

CIRCULAR DATED 14 JUNE 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by AusGroup Limited (the “Company”). If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

Capitalised terms appearing on the cover of this Circular have the same meanings as defined herein.

If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this Circular with the Notice of EGM and the attached Proxy Forms to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, opinion expressed or reports contained in this Circular.

Approval in-principle granted by the SGX-ST to the Company for the listing and quotation of the Capitalisation Shares and the Exchange Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Capitalisation Shares, the Exchange Shares, the Proposed Issue of Capitalisation Shares, the Proposed Issue of Exchange Shares, the Company and its subsidiaries.



AUSGROUP LIMITED

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

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED ALLOTMENT AND ISSUE OF 140,766,195 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO EZION HOLDINGS LIMITED PURSUANT TO THE EZION LOAN CAPITALISATION AT THE ISSUE PRICE OF S\$0.058 AS AN INTERESTED PERSON TRANSACTION (THE “PROPOSED ISSUE OF CAPITALISATION SHARES”); AND**
- (2) THE PROPOSED ALLOTMENT AND ISSUE OF 482,849,304 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO EXCHANGING NOTEHOLDERS PURSUANT TO THE EXCHANGE OFFER AT THE ISSUE PRICE OF S\$0.058 (THE “PROPOSED ISSUE OF EXCHANGE SHARES”).**

**Independent Financial Adviser to the Independent Directors
in respect of the Ezion Loan Capitalisation as an Interested Person Transaction**



PROVENANCECAPITAL

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 | : 27 June 2017 at 10:00 a.m. |
| Date and time of Extraordinary General Meeting | : 29 June 2017 at 10:00 a.m. |
| Place of Extraordinary General Meeting | : Ballroom 3, Level 3
The Singapore Island Country Club
180 Island Club Road
Singapore 578774 |

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DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply throughout:

- “3Q2017”** : The financial third quarter of the Company ended 31 March 2017
- “Announcement”** : The Company’s announcement of the Exchange Offer and the Ezion Loan Capitalisation dated 21 May 2017
- “Associate”** : (a) In relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family (that is, the person’s spouse, child, adopted child, step-child, sibling and parent);
 - (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; or
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and
- (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 a subsidiary of such holding company or company in which it and/or they, taken together (directly or indirectly) have an interest of 30.0% or more
- “Audit Committee”** : The audit committee of the Company, comprising Ms Ooi Chee Kar, Mr Chew Heng Ching and Mr Wu Yu Liang as at the Latest Practicable Date
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “Capitalisation Shares”** : 140,766,195 Shares proposed to be issued by the Company to Ezion pursuant to capitalisation of the Ezion Capitalisation Sum
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 14 June 2017
- “Companies Act”** : The Companies Act (Chapter 50) of Singapore as amended, modified or supplemented from time to time
- “Controlling Shareholder”** : A person who (a) holds directly or indirectly 15.0% or more of all voting shares in a company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over a company
- “Director”** : A director of the Company as at the Latest Practicable Date

