

**CIRCULAR DATED 31 OCTOBER 2018**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all your ordinary shares in the capital of AusGroup Limited (the “**Company**”), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Circular including the correctness of any of the statements or opinions made or reports contained in this Circular.



**AUSGROUP LIMITED**

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

**CIRCULAR TO SHAREHOLDERS**

in relation to

- (A) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 752,402,733 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.035 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY EACH SHAREHOLDER OF THE COMPANY AS AT A TIME AND DATE TO BE DETERMINED BY THE DIRECTORS OF THE COMPANY FOR THE PURPOSE OF DETERMINING THE SHAREHOLDERS’ ENTITLEMENTS UNDER THE RIGHTS ISSUE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED;**
- (B) **THE PROPOSED PLACEMENT OF 750,000,000, 200,000,000 AND 100,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“SUBSCRIPTION SHARES”) AT AN ISSUE PRICE OF S\$0.035 FOR EACH SUBSCRIPTION SHARE TO AOC ACQUISITIONS PTE. LTD., MR. TOH BEE YONG BERNARD AND MR. POH BOON KHER MELVIN, RESPECTIVELY;**
- (C) **THE PROPOSED PLACEMENT OF 100,000,000 SUBSCRIPTION SHARES AT AN ISSUE PRICE OF S\$0.035 FOR EACH SUBSCRIPTION SHARE TO MR. POH BOON KHER MELVIN AS AN INTERESTED PERSON TRANSACTION;**
- (D) **THE PROPOSED ALLOTMENT AND ISSUE OF 80,299,996 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“REDEMPTION SHARES”) AT AN ISSUE PRICE OF S\$0.042 FOR EACH REDEMPTION SHARE TO NOTEHOLDERS PURSUANT TO THE AMENDED TERMS AND CONDITIONS OF THE NOTES; AND**
- (E) **THE TRANSFER IN CONTROLLING INTEREST OF THE COMPANY TO AOC ACQUISITIONS PTE. LTD. ARISING FROM THE PROPOSED PLACEMENT.**

**Independent Financial Adviser in relation to the Proposed Placement to  
Mr. Poh Boon Kher Melvin as an Interested Person Transaction**



**PROVENANCE CAPITAL PTE. LTD.**

(Company Registration No. 200309056E)  
(Incorporated in the Republic of Singapore)

**IMPORTANT DATES AND TIMES:**

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| Last date and time for lodgement of Proxy Form | : | 13 November 2018 at 10.00 a.m.   |
| Date and time of Extraordinary General Meeting | : | 15 November 2018 at 10.00 a.m.   |
| Place of Extraordinary General Meeting         | : | J Collyer, Level 9<br>M Hotel Singapore<br>81 Anson Road<br>Singapore 079908 |

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## DEFINITIONS

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For the purposes of this Circular, the following definitions apply throughout unless the context requires otherwise:

### **Companies, Organisations and Agencies**

|  |   |   |
|--|---|---|
| “AOC”                                    | : | AOC Acquisitions Pte. Ltd.  |
| “Asdew”                                  | : | Asdew Acquisitions Pte. Ltd.  |
| “Authority”                              | : | Monetary Authority of Singapore   |
| “CDP”                                    | : | The Central Depository (Pte) Limited  |
| “Company”                                | : | AusGroup Limited  |
| “CPF”                                    | : | Central Provident Fund  |
| “CPF Approved Bank”                      | : | Any bank appointed by the CPF Board to be a bank for the purposes of the Central Provident Fund (Investment Schemes) Regulations as amended, modified or supplemented from time to time   |
| “CPF Board”                              | : | The board of the CPF established pursuant to the Central Provident Fund Act (Chapter 36) of Singapore, as amended, modified or supplemented from time to time   |
| “Ezion”                                  | : | Ezion Holdings Limited  |
| “Group”                                  | : | The Company and its subsidiaries and associated companies collectively  |
| “Independent Financial Adviser” or “IFA” | : | Provenance Capital Pte. Ltd., the independent financial adviser to the Unconflicted Directors in respect of the Proposed Placement to Mr. Poh Boon Kher Melvin as an Interested Person Transaction  |
| “Participating Banks”                    | : | The banks that will be participating in the Rights Issue by making available their electronic channels to Entitled Depositors and persons purchasing provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and applications for Excess Rights Shares, as the case may be, to be made under the Rights Issue |
| “SGX-ST”                                 | : | Singapore Exchange Securities Trading Limited   |
| “Share Registrar”                        | : | M & C Services Private Limited, whose office is at 112 Robinson Road, #05-01, Singapore 068902  |
| “SRS Approved Banks”                     | : | Approved banks in which SRS Members hold their accounts under the SRS   |

### **General**

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|-------------------------|---|---|
| “29 March Announcement” | : | The announcement dated 29 March 2018 released by the Company in relation to the Proposed Placement and Rights Issue |
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## DEFINITIONS

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- “6 April Announcement”** : The announcement dated 6 April 2018 released by the Company in relation to the terms of the Rights Issue
- “AIP”** : The approval in-principle from the SGX-ST for the listing and quotation of up to 752,402,733 Rights Shares, 1,050,000,000 Subscription Shares and 80,299,996 Redemption Shares on the Mainboard. Please note that the AIP is not an indication of the merits of the Rights Issue, the Rights Shares, the Proposed Placement, the Subscription Shares, the Proposed Issue of Redemption Shares, the Redemption Shares, the Company, its subsidiaries and their securities
- “ARE”** : Application and acceptance form for Rights Shares and Excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares under the Rights Issue
- “ARS”** : Application and acceptance form for Rights Shares to be issued to purchasers of the provisional allotments of Rights Shares under the Rights Issue traded on Mainboard through the book-entry (scripless) settlement system
- “associated company”** : A company in which at least 20.0% but not more than 50.0% of its shares are held by the Company or the Group
- “Associates”** : In the case of a company,
- (a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
    - (i) his immediate family;
    - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
    - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
  - (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Board”** : The board of Directors
- “Books Closure Date”** : Subject to Shareholders’ approval of the Rights Issue, the time and date to be determined by the Directors, at and on which the Register of Members will be closed to determine the provisional allotments of the Entitled Shareholders under the Rights Issue
- “Bernard Toh”** : Mr. Toh Bee Yong Bernard

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## DEFINITIONS

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|---|---|--|
| <b>“Business Day”</b>                   | : | A day (other than a Saturday, Sunday or public holiday) on which banks, the SGX-ST, CDP and the Share Registrar are open for business in Singapore   |
| <b>“Circular”</b>                       | : | This circular to Shareholders dated 31 October 2018  |
| <b>“Closing Date”</b>                   | : | The time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment, and renunciation and payment of, the Rights Shares under the Rights Issue  |
| <b>“Code”</b>                           | : | The Singapore Code on Take-overs and Mergers, as amended or modified from time to time   |
| <b>“Companies Act”</b>                  | : | The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time  |
| <b>“Consent Solicitation Statement”</b> | : | The consent solicitation statement dated 27 September 2018 issued by the Company to Noteholders  |
| <b>“Controlling Interest”</b>           | : | The interest of Controlling Shareholder(s)   |
| <b>“Controlling Shareholder”</b>        | : | A person who:<br><br>(a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in a company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling shareholder; or<br><br>(b) in fact exercises control of a company. |
| <b>“CPF Funds”</b>                      | : | The CPF account savings of CPFIS Members under the CPF Investment Scheme – Ordinary Account  |
| <b>“CPF Investment Account”</b>         | : | An account opened by CPFIS Members from which CPF Funds may be withdrawn for, among others, payment to subscribe for the Rights Shares pursuant to the Rights Issue  |
| <b>“CPFIS Member”</b>                   | : | Investor who had bought Shares under the CPF Investment Scheme – Ordinary Account  |
| <b>“Denomination Amount”</b>            | : | S\$250,000   |
| <b>“Directors”</b>                      | : | The directors of the Company as at the Latest Practicable Date   |
| <b>“EGM”</b>                            | : | The extraordinary general meeting of the Company to be held on 15 November 2018 at 10.00 a.m. at J Collyer, Level 9 M Hotel Singapore, 81 Anson Road, Singapore 079908, notice of which is set out on pages N-1 to N-4 of this Circular  |
| <b>“Electronic Application”</b>         | : | Acceptance of the Rights Shares and (if applicable) application for the Excess Rights Shares made through an electronic channel of one of the Participating Banks in accordance with the terms and conditions of the Offer Information Statement   |

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## DEFINITIONS

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- “Enlarged Share Capital”** : The issued share capital of the Company immediately following the Rights Issue, Proposed Placement and Proposed Issue of Redemption Shares
- “Entitled Depositors”** : Shareholders whose Shares are registered in the name of CDP and whose securities accounts with CDP are credited with Shares as at the Books Closure Date and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided CDP, at 9 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138588, with addresses in Singapore for the service of notices and documents
- “Entitled Scripholders”** : Shareholders whose share certificates have not been deposited with CDP and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who had at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents
- “Entitled Shareholders”** : The Entitled Depositors and Entitled Scripholders collectively
- “Entitled Rights Shares”** : The aggregate number of Rights Shares that the Undertaking Shareholders will be entitled to subscribe for pursuant to the Rights Issue
- “Equity Redemption Amount”** : The Redemption Amount, payable wholly in the form of Redemption Shares calculated by dividing the Redemption Amount as of the Second Instalment Date by the issue price of S\$0.042 per Redemption Share (rounding down). As of the date of the Consent Solicitation Statement, the Redemption Amount is S\$240,900 for each Note and the number of Redemption Shares to be issued for each Note is 5,735,714 Shares
- “Equity Redemption Payment Option”** : The payment of the full Equity Redemption Amount to a Noteholder, but only if and to the extent elected by such Noteholder on or prior to the last date that voting instruction forms could be validly submitted with respect to the Extraordinary Resolution
- “Excess Rights Shares”** : The additional Rights Shares that Entitled Shareholders will be eligible to apply for in excess of their provisional allotments under the Rights Issue. Please refer to Section 2.1 of this Circular for more information
- “Existing Share Capital”** : The existing issued share capital of the Company consisting of 1,504,805,466 Shares as at the Latest Practicable Date. The Company does not have any treasury shares.
- “Extraordinary Resolution”** : The extraordinary resolution of the Noteholders pursuant to the Consent Solicitation Statement to approve, *inter alia*, the redemption of Notes in the form of a number of Shares calculated by dividing the Redemption Amount plus accrued interest by the issue price of S\$0.042 per Share. As at the date

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## DEFINITIONS

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|  | of the Consent Solicitation Statement, the Redemption Amount is S\$240,900 for each Note and the number of Shares to be issued for each Note is 5,735,714.   |
| <b>“Foreign Shareholders”</b>          | : Shareholders whose registered addresses with the Share Registrar or CDP, as the case may be, are outside Singapore as at the Books Closure Date and who had not, at least three (3) Market Days prior to the Books Closure Date, provided to the Share Registrar or CDP, as the case may be, addresses in Singapore for the service of notices and document  |
| <b>“FY”</b>                            | : The financial year ended 30 June   |
| <b>“IFA Letter”</b>                    | : The letter dated 31 October 2018 from the IFA to the Unconflicted Directors in relation to the Proposed Placement to Melvin Poh as an Interested Person Transaction  |
| <b>“Independent Shareholders”</b>      | : The Shareholders who are independent for the purposes of the Proposed Placement to Melvin Poh as an Interested Person Transaction  |
| <b>“Interested Person Transaction”</b> | : An interested person transaction under Chapter 9 of the Listing Manual   |
| <b>“Irrevocable Undertakings”</b>      | : The irrevocable undertakings given by the Undertaking Shareholders in favour of the Company, the terms of which are set out in Section 5 of this Circular  |
| <b>“Issue Price”</b>                   | : The issue price of S\$0.035 for each Rights Share and Subscription Share   |
| <b>“Latest Practicable Date”</b>       | : 19 October 2018, being the latest practicable date prior to the printing of this Circular  |
| <b>“Listing Manual”</b>                | : The listing manual of the SGX-ST, as may be amended or modified from time to time.   |
| <b>“Mainboard”</b>                     | : The Mainboard of the SGX-ST  |
| <b>“Mainboard Rules”</b>               | The Listing Manual Section A: Rules of Mainboard issued by the SGX-ST, as may be amended, supplemented or revised from time to time  |
| <b>“Market Day”</b>                    | : A day on which the SGX-ST is open for trading in securities  |
| <b>“Maximum Subscription Scenario”</b> | : Assuming that (a) 1,050,000,000 Subscription Shares are issued pursuant to the terms of the Proposed Placement; (b) all Entitled Shareholders subscribe for their respective pro rata entitlements to Rights Shares under the Rights Issue; and (c) 80,299,996 Redemption Shares are issued pursuant to the amended terms and conditions of the Notes. Please refer to Section 2.2 of this Circular for more information |
| <b>“Melvin Poh”</b>                    | : Mr. Poh Boon Kher Melvin   |

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## DEFINITIONS

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- “Minimum Subscription Scenario”** : Assuming that (a) 1,050,000,000 Subscription Shares are issued pursuant to the terms of the Proposed Placement; (b) none of the Entitled Shareholders except for the Undertaking Shareholders subscribe and pay for their pro rata entitlements of Rights Shares under the Rights Issue pursuant to the Irrevocable Undertakings; and (c) 80,299,996 Redemption Shares are issued pursuant to the amended terms and conditions of the Notes. Please refer to Section 2.2 of this Circular for more information
- “MTN Trust Deed”** : The trust deed dated 22 September 2014 (as amended by a supplemental trust deed dated 1 February 2016, a second supplemental trust deed dated 18 November 2016 and a third supplemental trust deed dated 19 October 2016) between the Company, as issuer, and DBS Trustee Limited, as trustee, relating to the S\$350,000,000 Multicurrency Debt Issuance Programme established by the Company and constituting the Notes.
- “NAV”** : Net asset value
- “Nil-paid Rights”** : Provisional allotments of the Rights Shares under the Rights Issue.
- “Noteholders”** : Holders of Notes
- “Noteholders Meeting”** : The meeting of Noteholders convened by the Company on 19 October 2018 at 10.00 a.m. to for the purpose of passing the Extraordinary Resolution
- “Notes”** : The Series 001 S\$110,000,000 7.45% notes due 2016 issued by the Company pursuant to its S\$350,000,000 Multicurrency Debt Issuance Programme established on 22 September 2014 pursuant to the MTN Trust Deed.
- “Notice of EGM”** : The notice of EGM set out on pages N-1 to N-4 of this Circular
- “Notice of Meeting”** : The notice of meeting of the Noteholders to be held on 19 October 2018 at 10.00 a.m. announced by the Company and published in The Business Times on 27 September 2018
- “NTA”** : Net tangible assets
- “NTL”** : Net tangible liabilities
- “Offer Information Statement”** : The offer information statement to be issued by the Company in relation to the Rights Issue, and together with (where the context requires) the PAL, the ARE and the ARS and all other accompanying documents, including any supplementary or replacement document, which may be issued by the Company and to be lodged with the SGX-ST acting as agent on behalf of the Authority in connection with the Rights Issue
- “Ordinary Resolutions”** : The ordinary resolutions set out in the Notice of EGM, and **“Ordinary Resolution”** shall be construed accordingly



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## DEFINITIONS

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- “PAL”** : The provisional allotment letter issued to the Entitled Scripholders, setting out the provisional allotments of Rights Shares of such Entitled Scripholders in connection with the Rights Issue
- “Partial Cash Redemption”** : The partial redemption, in cash, of 30% of the outstanding principal amount pursuant to the Notes
- “Proposed Issue of Redemption Shares”** : The proposed allotment and issue of 80,299,996 Redemption Shares to Noteholders who had elected for the Equity Redemption Payment Option pursuant to the amended terms and conditions of the Notes
- “Proposed Placement”** : The proposed placement of 750,000,000, 200,000,000 and 100,000,000 Subscription Shares to AOC, Bernard Toh and Melvin Poh, respectively, pursuant to the Subscription Agreements
- “Proposed Transactions”** : The Rights Issue, the Proposed Placement, the Proposed Placement to Melvin Poh as an Interested Person Transaction, the Proposed Issue of Redemption Shares and the Transfer of Controlling Interest
- “Record Date”** : In relation to any dividends, rights, allotments or other distributions that may be declared or paid, the date as at the close of business (or such other time as may have been notified by the Company) on which the Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions that may be declared or paid
- “Redemption Amount”** : The Denomination Amount less the aggregate of all of the principal amounts paid from time to time upon any redemption on the Notes
- “Redemption Shares”** : The 80,299,996 new Shares to be allotted and issued by the Company to Noteholders who had elected for the Equity Redemption Payment Option
- “Register of Members”** : Register of members of the Company
- “Relevant Shares”** : The aggregate number of Shares that the Undertaking Shareholders collectively hold as at the Latest Practicable Date
- “Rights Issue”** : The proposed renounceable non-underwritten rights issue of up to 752,402,733 Rights Shares at the Issue Price of S\$0.035 for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing Shares held by each Entitled Shareholder as at the Books Closure Date, fractional entitlements to be disregarded
- “Rights Shares”** : Up to 752,402,733 new Shares to be allotted and issued by the Company pursuant to the Rights Issue
- “Second Instalment Date”** : The date of payment of the second instalment pursuant to the amended terms and conditions of the Notes, such date to occur on or prior to 31 December 2018

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## DEFINITIONS

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|---|---|---|
| “ <b>Securities Account</b> ”               | : | A securities account maintained by a Depositor with CDP but does not include a securities sub-account   |
| “ <b>Securities and Futures Act</b> ”       | : | Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time   |
| “ <b>SGXNET</b> ”                           | : | A broadcast network utilised by companies listed on the SGX-ST for the purposes of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)   |
| “ <b>Shareholders</b> ”                     | : | Registered holders of Shares except that where the registered holder is CDP, the term “ <b>Shareholders</b> ” shall, in relation to such Shares and where the context admits, mean the Depositors whose direct Securities Accounts maintained with CDP are credited with Shares |
| “ <b>Share(s)</b> ”                         | : | The issued ordinary share(s) in the capital of the Company  |
| “ <b>SRS</b> ”                              | : | Supplementary Retirement Scheme   |
| “ <b>SRS Account</b> ”                      | : | An account opened by a participant in the SRS with an SRS Approved Bank from which money may be withdrawn for, amongst others, payment of the Rights Shares and/or Excess Rights Shares   |
| “ <b>SRS Funds</b> ”                        | : | Monies standing to the credit of the SRS Accounts of SRS Members under the SRS  |
| “ <b>SRS Members</b> ”                      | : | Members under the SRS   |
| “ <b>Subscribers</b> ”                      | : | The subscribers of the Proposed Placement, collectively, AOC, Bernard Toh, Melvin Poh and each a “ <b>Subscriber</b> ”  |
| “ <b>Subscription Agreements</b> ”          | : | The three (3) conditional subscription agreements dated 28 March 2018 entered into between the Company and each Subscriber in relation to the Proposed Placement, and each a “ <b>Subscription Agreement</b> ”  |
| “ <b>Subscription Shares</b> ”              | : | 1,050,000,000 new Shares to be allotted and issue by the Company pursuant to the Proposed Placement   |
| “ <b>subsidiaries</b> ”                     | : | Has the meaning ascribed to it in Section 5 of the Companies Act, and “ <b>subsidiary</b> ” shall be construed accordingly  |
| “ <b>Substantial Shareholder</b> ”          | : | A person (including a corporation) who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share or those shares is not less than 5.0% of the total votes attached to all voting shares of the Company                |
| “ <b>Transfer of Controlling Interest</b> ” | : | The transfer of a Controlling Interest in the Company to AOC as a result of the Proposed Placement  |
| “ <b>Unconflicted Directors</b> ”           | : | The Directors who are considered independent of the Proposed Placement as an Interested Person Transaction  |
| “ <b>Undertaking Shareholders</b> ”         | : | Asdew, Bernard Toh, Melvin Poh and Ezion  |

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## DEFINITIONS

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### **Currencies and Units of Measurements**

|                 |   |   |
|-----------------|---|---|
| “S\$”           | : | Singapore dollars, the lawful currency of the Republic of Singapore |
| “A\$” or “AU\$” | : | Australian dollars, the lawful currency of Australia                |
| “%”             | : | Per centum or percentage  |

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act or the Mainboard Rules or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Securities and Futures Act or the Mainboard Rules or such modification thereof, as the case may be.

Any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the figures in this Circular between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

### **Cautionary Note on Forward-Looking Statements**

*All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the Mainboard Rules and/or any other regulatory or supervisory body or agency.*

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## LETTER TO SHAREHOLDERS

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### AUSGROUP LIMITED

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

#### Board of Directors

Mr. Stuart Maxwell Kenny (*Non-Executive Board Chair*)  
Mr. Eng Chiaw Koon (*Managing Director & Executive Director*)  
Mr. Shane Kimpton (*Chief Executive Officer & Executive Director*)  
Mr. Chew Heng Ching (*Lead Independent Director & Deputy Board Chair*)  
Ms. Ooi Chee Kar (*Non-Executive Independent Director*)  
Mr. Wu Yu Liang (*Non-Executive Independent Director*)  
Mr. Melvin Poh Boon Kher (*Non-Executive Independent Director*)

#### Registered Office

15 Hoe Chiang Road  
#12-05 Tower Fifteen  
Singapore 089316

31 October 2018

To: The Shareholders of AusGroup Limited

Dear Sir/Madam

- (A) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 752,402,733 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.035 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY EACH SHAREHOLDER OF THE COMPANY AS AT A TIME AND DATE TO BE DETERMINED BY THE DIRECTORS OF THE COMPANY FOR THE PURPOSE OF DETERMINING THE SHAREHOLDERS’ ENTITLEMENTS UNDER THE RIGHTS ISSUE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED;**
- (B) **THE PROPOSED PLACEMENT OF 750,000,000, 200,000,000 AND 100,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“SUBSCRIPTION SHARES”) AT AN ISSUE PRICE OF S\$0.035 FOR EACH SUBSCRIPTION SHARE TO AOC ACQUISITIONS PTE. LTD., MR. TOH BEE YONG BERNARD AND MR. POH BOON KHER MELVIN, RESPECTIVELY;**
- (C) **THE PROPOSED PLACEMENT OF 100,000,000 SUBSCRIPTION SHARES AT AN ISSUE PRICE OF S\$0.035 FOR EACH SUBSCRIPTION SHARE TO MR. POH BOON KHER MELVIN AS AN INTERESTED PERSON TRANSACTION;**
- (D) **THE PROPOSED ALLOTMENT AND ISSUE OF 80,200,996 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“REDEMPTION SHARES”) AT AN ISSUE PRICE OF S\$0.042 FOR EACH REDEMPTION SHARE TO NOTEHOLDERS PURSUANT TO THE AMENDED TERMS AND CONDITIONS OF THE NOTES; AND**
- (E) **THE TRANSFER IN CONTROLLING INTEREST OF THE COMPANY TO AOC ACQUISITIONS PTE. LTD. ARISING FROM THE PROPOSED PLACEMENT.**

#### 1. INTRODUCTION

##### 1.1 Purpose of this Circular

The Board is proposing to convene the EGM to be held on 15 November 2018 at 10.00 a.m. at J Collyer, Level 9 M Hotel Singapore, 81 Anson Road, Singapore 079908 to seek Shareholders’ approval for the Rights Issue, the Proposed Placement, the Proposed Placement to Melvin Poh as an Interested Person Transaction, the Proposed Issue of Redemption Shares and the Transfer of Controlling Interest (collectively, the **“Proposed Transactions”**)

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## LETTER TO SHAREHOLDERS

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In connection therewith, this Circular has been prepared to provide Shareholders with information relating to the Proposed Transactions, and to seek Shareholders' approval in respect of the same at the EGM. The Notice of EGM is set out on pages N-1 to N-4 of this Circular.

### 1.2 The Rights Issue

On 29 March 2018, the Company announced the undertaking of the proposed Rights Issue of up to 752,402,733 Rights Shares at the issue price of S\$0.035 for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing Shares of the Company held by Shareholders as at a time and date to be determined by the Directors on which the register of members and the share transfer books of the Company will be closed for the purpose of determining the Shareholders' entitlements under the Rights Issue, fractional entitlements to be disregarded. On 6 April 2018, the Company announced the principal terms of the Rights Issue. Please refer to Section 2.2 of this Circular for more information on the size of the Rights Issue.

Pursuant to Rule 816(2) of the Listing Manual, the Rights Issue is subject to, *inter alia*, the approval of Shareholders at an EGM to be convened.

### 1.3 The Proposed Placement

On 29 March 2018, the Company announced that it had entered into three (3) conditional subscription agreements dated 28 March 2018 (collectively, the "**Subscription Agreements**" and each a "**Subscription Agreement**") with each of Asdew Acquisitions Pte. Ltd. ("**Asdew**"), Mr. Toh Bee Yong Bernard ("**Bernard Toh**") and Mr. Poh Boon Kher Melvin ("**Melvin Poh**"), for the proposed placement of up to 750,000,000, 200,000,000 and 100,000,000 new Shares respectively, at the issue price of S\$0.035 per Subscription Share.

On 26 April 2018, the Company entered into a deed of novation with Asdew and AOC, pursuant to which all of Asdew's rights, obligations and liabilities under the Subscription Agreement have been transferred to AOC by novation, such that AOC shall be bound by the terms and conditions contained therein as if it were the original party to the Subscription Agreement in place of Asdew. AOC is an investment company incorporated in Singapore for the Proposed Placement, and is 51% owned by Asdew, 15% owned by each of Mr. Ching Chiat Kwong and Mr. Low See Ching, and 9.5% owned by each of Mr. Han Seng Juan and Mr. David Loh Kim Kang.

In accordance with Rule 805(1) of the Listing Manual, which states that an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares except where such shares are being issued under a general mandate given by ordinary resolution of shareholders in a general meeting to the directors of the issuer, and Rule 812(2) of the Listing Manual, which states that an issue of shares must not be placed to *inter alia* the issuer's directors and substantial shareholders, the Company is seeking specific Shareholders' approval for the Proposed Placement at the EGM.

### 1.4 The Proposed Placement to Melvin Poh as an Interested Person Transaction

Pursuant to Rule 906(1)(a) of the Listing Manual, Shareholders' approval is required for a transaction between the Group and an interested person if the value of the transaction amounts to 5% or more of the Group's latest audited NTA.

