 million cash will be utilised for bank guarantees relating to the Lease (as defined below);
- (b) Debt management: The Company's primary debt is the multi-currency notes which are due on 3rd December 2022. The cash injection from the Proposed Sale will assist with the management of this debt obligation; and
- (c) Reduction of interest obligations: Any reduction in the Company's debt obligations will lead to a reduction in the interest obligations of the Company going forward.

5. SALIENT TERMS OF THE PROPOSED SALE

5.1. Consideration and Valuation

The consideration for the Proposed Sale is AU\$16,200,000 (equivalent to approximately S\$15,714,000 based on the exchange rate on 17 June 2022 of AU\$1.00 to S\$0.97) in cash (the "**Consideration**").

The Consideration was arrived at after arm's length negotiations, on a willing-buyer, willing-seller basis and taking into account, amongst others, (a) the market value of the Property; (b) the prevailing market conditions and (c) the working capital requirements of the Group.

The Company commissioned an independent property valuer, CBRE Valuations Pty Limited ("**CBRE**"), to undertake a valuation of the Property on a market value basis. The market value of the Property on an as is, vacant possession basis is AU\$13,900,000 as at 10 June 2022, based on a capitalisation and direct comparison method.

5.2. Terms of Payment

A deposit (the "**Deposit**") amounting to 5% of the Consideration, being AU\$810,000, has been paid by the Purchaser to the Purchaser's solicitors on 17 June 2022. The Deposit shall be held by the Purchaser's solicitors and shall be refunded to the Purchaser if the Agreement is terminated other than by reason of a breach by the Purchaser. AGC shall be entitled to the Deposit if (a) the Proposed Sale is completed; or (b) the Agreement is terminated by AGC as a result of a breach by the Purchaser of the Agreement.

On Completion, (a) the Deposit will be paid by the Purchaser's solicitors to AGC in reduction of the Consideration payable by the Purchaser on Completion; and (b) the Purchaser shall pay the balance Consideration (being the Consideration less the Deposit) to AGC.

5.3. Conditions Precedent

The Proposed Sale will be subject to and conditional upon the following conditions (the "**Conditions**"):

- (a) the approval of the shareholders of the Company ("**Shareholders**") and the Singapore Exchange Securities Trading Limited ("**SGX-ST**") having been obtained for the purposes of the Agreement and the transactions contemplated by it within 90 days from the date of the Agreement (or such longer period as agreed by the Parties in writing) (the "**Approval Condition**"); and
- (b) the Lease (as defined below) having been registered at the Land Titles Office of the State of Western Australia (the "**Registration**").

In the event that the Approval Condition is not fulfilled (or otherwise waived by AGC), either party may terminate the Agreement. In such event, (i) the Deposit (and any interest on the

Deposit) shall be refunded to the Purchaser; (ii) AGC shall reimburse the Purchaser all costs incurred by the Purchaser in undertaking due diligence for the Proposed Sale up to an amount of AU\$80,000 (excluding goods and services tax); and (c) the Parties shall have no further claims against each other under the Agreement, save in respect of any antecedent breach or default.

5.4. Completion

Completion is expected to take place 30 days after the date on which AGC gives notice to the Purchaser of satisfaction (or waiver) of the Approval Condition (the “**Completion Date**”).

In the event that the Registration is not completed by three (3) business days prior to the Completion Date, the Purchaser shall be entitled to delay Completion until the Registration has been completed, in which case the Completion Date shall be three (3) business days after completion of Registration.

5.5. Leaseback

In connection with the Proposed Sale, AGC has on 17 June 2022 entered into a lease agreement (the “**Lease**”) with AGC Industries Pty Ltd, a wholly-owned subsidiary of the Company (the “**Tenant**”), and the Company (the “**Guarantor**”) pursuant to which AGC (as landlord) has agreed to grant to the Tenant a lease of the Property for a period of 10 years commencing on the date immediately prior to the Completion Date (the “**Commencement Date**”), on the terms and subject to the conditions of the Lease. For the avoidance of doubt, the Purchaser will pursuant to the Proposed Sale acquire the Property subject to the Lease.

On Completion,

- (a) AGC shall assign to the Purchaser the benefit of all assignable covenants and guarantees under the Lease on the part of the Tenant and the Company (as the case may be) in favour of AGC, and the Tenant and the Guarantor shall henceforth perform their obligations under the Lease in favour of the Purchaser as landlord in place of AGC (the “**Leaseback**”); and
- (b) the Tenant’s interest in the Lease will thereafter be assigned to AGC, and accordingly, AGC will be the “tenant” and the Purchaser will be the “landlord” under the Lease.