DEFINITIONS

“EGM”	:	The extraordinary general meeting of the Company to be convened and held on 29 June 2017 at 10:00 a.m. at Ballroom 3, Level 3, The Singapore Island Country Club, 180 Island Club Road, Singapore 578774, notice of which is set out on pages N-1 to N-2 of this Circular
“EPS”	:	Earnings per Share
“Exchange Offer”	:	The invitation to Noteholders to offer to exchange Notes for new Shares, fractional entitlements to be disregarded
“Exchange Offer Memorandum”	:	The exchange offer memorandum to Noteholders dated 22 May 2017
“Exchange Shares”	:	482,849,304 Shares proposed to be issued by the Company to Exchanging Noteholders in satisfaction of the Noteholder Exchange Sum
“Exchanging Noteholders”	:	Noteholders who have validly participated in the Exchange Offer
“Existing Shares”	:	132,055,541 Shares held by Ezion, representing 17.83% of the Company’s issued share capital as at the Latest Practicable Date
“Ezion Capitalisation Sum”	:	The amount of the Shareholder Loan to be capitalised under the Ezion Loan Capitalisation of US\$5,903,000.00 (equivalent to S\$8,164,439.30 based on the exchange rate as at 9 June 2017 of US\$1 : S\$1.3831)
“Ezion Loan Capitalisation”	:	The capitalisation of the Shareholder Loan via the issuance of new Shares, fractional entitlements to be disregarded
“Ezion Undertaking”	:	The undertaking by Ezion dated 19 May 2017
“FY”	:	A financial year ended or ending 30 June, as the case may be
“IFA” or “Independent Financial Adviser”	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares)
“IFA Letter”	:	The letter dated 14 June 2017 issued by the IFA to the Independent Directors containing the advice of the IFA in respect of the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares), as reproduced in Appendix A to this Circular
“Independent Directors”	:	The Directors who are deemed independent of the Ezion Loan Capitalisation. For this purpose, the entire Board of Directors is deemed to be independent of the Ezion Loan Capitalisation as an Interested Person Transaction.
“Independent Shareholders”	:	the Shareholders who are independent for the purposes of the Proposed Issue of Capitalisation Shares
“Interested Person Transaction”	:	An interested person transaction under Chapter 9 of the Listing Manual

DEFINITIONS

“Issue Price”	:	S\$0.058 per Exchange Share or Capitalisation Share
“Latest Practicable Date”	:	10 June 2017, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer Period”	:	The period during which Noteholders were able to participate in the Exchange Offer, which commenced at 9:00 a.m. (Singapore time) on 22 May 2017 and expired at 5:00 p.m. (Singapore time) on 9 June 2017
“New Expiration Deadline”	:	5:00 p.m. (Singapore time) on 9 June 2017, following the extension of the initial Offer Period by one (1) day
“Nominee Noteholders”	:	Noteholders who are nominees
“Noteholders”	:	Holder of the Notes
“Notes”	:	S\$110,000,000 7.95 per cent. Notes due 2018 (ISIN: SG6TF6000008) issued by the Company
“Notice of EGM”	:	The notice of the EGM which is set out on pages N-1 to N-2 of this Circular
“NTA”	:	Net tangible assets
“NTL”	:	Net tangible liabilities
“Proposed Issue of Exchange Shares”	:	The proposed allotment and issue of 482,849,304 new Shares to Exchanging Noteholders pursuant to the Exchange Offer at the Issue Price
“Proposed Issue of Capitalisation Shares”	:	The proposed allotment and issue of 140,766,195 new Shares to Ezion pursuant to the Ezion Loan Capitalisation at the Issue Price
“Proposed Transactions”	:	The Exchange Offer and the Ezion Loan Capitalisation
“Proxy Form”	:	The proxy form attached to the Notice of EGM
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“Settlement Date”	:	The settlement date of the Exchange Offer, which is expected to be on or around 30 June 2017
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
“Share”	:	An ordinary share in the capital of the Company, and “Shares” shall be construed accordingly

DEFINITIONS

“Share Registrar”	:	M & C Services Private Limited, whose office is at 112 Robinson Road, #05-01, Singapore 068902
“Shareholder Loan”	:	The shareholder loan from Ezion to the Company
“Shareholders”	:	Registered holders of Shares, except where the registered holder is CDP, in which case the term “ Shareholders ” shall in relation to such Shares mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
“Subscription Agreement”	:	The subscription agreement between the Company and Ezion dated 10 June 2017
“Subscription Date”	:	The date on or before which Ezion shall notify the Company of the amount of the Shareholder Loan which Ezion will capitalise into new Shares in accordance with the Ezion Loan Capitalisation and enter into a share subscription agreement with the Company for such number of new Shares on the terms of the Proposed Transactions and terms that are customary to a standard subscription agreement
“Substantial Shareholder”	:	A person (including a corporation) who has an interest in not less than 5.0% of the issued shares of a company
“VWAP”	:	Volume-weighted average price

Currencies and Units of Measurements

“%”	:	Per cent or percentage
“AU\$”	:	Australian dollars
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“US\$”	:	United States dollars

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

The term “**subsidiary**” shall have the meaning ascribed to it in the Companies 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 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 “**Rule**” or “**Chapter**” is a reference to the relevant rule or chapter in the Listing Manual.