The aggregate consideration of the Subscription Shares subscribed by Melvin Poh is S\$3,500,000. Based on the audited consolidated financial statements of the Group for FY2018, the NTL of the Group is S\$1,997,731. As such, the materiality of the Proposed Placement to Melvin Poh cannot be meaningfully measured.

Nevertheless, the Company is convening the EGM to seek approval of its Independent Shareholders for the proposed placement of 100,000,000 Subscription Shares to Melvin Poh as an Interested Person Transaction.

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## LETTER TO SHAREHOLDERS

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### 1.5 The Proposed Issue of Redemption Shares

On 27 September 2018, the Company announced the launch of a consent solicitation exercise (the “**Consent Solicitation**”) in connection with the Notes, pursuant to which the Company invited Noteholders to approve, *inter alia*, the amendment of Condition 6(a) of the Notes to provide for *inter alia* a second instalment repayment of the Notes of the Equity Redemption Amount, but only if and to the extent a Noteholder elects for the Equity Redemption Payment Option on or prior to the last date that voting instruction forms could be validly submitted with respect to the Extraordinary Resolution. Please refer to the Notice of Meeting released on SGXNET and published in The Business Times on 27 September 2018.

As at the date of the Consent Solicitation Statement, the outstanding aggregate Redemption Amount of the Notes is S\$72,751,800.

On 2 October 2018 and 4 October 2018, the Company released a summary of the principal terms of the proposed amendments to the MTN Trust Deed and the Notes for the purposes of the Consent Solicitation, to be read in conjunction with the Consent Solicitation Statement.

On 19 October 2018, the Extraordinary Resolution was passed at the Noteholders Meeting and holders of 14 Notes with an aggregate principal value of S\$3,372,600 had elected for the Equity Redemption Payment Option. Pursuant to the amended terms and conditions of the Notes, the Company proposes to issue an aggregate of 80,299,996 Shares (“**Redemption Shares**”) to Noteholders who had elected for the Equity Redemption Payment Option. As at the date of the Consent Solicitation Statement, the Redemption Amount of each Note is S\$240,900 and the number of Redemption Shares to be issued for each Note is 5,735,714. If issued, the Redemption Shares will represent 5.34% of the Existing Share Capital and 2.37% of the Company’s enlarged share capital following completion of the Proposed Transactions in the Maximum Subscription Scenario.

Accordingly, the Company will be seeking the approval of Shareholders for the Proposed Issue of Redemption Shares pursuant to Rule 805(1) of the Listing Manual.

### 1.6 The Transfer of Controlling Interest

As a result of the Proposed Placement, AOC will become a Controlling Shareholder, regardless of the level of subscription for the Rights Shares pursuant to the Rights Issue. Please refer to Section 3.12 of this Circular for more information on the Transfer of Controlling Interest.

Pursuant to Rule 803 of the Listing Manual an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in a general meeting. As such, the Company is seeking specific Shareholders’ approval for the transfer of controlling interest in the Company to AOC pursuant to the Proposed Placement.

### 1.7 Listing and Quotation

The Company had, on 30 October 2018, announced its receipt of the AIP, subject to the following conditions:

- (a) Shareholders’ approval for the Rights Issue, the Proposed Placement and the Proposed Issue of Redemption Shares;
- (b) Compliance with SGX-ST’s listing requirements; and
- (c) Submission of the following documents:
  - (i) A written undertaking from the Company that it will comply with Rules 704(30), 815 and 1207(20) of the Listing Manual in relation to the use of proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company’s announcements on use of proceeds and in the annual report;

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## LETTER TO SHAREHOLDERS

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- (ii) A written undertaking from the Company that it will comply with Rule 877(10) of the Listing Manual with regard to the allotment of any excess Rights Shares;
- (iii) A written confirmation from financial institution(s) as required under Rule 877(9) of the Listing Manual that the Undertaking Shareholders who have given the Irrevocable Undertakings have sufficient financial resources to fulfil their obligations under their undertakings; and
- (iv) A written undertaking from the Company that it will comply with Rule 803 of the Listing Manual.

Official quotation of the Rights Shares, Subscription Shares and Redemption Shares on the Mainboard of the SGX-ST will commence after all the conditions imposed by the SGX-ST are satisfied. Please note that the AIP is not an indication of the merits of the Rights Issue, the Rights Shares, the Proposed Placement, the Subscription Shares, the Proposed Issue of Redemption Shares, the Redemption Shares, the Company, its subsidiaries and their securities. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained and/or opinions expressed in this Circular.

The Company will proceed to satisfy the conditions of the AIP and provide the relevant disclosures, confirmations and undertakings as applicable, to the SGX-ST in due course if not already satisfied.

### 1.8 Indicative Timetable for the Proposed Transactions

Please refer to Appendix IV for an indicative timetable for the Proposed Transactions in relation to each other.

### 1.9 Conditionality of Resolutions

**Shareholders should note that Ordinary Resolutions 1, 2, 3, 4 and 5 in respect of the Rights Issue, the Proposed Placement, the Proposed Issue of Redemption Shares and the Transfer of Controlling Interest, respectively, are inter-conditional. This means that if either Ordinary Resolution 1 or Ordinary Resolution 2 or Ordinary Resolution 3 or Ordinary Resolution 4 or Ordinary Resolution 5 is not approved by Shareholders at the EGM, none of the Ordinary Resolutions would be passed.**

## 2. THE RIGHTS ISSUE

### 2.1 Basis of the Rights Issue

The Company is offering to Entitled Shareholders up to 752,402,733 Rights Shares at the Issue Price of S\$0.035 for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing Shares held by each Entitled Shareholder as at the Books Closure Date, fractional entitlements to be disregarded.

Entitled Shareholders will be at liberty to accept (in full or in part), or decline, or otherwise renounce or, in the case of Entitled Depositors only, trade (during the provisional allotment trading period prescribed by the SGX-ST), their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue (the “**Excess Rights Shares**”). Provisional allotments of Rights Shares which would otherwise have been made to Foreign Shareholders will be dealt with in the manner described in Section 2.5 of this Circular.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Entitled Shareholders’ provisional allotments of Rights Shares and will, together with the provisional allotments of Rights Shares which are not taken up or allotted for any reason, be aggregated and allotted to satisfy applications for Excess Rights Shares (subject to availability), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company subject to applicable laws, and the Mainboard Rules.

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## LETTER TO SHAREHOLDERS

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In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots. Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares. The Company will also not make any allotment and issuance of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The Rights Shares are payable in full upon acceptance and/or application by Entitled Shareholders. The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls before the date of issue of the Rights Shares.

The terms and conditions of the Rights Issue are subject to such changes as the Directors may in their absolute discretion deem fit. The final terms and conditions of the Rights Issue including the procedures for acceptances, renunciation of and applications for the Rights Shares will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

### 2.2 Size of the Rights Issue

As at the Latest Practicable Date, the Existing Share Capital consists of 1,504,805,466 Shares. The Company does not have any outstanding treasury shares.

Further to the passing of the Extraordinary Resolution at the Noteholders Meeting and based on the Existing Share Capital as at the Latest Practicable Date:

(a) assuming that none of the Entitled Shareholders except for the Undertaking Shareholders subscribe and pay for their *pro rata* entitlements of Rights Shares under the Rights Issue pursuant to the Irrevocable Undertakings, the Company will issue:

- (i) 277,817,605 Rights Shares to the Undertaking Shareholders;
- (ii) 750,000,000 Subscription Shares to AOC pursuant to the Proposed Placement;
- (iii) 200,000,000 Subscription Shares to Bernard Toh pursuant to the Proposed Placement;
- (iv) 100,000,000 Subscription Shares to Melvin Poh pursuant to the Proposed Placement;  
and
- (v) 80,299,996 Redemption Shares to Noteholders who had elected for the Equity Redemption Payment Option,

(“**Minimum Subscription Scenario**”). Upon the completion of the allotment and issuance of the Rights Shares, Subscription Shares and Redemption Shares pursuant to the Minimum Subscription Scenario, the Enlarged Share Capital of the Company will increase to 2,912,923,067 Shares; and

(b) assuming that all Entitled Shareholders subscribe for their respective *pro rata* entitlements to Rights Shares under the Rights Issue, the Company will issue:

- (i) 752,402,733 Rights Shares;
- (ii) 750,000,000 Subscription Shares to AOC pursuant to the Proposed Placement;



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- (iii) 200,000,000 Subscription Shares to Bernard Toh pursuant to the Proposed Placement;
- (iv) 100,000,000 Subscription Shares to Melvin Poh pursuant to the Proposed Placement; and
- (v) 80,299,996 Redemption Shares to Noteholders who had elected for the Equity Redemption Payment Option,

(“**Maximum Subscription Scenario**”). Upon the completion of the allotment and issuance of the Rights Shares, Subscription Shares and Redemption Shares pursuant to the Maximum Subscription Scenario, the Enlarged Share Capital of the Company will increase to 3,387,508,195 Shares.

As at the Latest Practicable Date, the Undertaking Shareholders hold an aggregate of 555,635,210 Shares representing approximately 36.92% of the Existing Share Capital as follows:

- (a) Asdew, a Shareholder of the Company, directly holds 45,551,316 Shares, representing approximately 3.03% of the Existing Share Capital;
- (b) Bernard Toh, a Substantial Shareholder of the Company and a Subscriber pursuant to the Proposed Placement, directly holds 104,062,350 Shares, representing approximately 6.92% of the Existing Share Capital;
- (c) Melvin Poh, a Substantial Shareholder and an Independent Non-Executive Director of the Company, and a Subscriber pursuant to the Proposed Placement, directly holds 133,199,808 Shares, representing approximately 8.85% of the Existing Share Capital; and
- (d) Ezion, a Controlling Shareholder of the Company, directly holds 272,821,736 Shares, representing approximately 18.13% of the Existing Share Capital.

Accordingly, the Undertaking Shareholders will be entitled to subscribe for an aggregate of 277,817,605 Rights Shares.

To demonstrate their support for the Rights Issue and their commitment and confidence to the Company, the Undertaking Shareholders have provided irrevocable undertakings (the “**Irrevocable Undertakings**”) in favour of the company that *inter alia* each of them will subscribe for its *pro rata* entitlement of Rights Shares under the Rights Issue. Please refer to Section 5 of this Circular for more details.

Pursuant to the Irrevocable Undertakings:

- (a) Asdew will hold an aggregate of 68,326,974 Shares after subscribing and paying for all of its provisional allotments under the Rights Issue, being 22,775,658 Rights Shares. For illustrative purposes only, under the Minimum Subscription Scenario, AOC will subscribe for 750,000,000 Subscription Shares, and will collectively with Asdew hold 818,326,974 Shares representing approximately 28.09% of the Enlarged Share Capital comprising 2,912,923,067 Shares. For further illustrative purposes, under the Maximum Subscription Scenario, AOC will subscribe for 750,000,000 Subscription Shares, and will collectively with Asdew hold 818,326,974 Shares representing approximately 24.16% of the Enlarged Share Capital comprising 3,387,508,195 Shares;
- (b) Bernard Toh will subscribe and pay for all of his provisional allotments under the Rights Issue, being 52,031,175 Rights Shares. For illustrative purposes only, following the Proposed Transactions, Bernard Toh will hold an aggregate of 356,093,525 Shares representing approximately 12.22% of the Enlarged Share Capital under the Minimum Subscription Scenario and 10.51% of Enlarged Share Capital under the Maximum Subscription Scenario;

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## LETTER TO SHAREHOLDERS

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- (c) Melvin Poh will subscribe and pay for all of his provisional allotments under the Rights Issue, being 66,599,904 Rights Shares. For illustrative purposes only, following the Proposed Transactions, Melvin Poh will hold an aggregate of 299,799,712 Shares representing approximately 10.29% of the Enlarged Share Capital under the Minimum Subscription Scenario and 8.85% of Enlarged Share Capital under the Maximum Subscription Scenario; and
- (d) Ezion will subscribe for all of its provisional allotments under the Rights Issue, being 136,410,868 Rights Shares. For illustrative purposes only, following the Proposed Transactions, Ezion will hold an aggregate of 409,232,604 Shares representing approximately 14.05% of the Enlarged Share Capital under the Minimum Subscription Scenario and 12.08% of Enlarged Share Capital under the Maximum Subscription Scenario.

Appendix I to this Circular sets out an indicative shareholding interests of Directors, Substantial Shareholders, Undertaking Shareholders, Subscribers, Noteholders and other Shareholders of the Company in the event of a Minimum Subscription Scenario and the Maximum Subscription Scenario immediately prior to and after the Proposed Transactions.

### 2.3 Principal Terms of the Rights Shares

- Number of Rights Shares** : Up to 752,402,733 Rights Shares to be issued.
- Basis of Provisional Allotment** : One (1) Rights Share for every two (2) existing Shares held by each Entitled Shareholder as at the Books Closure Date, fractional entitlements to be disregarded.
- Issue Price** : S\$0.035 for each Rights Share, payable in full on acceptance and/or application.

The Issue Price of S\$0.035 per Rights Share represents a discount of approximately 25.37% to the weighted average price of S\$0.0469 per Share (“**Closing Price**”) for trades done on the SGX-ST on 28 March 2018, being the full Market Day immediately preceding the release of the 29 March Announcement on which Shares were traded on the SGX-ST.

- Status of Rights Shares** : The Rights Shares are payable in full upon acceptance and/or application by Entitled Shareholders and will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls before the date of issue of the Rights Shares.
- Eligibility to participate in the Rights Issue** : Please refer to Section 2.5 of this Circular entitled “Eligibility of Shareholders to Participate in the Rights Issue”.
- Listing of the Rights Shares** : The Company had, on 30 October 2018, announced its receipt of the AIP, subject to certain conditions, details of which are set out in Section 1.7 of this Circular. Please note that the AIP is not an indication of the merits of the Rights Issue, the Rights Shares, the Company, its subsidiaries and their securities. SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained and/or opinions expressed in this Circular.

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## LETTER TO SHAREHOLDERS

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**Trading of the Rights Shares** : Upon the listing and quotation of the Rights Shares on Mainboard, the Rights Shares will be traded on Mainboard under the book-entry (scripless) settlement system. For the purposes of trading on Mainboard, each board lot of Shares will comprise 100 Shares.

**Acceptance and Excess Application** : Provisional allotments of Rights Shares, which are not taken up or allotted for any reason, shall be aggregated and allotted to satisfy applications for Excess Rights Shares (subject to availability), or disposed or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots. Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority. The Company will also not make any allotment and issuance of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The procedures for acceptance, payment and excess application by Entitled Depositors and the procedures for acceptance, payment, splitting, renunciation and excess application by Entitled Scripholders will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, amongst others, the Rights Issue being approved by Shareholders at the EGM.

**Scaling Down** : Pursuant to Rule 820 of the Listing Manual, depending on the level of subscription for the Rights Shares, the Company may at its discretion, with the approval of the SGX-ST, scale down the subscription for the Rights Shares by any of the Substantial Shareholders (if such Substantial Shareholder chooses to subscribe for its *pro rata* entitlement of Rights Shares and/or apply for Excess Rights Shares) to avoid placing the relevant Substantial Shareholder in the position of incurring a mandatory general offer obligation under the Code as a result of other Shareholders not taking up their Rights Shares entitlements fully.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory general offer under the Takeover Code as a result of any acquisition of Rights Shares pursuant to the Rights Issue or the acceptance of the provisional allotment of Rights Shares or the application for Excess Rights Shares, should consult the Council and/or their professional advisers immediately.

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**Use of CPF Funds/SRS Funds** : CPFIS Members who wish to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares can only do so using their CPF Funds, subject to applicable CPF rules and regulations. Such CPFIS Members will need to instruct their respective approved CPF agent banks where they hold their CPF Investment Accounts, to accept their provisional allotment of Rights Shares and (if applicable) apply for the Excess Rights Shares on their behalf in accordance with the terms and conditions of the Offer Information Statement. In the case of insufficient CPF Funds or stock limit, CPFIS Members can top-up cash into their CPF Investment Accounts before instructing their respective CPF agent banks to accept their provisional allotment of Rights Shares and (if applicable) apply for the Excess Rights Shares. CPFIS Members are advised to provide their respective approved CPF agent banks with appropriate instructions early in order for their CPF agent banks to make the relevant acceptance and (if applicable) application on their behalf by the Closing Date. Any applications made directly through CDP, the Share Registrar, the Company and/or by way of Electronic Applications will be rejected. For the avoidance of doubt, CPF Funds may not be used for the purchase of Rights Shares directly from the market.

SRS Members who wish to accept their Rights Shares and (if applicable) apply for Excess Rights Shares can only do so, subject to applicable SRS rules and regulations, using their SRS Funds. SRS Members who wish to accept their Rights Shares and (if applicable) apply for Excess Rights Shares using SRS Funds, must instruct the relevant SRS Approved Banks to accept their Rights Shares and (if applicable) apply for Excess Rights Shares on their behalf. Any acceptance and/or application made directly through CDP, the Share Registrar, the Company and/or by way of Electronic Applications will be rejected. For the avoidance of doubt, SRS Funds may not be used for the purchase of Rights Shares directly from the market.

**ANY APPLICATIONS MADE BY THE ABOVEMENTIONED ENTITLED SHAREHOLDERS DIRECTLY TO CDP, THE SHARE REGISTRAR, THE COMPANY AND/OR THROUGH ELECTRONIC APPLICATIONS WILL BE REJECTED.**

Such Entitled Shareholders should refer to the Offer Information Statement to be lodged with the SGX-ST acting as agent on behalf of the Authority for important details relating to the offer procedure in connection with the Rights Issue.

**Governing law** : Laws of the Republic of Singapore.

**Non-Underwritten Rights Issue** : In view of the savings enjoyed for not having to bear underwriting fees, the Company has decided to proceed with the Rights Issue on a non-underwritten basis.

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## LETTER TO SHAREHOLDERS

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The above terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be set out in the Offer Information Statement to be lodged with the SGX-ST acting as agent on behalf of the Authority, and to be despatched to Entitled Shareholders in due course, subject to, amongst others, the approval of the Shareholders for the Rights Issue at the EGM.

### 2.4 Approvals

Shareholders should note that the Rights Issue is subject to, amongst others:

- (a) the approval in-principle granted by the SGX-ST for the dealing in, listing and quotation of the Rights Shares, Subscription Shares and Redemption Shares on the Mainboard of the SGX-ST having been obtained and such approval not having been withdrawn or revoked on or prior to the Closing Date, and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company;
- (b) the lodgement of the Offer Information Statement, together with all other necessary accompanying documents in connection with the Rights Issue, with the SGX-ST acting as agent on behalf of the Authority;
- (c) the approval of the Shareholders for the Proposed Transactions being obtained at the EGM; and
- (d) the passing of the Extraordinary Resolution at the Noteholders Meeting.

The Company had, on 30 October 2018, announced its receipt of the AIP, subject to the conditions set out in Section 1.7 of this Circular.

### 2.5 Eligibility of Shareholders to Participate in the Rights Issue

#### Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Rights Issue and to receive the Offer Information Statement together with the ARE or PAL, as the case may be, and other accompanying documents, at their respective Singapore addresses. Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from CDP or the Share Registrar from the date the Rights Issue commences up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Registrar during the period from the date the Rights Issue commences up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares under the Rights Issue on the basis of their shareholdings as at the Books Closure Date. Entitled Shareholders are at a liberty to accept (in full or in part), decline, renounce or in the case of Entitled Depositors, trade their provisional allotments of Rights Shares on Mainboard during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for Excess Rights Shares.

**All dealings in and transactions of the provisional allotments of Rights Shares through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs to be issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.**

**Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP.** Entitled Depositors are reminded that they must have registered addresses in Singapore with CDP as at the Books Closure Date or if they have registered addresses outside Singapore, they must provide CDP, at 9 North Buona Vista Drive, #1-19/20 The Metropolis Tower 2, Singapore 138588, with addresses in Singapore no later than 5.00 p.m. on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

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**Entitled Scripholders should note that all correspondences and notices will be sent to their last registered addresses with the Company.** Entitled Scripholders are reminded that any request to the Company to update their records or effect any change in address must reach the Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, not later than 5.00 p.m. on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP at least 12 Market Days before the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights Shares. Entitled Shareholders should note that their Securities Accounts will only be credited with the Shares on the 12<sup>th</sup> Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

### Foreign Shareholders

The Offer Information Statement and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than in Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than in Singapore, the Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders.

**Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue, and no provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance thereof or application despatched by Foreign Shareholders will be valid.**

The Offer Information Statement and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore ("**Foreign Purchasers**"). Foreign Purchasers who wish to accept the provisional allotments of Rights Shares credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. Further, any renounee of an Entitled Scripholder, whose address as stated in the PAL is outside Singapore, will not be entitled to accept the provisional allotment of the Rights Shares renounced to him.

The Company reserves the right to reject any acceptances of the Rights Shares and/or applications for Excess Rights Shares where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.

The Company further reserves the right to treat as invalid any ARE, ARS or PAL or decline to register such application or purported application which (a) appears to the Company or its agent to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction, (b) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore, or (c) purports to exclude any deemed representation or warranty.

Foreign Shareholders who wish to be eligible to participate in the Rights Issue must by 5.00 p.m. on the date being three (3) Market Days prior to the Books Closure Date, provide to the Company, CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents.

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## LETTER TO SHAREHOLDERS

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If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders to be sold “nil-paid” on Mainboard as soon as practicable after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its sole absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings as at the Books Closure Date and sent to them at their **OWN RISK BY ORDINARY POST**, where the amount of net proceeds to be distributed to any single Foreign Shareholder is not less than S\$10.00. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP and their respective officers in connection therewith.

Where such provisional allotments of Rights Shares are sold “nil-paid” on Mainboard, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP and their respective officers in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

If such provisional allotments of Rights Shares cannot be or are not sold on Mainboard as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be allotted and issued to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP and their respective officers in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

**Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulatory or legal requirements in those territories.**

The procedures for, and the terms and conditions applicable to, the acceptance, renunciation and/or sale of the provisional allotments of Rights Shares and the application for Excess Rights Shares pursuant to the Rights Issue, including the different modes of acceptance or excess application and payment, will be set out in the Offer Information Statement and its accompanying documents to be despatched by the Company to Entitled Shareholders in due course.

### 3. THE PROPOSED PLACEMENT

The Company intends to further improve its net asset position on its balance sheet by reducing debt and increasing paid-up capital by undertaking *inter alia* the Proposed Placement. The Company intends to use the proceeds raised from the Rights Issue and Proposed Placement for the Partial Cash Redemption, general corporate and working capital requirements of the Group and, where the Company receives more than S\$39.0 million in cash in respect of the Rights Issue and Proposed Placement, to redeem the outstanding principal amount of the Notes using the amount in excess of S\$39.0 million, provided that such amount is not less than the Minimum Redemption Amount set out in the Notice of Meeting.

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## LETTER TO SHAREHOLDERS

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### 3.1 Subscription Shares

Subject to the terms and conditions of the Subscription Agreements, the Company agrees to allot and issue:-

- (a) 750,000,000 Subscription Shares to AOC for an aggregate consideration of S\$26,250,000 and AOC shall subscribe for such number of Subscription Shares, provided always that the aggregate number of Shares held collectively by Asdew and AOC and their concert parties shall not exceed 29.9% of the Enlarged Share Capital, and that the Company shall not allot and issue any fractional Shares in relation thereto;
- (b) 200,000,000 Subscription Shares to Bernard Toh for an aggregate consideration of S\$7,000,000 and Bernard Toh agrees to subscribe for such Subscription Shares; and
- (c) 100,000,000 Subscription Shares to Melvin Poh for an aggregate consideration of S\$3,500,000 and Melvin Poh agrees to subscribe for such Subscription Shares.

Following from paragraph (a) above and pursuant to a letter of acknowledgement dated 25 October 2018 from AOC to the Company, in order for AOC and its concert parties to not hold Shares exceeding 29.90% of the share capital of the Company immediately following the Proposed Placement, AOC will only subscribe for 700,000,000 Subscription Shares under the Subscription Agreement upon receipt of Shareholders' approval at the EGM, and will subscribe for the remaining 50,000,000 Subscription Shares under the Subscription Agreement upon or after the completion of the Rights Issue. Please refer to the indicative timetable in Appendix IV for more details.

For illustrative purposes, Appendix I to this Circular sets out an indicative shareholding interests of Directors, Substantial Shareholders, Undertaking Shareholders, Subscribers, Noteholders and other Shareholders of the Company in the event of a Minimum Subscription Scenario and the Maximum Subscription Scenario immediately prior to and after the Proposed Transactions.

The Subscription Shares will, when issued and fully paid-up, be free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with the Shares existing as at the date of issue of the Subscription 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 Subscription Shares. For the avoidance of doubt, the Subscription Shares will not be eligible for any rights entitlement under the Rights Issue.

### 3.2 Issue Price

The Issue Price represents a discount of approximately 25.37% to the weighted average price of S\$0.0469 for each Share based on trades done on the SGX-ST for the full market day on 28 March 2018 up to the time of the Company's trading halt on 29 March 2018. The Issue Price was arrived at on or around 8 and 9 January 2018, following arm's length negotiations between the Company and AOC which had commenced in early January 2018. The Issue Price was determined based on a discount to the prevailing market Share price which had then traded at between S\$0.039 and S\$0.043 on 8 and 9 January 2018. The Issue Price represents a discount of between 10.3% and 18.6% to the then market Share price of between S\$0.039 and S\$0.043.

As at the Latest Practicable Date, the last transacted Share price was S\$0.037. The Issue Price represents a slight discount of 5.4% to the above last transacted Share price.

### 3.3 Completion

Subject to the terms of the Subscription Agreements, the Subscription Shares shall be issued within five (5) business days from the date on which the Company sends a notification to the relevant Subscribers that the last condition precedent is satisfied, fulfilled or waived (as the case may be), or on such other date as the parties to the Subscription Agreement may agree in writing ("**Completion Date**").



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## LETTER TO SHAREHOLDERS

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For the avoidance of doubt, completion of the Proposed Placement will take place upon satisfaction, fulfilment or waiver (as the case may be) of the conditions precedent set out in Section 3.4 of this Circular, regardless of the level of subscription for the Rights Issue. Please refer to Section 2.2 of this Circular for further details on the Minimum Subscription Scenario and Maximum Subscription Scenario.