Pursuant to the Lease, the annual commencing rent of AU\$1,000,000 shall be payable by the Tenant monthly in advance, and is subject to increases on each anniversary of the Commencement Date.

6. USE OF PROCEEDS

The estimated net proceeds from the Proposed Sale, after deducting expenses incurred in connection with the Proposed Sale of approximately AU\$200,000, would be approximately AU\$16,000,000 (the “**Net Proceeds**”). As stated in paragraph 4.1, the Group intends to utilise the Net Proceeds for the following purposes:

- (a) AU\$13,400,000 for general working capital and to manage the Group’s debt obligations under the multi-currency notes due 3 December 2022; and
- (b) AU\$2,600,000 for bank guarantees relating to the Lease.

7. RELATIVE FIGURES UNDER RULE 1006 THE LISTING MANUAL

- 7.1. Based on the unaudited financial results of the Group for the third quarter and nine months ended 31 March 2022 (“**3Q2022**”) (being the latest announced consolidated accounts of the Group), the relative figures of the Proposed Sale computed on the bases set out in Rule 1006 of the Listing Manual are set out below:

Rule 1006	Bases of computation	Relative figure
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	14.94% ⁽¹⁾
(b)	Net profit / (loss) attributable to the assets disposed of, compared with the Group's net profit.	N.A. ⁽²⁾
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾ .	25.55% ⁽⁴⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A. ⁽⁵⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	N.A. ⁽⁶⁾

Notes:

- (1) Computed based on the net asset value of the Property amounting to approximately AU\$6.3 million as at 31 March 2022, compared to the net asset value of the Group of approximately AU\$42.2 million as at 31 March 2022.
- (2) The Group does not receive any rental income from the Property as the Property is fully utilised internally in the Group as a fabrication and assembly facility by the other Group subsidiaries without charge. Accordingly, there is no net profit or loss directly attributable the assets to be disposed of being the Property.
- (3) Based on the market capitalisation of the Company of AU\$63.4 million (based on the exchange rate of AU\$1.00 to SGD\$0.97), which is computed based on 3,073,230,431 ordinary shares in the capital of the Company (excluding treasury shares) (the "**Shares**") in issue and the weighted average price of S\$0.02, as at 16 June 2022, being the last full market day preceding the date of the Agreement.
- (4) Computed based on the Consideration of AU\$16.2 million compared to the market capitalisation of the Company of AU\$63.4 million as at the date of this announcement.
- (5) Not applicable as no equity securities will be issued by the Company in relation to the Proposed Sale.
- (6) Not applicable as the Proposed Sale is not of mineral, oil or gas assets by a mineral, oil and gas company.

7.2. Approvals for Proposed Sale

Rule 1014 of the Listing Manual states, *inter alia*, that where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, the transaction would be classified as a major transaction and shareholders' approval will be required to be sought.

Accordingly, the Company will be seeking Shareholders' approval at an extraordinary general meeting ("**EGM**") to be convened for the Proposed Sale.

Asdew Acquisitions Pte. Ltd., Poh Boon Kher Melvin and Bernard Toh Bee Yong, each a substantial shareholder of the Company and who collectively are interested (directly or indirectly) in not less than 38.33% of the issued share capital of the Company, and Shane Francis Kimpton a Director of the Company who is interested in not less than 0.81% of the issued share capital of the Company, have provided an irrevocable undertaking to vote (or procure to be voted) all the Shares in which they are directly and/or deemed interested in favour of the resolution for the Proposed Sale to be tabled at the EGM.

8. FINANCIAL INFORMATION

8.1. Book value and net tangible asset value

Based on the unaudited financial results of the Group for 3Q2022, the book value and the net tangible asset value of the Property is AU\$6.3m.

8.2. Excess of the Consideration over the book value

The excess of the Consideration over the book value Property as at 3Q2022 is AU\$9.9m.

8.3. Gain on disposal

The Group expects to recognise a net gain on disposal of approximately AU\$5.0m from the Proposed Sale as at 3Q2022.

9. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED SALE

- 9.1. The *pro forma* financial effects of the Proposed Sale on the Company's share capital and the Group's net tangible assets ("**NTA**") per Share and earnings per Share (the "**EPS**") as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the Proposed Sale.

The *pro forma* financial effects have been prepared based on the latest audited financial results of the Group for the financial year ended 30 June 2021 ("**FY2021**"), on the following bases and assumptions:

- (a) the Proposed Sale had been completed on 30 June 2021 for the purpose of illustrating the financial effects on the NTA;
- (b) the Proposed Sale had been completed on 1 July 2020 for the purpose of illustrating the financial effects on the EPS; and
- (c) the Proposed Sale will result in net proceeds of approximately AU\$16.0 million.