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 SFA and the Listing Manual or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the SFA and the Listing Manual or any statutory modification thereof, as the case may be.

DEFINITIONS

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Circular to Shares being allotted to a person includes allotment to CDP for the account of that Depositor.

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

Any discrepancies in tables included in this Circular between the listed amounts and the totals are due to rounding; accordingly, the figures shown as totals in certain tables may not be an aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

AUSGROUP LIMITED

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

Directors:

Stuart Maxwell Kenny (Non-Executive Director and Chairman)
Eng Chiaw Koon (Managing Director and Executive Director)
Chew Heng Ching (Independent Non-Executive Director)
Ooi Chee Kar (Independent Non-Executive Director)
Wu Yu Liang (Independent Non-Executive Director)

Registered Office:

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

14 June 2017

To: The Shareholders of AusGroup Limited

Dear Sir or Madam

- (1) **THE PROPOSED ALLOTMENT AND ISSUE OF 140,766,195 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO EZION HOLDINGS LIMITED PURSUANT TO THE EZION LOAN CAPITALISATION AT THE ISSUE PRICE OF S\$0.058 AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) **THE PROPOSED ALLOTMENT AND ISSUE OF 482,849,304 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO EXCHANGING NOTEHOLDERS PURSUANT TO THE EXCHANGE OFFER AT THE ISSUE PRICE OF S\$0.058.**

1. INTRODUCTION

1.1. Background

On 21 May 2017, the Company announced that it was proposing to undertake an invitation to holders of its S\$110,000,000 7.95 per cent. Notes due 2018 (ISIN: SG6TF6000008) issued by the Company (the “**Notes**” and the “**Noteholders**”) to offer to exchange Notes for new ordinary shares in the capital of the Company (the “**Shares**”), fractional entitlements to be disregarded (the “**Exchange Offer**”) and a capitalisation of the shareholder loan from Ezion Holdings Limited (“**Ezion**”) to the Company (the “**Shareholder Loan**”) via the issuance of new Shares, fractional entitlements to be disregarded (the “**Ezion Loan Capitalisation**”, and together with the Exchange Offer, the “**Proposed Transactions**”).

On 1 June 2017, the Company announced that following feedback from Noteholders who are nominees (the “**Nominee Noteholders**”) and in order to provide Nominee Noteholders with additional time for their internal procedures, the period during which Noteholders were able to participate in the Exchange Offer (the “**Offer Period**”), which commenced at 9:00 a.m. (Singapore time) on 22 May 2017 and was initially stated to expire at 5:00 p.m. (Singapore time) on 8 June 2017, would be extended by one (1) day and that the Exchange Offer would expire at 5:00 p.m. (Singapore time) on 9 June 2017 instead (the “**New Expiration Deadline**”). Additionally, the Company also announced that in view of the New Expiration Deadline, the Circular would be despatched on 14 June 2017 and the EGM would be held on 29 June 2017 instead.

On 12 June 2017, the Company further announced that the Offer Period had closed and that the Company had received offers to exchange from Noteholders of 116 Notes with an aggregate principal amount equal to S\$27,944,400, representing 26.36% of the outstanding Notes. Based on the foregoing, the Exchange Consideration (as defined in Section 5.2 of this Circular) is S\$28,005,265.20 (the “**Noteholder Exchange Sum**”).

LETTER TO SHAREHOLDERS

Pursuant to the Exchange Offer, the Company proposes to issue an aggregate of 482,849,304¹ Shares to Noteholders who have validly participated in the Exchange Offer (the “**Exchanging Noteholders**”) in satisfaction of the Noteholder Exchange Sum (the “**Exchange Shares**”). If issued, the Exchange Shares will represent 65.21% of the Company’s issued share capital as at the Latest Practicable Date and 35.40% of the Company’s enlarged share capital following completion of the Proposed Transactions.