### 3.4 Conditions Precedent

The Proposed Placement is subject to, *inter alia*, the following conditions:

- (a) Asdew having procured the incorporation of a private company limited by shares under the laws of Singapore with the name "AOC Acquisitions Pte. Ltd." ("**AOC**"), its shares which will be 51% held by Asdew, 15% held by Mr. Ching Chiat Kwong, 15% held by Mr. Low See Ching, 9.5% held by Mr. Han Seng Juan and 9.5% held by Mr. Loh Kim Kang David;
- (b) against the satisfaction of sub-paragraph (a) above and upon the incorporation of AOC, each of Asdew, AOC and the Company having executed a deed of novation in substantially the form set out in the Subscription Agreement (subject to such authorisations as deemed necessary for the execution of the deed of novation by AOC) pursuant to which Asdew shall transfer all its rights, obligations and liabilities under the Subscription Agreement by way of novation such that AOC shall be bound by the terms and conditions contained herein as if it were an original party in place of Asdew;
- (c) Asdew and AOC (upon incorporation) having received approval from its respective boards of directors in respect of the Proposed Placement;
- (d) against the satisfaction of sub-paragraphs (a) and (b) above, the Company having received approval from its Shareholders at an EGM to be convened in respect of the allotment and issue of the Subscription Shares;
- (e) against the satisfaction of sub-paragraphs (a) and (b) above, the submission of the additional listing application and the receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Subscription Shares on the Mainboard of the SGX-ST, and the same not being revoked or amended, and where such approval is subject to conditions, such conditions being reasonably acceptable to the Company and each of the Subscribers, and to the extent that any conditions to such approval are required to be fulfilled on or before completion of the Proposed Placement, they are so fulfilled to the satisfaction of the SGX-ST or so waived by them;
- (f) the allotment, issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the respective Subscription Agreements by any applicable legislative, executive or regulatory body or authority of Singapore;
- (g) there having been no occurrence of any event or discovery of any fact rendering any of the warranties of the Company and the Subscribers set out in the Subscription Agreements untrue or incorrect in any material respect as at the date of the Subscription Agreements as if they had been given again on the Completion Date;
- (h) each party to the Subscription Agreements not being in breach of any of the undertakings and the covenants in the Subscription Agreements as at the Completion Date;

#### Notes

- (i) the passing of the Extraordinary Resolution at the Noteholders Meeting;

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## LETTER TO SHAREHOLDERS

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### Support by Ezion Holdings Limited

- (j) Ezion Holdings Limited giving an undertaking, in writing, to vote in favour of the Rights Issue and the Proposed Placement, within thirty (30) days from the date of the Subscription Agreements. As at the Latest Practicable Date, Ezion is directly interested in 272,821,736 Shares representing 18.13% of the Existing Share Capital;

### Concurrent Subscription by the Subscribers

- (k) the concurrent completion of the subscription of the aggregate number of 1,050,000,000 Subscription Shares to be allotted and issued by the Company to each of the Subscribers at the Issue Price, pursuant to the respective Subscription Agreements entered into between the Company and each of the Subscribers. For the avoidance of doubt, the Subscription Shares will not be eligible for any rights entitlement under the Rights Issue;

### Rights Issue

- (l) the Company's receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Rights Shares on the Mainboard of the SGX-ST, and the same not being revoked or amended, and where such approval is subject to conditions, such conditions being reasonably acceptable to the Company, and to the extent that any conditions to such approval are required to be fulfilled, they are so fulfilled to the satisfaction of the SGX-ST or so waived by them;
- (m) the Company's lodgement of an Offer Information Statement setting out the final terms and conditions of the Rights Issue with the Authority, and the despatch thereof to the Shareholders;
- (n) Asdew, Bernard Toh, Melvin Poh and Ezion undertaking to subscribe for all the Rights Shares to which they are entitled pursuant to the Rights Issue; and

### Loan from Ezion Holdings Limited

- (o) Ezion Holdings Limited entering into an agreement with the Company pursuant to which the term of its existing loan to the Company of US\$25,225,775 as at 28 February 2018 shall be extended by a minimum of five (5) years.

As at the Latest Practicable Date, the conditions in sub-paragraphs (a), (b), (c), (i), (j), (n) and (o) have been met. The Company had, on 30 October 2018, announced its receipt of the AIP, subject to the conditions set out in Section 1.7 of this Circular.

AOC, Bernard Toh and Melvin Poh have each agreed pursuant to a letter of acknowledgement to the Company dated 25 October 2018 to *inter alia* waive the conditions in sub-paragraphs (k) and (m).

### **3.5 Novation**

On 26 April 2018, the Company entered into a deed of novation with Asdew and AOC, pursuant to which all of Asdew's rights, obligations and liabilities under the Subscription Agreement have been transferred to AOC by novation, such that AOC shall be bound by the terms and conditions contained therein as if it were the original party to the Subscription Agreement in place of Asdew.

### **3.6 Long-Stop Date**

If any of the conditions precedent set forth in paragraphs 3.4(a) to (e) and (i) to (o) are not satisfied by 31 December 2018 (or such other date as may be mutually agreed between the parties to the Subscription Agreements), the respective Subscription Agreements shall terminate and the obligations of the Company to issue the Subscription Shares and the Subscribers to subscribe for the Subscription Shares shall ipso facto cease and determine thereafter.

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## LETTER TO SHAREHOLDERS

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### 3.7 Moratorium

Pursuant to the Subscription Agreements, save in connection with a mandatory offer or voluntary offer under Rules 14 and 15 of the Singapore Code on Take-overs and Mergers (“Code”), or a scheme of arrangement under the Companies Act (Cap. 50) of Singapore, the 750,000,000 Subscription Shares allotted and issued to AOC shall be moratorised for a period of twelve (12) months from the Completion Date. Save for the above, upon issuance, the Subscription Shares will not be subject to any moratorium period.

### 3.8 No Commission Payable Pursuant to the Proposed Placement

No placement agent has been appointed in relation to the Proposed Placement and no commission or finder’s fee is payable by the Company to any person in relation to the Proposed Placement.

However, the Company is liable to pay AOC a break fee of S\$2,250,000 if, *inter alia*, the Proposed Placement is terminated by the Company for the purposes of accepting another proposal at the discretion of the Company.

### 3.9 No Prospectus or Offer Information Statement

The Proposed Placement will be carried out pursuant to Section 272B of the Securities and Futures Act (Cap. 289) of Singapore. As such, no prospectus or offer information statement will be issued in connection with the Proposed Placement.

### 3.10 Information on the Subscribers

(a) Asdew Acquisitions Pte. Ltd.

Asdew currently holds 45,551,316 Shares comprising 3.03% of the Existing Share Capital of the Company as at the Latest Practicable Date. Asdew is a private limited company incorporated in Singapore on 15 December 1999, engaged in the principal business of investing in listed equities, fixed income products and real estate products. Asdew is wholly owned by Mr. Wang Yu Huei and his spouse, Ms. Lim Sor Kuan, who are also directors of Asdew. Mr. Wang Yu Huei, indirectly through his wholly-owned entity, Asian Dragon Acquisitions Ltd, is a holder of Notes comprising a principal value of S\$1,927,200. Mr. Wang Yu Huei is not a controlling shareholder of any other company listed on the Singapore Exchange (“SGX”), and is a substantial shareholder of DISA Limited. Ms. Lim Sor Kuan is not a substantial or controlling shareholder of any other company. Mr. Wang Yu Huei and Ms. Lim Sor Kuan are not directors of any company listed on the SGX.

Asdew has confirmed and represented that, *inter alia*, it is not a person who falls within Rule 812(1) of the Listing Manual. Asdew has further confirmed that none of its Subscription Shares will be held by it as a trustee or nominee of a third party. Nevertheless, Asdew will abstain from voting on the resolution approving the Proposed Placement.

(b) AOC Acquisitions Pte. Ltd.

AOC is an investment company incorporated in Singapore on 4 April 2018 for the Proposed Placement. AOC is 51% owned by Asdew, 15% owned by each of Mr. Ching Chiat Kwong and Mr. Low See Ching, and 9.5% owned by each of Mr. Han Seng Juan and Mr. David Loh Kim Kang. Mr. Ching Chiat Kwong, Mr. Low See Ching, Mr. Han Seng Juan and Mr. David Loh Kim Kang do not hold any Shares. Mr. Wang Yu Huei is the sole director of AOC.

Asdew has confirmed and represented that, *inter alia*, AOC is not a person who falls within Rule 812(1) of the Listing Manual. AOC has further confirmed that none of its Subscription Shares will be held by it as a trustee or nominee of a third party.

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## LETTER TO SHAREHOLDERS

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(c) Mr. Toh Bee Yong Bernard

Bernard Toh is a Substantial Shareholder of the Company holding 104,062,350 Shares comprising 6.92% of the Existing Share Capital as at Latest Practicable Date. Bernard Toh is a Singaporean entrepreneur who founded Unisteel Technology (“**Unisteel**”) in 1988 and served as its Chairman and Chief Executive Officer until 2012 when Unisteel was acquired by the SFS Group AG. Bernard Toh joined SFS Group AG as part of the acquisition, and held various senior leadership positions including Head of its Electronics Division until 2014. Bernard Toh is currently Vice Chairman of Rippledote Capital, and also a director of social welfare organisation Pei Hwa Foundation.

As Bernard Toh is a Substantial Shareholder of the Company, pursuant to Rule 812(2) of the Listing Manual, specific Shareholders’ approval for a placement of the Subscription Shares to Bernard Toh shall be obtained. Bernard Toh and his Associates will abstain from voting on the resolution approving the Proposed Placement.

(d) Mr. Poh Boon Kher Melvin

Melvin Poh is a Substantial Shareholder and an Independent Non-Executive Director of the Company holding 133,199,808 Shares comprising 8.85% of the Existing Share Capital as at the Latest Practicable Date. Melvin Poh is currently the Managing Director and sole owner of Fission Holdings Pte Ltd, a property development company that has developed a variety of properties such as landed houses, residential apartments, mixed-use properties and industrial developments.

As Melvin Poh is a Director of the Company, pursuant to Rules 804 and 812(2) of the Listing Manual, specific Shareholders’ approval for a placement of the Subscription Shares to Melvin Poh shall be obtained. Melvin Poh will abstain from voting on the resolution approving the Proposed Placement.

Upon the completion of the issue and allotment of 100,000,000 Subscription Shares and 66,599,904 Rights Shares to Melvin Poh pursuant to the Proposed Transactions, Melvin Poh will hold 299,799,712 Shares representing 10.29% of the Enlarged Share Capital in the Minimum Subscription Scenario and 8.85% of the Enlarged Share Capital in the Maximum Subscription Scenario. Please refer to Appendix I to this Circular for the indicative shareholding interests of Directors, Substantial Shareholders, Undertaking Shareholders, Subscribers, Noteholders and other Shareholders of the Company in the event of a Minimum Subscription Scenario and the Maximum Subscription Scenario immediately prior to and after the Proposed Transactions.

In the event that Melvin Poh’s shareholding interest crosses the threshold of 10% further to the Proposed Transactions, he will be re-designated as a Non-Executive Director in compliance with the Code of Corporate Governance issued in May 2012 (“**2012 CG Code**”), which sets the shareholding threshold in determining a director’s independence at 10%. In August 2018, the Authority issued a revised Code of Corporate Governance (“**2018 CG Code**”) which will take effect on 1 January 2019 and will supersede and replace the 2012 CG Code. Under the 2018 CG Code, the shareholding threshold in determining a director’s independence is reduced from 10% to 5%. In compliance with the 2018 CG Code, the Company will re-designate Melvin Poh as a Non-Executive Director with effect from 1 January 2019, regardless of the outcome of the Proposed Transactions.

### 3.11 The Proposed Placement to Melvin Poh as an Interested Person Transaction

As Melvin Poh is a Director of the Company, he is an interested person and the Proposed Placement to him is an interested person transaction under Chapter 9 of the Listing Manual.

Pursuant to Rule 906(1)(a) of the Listing Manual, Shareholders’ approval is required for a transaction between the Group and an interested person if the value of the transaction amounts to 5% or more of the Group’s latest audited NTA.

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## LETTER TO SHAREHOLDERS

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The aggregate consideration of the Subscription Shares subscribed by Melvin Poh is S\$3,500,000. Based on the audited consolidated financial statements of the Group for FY2018, the NTL of the Group is S\$1,997,731. As such, the materiality of the Proposed Placement to Melvin Poh cannot be meaningfully measured.

Nevertheless, the Company is convening the EGM to seek approval of its Independent Shareholders for the Proposed Placement to Melvin Poh under Chapter 9 of the Listing Manual. In this regard, the Company has appointed Provenance Capital Pte. Ltd. as an independent financial adviser to advise on whether the Proposed Placement to Melvin Poh is carried out on normal commercial terms and whether it is prejudicial to the interests of the Company and its Independent Shareholders. Please refer to Section 12 of this Circular and Appendix III of this Circular for the advice provided by the IFA.

The total value of all Interested Person Transactions with Melvin Poh for FY2018 (excluding transactions below S\$100,000) up to the Latest Practicable Date is S\$0.00.

Melvin Poh has recused and will recuse himself from all of the Board's deliberations and decision-making processes relating to any matter concerning the Proposed Placement.

Melvin Poh will also abstain from voting on Ordinary Resolutions 2 and 3 relating to the Proposed Placement and the Proposed Placement to Melvin Poh as an Interested Person Transaction respectively at the EGM.

### **3.12 The Transfer of Controlling Interest in the Company to AOC arising from the Proposed Placement**

As at the Latest Practicable Date, AOC does not hold any Shares. For illustrative purposes only, upon the completion of the allotment and issue of the Rights Shares, Subscription Shares and Redemption Shares pursuant to the Maximum Subscription Scenario, AOC will subscribe for 750,000,000 Subscription Shares representing approximately 22.14% of the Enlarged Share Capital of the Company comprising 3,387,508,195 Shares. For further illustrative purposes, upon the completion of the allotment and issue of the Rights Shares, Subscription Shares and Redemption Shares pursuant to the Minimum Subscription Scenario, AOC will subscribe for 750,000,000 Subscription Shares representing approximately 25.75% of the Enlarged Share Capital of the Company comprising 2,912,923,067 Shares.

Accordingly, Asdew will be deemed interested in 750,000,000 Subscription Shares in both the Maximum Subscription Scenario and Minimum Subscription Scenario, and directly interested in 68,326,974 Shares pursuant to the Irrevocable Undertakings.

For illustrative purposes, Appendix I to this Circular sets out an indicative shareholding interests of Directors, Substantial Shareholders, Undertaking Shareholders, Subscribers, Noteholders and other Shareholders of the Company in the event of a Minimum Subscription Scenario and the Maximum Subscription Scenario immediately prior to and after the Proposed Transactions.

AOC will thus become a Controlling Shareholder, regardless of the level of subscription for the Rights Shares pursuant to the Rights Issue. Pursuant to Rule 803 of the Listing Manual, the Company cannot issue securities to transfer a Controlling Interest without prior approval of Shareholders in a general meeting.

Accordingly, the Company will be seeking Shareholders' approval for the Transfer of Controlling Interest at the EGM. Asdew will abstain from voting on the Ordinary Resolution relating to the Transfer of Controlling Interest at the EGM.

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## LETTER TO SHAREHOLDERS

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### 3.13 Statement of the Audit Committee

The Audit Committee of the Company, after taking into consideration amongst others the terms and conditions, rationale, intended use of proceeds and financial effects of the Proposed Placement, and the advice of the IFA in relation to the Proposed Placement to Melvin Poh as an Interested Person Transaction, is of the opinion that the Proposed Placement to Melvin Poh is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders. Melvin Poh is not on the Audit Committee of the Company.

## 4. THE PROPOSED ISSUE OF REDEMPTION SHARES

### 4.1 Introduction

In 2014, in an effort to diversify its business operations and to create new income streams, the Company ventured into the onshore and off-shore marine services business via the acquisition of Port Melville and its associated assets and businesses (the “**Port**”). On 20 October 2014, the Company issued the Notes under the Company’s S\$350,000,000 Multicurrency Debt Issuance Programme and proceeds from the Notes were used for the acquisition of the Port, as well as for the construction of additional facilities such as fuel storage tanks for the Port to support oil and gas exploration and extraction activities in the region.

In 2016, the Company anticipated that it would have difficulty making the payment of the outstanding principal amount of the Notes due on the original maturity date of 20 October 2016. Therefore, in September 2016, the Company conducted a consent solicitation of Noteholders and, in October 2016, obtained the approval of Noteholders to make certain amendments to the MTN Trust Deed and the Notes (including, but not limited to, the deletion of the financial covenants) as well as to undertake certain additional obligations to Noteholders in consideration of an extension of the maturity date of the Notes until 20 October 2018.

On 30 June 2017, the Company completed the allotment and issue of 482,849,304 new Shares to Noteholders of 116 Notes with a principal amount equal to S\$27,944,400 pursuant to the exchange offer dated 21 May 2017. Please refer to the announcements dated 30 June 2017 and 29 June 2017, and the circular dated 14 June 2017 for more information.

On 11 September 2017, the Company announced that it was making another exchange offer to Noteholders to exchange a minimum aggregate of S\$2,409,000 and a maximum aggregate of S\$5,551,561 in Redemption Amount of the Notes plus accrued interest for Shares at an issue price of S\$0.058 per Share. When the second exchange offer closed, Noteholders holding Notes with an aggregate Redemption Amount of S\$5,299,800 had tendered such Notes in the exchange offer and the Company completed the allotment and issue of 91,554,980 new Shares to such tendering Noteholders on 29 September 2017.

The Company intends to further improve its net asset position on its balance sheet by reducing debt and increasing paid-up capital by *inter alia* undertaking the Rights Issue, the Proposed Placement and paying the full outstanding Redemption Amount of each Note to Noteholders in the form of Redemption Shares. As at the date of the Consent Solicitation Statement, the outstanding aggregate Redemption Amount of the Notes is S\$72,751,800.

On 27 September 2018, the Company announced the launch of a consent solicitation exercise (the “**Consent Solicitation**”) in connection with the Notes, pursuant to which the Company invited Noteholders to approve, *inter alia*, certain amendments to the terms and conditions of the Notes. On the same day, the Notice of Meeting was released on SGXNET and published in The Business Times.

On 2 October 2018 and 4 October 2018, the Company released a summary of the principal terms of the proposed amendments to the MTN Trust Deed and the Notes on SGXNET for the purposes of the Consent Solicitation, to be read in conjunction with the Consent Solicitation Statement.

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## LETTER TO SHAREHOLDERS

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As at 10.00 a.m. on 17 October 2018, which is the latest time and date that voting instruction forms could be validly submitted by Noteholders with respect to the Extraordinary Resolution, holders of 14 Notes with an aggregate principal value of S\$3,372,600 had elected to have their Notes redeemed pursuant to the Equity Redemption Payment Option. On 19 October 2018, the Extraordinary Resolution was passed at the Noteholders Meeting.

Pursuant to the amended terms and conditions of the Notes, the Company proposes to issue an aggregate of 80,299,996 Shares to Noteholders who had elected for the Equity Redemption Payment Option.

### 4.2 Principal Terms of the Redemption Shares

The Redemption Amount payable to each Noteholder is such number of Redemption Shares calculated by dividing the Redemption Amount as of the Second Instalment Date by the issue price of S\$0.042 per Redemption Share (rounding down), but only if and to the extent elected by a Noteholder on or prior to the last date that voting instruction forms could be validly submitted with respect to the Extraordinary Resolution, and where the Company does not receive any such notice of election from any Noteholder on or prior to such date, such Noteholder will be deemed to have agreed to continue to hold the Notes.

The issue price of S\$0.042 per Redemption Share was arrived at following arm's length negotiations between the Company and the steering committee of Noteholders. The issue price of S\$0.042 per Redemption Share was determined based on a premium of 7.92% to the 30-day volume weighted average price of the Shares which was S\$0.039 on or around 13 August 2018.

As at the date of the Consent Solicitation Statement, the Redemption Amount of each Note is S\$240,900 and the number of Redemption Shares to be issued for each Note is 5,735,714.

The terms of the Redemption Shares were arrived at by the Company after taking into consideration, *inter alia*, the rationale for the Proposed Transactions as set out in Section 6 of this Circular and the need to balance the interests of various stakeholders of the Company.

The Redemption Shares will not be subject to a moratorium on trading.

### 4.3 Conditions

Shareholders should note that the Proposed Issue of Redemption Shares is subject to, *inter alia*, the following:

- (a) the Company's receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Redemption Shares on the Mainboard of the SGX-ST, and the same not being revoked or amended, and where such approval is subject to conditions, such conditions being reasonably acceptable to the Company, and to the extent that any conditions to such approval are required to be fulfilled, they are so fulfilled to the satisfaction of the SGX-ST or so waived by them;
- (b) the passing of the Extraordinary Resolution at the Noteholders Meeting (which has been met); and
- (c) the receipt of Shareholders' approval for the Proposed Transactions at the EGM.

### 4.4 Ranking of the Redemption Shares

The Redemption 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 then existing 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 Redemption Shares. For the avoidance of doubt, the Redemption Shares will not be eligible for any rights entitlement under the Rights Issue.

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## LETTER TO SHAREHOLDERS

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### 5. IRREVOCABLE UNDERTAKINGS

#### 5.1 Undertaking Shareholders

As at the Latest Practicable Date, the number of Shares and the percentage proportion in the Existing Share Capital of the Company of the following Shareholders (collectively the “**Undertaking Shareholders**” and each an “**Undertaking Shareholder**”) that have provided Irrevocable Undertakings to the Company to, *inter alia*, fully subscribe for the Entitled Rights Shares, as an indication of their support and commitment to the Company are as follows:

- (a) Asdew, a Shareholder of the Company, who directly holds 45,551,316 Shares, representing approximately 3.03% of the Existing Share Capital;
- (b) Bernard Toh, a Substantial Shareholder of the Company and a Subscriber pursuant to the Proposed Placement, who directly holds 104,062,350 Shares, representing approximately 6.92% of the Existing Share Capital;
- (c) Melvin Poh, a Substantial Shareholder and an Independent Non-Executive Director of the Company, and a Subscriber pursuant to the Proposed Placement, who directly holds 133,199,808 Shares, representing approximately 8.85% of the Existing Share Capital; and
- (d) Ezion, a Controlling Shareholder of the Company, who directly holds 272,821,736 Shares, representing approximately 18.13% of the Existing Share Capital.

#### 5.2 Irrevocable Undertakings

As at the Latest Practicable Date, the Undertaking Shareholders collectively hold an aggregate of 555,635,210 Shares, representing approximately 36.92% of the Existing Share Capital (the “**Relevant Shares**”). Accordingly, the Undertaking Shareholders will be entitled to subscribe for an aggregate of 277,817,605 Rights Shares (“**Entitled Rights Shares**”).

To demonstrate its support for the Rights Issue and their commitment to and confidence in the Company, Asdew, Bernard Toh and Melvin Poh have provided irrevocable undertakings dated 29 March 2018 in favour of the Company that, *inter alia*:

- (a) as at the Books Closure Date, each of them will own not less than the following Shares:
  - (i) Asdew owns not less than 45,551,316 Shares;
  - (ii) Bernard Toh owns not less than 104,062,350 Shares; and
  - (iii) Melvin Poh owns not less than 133,199,808 Shares;
- (b) each of them will directly and/or through one of its nominee(s), in accordance with the terms and conditions of the Rights Issue and in any case not later than the closing date of the Rights Issue, subscribe and pay in full for 141,406,737 Rights Shares, being their aggregate *pro rata* entitlement of Rights Shares under the Rights Issue; and
- (c) that none of the Relevant Shares are sold, transferred or otherwise disposed of during the period commencing from the date of the Irrevocable Undertakings until the date of issue and listing of the Rights Shares on the SGX-ST.

Pursuant to a letter of commitment dated 17 November 2016, Ezion has agreed *inter alia* to provide an irrevocable undertaking to the Company to subscribe for its *pro rata* entitlement of Rights Shares under the Rights Issue.



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## LETTER TO SHAREHOLDERS

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### 5.3 Conditions

The Irrevocable Undertakings are subject to and conditional upon:

- (a) Shareholders' approval for the Rights Issue being obtained at the EGM;
- (b) the approval in-principle granted by the SGX-ST for the dealing, listing and quotation, of the Rights Shares on the Mainboard of the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares under the Rights Issue), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company; and
- (c) the lodgement of the Offer Information Statement, together with all other necessary accompanying documents, in connection with the Rights Issue with the Authority.

Bernard Toh and Melvin Poh, Undertaking Shareholders who are Substantial Shareholders of the Company, have each furnished a written confirmation dated 3 April 2018 and 2 April 2018, respectively, of their financial resources from a financial institution to support their respective Irrevocable Undertakings.

The subscription by Ezion for 136,410,868 Rights Shares pursuant to its Irrevocable Undertaking will be settled by a set-off against the outstanding amount of the existing shareholder's loan from Ezion to the Company, which would be reduced by an amount of S\$4,774,380.38. Accordingly, Ezion will not be required to provide any confirmation of financial resources in connection with its Irrevocable Undertaking to the Company.

## 6. RATIONALE FOR THE PROPOSED TRANSACTIONS AND USE OF PROCEEDS

### 6.1 Rationale for the Proposed Transactions

The Company intends to further improve its net asset position on its balance sheet by reducing debt and increasing paid-up capital by undertaking the Proposed Transactions. The Company intends to use the proceeds raised from the Rights Issue and Proposed Placement for the Partial Cash Redemption, general corporate and working capital requirements of the Group and, where the Company receives more than S\$39.0 million in cash in respect of the Rights Issue and Proposed Placement, to redeem the outstanding principal amount of the Notes using the amount in excess of S\$39.0 million, provided that such amount is not less than the Minimum Redemption Amount set out in the Notice of Meeting.

The Company will also increase its paid-up capital if, instead of having the Company make partial instalment and redemption payments in cash, Noteholders elect to have the Company pay the full outstanding Redemption Amount of each Note in the form of Redemption Shares.

The Company shall not apply the proceeds raised from the Proposed Transactions towards the repayment of any other loans, including but not limited to loans from Shareholders, banks and/or financial institutions, save for the redemption payments in cash.