9.2. Share capital

No Shares will be issued pursuant to the Proposed Sale.

9.3. NTA per Share

Assuming that the Proposed Sale was completed on 30 June 2021, the *pro forma* financial effects on the Group's NTA per Share would be as follows:

	Before the Proposed Sale	After the Proposed Sale
NTA of the Company (AU\$)	15,597,000 ⁽¹⁾	25,137,000 ⁽²⁾
Number of issued ordinary shares in the capital of the Company ⁽³⁾	3,063,230,431	3,063,230,431
NTA per Share (AU cents)	0.51	0.82

Notes:

- (1) Based on the total Group assets of AU\$156.8m less total Group liabilities of AU\$116.9m, intangible assets of AU\$14.1m, goodwill of AU\$11.0m and the intangible right of use assets of AU\$13.5m, plus the right of use lease liabilities of AU\$14.2m resulting in NTA of AU\$15.6m at 30 June 2021.
- (2) Based on the total Group NTA of AU\$15.6m at 30 June 2021, less the carrying amount of the Property of AU\$6.5m, plus the cash Consideration of AU\$16.2m, less the transaction expenses of AU\$0.2m, resulting in NTA of AU\$25.1m post the Proposed Sale.
- (3) Based on the Group's annual report for FY2021.

9.4. EPS

Assuming that the Proposed Sale was completed on 1 July 2020, the *pro forma* financial effects on the Group's EPS would be as follows:

	Before the Proposed Sale and leaseback	After the Proposed Sale and leaseback
Net profit after tax (AU\$)	1,202,000 ⁽¹⁾	5,004,000 ⁽²⁾
Weighted average number of issued shares ⁽³⁾	3,062,613,993	3,062,613,993
EPS (AU cents)	0.04	0.16

Notes:

- (1) Net profit after tax is calculated based on the net profit for FY2021 attributable to shareholders.

- (2) Based on the net profit after tax for the Group as at 30 June 2021 of AU\$1.2m, plus the gain on disposal of AU\$4.8m (see table below) less lease expenses of AU\$1m excluding any reduction in interest for FY2021 relating to the potential reduction in the Group's debt if this transaction occurred on 1 July 2020.

Proceeds attributable to the portion of the asset for which control is transferred

Total net proceeds		16,000,000
Less: Total amount of financing received - SFRS(I) 16		<u>(7,616,364)</u>
	A	<u>8,383,636</u>

Carrying value of the portion of the asset being sold is calculated as follows:

Carrying amount		6,759,765
Less: Right-of-use asset retained - SFRS(I) 16		<u>(3,178,076)</u>
	B	<u>3,581,689</u>

The gain on disposal is therefore:

Proceeds attributable to portion of asset disposed	A	8,383,636
Less: Carrying value of asset sold	B	<u>(3,581,689)</u>
	A-B	<u>4,801,947</u>

- (3) Based on the Group's annual report for FY2021.

10. EXTRAORDINARY GENERAL MEETING TO BE CONVENED

The Company will convene an EGM in due course to seek the approval from its Shareholders for the Proposed Sale. A circular containing, *inter alia*, further details on the Proposed Sale and together with a notice of EGM to be held, will be issued to the Shareholders in due course to seek approval for the Proposed Sale.

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, controlling shareholders or their associates have any interest, direct or indirect, in the Proposed Sale (other than through their respective interests arising by way of their directorships and/or shareholdings in the Company).

12. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Sale and accordingly, no service contracts in relation thereto will be entered into by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

- 13.1. Copies of the Agreement and the valuation report in respect of the Property will be available for inspection during normal business hours for a period of three (3) months commencing from the date of this announcement at the registered office of the Company at 3 Shenton Way #21-04 Shenton House Singapore 068805.
- 13.2. Due to the mandatory safe distancing measures issued by the Singapore Ministry of Health in relation to the COVID-19 outbreak, please contact the Company at info@ausgrouppltd.com prior to making any visits to arrange for a suitable time slot for the inspection.

14. DIRECTORS' 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 Proposed Sale and Leaseback and 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.

15. FURTHER ANNOUNCEMENTS

The Company will make the appropriate announcements as and when there are material developments on the Proposed Sale and Leaseback.

16. CAUTIONARY STATEMENT

Completion of the Proposed Sale and Leaseback is subject to certain conditions. As at the date of this announcement, there is no certainty or assurance that the Proposed Sale and Leaseback will be completed or that no changes will be made to the terms thereof. Shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the Shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their Shares or securities of the Company.

BY ORDER OF THE BOARD

Shane Francis Kimpton
Managing Director
17 June 2022