On 21 May 2017, the Company had also announced that pursuant to an undertaking dated 19 May 2017 by Ezion (the “**Ezion Undertaking**”), Ezion undertook to capitalise an amount of the Shareholder Loan, subject to certain conditions as described in Section 3.1 of this Circular.

Ezion is a Controlling Shareholder of the Company, holding 132,055,541 Shares representing 17.83% of the Company’s issued share capital as at the Latest Practicable Date (the “**Existing Shares**”).

On 12 June 2017, the Company further announced that it had entered into a subscription agreement with Ezion (the “**Subscription Agreement**”), under which the Company proposed to issue 140,766,195 Shares (the “**Capitalisation Shares**”) to Ezion pursuant to capitalisation of US\$5,903,000.00 (equivalent to S\$8,164,439.30 based on the exchange rate as at 9 June 2017 of US\$1 : S\$1.3831) (the “**Ezion Capitalisation Sum**”) of the Shareholder Loan (as defined in Section 3.1 of this Circular). If issued, the Capitalisation Shares will represent 19.01% of the Company’s issued share capital as at the Latest Practicable Date and 10.32% of the Company’s enlarged share capital following completion of the Proposed Transactions. The Capitalisation Shares will, together with the Existing Shares, represent 20.0% of the Company’s enlarged share capital following completion of the Proposed Transactions.

Approval-in-principle

The Company has made an application to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Capitalisation Shares and the Exchange Shares on the Main Board of the SGX-ST. On 1 June 2017, the Company announced that it had received approval-in-principle from the SGX-ST, subject to the following:

- (a) compliance with the SGX-ST’s listing requirements;
- (b) Independent Shareholders’ approval to be obtained for the Proposed Issue of Capitalisation Shares at the EGM;
- (c) Shareholders’ approval to be obtained for the Proposed Issue of Exchange Shares at the EGM; and
- (d) a written undertaking from the Company that it will comply with Rule 803 of the Listing Manual.

On 6 June 2017, the Company provided a written undertaking to the SGX-ST that it would comply with Rule 803 of the Listing Manual.

The approval-in-principle of the SGX-ST is not to be taken as an indication of the merits of the Capitalisation Shares, the Exchange Shares, the Proposed Issue of Capitalisation Shares, the Proposed Issue of Exchange Shares, the Company and its subsidiaries. Shareholders are advised that the SGX-ST assumes no responsibility for the accuracy of any of the statements made, opinion expressed or reports contained in this Circular.

¹ The Exchange Consideration for one Note is based on the principal amount of one Note of S\$240,900.00 and the Accrued Interest of one Note of S\$524.70, which together amounts to S\$241,424.70 and is equivalent to 4,162,494 new Shares, fractional entitlements disregarded. Accordingly, the Noteholder Exchange Sum is the Exchange Consideration for 116 Notes, which together amounts to S\$28,005,265.20 and is equivalent to 482,489,304 new Shares.

LETTER TO SHAREHOLDERS

1.2. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Issue of Capitalisation Shares and the Proposed Issue of Exchange Shares and to seek Independent Shareholders' approval for the Proposed Issue of Capitalisation Shares and Shareholders' approval for the Proposed Issue of Exchange Shares at the EGM.

This Circular has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than the Shareholder to whom this Circular is despatched by the Company) or for any other purpose.

1.2.1. Ordinary Resolution 1 – The Proposed Issue of Capitalisation Shares

Pursuant to Rule 805(1) of the Listing Manual, the Company must obtain the prior approval of Shareholders in general meeting for the issue of the Capitalisation Shares. Additionally, Ezion, being a Controlling Shareholder of the Company holding 132,055,541 Shares representing 17.83% of the Company's issued share capital as at the Latest Practicable Date, falls within the category of persons under Rule 812(1) of the Listing Manual and accordingly the Company must obtain the prior approval of Shareholders in general meeting for the issue of the Capitalisation Shares pursuant to Rule 812(2) of the Listing Manual.

Ezion, being a Controlling Shareholder of the Company, is also an "interested person" for the purposes of Chapter 9 of the Listing Manual. Pursuant to Rule 906(1) of the Listing Manual, Shareholders' approval is required for an Interested Person Transaction of a value equal to, or exceeding, 5.0% of the Group's latest audited net tangible assets ("NTA") or, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or exceeding, 5.0% of the Group's latest audited NTA.