### 6.2 Use of Proceeds from the Proposed Transactions

Based on the Existing Share Capital and in view of the Irrevocable Undertakings and Subscription Agreements:

- (a) under the Minimum Subscription Scenario, the gross proceeds from the issuance of the 277,817,605 Rights Shares and the 1,050,000,000 Subscription Shares is S\$41,699,236<sup>(1)</sup>; and

## LETTER TO SHAREHOLDERS

- (b) under the Maximum Subscription Scenario, the gross proceeds from the issuance of the 752,402,733 Rights Shares and the 1,050,000,000 Subscription Shares is S\$58,309,715<sup>(1)</sup>,

(**“Gross Proceeds”**).

**Note:**

- (1) The consideration for Ezion’s subscription of 136,410,868 Rights Shares pursuant to the Irrevocable Undertakings will be paid from the outstanding amount of the existing loan from Ezion to the Company of US\$25,353,197. The gross proceeds from the Rights Issue and Proposed Placement will therefore not include the consideration for the consideration for Ezion’s Rights Shares.

After deducting from the Gross Proceeds estimated costs and expenses of approximately S\$200,000.00 to be incurred in connection with the Rights Issue and approximately S\$300,000.00 to be incurred in connection with the Proposed Placement (as indicated in the 29 March 2018 Announcement), the estimated net proceeds from the Rights Issue and the Proposed Placement will be S\$41,199,236 pursuant to the Minimum Subscription Scenario and S\$57,809,715 pursuant to the Maximum Subscription Scenario (**“Net Proceeds”**).

The net proceeds of the Rights Issue and the Proposed Placement are proposed to be used in the following manner:

| Use of Net Proceeds                                   | Minimum<br>Subscription<br>Scenario (S\$) | Maximum<br>Subscription<br>Scenario (S\$) |
|---|---|---|
| 1. Partial redemption of the Notes <sup>(1)</sup>     | S\$21,825,540                             | S\$21,825,540                             |
| 2. General working capital purposes <sup>(2)</sup>    | S\$17,174,460                             | S\$17,174,460                             |
| 3. Redemption of the outstanding Notes <sup>(3)</sup> | S\$2,199,236                              | S\$18,809,715                             |
| <b>Total</b>  | <b>S\$41,199,236</b>                      | <b>S\$57,809,715</b>                      |

**Note(s):**

- (1) This refers to the partial redemption, in cash, of 30% of the outstanding principal amount of the Notes being S\$72,751,800.
- (2) The Company intends to utilise a portion of the net proceeds from the Rights Issue primarily for general corporate and working capital purposes, including but not limited to capital expenditure, operating costs and making strategic investments and/or acquisitions if opportunities arise.
- (3) Further to the passing of the Extraordinary Resolution at the Noteholders Meeting, Noteholders have an additional redemption option whereby if the Company receives more than S\$39.0 million in cash in respect of the Proposed Placement and the Rights Issue, the Company shall redeem an amount of the outstanding principal amount of the Notes after the Partial Cash Redemption (being S\$50,926,260) equal to the amount in excess of S\$39.0 million (provided that such amount is at least the Minimum Redemption Amount as defined in the Notice of Meeting). For further details, please refer to the Notice of Meeting.

Pending the deployment of the net proceeds raised from the Proposed Transactions for the purposes set out above, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, as the Directors may deem appropriate in the interests of the Company. The Company shall not, however, apply the proceeds raised from the Proposed Transactions for the repayment of any other loans, including but not limited to loans from shareholders, banks and/or other financial institutions, save for the redemption payments in cash.

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## LETTER TO SHAREHOLDERS

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The Company will make periodic announcements on the use of the proceeds from the Proposed Transactions as and when such proceeds are materially disbursed and will provide a status report on the use of proceeds from the Proposed Transactions in the annual report(s) of the Company, until such time the proceeds have been fully utilised. The Company will disclose a breakdown with specific details on the use of the proceeds for working capital in announcements and annual reports.

### 7. DIRECTORS' CONFIRMATION

Following the passing of the Extraordinary Resolution at the Noteholders Meeting, the Directors are of the opinion that, after taking into consideration the Group's present internal resources, operating cashflows, present bank facilities available to the Group, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the above, the Company has decided to undertake the Proposed Transactions for the reasons set out in Section 6.1 above.

The Directors are of the opinion that, after taking into consideration the Group's present internal resources, operating cashflows, present bank facilities available to the Group and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

### 8. FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

The financial statements of the Group (the consolidated income, balance sheet and cash flow statements) and the working capital positions for FY2016, FY2017 and FY2018 as well as the reviews thereof, are set out in Appendix III to this Circular.

### 9. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

For illustrative purposes only and based on the latest unaudited consolidated financial statements of the Group for FY2018, the *pro forma* financial effects of the Proposed Transactions on the Group are set out below, assuming two (2) scenarios:

- (a) the Minimum Subscription Scenario; and
- (b) the Maximum Subscription Scenario.

The analysis below further assumes:

- (c) for the purpose of computing the financial effects of the Proposed Transactions on the Share Capital, NAV, Earnings per Share and Gearing of the Group:
  - (i) the allotment and issue of Subscription Shares pursuant to the Proposed Placement has been completed on 30 June 2018;
  - (ii) the Rights Issue is assumed to have been completed on 30 June 2018; and
  - (iii) for the purposes of conversion to Australian dollars from Singapore dollars, an exchange rate of A\$1 to S\$1.0125 as at 30 June 2018 has been used.

**The *pro forma* financial effects below have been prepared solely for illustrative purposes only and do not purport to be an indication or a projection or an estimate of the financial results and financial positions of the Company and the Group immediately after the completion of the Proposed Transactions.**

## LETTER TO SHAREHOLDERS

### 9.1 Share Capital

For illustrative purposes only, assuming that the Proposed Placement had been completed on 30 June 2018, the effects of the Proposed Transactions on the Existing Share Capital are as follows:

|   | As at 30 June<br>2018 | Immediately following the<br>Proposed Transactions |                                     |
|---|-----------------------|--|-------------------------------------|
|   |                       | Minimum<br>Subscription<br>Scenario                | Maximum<br>Subscription<br>Scenario |
| Issued and paid-up<br>share capital (A\$)       | 162,646,984           | 211,877,815  | 229,044,737                         |
| Number of Shares<br>(excluding treasury shares) | 1,504,805,466         | 2,912,923,067                                      | 3,387,508,195                       |

### NAV

For illustrative purposes only, the effects of the Proposed Transactions on the NAV of the Group based on the unaudited consolidated balance sheet as at 30 June 2018 are as follows:

|   | As at 30 June<br>2018 | Immediately following the<br>Proposed Transactions |                                     |
|---|-----------------------|--|-------------------------------------|
|   |                       | Minimum<br>Subscription<br>Scenario                | Maximum<br>Subscription<br>Scenario |
| Consolidated NAV<br>attributable to<br>Shareholders (A\$) | 41,725,129            | 90,955,960   | 107,361,372                         |
| NAV per Share (A\$)                                       | 0.028                 | 0.031  | 0.032                               |

### Earnings per Share

For illustrative purposes only, the effect of the Proposed Transactions on the earnings per Share of the Group based on the unaudited consolidated profit and loss statement for the period ended 30 June 2018 is as follows:

|   | As at 30 June<br>2018 | Immediately following the<br>Proposed Transactions |                                     |
|---|-----------------------|--|-------------------------------------|
|   |                       | Minimum<br>Subscription<br>Scenario                | Maximum<br>Subscription<br>Scenario |
| Net Profit / (Loss)<br>attributable to owners<br>of the Company (A\$) | 13,477,451            | 13,477,451   | 13,477,451                          |
| Number of Shares<br>(excluding treasury shares)                       | 1,504,805,466         | 2,912,923,067                                      | 3,387,508,195                       |
| Earnings / (Loss) per Share<br>(A\$ cents)                            | 0.90                  | 0.46   | 0.40                                |

## LETTER TO SHAREHOLDERS

### 9.4 Gearing

For illustrative purposes only, the effects of the Proposed Transactions on the gearing of the Group for the period ended 30 June 2018, assuming that the Proposed Transactions had been effected on 30 June 2018, are as follows:

|                   | As at 30 June<br>2018 | Immediately following the<br>Proposed Transactions |                                     |
|-------------------|-----------------------|--|-------------------------------------|
|                   |                       | Minimum<br>Subscription<br>Scenario                | Maximum<br>Subscription<br>Scenario |
| Borrowings (A\$)  | 120,942,625           | 89,595,566   | 72,777,456                          |
| Equity (A\$)      | 41,725,129            | 90,955,960   | 107,361,372                         |
| Gearing ratio (%) | 289.86                | 98.50  | 67.79                               |

### 10. BOOKS CLOSURE DATE

Subject to (a) the Shareholders' approval of the Proposed Transactions at the EGM; (b) the receipt of the AIP from the SGX-ST for the dealing in, listing and quotation of the Rights Shares, Subscription Shares and Redemption Shares on the Mainboard and the fulfilment of the conditions that may be required to be fulfilled therein; and (c) the passing of the Extraordinary Resolution at the Noteholders Meeting, the Books Closure Date for the purpose of determining the Entitled Shareholders' entitlements under the Rights Issue will be announced at a later date.

### 11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders are as follows:

|  | Direct Interest            |                  | Deemed Interest          |                  |
|--|----------------------------|------------------|--------------------------|------------------|
|  | No. of Shares              | % <sup>(1)</sup> | No. of Shares            | % <sup>(1)</sup> |
| <b>Directors</b>   |                            |                  |                          |                  |
| Stuart Maxwell Kenny                                     | —                          | —                | 8,908,896 <sup>(2)</sup> | 0.59             |
| Eng Chiaw Koon   | —                          | —                | —                        | —                |
| Shane Kimpton  | —                          | —                | —                        | —                |
| Chew Heng Ching  | —                          | —                | —                        | —                |
| Ooi Chee Kar   | —                          | —                | —                        | —                |
| Wu Yu Liang  | —                          | —                | —                        | —                |
| Poh Boon Kher Melvin <sup>(3) (4)</sup>                  | 133,199,808 <sup>(5)</sup> | 8.85             | —                        | —                |
| <b>Substantial Shareholders<br/>other than Directors</b> |                            |                  |                          |                  |
| Toh Bee Yong Bernard <sup>(4)</sup>                      | 104,062,350 <sup>(5)</sup> | 6.92             | —                        | —                |
| Ezion Holdings Limited                                   | 272,821,736                | 18.13            | —                        | —                |

**Notes:**

- (1) Based on the Existing Share Capital of 1,504,805,466 Shares.
- (2) Mr. Stuart Maxwell Kenny, Non-Executive Chairman of the Company, is deemed interested in 8,908,896 Shares held by Emerald River Pty Ltd by virtue of his interest in Emerald River Pty Ltd.
- (3) Melvin Poh is an Independent Non-Executive Director of the Company.
- (4) Undertaking Shareholder. Please refer to Section 5 for more information on the Undertaking Shareholders.
- (5) Registered in the name of DBS Nominees Pte Ltd.

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## LETTER TO SHAREHOLDERS

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Melvin Poh, an Independent Non-Executive Director and Substantial Shareholder of the Company, is a Subscriber pursuant to the Proposed Placement and an Undertaking Shareholder in respect of the Rights Issue.

Bernard Toh, a Substantial Shareholder of the Company, is a Subscriber pursuant to the Proposed Placement and an Undertaking Shareholder in respect of the Rights Issue.

For illustrative purposes only, Appendix I to this Circular sets out an indicative shareholding interests of Directors, Substantial Shareholders, Undertaking Shareholders, Subscribers, Noteholders and other Shareholders of the Company in the event of a Minimum Subscription Scenario and the Maximum Subscription Scenario immediately prior to and after the Proposed Transactions.

Save as disclosed in this Circular (including at Appendix I), none of the Directors and Substantial Shareholders has any interests, direct or indirect, in the Proposed Transactions, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

### 12. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Chapter 9 of the Listing Manual, Provenance Capital Pte. Ltd. has been appointed as the IFA to advise the Unconflicted Directors in respect of the Proposed Placement to Melvin Poh as an Interested Person Transaction.

Overall, based on the IFA's analysis as set out in the IFA Letter, and after having considered carefully the information available, the IFA is of the view that the Proposed Placement to Melvin Poh as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

**A copy of the IFA Letter is set out in Appendix II of this Circular. Shareholders are advised to read the IFA Letter in its entirety and carefully consider it in the context of this Circular before deciding on whether to approve the Proposed Placement to Melvin Poh as an Interested Person Transaction.**

### 13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-4 of this Circular, will be held on 15 November 2018 at 10.00 a.m. at J Collyer, Level 9 M Hotel Singapore, 81 Anson Road, Singapore 079908, for the purpose of considering and, if thought fit, passing with or without modifications, Ordinary Resolutions 1, 2, 3, 4 and 5 set out in the Notice of EGM.

### 14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint proxies to attend and vote at the EGM on their behalf should complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon. The completed and signed proxy form should be returned as soon as possible and in any event so as to arrive at the Company's registered office at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 not less than 48 hours before the time appointed for the EGM. Shareholders who have completed and returned the proxy form may still attend and vote in person at the EGM, if they so wish, in place of their proxies. A proxy need not be a Shareholder.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP, as at 72 hours before the time appointed for the EGM.

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## LETTER TO SHAREHOLDERS

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### **15. DIRECTORS' RECOMMENDATIONS**

#### **15.1 The Rights Issue**

The Directors, having considered, amongst others, the terms and conditions, rationale, intended use of proceeds and financial effects of the Rights Issue, and all other relevant information set out in this Circular, are of the opinion that the Rights Issue is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 1 as set out in the Notice of EGM at the EGM.

#### **15.2 The Proposed Placement**

The Directors (save for Melvin Poh who has abstained from the Board's deliberations and recommendations to Shareholders on the Proposed Placement), having considered, amongst others, the terms and conditions, rationale, intended use of proceeds and financial effects of the Proposed Placement, are of the opinion that the Proposed Placement is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 2 as set out in the Notice of EGM at the EGM.

#### **15.3 The Proposed Placement to Melvin Poh as an Interested Person Transaction**

The Directors (save for Melvin Poh who has abstained from the Board's deliberations and recommendations to Shareholders on the Proposed Placement), having considered, amongst others, the terms and conditions, rationale, intended use of proceeds and financial effects of the Proposed Placement, and the advice of the IFA as set out in the IFA Letter, are of the opinion that the Proposed Placement to Melvin Poh as an Interested Person Transaction, is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of Ordinary Resolution 3 as set out in the Notice of EGM at the EGM.

#### **15.4 The Proposed Issue of Redemption Shares**

The Directors, having considered, amongst others, the terms and conditions, rationale and financial effects of the Proposed Issue of Redemption Shares, and all other relevant information set out in this Circular, are of the opinion that the Proposed Issue of Redemption Shares is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 4 as set out in the Notice of EGM at the EGM.

#### **15.5 The Transfer of Controlling Interest**

The Directors, having considered and reviewed, among other things, the terms and conditions, rationale, use of proceeds and financial effects of the Proposed Placement, the circumstances which may give rise to the Transfer of Controlling Interest, and all other relevant information set out in this Circular, are of the opinion that the Transfer of Controlling Interest is in the best interests of the Company, and accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution 5 in respect of the Transfer of Controlling Interest.

#### **15.6 Note to Shareholders**

Shareholders, in deciding whether to vote in favour of the Ordinary Resolutions, should carefully read the terms and conditions, rationale and financial effects of the Proposed Transactions, and the IFA's advice in relation to the Proposed Placement to Melvin Poh as an Interested Person Transaction which should be considered in the context of the entirety of the IFA Letter and this Circular. In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

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## LETTER TO SHAREHOLDERS

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### 16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

### 17. ABSTENTION FROM VOTING

Pursuant to Rule 919 of the Listing Manual, an interested person and any Associate of the interested person shall abstain from voting on the resolutions approving the interested person transactions involving themselves and their Associates. Such interested person and their Associates shall not accept appointments as proxies in relation to such resolutions unless specific voting instructions have been given by the Shareholders.

Accordingly, Melvin Poh will abstain from voting on Ordinary Resolution 3 for the Proposed Placement to Melvin Poh as an Interested Person Transaction, and will not accept appointments as proxies in relation to the resolution unless specific voting instructions have been given by Shareholders.

Pursuant to Rule 812 of the Listing Manual, a director or substantial shareholder and any Associate of the director or substantial shareholder shall abstain from voting on the resolution approving the placement of shares to such director or substantial shareholder. Accordingly, Melvin Poh and Bernard Toh will abstain, and have undertaken to ensure that their Associates (if any) will abstain, from voting on Ordinary Resolution 2 for the Proposed Placement, and will not accept appointments as proxies in relation to the resolution unless specific voting instructions have been given by Shareholders. Bernard Toh and his Associate, Toh Kai Siong, collectively hold 104,462,350 Shares representing approximately 6.94% of the Existing Share Capital.

Asdew will abstain from voting on Ordinary Resolution 2 for the Proposed Placement and Ordinary Resolution 4 for the Transfer of Controlling Interest.

### 18. CONSENT FROM THE INDEPENDENT FINANCIAL ADVISER

Provenance Capital Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular.

### 19. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched to Entitled Shareholders subject to, amongst others, the approval of Shareholders for the Rights Issue being obtained at the EGM. Acceptances and applications under the Rights Issue can only be made on the following (all of which will form part of the Offer Information Statement):

- (a) the PAL, in the case of Entitled Scripholders;
- (b) the ARE or through the electronic channels of the Participating Banks, in the case of Entitled Depositors; and
- (c) the ARS or through the electronic channels of the Participating Banks, in the case of persons purchasing provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore.



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## LETTER TO SHAREHOLDERS

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### 20. MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any legal or arbitration proceedings that the Company is or was engaged in, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of this Circular, a material effect on the financial position or profitability of the Group.

### 21. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor any of its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years preceding the Latest Practicable Date:

- (a) the deed of novation dated 26 April 2018 entered into between the Company, Asdew and AOC, pursuant to which all of Asdew's rights, obligations and liabilities under the Subscription Agreement have been transferred to AOC by novation, such that AOC shall be bound by the terms and conditions contained therein as if it were the original party to the Subscription Agreement in place of Asdew;
- (b) the three (3) Subscription Agreements dated 28 March 2018 entered into between the Company and each of Asdew, Melvin Poh and Bernard Toh in relation to the Proposed Placement;
- (c) the Irrevocable Undertakings dated 29 March 2018 provided by Asdew, Bernard Toh and Melvin Poh in favour of the Company;
- (d) the letter of commitment dated 17 November 2016 from Ezion to the Company in relation to Ezion's irrevocable undertaking to subscribe for its *pro rata* entitlement of Rights Shares under the Rights Issue;
- (e) the subscription agreement dated 30 June 2017 entered into between the Company and Suntera Limited ("**Suntera**") in relation to the allotment and issue of 49,202,971 new Shares at an issue price of S\$0.058 per new Share, as full and final settlement of AU\$2,717,878.41 outstanding and owing by the Company to Suntera;
- (f) the deed of surrender dated 25 January 2017 entered into between AusGroup Singapore Pte. Ltd., a wholly-owned subsidiary of the Company, and Boustead Trustees Pte. Ltd., under which parties have agreed to the early termination of the lease agreement for the lease of the premises at 36 Tuas Road, Singapore 638505 ("**Premises**") and the surrender of the Premises with effect from 31 January 2017;
- (g) the second supplemental trust deed dated 18 November 2016 entered into between the Company, Ezion Offshore Logistics Hub Pte. Ltd., Ezion Offshore Logistics Hub (Tiwi) Pty. Ltd., DBS Trustee Limited and P.T. Limited, to amend various provisions of the MTN Trust Deed and the conditions of the Notes;
- (h) the third supplemental trust deed dated 19 October 2018 entered into between the Company, Ezion Offshore Logistics Hub Pte. Ltd., Ezion Offshore Logistics Hub (Tiwi) Pty. Ltd., DBS Trustee Limited and P.T. Limited, to amend various provisions of the MTN Trust Deed and the conditions of the Notes; and
- (i) the agreement dated 14 September 2018 between Ezion and the Company in relation to *inter alia* an extension of the term and reduction of interest rate of Ezion's existing loan to the Company.

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## LETTER TO SHAREHOLDERS

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### 22. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours from the date of this Circular to the time and date of the EGM:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the IFA Letter; and
- (d) the Subscription Agreements; and
- (e) the material contracts referred to in Section 21 of this Circular.

Yours faithfully,

For and on behalf of the Board of Directors of  
**AUSGROUP LIMITED**

Eng Chiaw Koon  
Managing Director and Executive Director

31 October 2018

**APPENDIX I – ILLUSTRATIVE TABLE INDICATING INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, UNDERTAKING SHAREHOLDERS, SUBSCRIBERS, NOTEHOLDERS AND OTHER SHAREHOLDERS IN A MINIMUM SUBSCRIPTION SCENARIO AND MAXIMUM SUBSCRIPTION SCENARIO IMMEDIATELY PRIOR TO AND AFTER THE PROPOSED TRANSACTIONS**

**Minimum Subscription Scenario**

|   | As at Latest Practicable Date |   |                          | Immediately after the Proposed Transactions<br>(Minimum Subscription Scenario) |                  |   |
|---|-------------------------------|---|--------------------------|--|------------------|---|
|   | Direct Interest               | Deemed Interest   | Deemed Interest          | Direct Interest  | Deemed Interest  | Deemed Interest   |
|   | Number of Shares              | Percentage of Existing Share Capital <sup>(1)</sup> (%) | Number of Shares         | Percentage of Existing Share Capital <sup>(1)</sup> (%)                        | Number of Shares | Percentage of Enlarged Share Capital <sup>(2)</sup> (%) |
| <b>Directors</b>  |                               |   |                          |  |                  |   |
| Stuart Maxwell Kenny  | –                             | –   | 8,908,896 <sup>(3)</sup> | 0.59   | –                | 0.31  |
| Eng Chiaw Koon  | –                             | –   | –                        | –  | –                | –   |
| Shane Kimpton   | –                             | –   | –                        | –  | –                | –   |
| Chew Heng Ching   | –                             | –   | –                        | –  | –                | –   |
| Ooi Chee Har  | –                             | –   | –                        | –  | –                | –   |
| Wu Yu Liang   | –                             | –   | –                        | –  | –                | –   |
| Poh Boon Kher Melvin <sup>(4)(6)(8)</sup>   | 133,199,808                   | 8.85  | –                        | –  | 299,799,712      | 10.29   |
| <b>Substantial Shareholders</b>   |                               |   |                          |  |                  |   |
| Toh Bee Yong Bernard <sup>(6)(9)</sup>  | 104,062,350                   | 6.92  | –                        | –  | 356,093,525      | 12.22   |
| Ezion Holdings Limited  | 272,821,736                   | 18.13   | –                        | –  | 409,232,604      | 14.05   |
| <b>Undertaking Shareholders (other than Directors and Substantial Shareholders)</b> |                               |   |                          |  |                  |   |
| Asdew Acquisitions Pte. Ltd.  | 45,551,316                    | 3.03  | –                        | –  | 68,326,974       | 2.35  |
| <b>Subscribers (other than Directors and Substantial Shareholders)</b>              |                               |   |                          |  |                  |   |
| AOC Acquisitions Pte. Ltd. <sup>(6)(6)</sup>  | –                             | –   | –                        | –  | 750,000,000      | 25.75   |
| <b>Other Shareholders</b>   | 949,170,256                   | 63.08   | –                        | –  | 949,170,256      | 32.58   |
| <b>Noteholders<sup>(7)</sup></b>  | –                             | –   | –                        | –  | 80,299,996       | 2.76  |

**APPENDIX I – ILLUSTRATIVE TABLE INDICATING INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, UNDERTAKING SHAREHOLDERS, SUBSCRIBERS, NOTEHOLDERS AND OTHER SHAREHOLDERS IN A MINIMUM SUBSCRIPTION SCENARIO AND MAXIMUM SUBSCRIPTION SCENARIO IMMEDIATELY PRIOR TO AND AFTER THE PROPOSED TRANSACTIONS**

**Notes:**

- (1) Based on the Existing Share Capital of 1,504,805,466 Shares.
- (2) The Enlarged Share Capital of the Company pursuant to the Minimum Subscription Scenario comprises 2,912,923,067 Shares.
- (3) Mr. Stuart Maxwell Kenny, Non-Executive Chairman of the Company, is deemed interested in 8,908,896 Shares held by Emerald River Pty Ltd by virtue of his interest in Emerald River Pty Ltd.
- (4) Melvin Poh is an Independent Non-Executive Director of the Company.
- (5) Asdew holds 51% of the shareholding in AOC. As such, Asdew is deemed interested in the Shares held by AOC.
- (6) Undertaking Shareholder. Please refer to Section 5 for more information on the Undertaking Shareholders.
- (7) This refers to Noteholders who have elected for the Equity Redemption Payment Option.
- (8) The 133,199,808 Shares are registered in the name of DBS Nominees Pte Ltd.
- (9) The 104,062,350 Shares are registered in the name of DBS Nominees Pte Ltd.

**APPENDIX I – ILLUSTRATIVE TABLE INDICATING INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, UNDERTAKING SHAREHOLDERS, SUBSCRIBERS, NOTEHOLDERS AND OTHER SHAREHOLDERS IN A MINIMUM SUBSCRIPTION SCENARIO AND MAXIMUM SUBSCRIPTION SCENARIO IMMEDIATELY PRIOR TO AND AFTER THE PROPOSED TRANSACTIONS**

**Maximum Subscription Scenario**

|   | As at Latest Practicable Date |   |                          | Immediately after the Proposed Transactions<br>(Minimum Subscription Scenario) |                  |   |
|---|-------------------------------|---|--------------------------|--|------------------|---|
|   | Direct Interest               | Deemed Interest   | Deemed Interest          | Direct Interest  | Deemed Interest  | Deemed Interest   |
|   | Number of Shares              | Percentage of Existing Share Capital <sup>(1)</sup> (%) | Number of Shares         | Percentage of Existing Share Capital <sup>(1)</sup> (%)                        | Number of Shares | Percentage of Enlarged Share Capital <sup>(2)</sup> (%) |
| <b>Directors</b>  |                               |   |                          |  |                  |   |
| Stuart Maxwell Kenny  | –                             | –   | 8,908,896 <sup>(3)</sup> | 0.59   | –                | –   |
| Eng Chiaw Koon  | –                             | –   | –                        | –  | –                | 0.26  |
| Shane Kimpton   | –                             | –   | –                        | –  | –                | –   |
| Chew Heng Ching   | –                             | –   | –                        | –  | –                | –   |
| Ooi Chee Har  | –                             | –   | –                        | –  | –                | –   |
| Wu Yu Liang   | –                             | –   | –                        | –  | –                | –   |
| Poh Boon Kher Melvin <sup>(4)(6)(8)</sup>   | 133,199,808                   | 8.85  | –                        | –  | 299,799,712      | 8.85  |
| <b>Substantial Shareholders</b>   |                               |   |                          |  |                  |   |
| Toh Bee Yong Bernard <sup>(6)(9)</sup>  | 104,062,350                   | 6.92  | –                        | –  | 356,093,525      | 10.51   |
| Ezion Holdings Limited  | 272,821,736                   | 18.13   | –                        | –  | 409,232,604      | 12.08   |
| <b>Undertaking Shareholders (other than Directors and Substantial Shareholders)</b> |                               |   |                          |  |                  |   |
| Asdew Acquisitions Pte. Ltd.  | 45,551,316                    | 3.03  | –                        | –  | 68,326,974       | 2.02  |
| <b>Subscribers (other than Directors and Substantial Shareholders)</b>              |                               |   |                          |  |                  |   |
| AOC Acquisitions Pte. Ltd. <sup>(5)(6)</sup>  | –                             | –   | –                        | –  | 750,000,000      | 22.14   |
| <b>Other Shareholders</b>   | 949,170,256                   | 63.08   | –                        | –  | 1,423,755,384    | 42.03   |
| <b>Noteholders<sup>(7)</sup></b>  | –                             | –   | –                        | –  | 80,299,996       | 2.37  |

**APPENDIX I – ILLUSTRATIVE TABLE INDICATING INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, UNDERTAKING SHAREHOLDERS, SUBSCRIBERS, NOTEHOLDERS AND OTHER SHAREHOLDERS IN A MINIMUM SUBSCRIPTION SCENARIO AND MAXIMUM SUBSCRIPTION SCENARIO IMMEDIATELY PRIOR TO AND AFTER THE PROPOSED TRANSACTIONS**

**Notes:**

- (1) Based on the Existing Share Capital of 1,504,805,466 Shares.
- (2) The Enlarged Share Capital of the Company pursuant to the Minimum Subscription Scenario comprises 3,387,508,195 Shares.
- (3) Mr. Stuart Maxwell Kenny, Non-Executive Chairman of the Company, is deemed interested in 8,908,896 Shares held by Emerald River Pty Ltd by virtue of his interest in Emerald River Pty Ltd.
- (4) Melvin Poh is an Independent Non-Executive Director of the Company.
- (5) Asdew holds 51% of the shareholding in AOC. As such, Asdew is deemed interested in the Shares held by AOC.
- (6) Undertaking Shareholder. Please refer to Section 5 for more information on the Undertaking Shareholders.
- (7) This refers to Noteholders who have elected for the Equity Redemption Payment Option.
- (8) The 133,199,808 Shares are registered in the name of DBS Nominees Pte Ltd.
- (9) The 104,062,350 Shares are registered in the name of DBS Nominees Pte Ltd.

**PROVENANCE CAPITAL PTE. LTD.**

(Company Registration Number: 200309056E)  
(Incorporated in the Republic of Singapore)  
96 Robinson Road #13-01 SIF Building  
Singapore 068899

31 October 2018

To: The Unconflicted Directors of AusGroup Limited  
(deemed to be independent in respect of the Proposed Placement)

|                         |   |
|-------------------------|---|
| Mr Stuart Maxwell Kenny | (Chairman and Non-Executive Director)           |
| Mr Chew Heng Ching      | (Lead Independent Director and Deputy Chairman) |
| Mr Eng Chiaw Koon       | (Managing Director)                             |
| Mr Shane Kimpton        | (Chief Executive Officer)                       |
| Ms Ooi Chee Kar         | (Independent Non-Executive Director)            |
| Mr Wu Yu Liang          | (Independent Non-Executive Director)            |

Dear Sirs/Mdm,

**THE PROPOSED PLACEMENT OF SHARES TO MR POH BOON KHER MELVIN, A SUBSTANTIAL SHAREHOLDER AND DIRECTOR OF AUSGROUP LIMITED, AS AN INTERESTED PERSON TRANSACTION, IN CONNECTION WITH THE PROPOSED PLACEMENT**

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meaning as defined in the circular to the shareholders of AusGroup Limited (“Shareholders”) dated 31 October 2018 (“Circular”). For the purpose of this Letter, where applicable, we have used the foreign exchange rate of A\$1.00:S\$0.9806 as at 19 October 2018, being the Latest Practicable Date referred to in the Circular, unless otherwise stated. The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.*

**1. INTRODUCTION**

**1.1** On 29 March 2018 (“**Announcement Date**”), AusGroup Limited (“**Company**”, and together with its subsidiaries, “**Group**”) announced a proposed placement to three subscribers (“**Subscribers**”) to allot and issue an aggregate of 1,050,000,000 new ordinary shares in the capital of the Company (“**Subscription Shares**”) at an issue price of S\$0.035 per Subscription Share (“**Issue Price**”), for an aggregate cash consideration of S\$36.75 million, subject to the terms and conditions of the subscription agreements dated 28 March 2018 (“**Subscription Agreements**”) with the Subscribers (“**Proposed Placement**”). The Company also announced the key terms of a proposed rights issue (“**Rights Issue**”) of up to 752,402,733 rights shares (“**Rights Shares**”) at an issue price of S\$0.035 for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of the Company (“**Shares**”) held, to raise gross proceeds of up to S\$26.33 million.

The Company was proposing the above combination of fund raising exercises to address the repayment and/or restructuring of its existing outstanding Series 001 S\$110 million 8.45% notes due 20 October 2018 (“**Notes**”) issued by the Company pursuant to its S\$350 million Multicurrency Debt Issuance Programme established on 22 September 2014.

On 6 April 2018, the Company announced the details of the Rights Issue with the key terms of the Rights Issue as announced on the Announcement Date.

**1.2** The Proposed Placement and Rights Issue are subject to Shareholders’ approval at the forthcoming extraordinary general meeting (“**EGM**”).

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Proposed Placement and Rights Issue are also conditional upon, *inter alia*, the consent of the holders of the Notes (“**Noteholders**”) being obtained for the restructuring of the Notes. Details of the restructuring of the Notes are set out in the consent solicitation statement dated 27 September 2018 (“**Consent Solicitation Statement**”) issued by the Company to the Noteholders, summaries of which were announced by the Company on 2 October 2018 and 4 October 2018. As at the date of the Consent Solicitation Statement, the outstanding Notes amounted to S\$72,751,800.

In this regard, the Company had, on 19 October 2018, obtained the requisite approvals from the Noteholders at the meeting with the Noteholders (“**Noteholders’ Meeting**”) to proceed with the restructuring of the Notes. In addition, Noteholders holding Notes with an aggregate principal value of S\$3,372,600, representing approximately 4.64% of the outstanding Notes, had elected for the full redemption of their Notes in the form of new Shares (“**Redemption Shares**”) at the issue price of S\$0.042 per Redemption Share (“**Proposed Issue of Redemption Shares**”). Accordingly, in connection with the restructuring of the Notes, the Company will be issuing 80,299,996 Redemption Shares to the Noteholders, representing 5.34% of the existing 1,504,805,466 Shares.

The Company is also seeking Shareholders’ approval for the Proposed Issue of Redemption Shares at the EGM. The Company has confirmed that the Redemption Shares will not be entitled to participate in the Rights Issue.

- 1.3 In relation to the Proposed Placement, the Company had entered into three separate conditional Subscription Agreements with the Subscribers, namely Asdew Acquisitions Pte. Ltd. (“**Asdew**”), Mr Toh Bee Yong Bernard (“**Mr Bernard Toh**”) and Mr Poh Boon Kher Melvin (“**Mr Melvin Poh**”) to subscribe to 750 million, 200 million and 100 million Subscription Shares at the Issue Price of S\$0.035 each. On 26 April 2018, pursuant to the deed of novation, Asdew had transferred all its rights, obligations and liabilities under the Subscription Agreement to AOC Acquisitions Pte. Ltd. (“**AOC**”).

Asdew is an existing Shareholder, holding 3.03% shareholding interest in the Company. AOC is held 51% by Asdew, 15% by each of Mr Ching Chiat Kwong and Mr Low See Ching, and 9.5% by each of Mr Han Seng Juan and Mr David Loh Kim Kang. AOC will become a controlling Shareholder after the Proposed Placement. Hence, the Company is also seeking Shareholders’ approval at the EGM for the transfer of controlling interest in the Company to AOC pursuant to the Proposed Placement (“**Transfer of Controlling Interest**”).

Mr Bernard Toh and Mr Melvin Poh are existing substantial Shareholders, holding 6.92% and 8.85% shareholding interests in the Company respectively. In addition, Mr Melvin Poh is an Independent Non-Executive Director of the Company.

Accordingly, Mr Melvin Poh is considered as an Interested Person pursuant to Chapter 9 of the listing manual of the SGX-ST (“**Listing Manual**”) and the proposed placement of the Subscription Shares to Mr Melvin Poh (“**Proposed Placement to Mr Melvin Poh**”) constitutes an interested person transaction (“**IPT**” or “**Interested Person Transaction**”).

Pursuant to Rule 906 of the SGX-ST Listing Manual, an IPT of a value which exceeds the 5% threshold of the group’s latest audited net tangible assets (“**NTA**”) is subject to the approval of shareholders of the company at an EGM.

Based on the latest audited financial statements of the Group for the financial year ended 30 June 2018, the Group has a positive net asset value (“**NAV**”) of A\$41.73 million but a negative NTA value or net tangible liability position (“**NTL**”) of A\$1.97 million, after deducting goodwill and intangible assets totalling A\$43.70 million. Accordingly, the Proposed Placement to Mr Melvin Poh, as an IPT with a value of S\$3.5 million, will be subject to Shareholders’ approval at the EGM.



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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to Rule 921(4)(a) of the Listing Manual, the Company is also required to appoint an independent financial adviser (“**IFA**”) to opine on whether the Proposed Placement to Mr Melvin Poh as an IPT is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders (“**Independent Shareholders**”).

In summary, the Company is therefore seeking Shareholders’ approval at the EGM for the Rights Issue, Proposed Placement, Proposed Placement to Mr Melvin Poh as an IPT, Proposed Issue of Redemption Shares and Transfer of Controlling Interest (collectively referred to as the “**Proposed Transactions**”).

### 1.4 IFA

Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the IFA as required under Rule 921(4)(a) of the Listing Manual as well as to advise the Unconflicted Directors (as defined below) on whether the Proposed Placement to Mr Melvin Poh as an IPT is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders.

Mr Melvin Poh, as an Independent Non-Executive Director of the Company, is an Interested Person as set out in Section 1.3 above. Mr Melvin Poh has recused and will recuse himself from all of the Board’s deliberations and decision-making processes relating to any matter concerning the Proposed Placement. He and his associates (if any) will also abstain from voting in respect of their Shares on the ordinary resolution relating to the Proposed Placement at the EGM.

Save for Mr Melvin Poh, the remaining Directors, namely Mr Stuart Maxwell Kenny, Mr Chew Heng Ching, Mr Eng Chiaw Koon, Mr Shane Kimpton, Ms Ooi Chee Kar and Mr Wu Yu Liang are deemed to be independent with respect to the Proposed Placement and the Proposed Placement to Mr Melvin Poh (“**Unconflicted Directors**”).

This letter (“**Letter**”) is therefore addressed to the Unconflicted Directors and sets out, *inter alia*, our evaluation and opinion on the Proposed Placement to Mr Melvin Poh as an IPT. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, details of the Proposed Placement including the Proposed Placement to Mr Melvin Poh as an IPT and the recommendation of the Unconflicted Directors thereon.

## 2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA pursuant to Rule 921(4)(a) of the Listing Manual as well as to advise the Unconflicted Directors in respect of the Proposed Placement to Mr Melvin Poh as an IPT. We are not and were not involved or responsible, in any aspect, of the negotiations in relation to the Proposed Transactions nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the above fund raising exercises or to obtain the approval of the Independent Shareholders for the above fund raising exercises and related matters, and we do not, by this Letter, warrant the merits of the above fund raising exercises, other than to express an opinion on whether the Proposed Placement to Mr Melvin Poh as an IPT is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the above Company’s fund raising exercises, in particular, the Proposed Placement to Mr Melvin Poh or to compare its relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and/or the

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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management of the Company (“**Management**”) although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management and/or their professional advisers (where applicable) and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers (where applicable) of the Company, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Nevertheless, we have made reasonable enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their respective knowledge and belief, information and representations as provided by the Directors and Management are accurate. They have also confirmed to us that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Placement to Mr Melvin Poh, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us in relation to the Proposed Placement to Mr Melvin Poh, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Proposed Placement to Mr Melvin Poh, the Company and/or the Group that we have relied upon in arriving at our recommendation or advice, has been obtained from publicly available information and/or from the Directors and the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company and/or the Group at any time or as at 19 October 2018, being the Latest Practicable Date as referred to in the Circular.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Proposed Placement to Mr Melvin Poh. Such review or comment, if any, remains the sole responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group and, we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company and/or the Group. In addition, we are not expressing any view herein as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after the completion of the Proposed Placement to Mr Melvin Poh.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). As such, we will be relying on the disclosures and representations made by the Company on the value of assets and liabilities, and profitability of the Company and/or the Group. We have not been furnished with such evaluation or appraisal.

Our view as set out in this Letter is based upon the market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information provided and representations provided to us as at the Latest Practicable Date. In arriving at our view, with the consent of the Directors or the Company, we have taken into account certain other factors and have been required to make certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements in relation to the fund raising exercises, including the Proposed Placement to Mr Melvin Poh, which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendations, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Independent Shareholder or any specific group of the Independent Shareholders. As each Independent Shareholder may have different investment objectives and profiles, we recommend that any individual Independent Shareholder or group of Independent Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any purposes, other than at the forthcoming EGM and for the purpose of the Proposed Placement to Mr Melvin Poh as an IPT, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter in compliance with Rule 921(4)(a) of the Listing Manual as well as for the use of the Unconflicted Directors in their consideration of the Proposed Placement to Mr Melvin Poh as an IPT and their recommendation to the Independent Shareholders. The recommendation made to the Independent Shareholders in relation to the Proposed Placement to Mr Melvin Poh as an IPT remains the responsibility of the Unconflicted Directors.

**Our opinion in relation to the Proposed Placement to Mr Melvin Poh as an IPT should be considered in the context of the entirety of this Letter and the Circular.**

### 3. INFORMATION ON THE COMPANY AND THE GROUP

#### 3.1 Overview

The Company is listed on the Mainboard of the SGX-ST.

The Group offers a range of integrated service solutions to the energy, resources, industrial and mining sectors in Australia and South East Asia. Through its subsidiaries, the Group provides maintenance, construction, access services, fabrication and manufacturing and port & marine services.

The Company's present controlling and largest Shareholder, Ezion Holdings Limited ("**Ezion**"), owns 272,821,736 Shares, representing 18.13% of the existing Shares. The second and third largest substantial Shareholders are Mr Melvin Poh (holding 8.85% shareholding interest in the Company) and Mr Bernard Toh (holding 6.92% shareholding interest in the Company). Mr Melvin Poh is also an Independent Non-Executive Director of the Company.

Asdew is a Shareholder with 3.03% shareholding interest in the Company. Asdew holds 51% shareholding interest in AOC, which will be subscribing to the 750 million Subscription Shares pursuant to the Proposed Placement. Upon completion of the Proposed Placement, AOC will become the new controlling Shareholder. AOC is held 51% by Asdew, 15% by each of Mr Ching Chiat Kwong and Mr Low See Ching, and 9.5% by each of Mr Han Seng Juan and Mr David Loh Kim Kang.

Based on the existing 1,504,805,466 Shares and the last transacted Share price of S\$0.037 as at the Latest Practicable Date, the market capitalisation of the Company was approximately S\$55.7 million. The Company does not have any treasury shares or outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights in the Company.

The Company was placed on the SGX-ST watch-list with effect from 5 June 2017 pursuant to MTP Entry Criteria under Rule 1311(2) of the Listing Manual. Rule 1315 of the Listing Manual requires the Company to take active steps to meet the MTP Exit Criteria of Rule 1314(2) of the Listing Manual within 36 months from 5 June 2017, failing which the SGX-ST may either remove the Company from the Official List, or suspend trading of the listed securities of the Company with a view of removing the Company from the Official List. The MTP Exit Criteria of Rule 1314(2) provides that the Company on the watch-list may be removed from the watch-list if the Company records a volume-weighted average price of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the last 6 months.

On 19 October 2018, the Noteholders had approved the restructuring of the Notes at the Noteholders' Meeting and Noteholders holding Notes with an aggregate principal value of S\$3,372,600 had elected for the Redemption Shares as full repayment of their Notes.

#### 3.2 Ezion

The Company has an outstanding loan from Ezion which amounted to A\$34.17 million (S\$33.51 million) ("**Ezion Loan**") as at 30 June 2018. On 20 July 2018, Ezion gave an undertaking to the Company to vote in favour of the Rights Issue and Proposed Placement in respect of its shareholding interest in the Company.

In addition, pursuant to the letter of commitment dated 17 November 2016 from Ezion to the Company, in the event that the Company conducts a rights issue, Ezion will, *inter alia*, subscribe in full to its *pro rata* entitlements. Pursuant to the Rights Issue, Ezion's *pro rata* entitlement amounts to S\$4.77 million. The Company and Ezion had agreed for the subscription amount of the Rights Shares to be partially set-off against the outstanding Ezion Loan ("**Ezion Loan Set-Off**"). Accordingly, the Ezion Loan will be reduced to that extent.

### 3.3 Proposed Transactions

Since the fourth quarter of 2017, the Company had been exploring, *inter alia*, a combination of fund raising and debt restructuring exercises to address, amongst others, the repayment of its outstanding Notes of S\$72.8 million which was due for repayment on 20 October 2018. These Notes are the remaining Notes from the S\$110 million Notes issued in October 2014, which had since 2016 been varied and some of which had been converted into Shares.

The Company was then considering the following fund raising exercises:

- (a) a placement of 750 million Shares to AOC at S\$0.035 each, to raise S\$26.25 million in cash;
- (b) a placement of 100 million and 200 million Shares to Mr Melvin Poh and Mr Bernard Toh respectively at \$0.035 each, to raise an aggregate of S\$10.5 million in cash; and
- (c) a 1-for-2 rights issue at S\$0.035 for each rights share, which if fully subscribed will raise S\$26.3 million in cash. For the avoidance of doubt, the placement Shares will not be eligible to participate in the rights issue.

The Company had commenced negotiation on the terms of the placement with AOC in early January 2018 and had determined the Issue Price of S\$0.035 per Share with AOC on or around 8 and 9 January 2018, based on a discount to the prevailing market Share price which had then traded at between S\$0.039 and S\$0.043 on 8 and 9 January 2018.

As the amount raised from the placement with AOC was insufficient to achieve the target funds size of S\$35 million to partially redeem the outstanding Notes and for working capital purposes, the Company's second and third largest Shareholders, Mr Bernard Toh and Mr Melvin Poh respectively, had also expressed support to participate in the placement at the same Issue Price of S\$0.035 each.

The Company also considered a rights issue to enable all existing Shareholders to participate in the fund raising exercise at the same Issue Price on the basis of one rights share for every 2 Shares held. However, as the rights issue will not be underwritten, there is no certainty of raising the maximum proceeds under the rights issue.

The above terms of the fund raising exercises were finalised and announced on 29 March 2018, the Announcement Date, in the form of the Proposed Placement and Rights Issue.

The total 1,050 million Subscription Shares represent 69.8% of the Company's existing Shares, and 41.1% of the enlarged number of Shares immediately after the Proposed Placement.

The Issue Price for the Subscription Shares and Rights Shares of S\$0.035 represents a discount of 25.37% to the volume weighted average share price ("VWAP") of S\$0.0469 for trades done on 28 March 2018, being the full market day immediately preceding the Announcement Date.

As at the Latest Practicable Date, the last transacted Share price was S\$0.037. The Issue Price represents a slight discount of 5.4% to the above last transacted Share price.

Pursuant to the approval of the Noteholders on the restructuring of the Notes at the Noteholders' Meeting held on 19 October 2018, Noteholders holding Notes with an aggregate principal value of S\$3,372,600 had elected for the Redemption Shares as full repayment of their Notes. The Company will be seeking Shareholders' approval at the EGM for the Proposed Issue of Redemption Shares.

Ezion, Asdew, Mr Melvin Poh and Mr Bernard Toh have each given their respective undertakings to subscribe in full to their *pro rata* entitlements under the Rights Issue in respect of each of their shareholding interests in the Company. For the avoidance of doubt, the Subscription Shares are not entitled to participate in the Rights Issue. Accordingly, they will be subscribing for an aggregate of 277,817,605 Rights Shares, amounting to S\$9.72 million. The consideration for Ezion's subscription of the Rights Shares amounting to S\$4.77 million will be paid from or set-off against the outstanding Ezion Loan.

In addition, as AOC will become the new controlling Shareholder after the Proposed Placement and Rights Issue, with slightly less than 30% shareholding interest in the Company, AOC has agreed for its Subscription Shares to be moratorised for a period of 12 months from the completion date of the Proposed Placement. However, the Company is liable to pay AOC a break fee of S\$2,250,000 if, *inter alia*, the Proposed Placement is terminated by the Company for the purposes of accepting another proposal at the discretion of the Company.

The Proposed Placement, Proposed Placement to Mr Melvin Poh as an IPT, Rights Issue, Proposed Issue of Redemption Shares and the Transfer of Controlling Interest will be put forth for Shareholders' approval at the EGM and each of them are inter-conditional upon each other. If either of these ordinary resolutions is not passed, none of the resolutions will be passed.

Taking into consideration the 80,299,996 Redemption Shares to be issued and on the assumption that the Proposed Placement of 1,050,000,000 Subscription Shares and Rights Issue of 752,402,733 Rights Shares are fully subscribed and completed, the number of issued Shares will increase significantly by 125.1% or 1,882,702,729 Shares from 1,504,805,466 Shares to 3,387,508,195 Shares.

### **3.4 Salient information on the Subscribers and Listing Rules on the Proposed Placement**

Detailed information on the Subscribers are set out in Section 3.10 of the Circular.

#### **Asdew & AOC**

Asdew is a Shareholder, holding 45,551,316 Shares representing 3.03% shareholding interest of the Company as at the Latest Practicable Date. Asdew is a private limited company incorporated in Singapore on 15 December 1999 and engaged in the principal business of investing in listed equities, fixed income products and real estate products. Asdew is wholly-owned by Mr Wang Yu Huei and his spouse, Ms Lim Sor Kuan, who are also directors of Asdew.

Mr Wang Yu Huei has interest in the Notes held by his wholly-owned entity, Asian Dragon Acquisitions Ltd ("**ADA**"). ADA holds a total of 8 Notes with an aggregate principal value of S\$1,927,200. ADA did not elect for the redemption of its Notes in the form of Redemption Shares.

As at the date of the Subscription Agreement, AOC was not incorporated and the Company had signed the Subscription Agreement with Asdew with the intent and understanding that Asdew will transfer all its rights, obligations and liabilities under the Subscription Agreement to AOC upon its incorporation under a deed of novation. As announced by the Company on 30 April 2018, AOC has since been incorporated and the Company, Asdew and AOC had executed the above deed of novation on 26 April 2018.

AOC is majority owned by Asdew. The shareholders of AOC are Asdew (51%), Mr Ching Chiat Kwong (15%), Mr Low See Ching (15%), Mr Han Seng Juan (9.5%) and Mr Loh Kim Kang David (9.5%).

Mr Ching Chiat Kwong is the Executive Chairman and CEO of Oxley Holdings Limited ("**Oxley**"), a Mainboard listed company on the SGX-ST. Mr Low See Ching is the Deputy CEO

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of Oxley. Both Mr Ching Chiat Kwong and Mr Low See Ching are also controlling shareholders of Oxley.

Mr Han Seng Juan and Mr Loh Kim Kang David are non-executive directors and deemed controlling shareholders of Centurion Corporation Limited, a Mainboard listed company on the SGX-ST.

Pursuant to the Proposed Placement and Rights Issue, AOC and parties acting in concert with it will become the new controlling shareholder of the Company. AOC and its associates (including Asdew) will abstain from voting on the resolutions in relation to the Proposed Placement and Transfer of Controlling Interest.

AOC had expressed that it is not the intention of AOC and its concert parties to hold Shares which will exceed 29.90% of the issued Shares so as not to trigger any mandatory takeover obligations for the remaining Shares not held by them under the Singapore Code on Takeovers and Mergers (“**Takeover Code**”). Accordingly, we note that the Company had, on 25 October 2018, agreed with AOC to subscribe to the 750 million Subscription Shares in two stages, 700 million Subscription Shares at the same time as the issue of the Subscription Shares to Mr Bernard Toh and Mr Melvin Poh, and the balance 50 million Subscription Shares upon or after the completion of the Rights Issue.

Similarly, pursuant to Rule 820 of the Listing Manual, depending on the level of subscription for the Rights Shares, the Company may at its discretion, with the approval of the SGX-ST, scale down the subscription for the Rights Shares by any of the Shareholders to avoid placing the relevant Shareholder in the position of incurring a mandatory general offer obligation under the Takeover Code as a result of other Shareholders not taking up their Rights Shares entitlement fully.

### ***Mr Bernard Toh***

Mr Bernard Toh is the third largest substantial Shareholder, holding, direct and indirect, 104,062,350 Shares representing 6.92% shareholding interest of the Company as at the Latest Practicable Date.

As Mr Bernard Toh is a substantial Shareholder and the Proposed Placement includes placement of Subscription Shares to Mr Bernard Toh, the Proposed Placement is subject to Shareholders’ approval at the EGM under Rule 812(2) of the Listing Manual. Mr Bernard Toh and his associates will abstain from voting on the ordinary resolution relating to the Proposed Placement at the EGM.