Based on the Ezion Capitalisation Sum of S\$8,164,439.30 and the Group's latest audited net tangible liabilities ("NTL") as at 30 June 2016 of approximately S\$66,009,000, the value at risk (being the Ezion Capitalisation Sum) amounts to approximately 12.37% of the Group's latest audited NTL.

Accordingly, the Company will be seeking the approval of the Independent Shareholders for the Proposed Issue of Capitalisation Shares at the EGM pursuant to Rule 906(1) of the Listing Manual. Pursuant to Rule 919 of the Listing Manual, Ezion and its Associates will not vote on Ordinary Resolution 1 for the Proposed Issue of Capitalisation Shares, nor accept appointments as proxies unless specific instructions as to voting are given.

Provenance Capital Pte. Ltd., the independent financial adviser to the Directors who are deemed independent of the Ezion Loan Capitalisation (the "**Independent Directors**") (the "**IFA**"), has been appointed under Rule 921(4)(a) of the Listing Manual as well as to advise the Independent Directors on whether the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) is carried out on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. For this purpose, the entire Board of Directors is deemed to be independent of the Ezion Loan Capitalisation as an Interested Person Transaction. The IFA Letter is set out in Appendix A of this Circular.

In the event the Proposed Transactions are completed, Ezion will hold 272,821,736 Shares representing 20.0% of the Company's enlarged share capital.

1.2.2. Ordinary Resolution 2 – The Proposed Issue of Exchange Shares

Pursuant to Rule 805(1) of the Listing Manual, the Company must obtain the prior approval of Shareholders in general meeting for the issue of the Exchange Shares. Accordingly, the Company will be seeking the approval of Shareholders for the Proposed Issue of Exchange Shares pursuant to Rule 805(1) of the Listing Manual.

LETTER TO SHAREHOLDERS

The Issue Price of S\$0.058 represents a premium of 6.62% above the volume-weighted average price (“**VWAP**”) of S\$0.0544 per Share for trades done on the SGX-ST on 18 May 2017, being the immediately preceding full Market Day on which the Exchange Offer is announced. Accordingly, the Proposed Issue of Exchange Shares complies with Rule 811(1) of the Listing Manual.

The Exchange Shares will not be issued to transfer a controlling interest of the Company under Rule 803 of the Listing Manual and the Exchange Shares will not be issued to any person who falls within the class of restricted persons under Rule 812(1) of the Listing Manual.

1.2.3. Shareholder Undertakings

Stuart Maxwell Kenny, the Non-Executive Chairman of the Company, and Faye Lorraine Kenny, who are together the beneficial owners of 8,908,896 Shares representing 1.20% of the Company’s issued share capital as at the Latest Practicable Date, and Barry Alfred Carson and Jennifer Margaret Carson, who together are the legal and beneficial owners of 20,651,518 Shares representing 2.79% of the Company’s issued share capital as at the Latest Practicable Date, have undertaken to vote in favour of Ordinary Resolution 1 and Ordinary Resolution 2 at the EGM.

Additionally, pursuant to the Ezion Undertaking, Ezion, who is the legal and beneficial owner of 132,055,541 Shares representing 17.83% of the Company’s issued share capital as at the Latest Practicable Date, has undertaken to vote in favour of Ordinary Resolution 2 at the EGM. However, as Ezion is an interested person of the Company under Chapter 9 of the Listing Manual, Ezion must abstain from voting on Ordinary Resolution 1.

1.3. Conditionality of Resolutions

In order to ensure equality of treatment between Ezion and Noteholders, the Company proposes for Ezion’s debt-to-equity conversion under the Ezion Loan Capitalisation to occur on substantially the same terms as Noteholders’ debt-to-equity conversion under the Exchange Offer and for Ordinary Resolution 1 and Ordinary Resolution 2 to be inter-conditional. Accordingly, the Company proposes to undertake the Ezion Loan Capitalisation and the Exchange Offer at the same Issue Price of S\$0.058, to issue the Capitalisation Shares and the Exchange Shares at the same priority in ranking and to subject the Capitalisation Shares and the Exchange Shares to the same moratorium on trading of 3 calendar months. As Ordinary Resolution 1 and Ordinary Resolution 2 are inter-conditional, this means that if Ordinary Resolution 1 is not approved, Ordinary Resolution 2 will not be passed, and *vice versa*.