### ***Mr Melvin Poh***

Mr Melvin Poh is an Independent Non-Executive Director of the Company and the second largest substantial Shareholder, holding, direct and indirect, 133,199,808 Shares representing 8.85% shareholding interest of the Company as at the Latest Practicable Date.

The Proposed Placement to Mr Melvin Poh is also deemed an Interested Person Transaction pursuant to Rule 904 of the Listing Manual.

Accordingly, the Proposed Placement to Mr Melvin Poh is subject to Shareholders’ approval at the EGM under Rules 804, 812 and 906 of the Listing Manual, and the opinion of the IFA on the transaction as an IPT under Rule 921(4)(a) of the Listing Manual. Mr Melvin Poh has recused and will recuse himself from all of the Board’s deliberations and decision-making processes relating to any matter concerning the Proposed Placement which includes the Proposed Placement to Mr Melvin Poh. He and his associates (if any) will also abstain from voting on the ordinary resolutions relating to the Proposed Placement and the Proposed Placement to Mr Melvin Poh at the EGM.

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### ***Issue Price and size of the Subscription Shares***

The Proposed Placement is also subject to Shareholders' approval at the EGM under Rule 811 of the Listing Manual as the issue price of the Subscription Shares is priced at more than 10% discount to the VWAP for trades done on the full market day on the date of the Subscription Agreements. The Shares were halted for trading on 29 March 2018 during which the Proposed Placement was announced.

The Company is also seeking Shareholders' approval under Rule 805 of the Listing Manual as the size of the Proposed Placement is well beyond the limit of the general mandate with respect to the authority to issue Shares by Directors as approved by Shareholders at the last annual general meeting held on 25 October 2018.

Accordingly, the Proposed Placement is subject to the approval of Shareholders at the EGM pursuant to Rules 803, 804, 805, 811 and 812 of the Listing Manual.

### **3.5 Financial overview of the Group**

#### **3.5.1** Over the last 3 financial years, the Group had seen improvements in its financial performance and its financial position pursuant to certain restructuring and refinancing of the Group's debts and improvement in its businesses.

For the last three financial years for FY2016, FY2017 and FY2018, the Company's auditors had issued disclaimers of opinion on the audited financial statements of the Group based on, *inter alia*, insufficient audit evidence to support the recoverable amount of the assets relating to the Group's Port and Marine cash-generating-unit ("CGU").

As at 30 June 2018, the Group's property, plant and equipment of A\$45.2 million and intangible asset of A\$32.1 million were attributable to the Port and Marine CGU.

The Company's auditors also highlighted material uncertainties on the use of going concern assumption in the preparation of the Group's financial statements for FY2018 due to the outstanding Notes which are due in October 2018 and which are intended to be restructured subject to, *inter alia*, Noteholders' approval and the completion of the Proposed Placement and Rights Issue.

On 19 October 2018, the Noteholders had approved the restructuring of the Notes.

The Proposed Placement and Rights Issue are the subject matters of the Circular to be approved by Shareholders at the EGM.

#### **3.5.2 Summary of the financial performance of the Group**

Set out below is a summary of the audited profit and loss statements of the Group for FY2017 and FY2018:

| <b>A\$'000</b>                              | <b>FY2017</b> | <b>FY2018</b> |
|---|---------------|---------------|
| Revenue                                     | 434,960       | 566,807       |
| Gross profit                                | 44,674        | 57,483        |
| Profit from operations                      | 18,272        | 25,225        |
| Finance costs                               | (17,104)      | (11,681)      |
| Net gain on debt restructure                | 5,541         | 1,314         |
| Profit before income tax                    | 6,709         | 14,858        |
| Profit after tax from continuing operations | 3,135         | 13,466        |



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| A\$'000   | FY2017       | FY2018        |
|---|--------------|---------------|
| Profit from discontinued operations, net of tax | 1,438        | 10            |
| <b>Net profit for the year</b>                  | <b>4,573</b> | <b>13,476</b> |
| Net profit attributable to:                     |              |               |
| - Equity holders of the Company                 | 4,738        | 13,476        |
| - Non-controlling interests                     | (165)        | -             |
|   | <b>4,573</b> | <b>13,476</b> |

*Source: The Company's annual report for FY2018*

Revenue of the Group had increased by 30.3% from A\$435.0 million in FY2017 to A\$566.8 million in FY2018 mainly attributable to robust performance by the Group's core projects in the energy and mineral process sectors.

Gross profit increased in line with the increase in revenue in FY2018 but gross profit margin decreased slightly from 10.3% in FY2017 to 10.1% in FY2018.

Despite the impairment of receivables of A\$5.5 million and impairment of other assets of A\$9.4 million in FY2018 and off-set to some extent by lower other operating expenses and administrative expenses, the Group achieved higher net profit from operations of A\$25.2 million for FY2018 compared to A\$18.3 million for FY2017, an increase of 37.7%. The impairment of other assets was due to the completion of major project work and the restructuring of the Group's business in relation to access services which include scaffolding, scaffold engineering and design, rope access, labour supply and stock control, logistics and transportation.

Finance cost was lower in FY2018 compared to FY2017 due to the reduction in the outstanding Notes and the reduction in the interest rate on the Ezion Loan. As a result of the debt conversion exercises since the 4<sup>th</sup> quarter of FY2017, the Group had recorded a net gain on partial debt restructuring of A\$1.3 million for FY2018 compared to A\$5.5 million in FY2017.

### ***PER implied by the Issue Price***

Based on the net profit attributable to the owners of the Company of A\$13.48 million for FY2018 and the weighted average number of Shares of 1,479,474,489 Shares in FY2018, the earnings per Share ("**EPS**") for FY2018 was A\$0.0091. The Issue Price of S\$0.035 (A\$0.03569) represents a historical price-earnings ratio ("**PER**") of 3.92 times.

On an adjusted basis, after excluding net gain on debt restructuring of A\$1.31 million, the adjusted net profit attributable to the owners of the Company ("**Adjusted Net Profits**") would be A\$12.16 million, or Adjusted EPS of A\$0.0082. The Issue Price of S\$0.035 (A\$0.03569) represents a historical adjusted PER of **4.35** times of the Adjusted EPS.

### ***EV/EBITDA ratio implied by the Issue Price***

The Group's EBITDA for FY2018, which is derived based on Adjusted Net Profits before taxation and after adding back depreciation and amortisation expense and net finance costs, is A\$35.46 million. The enterprise value ("**EV**"), derived by taking the Company's market capitalisation implied by the Issue Price and adding back borrowings and deducting cash and bank balances, is A\$136.80 million. Hence, the EV/EBITDA implied by the Issue Price is **3.86** times.

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### 3.5.3 Financial position of the Group

Set out below is a summary of the audited statement of financial position of the Group as at 30 June 2018:

| A\$'000   | As at 30 June 2018   |
|---|----------------------|
| <b>Current assets</b>   |                      |
| Cash and cash equivalents   | 37,846               |
| Trade receivables   | 93,418               |
| Other receivables and prepayments                                 | 8,378                |
| Inventories   | 4,165                |
| <b>Total current assets</b>                                       | <b>143,807</b>       |
| <b>Non-current assets</b>   |                      |
| Property, plant and equipment                                     | 75,584               |
| Goodwill  | 10,994               |
| Other intangible assets   | 32,704               |
| <b>Total non-current assets</b>                                   | <b>119,282</b>       |
| <b>Total assets</b>   | <b>263,089</b>       |
| <b>Current liabilities</b>  |                      |
| Trade payables  | 37,051               |
| Other payables  | 47,725               |
| Borrowings  | 86,770               |
| Accruals for other liabilities and charges                        | 10,215               |
| Current income tax liability                                      | 1,945                |
| Provisions  | 859                  |
| <b>Total current liabilities</b>                                  | <b>184,565</b>       |
| <b>Non-current liabilities</b>                                    |                      |
| Deferred income tax liabilities                                   | 1,362                |
| Borrowings  | 34,172               |
| Accruals for other liabilities and charges                        | 1,265                |
| <b>Total non-current liabilities</b>                              | <b>36,799</b>        |
| <b>Total liabilities</b>  | <b>221,364</b>       |
| <b>Total equity / NAV</b>   | <b>41,725</b>        |
| <b>NTL (after deducting goodwill and other intangible assets)</b> | <b>1,973</b>         |
| <b>Number of Shares</b>   | <b>1,504,805,466</b> |
| <b>NAV per Share</b>  | <b>A\$0.02773</b>    |
| <b>NTL per Share</b>  | <b>A\$0.00131</b>    |

*Source: The Company's annual report for FY2018*

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Based on the latest audited financial statements of the Group for FY2018, the Group has a much higher positive NAV of A\$41.73 million as at 30 June 2018, an increase of 79% compared to the NAV of A\$23.3 million as at 30 June 2017. However, after deducting goodwill and other intangible assets totalling A\$43.70 million as at 30 June 2018, the Group is still in a NTL position of A\$1.97 million, albeit at a much lower NTL position compared to the NTL position of A\$24.27 million as at 30 June 2017.

Total current assets comprise mainly cash (representing 26.3% of total current assets) and trade receivables (65.0% of total current assets). Total non-current assets comprise mainly property, plant and equipment (representing 63.4% of total non-current assets), goodwill (representing 9.2% of total non-current assets) and intangible assets (representing 27.4% of total non-current assets).

The net gearing of the Group as at 30 June 2018 is high at 2.0 times based on its total borrowings of A\$120.9 million less cash of A\$37.8 million compared to its equity of A\$41.7 million. Of the total borrowings, 71.7% are current and 28.3% are non-current.

The borrowings under current liabilities of A\$86.8 million comprise mainly the Notes which are due for repayment on 20 October 2018, and hence, the urgent need by the Company to restructure and/or repay the Notes. Pursuant to the Noteholders Meeting held on 19 October 2018, the Noteholders had approved the restructuring of the Notes, wherein some of the Notes will, *inter alia*, be redeemed in the form of the Redemption Shares, and some of the Notes will be partially repaid in cash and the balance will remain as Notes with an extended tenor at a lower coupon rate.

The borrowings under non-current liabilities of A\$34.2 million represents the outstanding Ezion Loan as at 30 June 2018. Pursuant to the letter of commitment from Ezion, Ezion will be subscribing to its *pro rata* entitlement of the Rights Shares amounting to A\$4.77 million. The Company had agreed with Ezion for the subscription amount for the Rights Shares to be settled via the Ezion Loan Set-Off. Accordingly, the Ezion Loan will be reduced to that extent.

As at 30 June 2018, the NAV per Share was A\$0.02773. The Issue Price of S\$0.035 (A\$0.03569) represents a premium of 28.7% above the NAV per Share as at 30 June 2018 or a Price-to-NAV ("**P/NAV**") ratio of 1.29 times.

The Issue Price (A\$0.03569) is at a substantial premium of A\$0.03700 above the negative NTA or NTL per Share of A\$0.00131. Computation of the premium as a percentage or a Price-to-NTA ("**P/NTA**") ratio is not meaningful in view of the negative NTA position of the Group as at 30 June 2018.

In our evaluation of the financial terms of the Proposed Placement to Mr Melvin Poh, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the latest audited statement of financial position of the Group as at 30 June 2018, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the financial position of the Group as at 30 June 2018.

In respect of the above, we have sought the following confirmation from the Directors and the Management, and they have confirmed to us that, as at the Latest Practicable Date, to the best of their knowledge and belief, save as disclosed in the announcements made by the Company and the Company's 2018 annual report, since 1 July 2018 and up to the Latest Practicable Date:

- (a) there are no material differences between the realisable values of the Group's assets and their respective book values as at 30 June 2018 which would have a material impact on the financial position of the Group;

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- (b) there are no contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the financial position of the Group as at the Latest Practicable Date;
- (c) there are no litigation, claim or proceeding pending or threatened against the Group of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Group taken as a whole;
- (d) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions or disposals of assets by the Group between 30 June 2018 and the Latest Practicable Date nor does the Group have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business other than in the ordinary course of business.

#### 4. PROPOSED PLACEMENT TO MR MELVIN POH

- 4.1 The main terms of the Proposed Placement to Mr Melvin Poh are the same as the terms of the placements to AOC and Mr Bernard Toh, except for the number of Subscription Shares to be subscribed by each of them.

Details of the Proposed Placement are set out in Section 3 of the Circular and Section 3.3 of this Letter.

A summary of the key terms of the Proposed Placement to Mr Melvin Poh is set out below for your reference:

- (a) 100,000,000 Subscription Shares at the Issue Price of S\$0.035 each for S\$3,500,000 in cash;
- (b) the Subscription Shares will not be entitled to participate in the Rights Issue; and
- (c) Mr Melvin Poh has given his undertaking to subscribe in full to his *pro rata* entitlement to the Rights Shares in respect of his existing Shares, representing 8.85% shareholding interest in the Company.

The above Subscription Shares represent 6.65% of the existing number of Shares and 3.91% of the enlarged number of Shares immediately after the Proposed Placement but before the Proposed Issue of Redemption Shares and the Rights Issue.

As the Proposed Placement to Mr Melvin Poh is deemed an IPT, Mr Melvin Poh has recused and will recuse himself from all deliberations of the Board and will abstain from making any recommendation or voting on the board resolution relating to the Proposed Placement including the Proposed Placement to Mr Melvin Poh as a Director of the Company. He will also abstain and will procure his associates (if any) to abstain from voting in respect of their Shares on the ordinary resolutions pertaining to the Proposed Placement and the Proposed Placement to Mr Melvin Poh at the EGM.

#### 4.2 Conditions Precedent

As an IPT, the Proposed Placement to Mr Melvin Poh is subject to Shareholders' approval and the opinion of the IFA. As the Proposed Placement to Mr Melvin Poh is part of the Proposed

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Placement and the Proposed Placement is, in turn, part of the fund raising and debt restructuring exercises, each of the ordinary resolutions in connection with the above fund raising and debt restructuring exercises being put forth for Shareholders' approval at the EGM is inter-conditional upon each other. If any one of the ordinary resolutions is not approved by Shareholders at the EGM, none of the resolutions will be passed.

In addition, the Proposed Placement is subject to the SGX-ST's in-principle approval for the listing and quotation of the Subscription Shares.

The conditions precedent of the Proposed Placement are set out in Section 3.4 of the Circular.

On 29 October 2018, in-principle approval for the listing and quotation of the Subscription Shares, the Rights Shares and the Redemption Shares was obtained from the SGX-ST subject to certain conditions as set out in Section 1.7 of the Circular.

Shareholders should take note of any further announcements by the Company in relation to the above matters.

### 5. EVALUATION OF THE PROPOSED PLACEMENT TO MR MELVIN POH AS AN IPT

In our evaluation of the Proposed Placement to Mr Melvin Poh as an IPT, we have given due consideration to, *inter alia*, the following key factors:

- (a) Rationale for the Proposed Placement and the resultant shareholding interests;
- (b) Assessment of the Issue Price of the Subscription Shares; and
- (c) Other relevant considerations.

#### 5.1 Rationale for the Proposed Placement and the resultant shareholding interests

##### Rationale for the Proposed Placement

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Placement including the Proposed Placement to Mr Melvin Poh or the future prospects of the Group after the Proposed Placement. An extract of the full text of the rationale for the Proposed Placement which can be found in Section 3 of the Circular is set out below:

*“The Company intends to further improve its net asset position on its balance sheet by reducing debt and increasing paid-up capital by undertaking inter alia the Proposed Placement. The Company intends to use the proceeds raised from the Rights Issue and Proposed Placement for the Partial Cash Redemption, general corporate and working capital requirements of the Group and, where the Company receives more than S\$39.0 million in cash in respect of the Rights Issue and Proposed Placement, to redeem the outstanding principal amount of the Notes using the amount in excess of S\$39.0 million, provided that such amount is not less than the Minimum Redemption Amount set out in the Notice of Meeting.”*

As mentioned in Section 3.3 of this Letter, the Proposed Placement to Mr Melvin Poh is part of the fund raising exercises to address, *inter alia*, the repayment of the Group's existing outstanding Notes which was due for repayment on 20 October 2018.

The number of Subscription Shares to be subscribed by Mr Melvin Poh is the lowest among the three Subscribers to the Proposed Placement, comprising 100 million Subscription Shares representing 9.52% of the total 1,050 million Subscription Shares. The main terms of the

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Proposed Placement are the same for each of the Subscribers, namely AOC, Mr Bernard Toh and Mr Melvin Poh. The gross amount of funds raised from the Proposed Placement to Mr Melvin Poh is S\$3.5 million based on the Issue Price of S\$0.035 each.

As we understand from the Company, Mr Melvin Poh as a substantial Shareholder, had together with Mr Bernard Toh, another substantial Shareholder, expressed support to the Company to participate in the Proposed Placement as the placement to AOC alone was insufficient to achieve the target funds to partially redeem the Notes and for working capital purposes. The details of the intended use of proceeds from the Proposed Transactions are set out in Section 6.2 of the Circular.

A breakdown of the Subscription Shares and gross proceeds raised from the Proposed Placement (before the Proposed Issue of Redemption Shares and Rights Issue) is set out in the table below:

| Subscribers    | No. of Subscription Shares (million) | Gross proceeds (S\$ million) | Subscription Shares as a percentage of existing number of Shares <sup>(1)</sup> (%) | Subscription Shares as a percentage of enlarged number of Shares <sup>(2)</sup> (%) |
|----------------|--------------------------------------|------------------------------|---|---|
| AOC            | 750.0                                | 26.25                        | 49.8  | 29.4  |
| Mr Bernard Toh | 200.0                                | 7.00                         | 13.3  | 7.8   |
| Mr Melvin Poh  | 100.0                                | 3.50                         | 6.6   | 3.9   |
| <b>Total</b>   | <b>1,050.0</b>                       | <b>36.75</b>                 | <b>69.8</b>   | <b>41.1</b>   |

**Notes:**

- (1) Based on 1,504.8 million existing Shares as at the Latest Practicable Date; and
- (2) Based on 2,554.8 million Shares after the Proposed Placement but before the Proposed Issue of Redemption Shares and Rights Issue.

Resultant shareholding interests

Asdew is deemed as a concert party and an associate of AOC. Asdew holds 45.55 million Shares as at the Latest Practicable Date. The subscription of the Subscription Shares by AOC will significantly increase its shareholding interest in the Company. AOC and its concert parties do not intend to trigger any mandatory takeover obligations under the Code arising from the Proposed Placement. As such, the Company and AOC have agreed for the Subscription Shares to be issued to AOC in two stages, 700 million Subscription Shares to be issued to AOC concurrently with the issue of the Subscription Shares to Mr Bernard Toh and Mr Melvin Poh; and the balance 50 million Subscription Shares to be issued upon or after the completion of the Rights Issue.

Mr Bernard Toh and Mr Melvin Poh also hold existing Shares. The subscription of the Subscription Shares by them will increase their respective shareholding interests in the Company.

The Proposed Issue of Redemption Shares will have the effect of diluting the shareholding interests of the Subscribers and existing Shareholders in the Company to some extent.

Ezion, Asdew, Mr Bernard Toh and Mr Melvin Poh (“**Undertaking Shareholders**”) have each given their undertakings to subscribe to their respective full entitlements in the Rights Issue. Depending on the level of subscription of the Rights Issue by other Shareholders, the above

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Undertaking Shareholders' interests in the Company will increase accordingly after the Rights Issue if other Shareholders do not take up their full entitlements or apply for excess Rights Shares.

As at the Latest Practicable Date, Mr Melvin Poh's shareholding interest in the Company is 8.85%. Based on the illustrative shareholding table below, Mr Melvin Poh's resultant shareholding interest in the Company will increase to 10.29% under the Minimum Scenario and remain at 8.85% under the Maximum Scenario upon the completion of the Proposed Transactions.

As disclosed in Section 3.10 of the Circular, Mr Melvin Poh may be re-designated as a Non-Executive Director in compliance with the applicable Code of Corporate Governance.

As an illustration, the various scenarios giving rise to the resultant shareholding interests of the various Shareholders are set out in the table below:

- (a) After the Proposed Placement (where AOC subscribes to 700 million out of 750 million Subscription Shares) but before the Proposed Issue of Redemption Shares and Rights Issue (**Column A**);
- (b) As in (a) above and after the Proposed Issue of Redemption Shares but before the Rights Issue (**Column B**);
- (c) As in (b) above and after the Rights Issue based on the Minimum Scenario where only the Undertaking Shareholders subscribe to the Rights Shares and AOC subscribes to the balance 50 million Subscription Shares (**Column C**); and
- (d) As in (c) above but based on the Maximum Scenario where the Rights Shares will be fully subscribed and AOC subscribes to the balance 50 million Subscription Shares (**Column D**).

**Table: Resultant shareholding interests of various Shareholders**

|                    | Existing             |               | Column A             |               | Column B             |               | Column C             |               | Column D             |               |
|--------------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|
|                    | Number of Shares     | %             | Number of Shares     | %             | Number of Shares     | %             | Number of Shares     | %             | Number of Shares     | %             |
| Ezion              | 272,821,736          | 18.13         | 272,821,736          | 10.89         | 272,821,736          | 10.55         | 409,232,604          | 14.05         | 409,232,604          | 12.08         |
| Asdew              | 45,551,316           | 3.03          | 45,551,316           | 1.82          | 45,551,316           | 1.76          | 68,326,974           | 2.35          | 68,326,974           | 2.02          |
| AOC                | -                    | 0.00          | 700,000,000          | 27.95         | 700,000,000          | 27.08         | 750,000,000          | 25.75         | 750,000,000          | 22.14         |
| Mr Bernard Toh     | 104,062,350          | 6.92          | 304,062,350          | 12.14         | 304,062,350          | 11.76         | 356,093,525          | 12.22         | 356,093,525          | 10.51         |
| Mr Melvin Poh      | 133,199,808          | 8.85          | 233,199,808          | 9.31          | 233,199,808          | 9.02          | 299,799,712          | 10.29         | 299,799,712          | 8.85          |
| Other Shareholders | 949,170,256          | 63.08         | 949,170,256          | 37.89         | 949,170,256          | 36.72         | 949,170,256          | 32.58         | 1,423,755,384        | 42.03         |
| Noteholders        | -                    | -             | -                    | -             | 80,299,996           | 3.11          | 80,299,996           | 2.76          | 80,299,996           | 2.37          |
| <b>Total</b>       | <b>1,504,805,466</b> | <b>100.00</b> | <b>2,504,805,466</b> | <b>100.00</b> | <b>2,585,105,462</b> | <b>100.00</b> | <b>2,912,923,067</b> | <b>100.00</b> | <b>3,387,508,195</b> | <b>100.00</b> |

**Notes:**

- (1) where AOC subscribes to 700 million out of the 750 million Subscription Shares; and
- (2) where AOC subscribes to the balance 50 million Subscription Shares.



**5.2 Assessment of the Issue Price of the Subscription Shares**

Mr Melvin Poh will be subscribing to the Subscription Shares at the same Issue Price of S\$0.035 each as the other non-interested Subscribers, namely AOC and Mr Bernard Toh. For the purpose of the Proposed Placement to Mr Melvin Poh as an IPT, we have assessed the Issue Price, after taking into consideration the following:

- (i) the historical trading performance and trading liquidity of the Shares; and
- (ii) a comparison of valuation ratios of selected listed companies whose businesses are broadly comparable with the Group.

**5.2.1 Historical trading performance and trading liquidity of the Shares**

As set out in Section 3.3 of this Letter, the Company had commenced negotiation on the terms of the placement with AOC in early January 2018 and had determined the Issue Price with AOC on or around 8 and 9 January 2018, based on a discount to the prevailing market Share price which had then traded at between S\$0.039 and S\$0.043 on 8 and 9 January 2018 (“**Determination Dates**”). The Issue Price represents a discount of between 10.3% and 18.6% to the then market Share price of between S\$0.039 and S\$0.043.

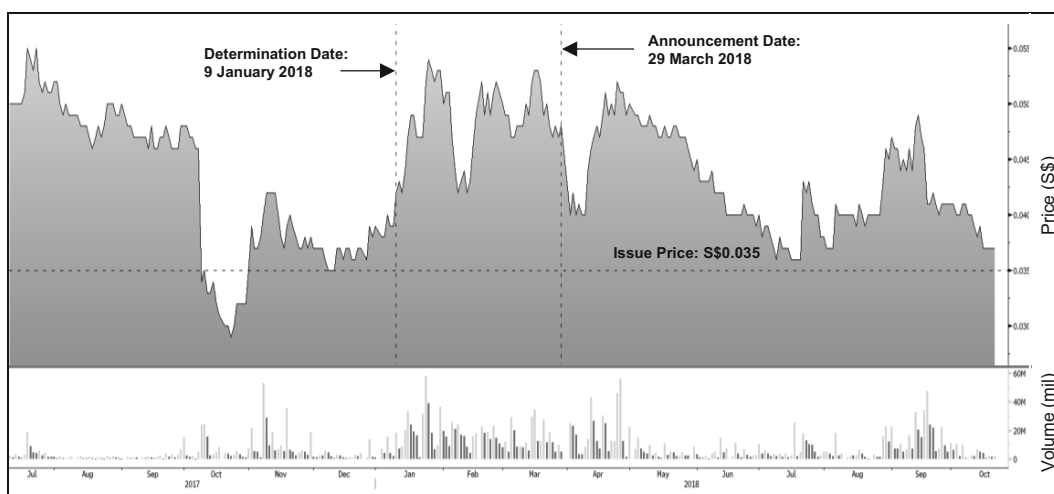
The Subscription Agreements were dated 28 March 2018 and the Proposed Placement was announced on 29 March 2018, during the trading halt for the day. The VWAP of the Shares on 28 March 2018 was S\$0.0469. The Issue Price represents a discount of 25.37% to the above VWAP.

As at the Latest Practicable Date, the Shares were last transacted at S\$0.037. The Issue Price represents a slight discount of 5.4% to the above last transacted Share price.

As observed from the above, the percentage discount of the Issue Price can vary significantly in view of the low trading Share price. In addition, the Share price movement was quite volatile as shown in the chart below.

We set out below a chart showing the Issue Price relative to the daily last transacted prices and trading volume of the Shares for the last 6 months prior to the Determination Dates and up to the Latest Practicable Date (“**Period Under Review**”).

**Price movement and trading volume of the Shares for the Period Under Review**



Source: Bloomberg L.P., based on the daily last transacted Share prices for the Period Under Review

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### Overview

As can be seen from the chart above, the Share prices had been volatile. For the Period Under Review, the Shares had traded from a low of S\$0.028 to a high of S\$0.057.