For further information on the background of the Ezion Loan Capitalisation and the Exchange Offer, please refer to Section 3.1 of this Circular and Section 5.1 of this Circular respectively.

2. RATIONALE FOR THE PROPOSED TRANSACTIONS

As a result of depressed oil and commodity prices, oil and gas companies, energy companies and mining companies have decreased capital expenditures and are expected to shift into operational expenditure where maintenance expenses dominate budgets. As a result, construction activities on such projects decreased significantly, with operational effectiveness being the main focus of these companies.

The Company has accordingly restructured its business and transitioned from predominantly serving and supporting capital expenditure expansion in the mining sector to catering to operational expenditure and maintenance services in the energy (predominantly Liquid Natural Gas (“**LNG**”) processing), industrial and mining sectors (the “**Maintenance Business**”). Following the restructuring of the business, the Company’s results for the financial third quarter ended 31 March 2017 (“**3Q2017**”) have improved through the Company’s core projects in the Northern Territory and Western Australia LNG sector. In particular, the 3Q2017 net profit of AU\$3.3 million represents a significant improvement from the loss of AU\$24.2 million from the results of the preceding financial third quarter ended 31 March 2016.

LETTER TO SHAREHOLDERS

The Company also ventured into the onshore and off-shore marine services business via the acquisition of Port Melville and its associated assets and businesses (the “**Port**”). Previously, the commencement of full port operations had been delayed by ongoing environmental and regulatory approval processes. On 15 December 2016, the Company announced that Ezion Offshore Logistics Hub (Tiwi) Pty Ltd (now known as NT Port and Marine Pty Ltd), a wholly-owned subsidiary of the Company, had been approved to “operate a marine supply base at Port Melville, Melville Island, Northern Territory, for the shipment of equipment and supplies for projects such as the construction and operation of offshore oil and gas fields, up to a maximum of 233 vessel berths at Port Melville per annum (including pilot vessels)”. Accordingly, the Company will now be able to develop its operations at the Port beyond the historical woodchip export activity.

Following from the Company’s transition in relation to the Maintenance Business and the resolution of approvals for the Port, the Company is now able to explore various business opportunities, such as organic growth or a realisation of certain of its assets or business units.

The purpose of the Proposed Transactions is to build on the success of the Company’s business restructuring, and includes the following commercial objectives:

- (a) to improve the Company’s net asset position on its balance sheet by reducing debt and increasing paid-up capital;
- (b) to reduce interest costs as a result of reduced debt;
- (c) to improve the Company’s ability to raise funds from financial markets due to a healthier balance sheet;
- (d) to improve the Company’s ability to win new contracts from potential customers; and
- (e) to improve the perception and confidence of the Company’s customers, suppliers, employees and other stakeholders.

If the Proposed Transactions are completed, the Company’s interest costs will be reduced by approximately S\$3.05 million per annum.

3. THE PROPOSED ISSUE OF CAPITALISATION SHARES

3.1. Introduction

Pursuant to a novation and amendment agreement dated 30 June 2016 between Teras Australia Pty Ltd (“**TAPL**”), Teras Offshore Pte Ltd (“**TOPL**”), Ezion Offshore Logistics Hub Pte. Ltd. (“**EOLH**”), Ezion and the Company (the “**Agreement**”), the liabilities and obligations of TAPL and EOLH, both of which are subsidiaries of the Company, under certain loan agreements with Ezion were novated to the Company and the benefits and rights of TOPL, which is a wholly-owned subsidiary of Ezion, under a loan agreement with the Company were assigned to Ezion (the “**Novation**”). Following the Novation, the loans under the relevant loan agreements became owed by the Company directly to Ezion. Additionally, the Agreement amended the interest rate under the Shareholder Loan from 8.0% per annum to 5.0% per annum with effect from 1 July 2016.

On 21 May 2017, the Company announced that it was proposing to undertake the Ezion Loan Capitalisation. Pursuant to the Ezion Undertaking, in addition to the voting undertaking described in Section 1.2.3 of this Circular, Ezion also undertook to capitalise an amount of the Shareholder Loan, subject to the following:

- (a) satisfaction of the Minimum Offer Condition (as defined in Section 5.3 of this Circular);

LETTER TO SHAREHOLDERS

- (b) the approval in-principle of the SGX-ST for the listing and quotation of the Capitalisation Shares and the Exchange Shares on the Main Board of the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to completion of the Ezion Loan Capitalisation), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company; and
- (c) the approval by Shareholders having being obtained at an extraordinary general meeting to be duly convened for the resolutions in relation to the Proposed Transactions and such other transactions in connection therewith and incidental thereto.

The Ezion Undertaking provided, additionally, that:

- (a) the amount of the Shareholder Loan to be capitalised under the Ezion Loan Capitalisation shall be an amount in Ezion's discretion which will result in Ezion's shareholding in the Company being not less than 20.0% but not more than 29.9% of the enlarged share capital of the Company following completion of the Proposed Transactions; and
- (b) Ezion shall notify the Company of the amount of the Shareholder Loan which Ezion will capitalise into new Shares in accordance with the Ezion Loan Capitalisation and enter into a share subscription agreement with the Company for such number of new Shares on the terms of the Proposed Transactions and terms that are customary to a standard subscription agreement on or before 9 June 2017 (the "**Subscription Date**"). In the event that the Ezion Loan Capitalisation is not completed on or before 31 July 2017, the Ezion Undertaking will lapse.

On 1 June 2017, the Company announced that in view of the New Expiration Deadline and in order to ensure equality of treatment between Ezion and Noteholders, the Company would extend the Subscription Date by one (1) day to 10 June 2017 instead.

On 10 June 2017, the Company entered into the Subscription Agreement, under which the Company proposed to issue 140,766,195 Shares (being the Capitalisation Shares) to Ezion pursuant to capitalisation of US\$5,903,000.00 (equivalent to S\$8,164,439.30 based on the exchange rate as at 9 June 2017 of US\$1 : S\$1.3831) (being the Ezion Capitalisation Sum) of the Shareholder Loan, which will result in Ezion's shareholding in the Company being 20.0% of the enlarged share capital of the Company following completion of the Proposed Transactions.

Assuming completion of the Ezion Loan Capitalisation on the expected Settlement Date of 30 June 2017, the amount outstanding under the Shareholder Loan (which includes both principal and interest) will be reduced from US\$30,505,342.07 (equivalent to S\$42,191,938.62 based on the exchange rate as at 9 June 2017 of US\$1 : S\$1.3831) to US\$24,602,342.07 (equivalent to S\$34,027,499.32 based on the exchange rate as at 9 June 2017 of US\$1 : S\$1.3831).

The Subscription Agreement is subject to the following conditions (the "**Conditions Precedent**"):

- (a) the approval in-principle of the SGX-ST for the listing and quotation of the Capitalisation Shares on the Main Board of the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to completion of the Ezion Loan Capitalisation), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company;
- (b) the approval by Shareholders having being obtained at an extraordinary general meeting of the Company to be duly convened for the resolution in relation to the Ezion Loan Capitalisation;
- (c) the issue and subscription of the Capitalisation Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Subscription Agreement by any applicable legislative, executive or regulatory body or authority of Singapore; and

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- (d) there having been no occurrence of any event or discovery of any fact rendering any of the warranties given by the Ezion or the Company untrue or incorrect in any material respect as at completion as if they had been given again on completion.

On 1 June 2017, the Company announced that it had received approval-in-principle from the SGX-ST for the listing and quotation of the Capitalisation Shares and the Exchange Shares on the Main Board of the SGX-ST. Accordingly, in the event approval-in-principle from the SGX-ST is not withdrawn or revoked on or prior to completion of the Ezion Loan Capitalisation and the conditions thereof are fulfilled by the Company, Condition Precedent (a) will be satisfied.