From 10 July 2017 (being the start of the Period Under Review) to 6 October 2017, the Shares had traded at and above S\$0.046, after which the Share prices had declined steeply during October 2017 to a low of S\$0.029 (23 October 2017). Share price rebounded somewhat to around S\$0.038 in the subsequent months up to the Determination Date of 9 January 2018.

On 8 January 2018, the Shares had traded between S\$0.039 and S\$0.040 and were last transacted at S\$0.039. On 9 January 2018, the Shares had traded between a low of S\$0.040 and a high of S\$0.043 and were last transacted at S\$0.042. The VWAP of the Shares on 8 and 9 January 2018, being the Determination Dates was S\$0.0412. The Issue Price of S\$0.035 represents a discount of 15.0% to the VWAP of S\$0.0412.

Following the Determination Date, Share price spiked to a high of S\$0.054 on 24 January 2018 on heavy trading volume. During the ensuing period up to the Announcement Date, heavier trading volume was observed compared to the period prior to the Determination Date and the Shares were trading at between S\$0.041 and S\$0.054. The Shares were last transacted at S\$0.048 on 28 March 2018. The Issue Price represents a discount of 27.1% to the last transacted Share price of S\$0.048.

In the subsequent days following the release of the Announcement, Share price declined somewhat to around S\$0.04 before rebounding to a high of S\$0.052 on 24 April 2018. Since then, the Shares continued on a downward trend and also exhibited volatility thereafter, and were last transacted at S\$0.037 on the Latest Practicable Date. The Issue Price represents a slight discount of 5.4% to the last transacted Share price of S\$0.037.

The trading volatility could be due in part to the Company's various announcements from March to September 2018 in relation to the Company's confidential discussions to evaluate an unsolicited, indicative and non-binding expression of interest from a third party. On 18 September 2018, the Company announced that it had ceased discussions with the third party.

### Market Statistics

In addition to the Share price chart above, we have tabulated selected statistical information on the Share price performance and trading liquidity of the Shares (a) over the last 6 months, 3 months and 1 month prior to the release of the Announcement on 29 March 2018, being the Announcement Date; and (b) since 2 April 2018 and up to the Latest Practicable Date as set out below:

| Reference period                             | Highest traded price (S\$) | Lowest traded price (S\$) | VWAP <sup>(1)</sup> (S\$) | Premium / (Discount) of Issue Price over/(to) VWAP (%) | Number of traded days <sup>(2)</sup> | Average daily trading volume <sup>(3)</sup> ('000) | Average daily trading volume as a percentage of free float <sup>(4)</sup> (%) |
|--|----------------------------|---------------------------|---------------------------|--|--------------------------------------|--|---|
| <b><u>Prior to the Announcement Date</u></b> |                            |                           |                           |  |                                      |  |   |
| Last 6 months                                | 0.056                      | 0.028                     | 0.0456                    | (23.2)   | 125                                  | 11,181   | 1.13  |
| Last 3 months                                | 0.056                      | 0.037                     | 0.0487                    | (28.1)   | 62                                   | 15,823   | 1.59  |
| Last 1 month                                 | 0.053                      | 0.046                     | 0.0497                    | (29.6)   | 20                                   | 14,261   | 1.44  |

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| Reference period   | Highest traded price (S\$) | Lowest traded price (S\$) | VWAP <sup>(1)</sup> (S\$) | Premium / (Discount) of Issue Price over/(to) VWAP (%) | Number of traded days <sup>(2)</sup> | Average daily trading volume <sup>(3)</sup> ('000) | Average daily trading volume as a percentage of free float <sup>(4)</sup> (%) |
|--|----------------------------|---------------------------|---------------------------|--|--------------------------------------|--|---|
| 28 March 2018 (being the trading day when the Shares were last transacted prior to the release of the Announcement on 29 March 2018) | 0.048                      | 0.046                     | 0.0469                    | (25.4)   | 1                                    | 4,768  | 0.48  |
| <b><u>After the release of the Announcement</u></b>  |                            |                           |                           |  |                                      |  |   |
| 2 April 2018 to the Latest Practicable Date  | 0.054                      | 0.034                     | 0.0446                    | (21.5)   | 140                                  | 8,619  | 0.87  |
| Latest Practicable Date  | 0.038                      | 0.037                     | 0.0371                    | (5.7)  | 1                                    | 1,834  | 0.18  |

**Source:** Bloomberg L.P.

**Notes:**

- (1) The VWAP for the respective periods are calculated based on the aggregate daily turnover value of the Shares divided by the aggregate daily trading volume of the Shares for the respective periods as extracted from Bloomberg L.P.. Off market transactions are excluded from the calculation;
- (2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period; and
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 993.2 million Shares based on the free float of approximately 66% as disclosed in the Company's Annual Report for FY2018.

We observe the following with regard to the Share price performance of the Company for the 6-month, 3-month and 1-month periods prior to the Announcement Date and up to the Latest Practicable Date:

- (a) Over the 6-month period prior to the release of the Announcement on 29 March 2018, the Shares had traded between a low of S\$0.028 and a high of S\$0.056. The Issue Price is at a premium of 25.0% above the lowest transacted price and a discount of 37.5% to the highest transacted price during this period;
- (b) The Issue Price represents discounts of 23.2%, 28.1% and 29.6% to the VWAP of the Shares for the 6-month, 3-month and 1-month periods prior to the Announcement Date respectively;
- (c) The Issue Price represents a discount of 27.1% to the last transacted Share price of S\$0.048 on 28 March 2018 prior to the release of the Announcement; and
- (d) Since the Announcement Date and up to the Latest Practicable Date, the Shares had traded between a low of S\$0.034 and a high of S\$0.054. As at the Latest Practicable Date, the Shares were last transacted at S\$0.037. The Issue Price continues to represent a discount, but at a lower discount of 5.4% to the last transacted price on the Latest Practicable Date.

We observe the following with regard to the trading liquidity of the Shares:

- (i) For the 6-month, 3-month and 1-month period prior to the Announcement Date and up to

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the Latest Practicable Date, the Shares were regularly traded on a daily basis. The average daily trading volume of the Shares for the 6-month, 3-month and 1-month periods prior to the Announcement Date represented 1.13%, 1.59% and 1.44% of the free float of the Shares respectively; and

- (ii) Following the Announcement Date and up to the Latest Practicable Date, the average daily trading volume on the Shares was 8.62 million Shares, representing 0.87% of the free float of the Shares.

### 5.2.2 Comparison of valuation ratios of selected listed companies whose businesses are broadly comparable with the Group

The Group is engaged in the provision of integrated service solutions to the energy, resources, industrial and mining sectors across Australia and South East Asia.

For the purpose of assessing the Issue Price, we have made a comparison against the valuation ratios of selected companies listed on the SGX-ST that are engaged in the business of providing multi-disciplinary engineering services to the oil and gas sector that can be considered as broad proxies to the Group (“**Comparable Companies**”). There are three such companies but these Comparable Companies, however, have market capitalisations that are much larger compared to the Company.

We have had discussions with the Management about the suitability and reasonableness of the Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the Comparable Companies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Group.

We wish to highlight that the Comparable Companies may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable with the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for these Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Comparable Companies, as extracted from Bloomberg L.P., is set out below:

| Name  | Principal business  |
|---|---|
| Civmec Limited<br>(“ <b>Civmec</b> ”)             | Civmec is an integrated, multi-disciplined construction and engineering services provider to the oil and gas, metals and minerals, infrastructure and defence markets.  |
| Nordic Group Limited<br>(“ <b>Nordic Group</b> ”) | Nordic Group operates as an investment holding company. The company, through its subsidiaries, provides systems integration, maintenance, repair, overhaul, trading, precision engineering, scaffolding, and insulation solutions. Nordic Group serves customers worldwide. |
| PEC Ltd.<br>(“ <b>PEC</b> ”)                      | PEC offers engineering services to the oil and natural gas production, petrochemical, pharmaceutical, and oil and chemical terminal industries. The company offers engineering, procurement, construction and/or construction management, and maintenance services.         |

*Source: Bloomberg L.P.*

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For the purpose of our evaluation and for illustration, we have made a comparison between the Group and the Comparable Companies on a historical basis using the following metrics:

- (i) The PER which is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern;
- (ii) The P/NAV ratio or P/NTA ratio, or NAV/NTA approach which is used to show the extent the value of each share is backed by net assets/net tangible assets. The NAV approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities of the group and NTA approach is determined after deducting intangible assets from the net assets; and
- (iii) The EV/EBITDA ratio which is used to illustrate the ratio of the market value of a company's business relative to its historical pre-tax operating cash flow performance, without regard to the company's existing capital structure. For the purpose of our analysis, EV is derived by taking the Company's market capitalisation implied by the Issue Price and adding back non-controlling interest, bank borrowings and finance leases, and deducting cash and bank balances; and EBITDA is derived based on profit before taxation and after adding back depreciation and amortisation expense and net finance costs.

| Comparable Companies                          | Last financial year-end | Market capitalisation as at the Latest Practicable Date (\$S'million) | Historical PER <sup>(1)</sup> (times) | Historical P/NAV ratio <sup>(2)</sup> (times) | Historical P/NTA ratio <sup>(2)</sup> (times) | EV/EBITDA <sup>(3)(4)</sup> (times) |
|---|-------------------------|---|---------------------------------------|---|---|-------------------------------------|
| Civmec  | 30 Jun 2018             | 255.50  | 9.74                                  | 1.35  | 1.35  | 7.03                                |
| Nordic Group                                  | 31 Dec 2017             | 178.74  | 10.82                                 | 2.21  | 3.48  | 8.91                                |
| PEC   | 30 Jun 2018             | 151.56  | 14.53                                 | 0.66  | 0.66  | 3.08                                |
| <b>High</b>                                   |                         |   | 14.53                                 | 2.21  | 3.48  | 8.91                                |
| <b>Low</b>                                    |                         |   | 9.74                                  | 0.66  | 0.66  | 3.08                                |
| <b>Mean</b>                                   |                         |   | 11.70                                 | 1.40  | 1.83  | 6.34                                |
| <b>Median</b>                                 |                         |   | 10.82                                 | 1.35  | 1.35  | 7.03                                |
| <b>The Group (implied by the Issue Price)</b> | <b>30 Jun 2018</b>      | <b>52.67</b>  | <b>4.35<sup>(5)</sup></b>             | <b>1.29</b>                                   | <b>n.m.<sup>(6)</sup></b>                     | <b>3.86</b>                         |

**Notes:**

- (1) The historical PERs of the Comparable Companies were computed based on their respective latest published full year earnings or their trailing 12-month earnings, where applicable, as set out in their latest available published financial statements as at the Latest Practicable Date;
- (2) The historical P/NAV and P/NTA ratios of the Comparable Companies were computed based on their respective NAV/NTA values as set out in their latest available published financial statements and their market capitalisation as at the Latest Practicable Date;
- (3) The EV of the Comparable Companies were based on (i) the respective market capitalisation of the Comparable Companies as at the Latest Practicable Date as extracted from Bloomberg L.P.; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available published financial statements as at the Latest Practicable Date;

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- (4) The EBITDA of the Comparable Companies were based on their respective latest published full year EBITDA or their trailing 12-month EBITDA, where applicable, as set out in their respective latest available published financial statements as at the Latest Practicable Date;
- (5) Based on the Adjusted EPS of the Group for FY2018; and
- (6) n.m. means not meaningful.

Based on the above, we note that:

- (i) the historical PER of the Group of 4.35 times implied by the Issue Price is below the lower end of the range and, hence, below the mean and median of the historical PERs of the Comparable Companies;
- (ii) the historical P/NAV ratio of the Group of 1.29 times implied by the Issue Price is within the range but lower than the mean and the median of the historical P/NAV ratios of the Comparable Companies;
- (iii) as the Group is in a NTL position as at 30 June 2018, the historical P/NTA ratio of the Group is therefore not meaningful. However, this would also mean that the Issue Price (A\$0.03569) is at a substantial premium of A\$0.03700 above the NTL per Share of A\$0.00131. In comparison, the P/NTA ratios of the Comparable Companies ranged from 0.66 times to 3.48 times; and
- (iv) the EV/EBITDA ratio of the Group of 3.86 times implied by the Issue Price is within the range but lower than the mean and median of the EV/EBITDA ratios of the Comparable Companies.

### 5.3 Other relevant considerations

#### 5.3.1 Inter-conditionality of the Proposed Placement, Proposed Placement to Mr Melvin Poh, Rights Issue, Proposed Issue of Redemption Shares and Transfer of Controlling Interest

The Proposed Placement, Proposed Placement to Mr Melvin Poh as an IPT, Rights Issue, Proposed Issue of Redemption Shares and the Transfer of Controlling Interest to be tabled at the EGM are inter-conditional upon each other. In the event that any of the resolutions is not approved by Shareholders, none of the Proposed Placement, Proposed Placement to Mr Melvin Poh, Rights Issue, Proposed Issue of Redemption Shares or Transfer of Controlling Interest will proceed further.

#### 5.3.2 Terms of the Proposed Placement to Mr Melvin Poh including Issue Price

The Proposed Placement to Mr Melvin Poh is on the same key terms, including the Issue Price, as the Proposed Placement to the non-interested persons, namely AOC and Mr Bernard Toh.

The Issue Price for the Proposed Placement is also at the same issue price for the Rights Shares.

#### 5.3.3 New controlling Shareholder

Following the Proposed Placement, AOC and its concert parties, will become the new controlling shareholder of the Company and the single largest Shareholder. Ezion, which is presently the controlling Shareholder with 18.13% shareholding interest in the Company, will cease to be a controlling Shareholder after the Proposed Placement. Controlling shareholding interest to mean, *inter alia*, shareholding interest of 15% and above in a company pursuant to the Listing Manual.

The Rights Issue will enable existing Shareholders to participate in the Company's equity fund raising exercise at the same Issue Price and alleviate, to some extent, the significant dilutive effect of the Proposed Placement.

As Mr Melvin Poh has undertaken to subscribe in full to his *pro rata* entitlements in the Rights Issue, his present percentage shareholding interest of approximately 8.85% in the Company would be somewhat maintained between 8.85% (under the Maximum Scenario) to 10.29% (under the Minimum Scenario) depending on the outcome of the subscription level of the Rights Issue. Mr Melvin Poh may be re-designated as a Non-Executive Director in compliance with the applicable Code of Corporate Governance.

#### **5.3.4 Financial effects of the Proposed Placement**

Details on the financial effects of, *inter alia*, the Proposed Placement are set out in Section 9 of the Circular and are based on the Group's financial information for FY2018, and certain assumptions. The financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Group after the completion of, *inter alia*, the Proposed Placement.

In summary, based on the Group's audited results for FY2018, we note the following financial effects of the Proposed Placement (apart from the Proposed Issue of Redemption Shares and the Rights Issue):

(a) Share capital

The number of issued Shares and the issued share capital of the Company will increase significantly arising from the issuance of the Subscription Shares pursuant to the Proposed Placement.

(b) NAV of the Group

The NAV of the Group will increase as the Proposed Placement will raise fresh equity capital for the Company.

(c) Earnings per Share

To the extent that the cash proceeds from the Proposed Placement are being used to redeem the Notes, the Company will benefit from some savings on the interest expense of the Notes.

However, the Proposed Placement will result in the issuance of a significant number of new Shares which will have an immediate dilutive effect on the earnings per Share due to the enlarged number of Shares.

(d) Gearing

The net gearing ratio of the Group will improve following the Proposed Placement as the Company will raise fresh equity capital in cash for the Group. To the extent that the cash proceeds are utilised to repay borrowings of the Group (including the Notes), the gross gearing ratio of the Group will also improve.

## **6. OUR OPINION**

In arriving at our opinion in respect of the Proposed Placement to Mr Melvin Poh as an Interested Person Transaction, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

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- (a) Rationale for the Proposed Placement and resultant shareholding interests;
- (b) Assessment of the Issue Price of the Subscription Shares; and
- (c) Other relevant considerations.

**Overall, based on our analysis and after having considered carefully the information available to us, we are of the view that the Proposed Placement to Mr Melvin Poh as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.**

Our opinion, as disclosed in this Letter, is based on publicly available information and information provided by the Directors and Management and does not reflect any projections of future financial performance of the Company and/or the Group after the Proposed Placement. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Placement to Mr Melvin Poh as an Interested Person Transaction.

This Letter is prepared for the purpose as required under Rule 921(4)(a) of the Listing Manual as well as to the Unconflicted Directors for their benefit and for the purpose of their consideration of the Proposed Placement to Mr Melvin Poh as an Interested Person Transaction. The recommendation to be made by them to the Independent Shareholders shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose, other than for the purpose of the EGM, and for the purpose of the Proposed Placement to Mr Melvin Poh as an Interested Person Transaction, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

Our opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**PROVENANCE CAPITAL PTE. LTD.**

Wong Bee Eng  
Chief Executive Officer



## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

### A. Consolidated Statement of Profit and Loss

The consolidated audited statement of comprehensive income of the Group for FY2016, FY2017 and FY2018 are set out below:

|   | FY 2016<br>AU\$'000 | FY 2017<br>AU\$'000 | FY 2018<br>AU\$'000 |
|---|---------------------|---------------------|---------------------|
| <u>Continuing operations</u>  |                     |                     |                     |
| <b>Revenue</b>  | 470,820             | 434,960             | 566,807             |
| Cost of sales   | (436,415)           | (390,286)           | (509,324)           |
| <b>Gross profit</b>   | <b>34,405</b>       | <b>44,674</b>       | <b>57,483</b>       |
| <b>Gross margin</b>   | <b>7.3%</b>         | <b>10.3%</b>        | <b>10.1%</b>        |
| Other operating (loss) / income   | 3,134               | 894                 | 1,528               |
| Other operating costs   | (27,233)            | (10,889)            | (9,920)             |
| Impairment of receivables   | (48,388)            | (2,013)             | (5,469)             |
| Impairment of other assets  | (140,920)           | –                   | (9,368)             |
| Administrative expenses   | (21,945)            | (13,230)            | (7,162)             |
| Marketing and distribution expenses   | (2,070)             | (1,164)             | (1,867)             |
| <b>Profit from operations</b>   | <b>(203,017)</b>    | <b>18,272</b>       | <b>25,225</b>       |
| Finance costs   | (15,901)            | (17,104)            | (11,681)            |
| Net gain on partial debt restructure  | –                   | 5,541               | 1,314               |
| <b>Profit / (loss) before income tax</b>  | <b>(218,918)</b>    | <b>6,709</b>        | <b>14,858</b>       |
| Income tax expense  | (7,294)             | (3,574)             | (1,392)             |
| <b>Profit / (loss) from continuing operations</b>   | <b>(226,212)</b>    | <b>3,135</b>        | <b>13,466</b>       |
| <u>Discontinued operations</u>  |                     |                     |                     |
| <b>Profit / (loss) from discontinued operations, net of tax</b>   | <b>(32,710)</b>     | <b>1,438</b>        | <b>10</b>           |
| <b>Net profit / (loss) for the period</b>   | <b>(258,922)</b>    | <b>4,573</b>        | <b>13,476</b>       |
| <b>Profit / (loss) attributable to:</b>   |                     |                     |                     |
| Owners of the Company   | (258,270)           | 4,738               | 13,476              |
| Non-controlling interests   | (652)               | (165)               | –                   |
|   | <b>(258,922)</b>    | <b>4,573</b>        | <b>13,476</b>       |
| <b>Profit / (loss) attributable to the owners of the Company:</b>   |                     |                     |                     |
| Profit from continuing operations   | (225,560)           | 3,300               | 13,466              |
| Profit / (Loss) from discontinued operations  | (32,710)            | 1,438               | 10                  |
|   | <b>(258,270)</b>    | <b>4,738</b>        | <b>13,476</b>       |
| Earnings / (loss) per ordinary share attributable to equity holders of the Company (AU\$ cents per share) |                     |                     |                     |
| - basic   | (34.9)              | 0.6                 | 0.9                 |
| - diluted**   | –                   | 0.6                 | 0.9                 |

\*\*Diluted earnings per share for 2016 is not disclosed as it was anti-dilutive.

## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

|   | FY 2016<br>AU\$'000 | FY 2017<br>AU\$'000 | FY 2018<br>AU\$'000 |
|---|---------------------|---------------------|---------------------|
| <b>Profit for the period</b>  | (258,922)           | 4,573               | 13,476              |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |                     |                     |                     |
| Currency translation differences                                      | 1,343               | 4,559               | (1,688)             |
| Other comprehensive income / (loss) for the period                    | 1,343               | 4,559               | (1,688)             |
| <b>Total comprehensive income for the period</b>                      | <b>(257,579)</b>    | <b>9,132</b>        | <b>11,788</b>       |
| <b><u>Total comprehensive income attributable to:</u></b>             |                     |                     |                     |
| Owners of the Company   | (256,919)           | 9,297               | 11,788              |
| Non-controlling interests   | (660)               | (165)               | –                   |
|   | <b>(257,59)</b>     | <b>9,132</b>        | <b>11,788</b>       |

A review of the operations, business and financial performance of the Group is set out below:

### Performance review for FY2017 compared to FY2016

#### *Continuing Operations*

Revenue for FY2017 decreased by 7.6% to A\$435.0 million (FY2016: A\$470.8 million). Whilst revenue decreased year on year due to the completion of maintenance contracts in FY2016, the increased work on core projects in the energy and process sector underpin the strong result in the current quarter.

Cost of sales for FY2017 decreased by 10.6% to A\$390.3 million (FY2016: A\$436.4 million), the reasons for the movement similar to the revenue commentary outlined above.

Gross profit margin for FY2017 was 10.3%, a steady increase from 7.3% for FY2016, due to operational efficiencies that have resulted from the re-organisation of the business and improved project support.

(Source: Q4 2017 Preliminary SGX Announcement and annual report of the Group for FY2018)

### Performance review for FY2018 compared to FY2017

#### *Continuing Operations*

Revenue for FY2018 was A\$567.0 million which increased by A\$131.0 million (30%) compared to FY2017, mainly attributable to robust performance by the Group's core projects in the energy and mineral process sectors.

Cost of sales for FY2018 was S\$509.0 million which increased by A\$119.0 million in line with the increased revenue base.

Gross profit for FY2018 increased by A\$12.8 million compared to FY2017. However, the gross margin percentage decreased slightly to 10.1% for FY2018 compared to 10.3% for FY2017.

(Source: Q4 2018 Preliminary SGX Announcement and annual report of the Group for FY2018)

## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

### B. Consolidated Statement of Financial Position

The audited consolidated balance sheets of the Group as at 30 June 2016, 30 June 2017 and 30 June 2018 are set out below:

|  | Group<br>As at<br>30/6/2016<br>AU\$'000 | Group<br>As at<br>30/6/2017<br>AU\$'000 | Group<br>As at<br>30/6/2018<br>AU\$'000 |
|--|---|---|---|
| <b>CURRENT ASSETS</b>                      |   |   |   |
| Cash and cash equivalents                  | 22,095                                  | 33,851                                  | 37,846                                  |
| Trade receivables                          | 132,864                                 | 133,022                                 | 93,418                                  |
| Other receivables and prepayments          | 9,995                                   | 7,144                                   | 8,378                                   |
| Inventories                                | 6,759                                   | 3,096                                   | 4,165                                   |
| <b>Total current assets</b>                | <b>171,713</b>                          | <b>177,113</b>                          | <b>143,807</b>                          |
| <b>NON-CURRENT ASSETS</b>                  |   |   |   |
| Property, plant and equipment              | 96,358                                  | 87,420                                  | 75,584                                  |
| Goodwill                                   | 10,994                                  | 10,994                                  | 10,994                                  |
| Intangible assets                          | 39,970                                  | 36,576                                  | 32,704                                  |
| Other receivables and prepayments          | 3,627                                   | –                                       | –                                       |
| Deferred income tax assets                 | –                                       | 110                                     | –                                       |
| <b>Total non-current assets</b>            | <b>150,949</b>                          | <b>135,100</b>                          | <b>119,282</b>                          |
| <b>Total assets</b>                        | <b>322,662</b>                          | <b>312,213</b>                          | <b>263,089</b>                          |
| <b>CURRENT LIABILITIES</b>                 |   |   |   |
| Trade payables                             | 58,776                                  | 47,843                                  | 37,051                                  |
| Other payables                             | 65,225                                  | 66,826                                  | 47,725                                  |
| Due to subsidiaries                        | –                                       | –                                       | –                                       |
| Borrowings                                 | 139,957                                 | 44,801                                  | 86,770                                  |
| Accruals for other liabilities and charges | 21,365                                  | 19,993                                  | 10,215                                  |
| Current income tax liabilities             | –                                       | 528                                     | 1,945                                   |
| Provisions                                 | 1,580                                   | –                                       | 859                                     |
| <b>Total current liabilities</b>           | <b>286,903</b>                          | <b>179,991</b>                          | <b>184,565</b>                          |
| <b>NON-CURRENT LIABILITIES</b>             |   |   |   |
| Deferred income tax liabilities            | 1,977                                   | 1,871                                   | 1,362                                   |
| Borrowings                                 | 39,193                                  | 105,893                                 | 34,172                                  |
| Accruals for other liabilities and charges | 2,149                                   | 1,160                                   | 1,265                                   |
| Provisions                                 | 7,307                                   | –                                       | –                                       |
| <b>Total non-current liabilities</b>       | <b>50,626</b>                           | <b>108,924</b>                          | <b>36,799</b>                           |
| <b>Total liabilities</b>                   | <b>337,529</b>                          | <b>288,915</b>                          | <b>221,364</b>                          |

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## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

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|   | Group<br>As at<br>30/6/2016<br>AU\$'000 | Group<br>As at<br>30/6/2017<br>AU\$'000 | Group<br>As at<br>30/6/2018<br>AU\$'000 |
|---|---|---|---|
| <b>EQUITY</b>   |   |   |   |
| <b>Capital and reserves attributable to equity holders of the Company</b> |   |   |   |
| Share capital   | 128,040                                 | 156,285                                 | 162,647                                 |
| Capital reserve   | (163)                                   | (163)                                   | (163)                                   |
| Share-based payment reserve   | 4,395                                   | 5,183                                   | 5,460                                   |
| Foreign currency translation reserve                                      | 15,409                                  | 19,917                                  | 18,229                                  |
| Accumulated losses  | (161,449)                               | (157,924)                               | (144,448)                               |
| <b>Total equity</b>   | <b>(13,768)</b>                         | <b>23,298</b>                           | <b>41,725</b>                           |
| Non-controlling interests   | (1,099)                                 | -                                       | -                                       |
| <b>Total equity</b>   | <b>(14,867)</b>                         | <b>23,298</b>                           | <b>41,725</b>                           |
| <b>Total liabilities and equity</b>                                       | <b>322,662</b>                          | <b>312,213</b>                          | <b>263,089</b>                          |

Source: Annual reports of the Group for FY 2016, FY 2017 and FY 2018.

## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

### C. Consolidated Statement of Cash Flows

The audited consolidated statement of cash flows of the Group for FY2016, FY2017 and FY2018 are set out below:

|   | <b>GROUP<br/>FY 2016<br/>AU\$'000</b> | <b>GROUP<br/>FY 2017<br/>AU\$'000</b> | <b>GROUP<br/>FY 2018<br/>AU\$'000</b> |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Cash flows from operating activities</b>                         |                                       |                                       |                                       |
| Profit after taxation   | (258,922)                             | 4,573                                 | 13,476                                |
| Add/(less) adjustments for:   |                                       |                                       |                                       |
| Depreciation of property, plant and equipment                       | 14,144                                | 9,643                                 | 8,809                                 |
| Amortisation of intangible assets                                   | 3,563                                 | 2,844                                 | 2,042                                 |
| Employee share and share option scheme expense                      | 1,281                                 | 788                                   | 277                                   |
| Impairment loss on trade receivables                                | 48,388                                | 2,013                                 | 5,505                                 |
| Impairment loss on other assets                                     | 152,792                               | –                                     | 9,368                                 |
| Allowance for foreseeable contract losses                           | 2,002                                 | (1,954)                               | 2,497                                 |
| Onerous lease provision costs                                       | 8,154                                 |                                       |                                       |
| Re-instatement provision costs                                      | 733                                   |                                       |                                       |
| Net foreign exchange differences                                    | (458)                                 | (570)                                 | 1,063                                 |
| Loss / (profit) on disposal of property,<br>plant and equipment     | (2,041)                               | (2,077)                               | 1,233                                 |
| Gain on partial debt restructure                                    | 0                                     | (5,966)                               | (1,314)                               |
| Interest income   | (561)                                 | (259)                                 | (614)                                 |
| Finance costs   | 15,783                                | 17,467                                | 11,681                                |
| Research and development tax credits                                | 10,014                                |                                       |                                       |
| Income tax expense  | 5,377                                 | 3,574                                 | 1,392                                 |
| <b>Operating cash flows before working<br/>capital changes</b>      | <b>249</b>                            | <b>30,076</b>                         | <b>55,415</b>                         |
| <b>Changes in operating assets and liabilities</b>                  |                                       |                                       |                                       |
| Trade receivables   | (3,643)                               | (2,171)                               | 34,797                                |
| Other receivables and prepayments                                   | (1,741)                               | 7,487                                 | (1,234)                               |
| Inventories   | (3,956)                               | 3,662                                 | (1,069)                               |
| Trade payables  | (10,956)                              | (8,979)                               | (10,544)                              |
| Accruals and other payables   | 35,650                                | (8,490)                               | (27,562)                              |
| <b>Cash generated from operations</b>                               | <b>15,603</b>                         | <b>21,585</b>                         | <b>49,803</b>                         |
| Interest paid   | (12,405)                              | (15,225)                              | (9,595)                               |
| Interest received   | 561                                   | 246                                   | 614                                   |
| Income tax paid   | (2,049)                               | (3,023)                               | (1,005)                               |
| <b>Net cash generated from / (used in)<br/>operating activities</b> | <b>1,710</b>                          | <b>3,583</b>                          | <b>39,817</b>                         |
| <b>Cash flows from investing activities</b>                         |                                       |                                       |                                       |
| Proceeds from disposal of property,<br>plant and equipment          | 5,188                                 | 6,564                                 | 2,099                                 |
| Purchase of property, plant and equipment                           | (25,873)                              | (8,295)                               | (5,768)                               |
| Release of / (increase in) restricted cash                          | 13,894                                | (285)                                 | 10,650                                |
| Purchase of intangible assets                                       | (397)                                 | (390)                                 | (16)                                  |
| <b>Net cash (used in) / generated from<br/>investing activities</b> | <b>(7,188)</b>                        | <b>(2,406)</b>                        | <b>6,965</b>                          |

## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

|   | GROUP<br>FY 2016<br>AU\$'000 | GROUP<br>FY 2017<br>AU\$'000 | GROUP<br>FY 2018<br>AU\$'000 |
|---|------------------------------|------------------------------|------------------------------|
| <b>Cash flows from financing activities</b>                     |                              |                              |                              |
| Repayment of finance leases                                     | (698)                        | (1,520)                      | (8,384)                      |
| Proceeds from borrowings / insurance funding                    | 22,459                       | 21,663                       | 5,992                        |
| Repayment of borrowings   | (12,656)                     | (9,929)                      | (29,513)                     |
| <b>Net cash generated from / (used in) financing activities</b> | <b>9,105</b>                 | <b>10,214</b>                | <b>(31,905)</b>              |
| <b>Net increase in cash and cash equivalents</b>                | <b>3,627</b>                 | <b>11,391</b>                | <b>14,877</b>                |
| Effect of exchange rate fluctuations on cash held               | (129)                        | 80                           | (232)                        |
| <b>Net increase in cash held</b>                                | <b>3,498</b>                 | <b>11,471</b>                | <b>14,645</b>                |
| Cash and cash equivalents at beginning of period                | 6,982                        | 10,480                       | 21,951                       |
| <b>Cash and cash equivalents at end of period</b>               | <b>10,480</b>                | <b>21,951</b>                | <b>36,596</b>                |

A review of the cash flows of the Group is set out below:

### Review of cash flows for FY2016

#### (i) *Operating activities*

Net cash generated from / (used in) operating activities for the full FY2016 was A\$1.7 million compared to FY2015 of (A\$12.5 million). The marginal decrease in operating cash inflows to the prior period was due to timing differences of the receipts from customers and payments to suppliers. The relative increase in operating performance in the year was due to increased operating activity in FY2016 from the Projects and Access businesses, partially offset by the loss making Singapore Fabrication and Port & Marine business.

#### (ii) *Investing activities*

Net cash generated from / (used in) investing activities for the full FY2016 was (A\$7.2 million) compared to FY2015 of (A\$89.9 million). The significant variance of the comparative periods is due to the acquisitions of Ezion Offshore Logistics Hub Pte Ltd and Teras Australia Pty Ltd in FY2015. The year-to-date outflow is due to purchasing activities in the Access business unit, as well as the construction activities related to the development of Port and Marine services business, partially offset by proceeds received from disposals of property, plant and equipment in the Engineering Services business unit.

#### (iii) *Financing activities*

Net cash generated from / (used in) financing activities for the full FY2016 was A\$9.1 million as compared to FY 2015 of A\$67.2 million. The net inflow in FY2016 is due to the net draw down of facilities with DBS over the course of the year. The inflow was lower than the comparative FY2015 as in the prior year there was the issue of S\$110 million Multicurrency Debt Note to be used for general corporate purposes, including refinancing of borrowings (from Wingate to DBS), and financing investments and general working capital of the Company and its subsidiaries, offset by repayment of A\$33 million Australia and New Zealand Banking Group Limited's loan, previously provided to acquired entities.

(Source: Q4 2016 Preliminary SGX Announcement and annual report of the Group for FY2016)

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## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

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### Review of cash flows for FY2017

(i) *Operating activities*

Operating activities of the Group generated net cash inflows of A\$3.6 million for FY2017, an improvement of A\$1.9 million in cash inflows from FY2016. This was due to the improvement in the Group's management of its working capital, particularly the inflow of cash from trade receivables.

(ii) *Investing activities*

For FY2017, net cash outflows of A\$2.4 million occurred from investing activities. The purchase of property, plant and equipment of A\$8.3 million during the year was offset by cash inflows from sales of property, plant and equipment, mostly from the disposal of equipment of Singapore Fabrication business unit.

(iii) *Financing activities*

In relation to the Group's financing activities, movement in the cash flow mainly constituted repayments of debt facilities outlined above.

As a result of the above activities, the Group recorded an increase in cash and cash equivalents of A\$11.5 million to A\$22.0 million at 30 June 2017. Note this amount includes the effect of the short term bridge facility of A\$13.5 million for the purposes of the cash flow statement.

(Source: Q4 2017 Preliminary SGX Announcement and annual report of the Group for FY2017)

### Review of cash flows for FY2018

(i) *Operating activities*

Operating activities of the Group generated net cash inflows of A\$39.8 million for FY2018, an improvement of A\$36.2 million in cash inflows from FY2017. This increase was due to improved profitability and the Group's management of its working capital, particularly the inflow of cash from trade receivables and management of trade payables.

(ii) *Investing activities*

Net cash inflows of A\$7.0 million occurred from investing activities in FY2018 due to the release of restricted cash of A\$10.6 million offset by a net outflow of A\$3.7 million from disposals and purchases of property, plant and equipment in the period.

(iii) *Financing activities*

In relation to the Group's financing activities, movement in the cash flow for FY2018 main constituted repayments of debt facilities as outlined above.

As a result of the above activities, the Group recorded an increase in cash and cash equivalents of A\$14.6 million to A\$36.6 million at 30 June 2018. Note this amount includes the effect of the restricted cash balance of A\$1.3 million for the purposes of the cash flow statement.

(Source: Q4 2018 Preliminary SGX Announcement and annual report of the Group for FY2018)

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## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

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### D. Working Capital Position

The total current assets, total current liabilities and working capital of the Group for FY2016, FY2017 and FY2018 are as follows:

|                           | As at 30 June       |                     |                     |
|---------------------------|---------------------|---------------------|---------------------|
|                           | FY 2016<br>AU\$'000 | FY 2017<br>AU\$'000 | FY 2018<br>AU\$'000 |
| Total current assets      | 171,713             | 177,113             | 143,807             |
| Total current liabilities | 286,903             | 179,991             | 184,565             |
| Working capital (deficit) | (115,190)           | (2,878)             | (40,758)            |

A review of the working capital position of the Group is set out below:

#### Review of working capital position for FY2017 compared to FY2016

Cash and bank balances improved by A\$11.8 million to A\$33.9 million at 30 June 2017, mainly due to improvement in the Group's gross profit and collections of trade receivables during FY2017, as well as the funding received from the short term bridge facility pending receipt of final payments on completing contracts.

Trade receivables balances increased by A\$0.2 million to A\$133.0 million at 30 June 2017, reflecting the higher volume of work performed in the current quarter and includes receivables for work in progress positions on major projects.

Current other receivables and prepayments balances decreased by A\$2.9 million to A\$7.1 million at 30 June 2017, mainly as a result of the return of the S\$4.0 million (equivalent to A\$3.8 million) in funds held in escrow prior to the extension of the repayment date of the Multi Currency Notes.

The trade payables balance decreased by A\$10.9 million to A\$47.8 million mainly due to settlement of amounts owing to creditors as well as the closure of the Singapore Fabrication business.

Current accruals for other liabilities balances mainly consisted of accruals for annual leave, rostered day off, sick leave and current long services leave. The current balances decreased by A\$1.4 million mainly due to the operational efficiencies following the restructuring of the business conducted last year.

(Source: Q4 2017 Preliminary Announcement and annual report of the Group for FY2017)

#### Review of working capital position for FY2018 compared to FY2017

Cash and bank balance increased by A\$3.9 million to A\$37.8 million at 30 June 2018 (30 June 2017: A\$33.9 million), mainly due to the cash received in the current quarter from work in progress positions and improved management of working capital balances.

Trade receivables balances decreased significantly by A\$39.6 million since 30 June 2017 to A\$93.4 million at 30 June 2018, reflecting the cash received in the current quarter from major projects. Current other receivables and prepayments balance increased by A\$1.2 million to A\$8.4 million at 30 June 2018, mainly as a result of the prepayment for the annual insurance renewal.

Inventories increased by A\$1.1 million since 30 June 2017 primarily representing the purchase of marine fuel for sale by the NT Port and Marine business.



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## APPENDIX III – FINANCIAL REVIEW AND PAST PERFORMANCE

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The trade payables balances decreased by A\$10.8 million since 30 June 2017 to A\$37.1 million at 30 June 2018 in lien with the decrease in work on the core projects in the energy and process sectors. Other payables decreased by A\$19.1 million since 30 June 2017 to A\$47.7 million mainly due to the settlement of statutory payroll-related liabilities. Current accruals for other liabilities balance mainly consisted of accruals for annual leave, rostered day off, sick leave and current long services leave. The current accrual balance decreased by A\$9.8 million from 30 June 2017 resulting from a decreased workforce required for the work on the core projects in the energy and process sectors.

(Source: Q4 2018 Preliminary Announcement and annual report of the Group for FY2018)

## APPENDIX IV – INDICATIVE TIMETABLE FOR THE PROPOSED TRANSACTIONS

|                                 | Proposed Placement  | Proposed Issue of Redemption Shares   | Rights Issue  |
|---------------------------------|---|---|---|
| 15 November 2018<br>(Thursday)  | <b>Extraordinary General Meeting</b><br><b>Announcement of Books Closure Date (“BCD”)</b>   |   |   |
| 19 November 2018<br>(Monday)    | <b>Allotment and issue of:</b> <sup>(1)(4)</sup><br><b>- 700,000,000 Subscription Shares to AOC</b> <sup>(2)</sup><br><b>- 200,000,000 Subscription Shares to Bernard Toh</b><br><b>- 100,000,000 Subscription Shares to Melvin Poh</b> | Notice to Noteholders of second instalment payment  |   |
| 23 November 2018<br>(Friday)    | <b>BCD</b>  |   |   |
| 27 November 2018<br>(Tuesday)   |   | Second Instalment Date:<br><b>- Allotment and issue of Redemption Shares</b><br>- Partial Cash Redemption |   |
| 28 November 2018<br>(Wednesday) |   |   | Despatch of Offer Information Statement<br><br>Commencement of trading of “nil-paid” rights entitlements  |
| 6 December 2018<br>(Thursday)   |   |   | Last day of splitting and trading for “nil-paid” rights entitlements                                      |
| 12 December 2018<br>(Wednesday) |   |   | Last day for payment and acceptance of Rights Shares through participating banks                          |
| 18 December 2018<br>(Tuesday)   |   |   | Announcement of results of Rights Issue   |
| 20 December 2018<br>(Thursday)  | <b>Allotment and issue of 50,000,000 Subscription Shares to AOC</b> <sup>(3)(4)</sup>   |   | Announcement of listing and quotation of Rights Shares<br><br><b>Allotment and issue of Rights Shares</b> |
| 21 December 2018<br>(Friday)    |   |   | Listing and quotation of Rights Shares on SGX-ST  |

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## APPENDIX IV – INDICATIVE TIMETABLE FOR THE PROPOSED TRANSACTIONS

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**Notes:**

- (1) Payment by the Subscribers for the Subscription Shares is expected to be made on 19 November 2018.
- (2) As set out in Section 3.1 of this Circular, AOC has agreed to subscribe for 700,000,000 shares prior to the completion of the Rights Issue, and the remaining 50,000,000 shares upon or after the completion of the Rights Issue, so as not to trigger an obligation at any time under the Code to make a mandatory general offer under the Code. In this regard, as set out at the end of Section 3.4 of this Circular, each of the Subscribers has agreed to waive the condition in Section 3.4(k) of this Circular for the concurrent completion of the Proposed Placement to the Subscribers.
- (3) Payment by AOC for the remaining 50,000,000 Subscription Shares is expected to be made on 20 December 2018, upon completion of the Rights Issue.
- (4) Completion of the Proposed Placement will take place upon satisfaction of the conditions precedent set out in Section 3.4 of this Circular, regardless of the level of subscription for the Rights Issue. Please refer to Section 2.2 of this Circular for further details on the Minimum Subscription Scenario and Maximum Subscription Scenario.

The above timetable is indicative only and is subject to change. As at the Latest Practicable Date, the Company does not expect the any material change to above timetable. However, the Company may, with the approval of the SGX-ST and/or CDP (if necessary), modify the above timetable subject to any limitations under any applicable laws. In such an event, the Company will publicly announce the same through a SGXNET announcement at the SGX-ST's website <http://www.sgx.com>.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### AUSGROUP LIMITED

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

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of AusGroup Limited (the “**Company**”) will be held on 15 November 2018 at 10.00 a.m. at J Collyer, Level 9 M Hotel Singapore, 81 Anson Road, Singapore 079908 for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions:

*All capitalised terms in this Notice of EGM which are not defined herein shall have the same meaning as ascribed to them in the Company’s circular dated 31 October 2018 (the “**Circular**”).*

#### **ORDINARY RESOLUTION 1**

##### **APPROVAL OF THE RIGHTS ISSUE**

THAT subject to and contingent upon the passing of Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4 and Ordinary Resolution 5 set out herein, a proposed renounceable non-underwritten rights issue of up to 752,402,733 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.035 for each Rights Share (the “**Issue Price**”), on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of the Company (“**Share**”) held by each shareholder of the Company (“**Shareholder**”) as at a time and date to be determined by the directors of the Company (the “**Directors**”) for the purpose of determining the Shareholders’ entitlements under the Rights Issue (the “**Books Closure Date**”), fractional entitlements to be disregarded (the “**Rights Issue**”), be and is hereby approved and authority be and is hereby given to the Directors to:

- (a) create and issue such number of Rights Shares as the Directors may determine up to 752,402,733 Rights Shares at the Issue Price of S\$0.035 for each Rights Share;
- (b) effect the Rights Issue on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:
  - (i) the provisional allotments of the Rights Shares under the Rights Issue shall be made on a renounceable basis to the Shareholders whose names appear in the Register of Members or the records of The Central Depository (Pte) Limited (“**CDP**”) as at the Books Closure Date with registered addresses in Singapore or who have, at least three (3) Market Days prior to the Books Closure Date, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents, on the basis of one (1) Rights Share for every two (2) existing Shares, or in such other proportions as the Directors may think fit;
  - (ii) no provisional allotment of Rights Shares shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least three (3) Market Days prior thereto, provided to the Company, CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”);
  - (iii) the entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the rights entitlements relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any (after deducting all expenses) proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (iv) the entitlements to Rights Shares not taken up or allotted for any reason (other than allotments to Foreign Shareholders referred to above) shall be allotted in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
  - (v) the Rights Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing Shares save for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls before the date of the issue of the Rights Shares; and
- (c) take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Rights Issue (including fixing the Books Closure Date), with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this Resolution or the transactions contemplated pursuant to or in connection with the Rights Issue.

### **ORDINARY RESOLUTION 2**

#### **APPROVAL OF THE PROPOSED PLACEMENT**

THAT subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 3, Ordinary Resolution 4 and Ordinary Resolution 5 set out herein:

- (a) the three (3) conditional subscription agreements dated 28 March 2018 (collectively, the “**Subscription Agreements**” and each a “**Subscription Agreement**”) entered into between the Company and each of Asdew Acquisitions Pte. Ltd., Mr. Toh Bee Yong Bernard and Mr. Poh Boon Kher Melvin (collectively, the “**Subscribers**” and each a “**Subscriber**”) in connection with the allotment and issue (“**Proposed Placement**”) of up to 1,050,000,000 new ordinary shares in the capital of the Company at the issue price of S\$0.035 per share (“**Subscription Shares**”) and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, confirmed and ratified in all aspects;
- (b) the Proposed Placement and the transactions contemplated thereunder be and are hereby approved;
- (c) the directors of the Company (“**Directors**”) be and are hereby authorised to allot and issue the Subscription Shares to the Subscribers pursuant to the terms of the Subscription Agreements; and
- (d) the Directors be and are hereby authorised to do all such acts and things and to execute all such documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares.

### **ORDINARY RESOLUTION 3**

#### **APPROVAL OF THE PROPOSED PLACEMENT TO MELVIN POH AS AN INTERESTED PERSON TRANSACTION**

THAT subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 4 and Ordinary Resolution 5 set out herein:

- (a) the Subscription Agreement entered into between the Company and Mr. Poh Boon Kher Melvin (“**Melvin Poh**”) in connection with the Proposed Placement of up to 100,000,000 Subscription Shares and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, confirmed and ratified in all aspects;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) the Directors be and are hereby authorised to allot and issue the Subscription Shares to Melvin Poh pursuant to the terms of the Subscription Agreement; and
- (c) the Directors be and are hereby authorised to do all such acts and things and to execute all such documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares.

### **ORDINARY RESOLUTION 4**

#### **APPROVAL OF THE PROPOSED ISSUE OF REDEMPTION SHARES**

THAT subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3 and Ordinary Resolution 5 set out herein:

- (a) approval be and is hereby given for the proposed allotment and issue of 80,299,996 new ordinary shares in the capital of the Company (“**Redemption Shares**”) at the issue price of S\$0.042 per Redemption Share to Noteholders who have elected to receive payment of the full Redemption Amount in the form of Redemption Shares calculated by dividing the Redemption Amount as of the Second Instalment Date by the issue price of S\$0.042 per Redemption Share (rounding down) pursuant to the amended terms and conditions of the Notes (the “**Proposed Issue of Redemption Shares**”); and
- (b) the Directors be and are hereby authorised to complete and to do all acts and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Issue of Redemption Shares and to give effect to this Ordinary Resolution 3 as he shall think fit and in the interests of the Company.

### **ORDINARY RESOLUTION 5**

#### **APPROVAL OF THE TRANSFER OF CONTROLLING INTEREST**

THAT subject to and contingent upon the passing of Ordinary Resolutions 1, Ordinary Resolution 2, Ordinary Resolution 3 and Ordinary Resolution 4 set out herein, the Transfer of Controlling Interest be and is hereby approved and that approval be and is hereby given to the Directors:

- (a) to allot and issue such number of Subscription Shares to AOC as may be required or permitted to be allotted or issued pursuant to the Proposed Placement, subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement, and subject to AOC and its concert parties holding less than 30.0% of the voting rights of the Company at any point in time to avoid triggering a requirement to make a mandatory offer for the Shares under the Code, the issuance of such Shares constituting a transfer of a controlling interest in the Company to AOC; and
- (b) to complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Ordinary Resolution 4.

**SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTIONS 1, 2, 3, 4 AND 5 ARE INTER-CONDITIONAL. THIS MEANS THAT IF EITHER ORDINARY RESOLUTION 1, 2, 3, 4 OR 5 IS NOT PASSED, ALL OF THE ORDINARY RESOLUTIONS WOULD NOT BE PASSED.**

#### **BY ORDER OF THE BOARD**

Eng Chiaw Koon  
Managing Director and Executive Director

31 October 2018

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Notes:

1. Except for a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act, a member entitled to attend, speak and vote at the EGM may appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the registered office of the Company, at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 not later than 48 hours before the time appointed for the holding the EGM.
5. The instrument appointing a proxy or proxies must be signed by the appointor or an attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such persons as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act.
8. The submission of an instrument or form appointing a proxy or proxies by a member does not preclude him from attending and voting in person at the EGM if he so wishes.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the EGM.
10. The Company shall be entitled to reject an instrument of proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## PROXY FORM

### AUSGROUP LIMITED

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

### PROXY FORM

(Please see Notes overleaf before  
completing this Proxy Form)

**IMPORTANT:**

Pursuant to Section 181(1C) of the Companies Act (Chapter 50) of Singapore (the "Companies Act"), a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act may appoint more than two (2) proxies to attend, speak and vote at the extraordinary general meeting.

For investors who have used their CPF monies to buy shares in the Company, this Circular is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.

This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**Personal data privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 31 October 2018.

\*I/We (Name) \_\_\_\_\_

(NRIC/Passport/Co. Registration No.) \_\_\_\_\_

of (Address) \_\_\_\_\_

being a \*member/members of **AUSGROUP LIMITED** ("the **Company**"), hereby appoint:

| Name    | NRIC/ Passport No. | Proportion of Shareholding |   |
|---------|--------------------|----------------------------|---|
|         |                    | No. of Shares              | % |
| Address |                    |                            |   |

\*and/or

| Name    | NRIC/ Passport No. | Proportion of Shareholding |   |
|---------|--------------------|----------------------------|---|
|         |                    | No. of Shares              | % |
| Address |                    |                            |   |

as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the EGM to be held on 15 November 2018 at 10.00 a.m. at J Collyer, Level 9 M Hotel Singapore, 81 Anson Road, Singapore 079908 or at any adjournment thereof.

| As Ordinary Resolution |   | For | Against |
|------------------------|---|-----|---------|
| Resolution 1           | To authorise the Rights Issue   |     |         |
| Resolution 2           | To authorise the Proposed Placement   |     |         |
| Resolution 3           | To authorise the Proposed Placement to Mr. Poh Boon Kher Melvin as an Interested Person Transaction |     |         |
| Resolution 4           | To authorise the Proposed Issue of Redemption Shares  |     |         |
| Resolution 5           | To authorise the Transfer of Controlling Interest   |     |         |

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with a "X" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the relevant number of shares in the relevant boxes provided above. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the EGM.)

**Note:** Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of EGM for the full purpose and intent of the Resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

| Total No. of Shares    | No. of Shares |
|------------------------|---------------|
| In CDP Register        |               |
| In Register of Members |               |

\_\_\_\_\_  
Signature(s) of Member(s)/  
Common Seal of Corporate Member

\*Delete as appropriate

**IMPORTANT: PLEASE READ NOTES OVERLEAF**





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## PROXY FORM

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### Notes:

1. Except for a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act, a member entitled to attend, speak and vote at the EGM may appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
3. A proxy need not be a member of the Company.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316, not later than 48 hours before the time appointed for holding the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or an attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act.
9. The submission of an instrument or form appointing a proxy or proxies by a member does not preclude him from attending and voting in person at the EGM if he so wishes.
10. The Company shall be entitled to reject an instrument of proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
11. Investors who buy Shares in the Company using CPF monies and/or SRS monies (as may be applicable) ("**CPF/SRS Investors**") may attend and cast their vote at the EGM in person. CPF/SRS Investors who are unable to attend the EGM but would like to vote, may inform CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF/SRS Investors shall be precluded from attending the EGM.