Additionally, in the event Ordinary Resolution 1 and Ordinary Resolution 2 are passed, Condition Precedent (b) will be satisfied.

Under the Subscription Agreement, completion of the Ezion Loan Capitalisation shall occur on the same date as settlement of the Exchange Offer.

3.2. Principal Terms of the Ezion Loan Capitalisation

The Capitalisation Shares under the Ezion Loan Capitalisation shall be issued to Ezion at the same Issue Price as the Exchange Shares issued to Noteholders under the Exchange Offer, fractional entitlements to be disregarded.

The Issue Price of S\$0.058 represents a premium of 6.62% above the weighted average price for trades done on the SGX-ST on 18 May 2017 of S\$0.0544, being the immediately preceding full Market Day on which the Ezion Undertaking was signed.

The terms of the Ezion Undertaking were arrived at between the Company and Ezion after taking into consideration, *inter alia*, the rationale for the Proposed Transactions and the need to ensure that Ezion's debt-to-equity conversion under the Ezion Loan Capitalisation occurs on substantially the same terms as Noteholders' debt-to-equity conversion under the Exchange Offer, so as to achieve the Company's objective of equality of treatment between Ezion and Noteholders.

The Capitalisation Shares issued to Ezion under the Ezion Loan Capitalisation shall also be subject to a moratorium on trading for 3 calendar months commencing from the date on which they are listed on the SGX-ST.

3.3. Ranking of the Capitalisation Shares

The Capitalisation Shares to be issued under the Ezion Loan Capitalisation will, when allotted and issued, be credited as fully-paid Shares free from any and all encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to the Shares in issue as at the Settlement Date (as defined in Section 5.3 of this Circular), 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 Capitalisation Shares.

4. THE PROPOSED ISSUE OF CAPITALISATION SHARES AS AN INTERESTED PERSON TRANSACTION

4.1. Requirements of Chapter 9 of the Listing Manual

Under Chapter 9 of the Listing Manual, where a listed company or any of its subsidiaries or associated companies which is an "entity at risk" (as defined below) proposes to enter into a transaction which is an "interested person transaction" (as defined below) with the listed company's "interested persons" (as defined below), Shareholders' approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds set out in Chapter 9 of the Listing Manual.

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Pursuant to Rule 906 of the Listing Manual, Shareholders' approval (in addition to an immediate announcement) is required where:

- (a) the value of such transaction is equal to or exceeds 5.0% of the Group's latest audited NTA; or
- (b) the value of such transaction, when aggregated with the value of other transactions entered into with the same interested person during the same financial year, equals to or exceeds 5.0% of the Group's latest audited NTA (such aggregation need not include any transaction that has been approved by Shareholders previously or is the subject of aggregation with another transaction that has been previously approved by Shareholders).

Interested person transactions below S\$100,000 each are to be excluded.

4.2. Definitions under Chapter 9 of the Listing Manual

For the purposes of Chapter 9 of the Listing Manual:

- (a) an **"approved exchange"** means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;
- (b) **"Control"** means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;
- (c) an **"entity at risk"** means:
 - (i) the listed company;
 - (ii) a subsidiary company of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has Control over the associated company;
- (d) an **"interested person"** means:
 - (i) a director, chief executive officer or Controlling Shareholder of the listed company; or
 - (ii) an Associate of such director, chief executive officer or Controlling Shareholder;
- (e) an **"interested person transaction"** means a transaction between an entity at risk and an interested person; and
- (f) a **"transaction"** includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

4.3. Details of the Interested Person

The Ezion Loan Capitalisation is an Interested Person Transaction as Ezion is an "interested person" for the purposes of Chapter 9 of the Listing Manual. Ezion is a Controlling Shareholder of the Company, holding 132,055,541 Shares representing 17.83% of the Company's issued share capital as at the Latest Practicable Date.

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4.4. Materiality thresholds under Chapter 9 of the Listing Manual

The value at risk to the Company for the purposes of Chapter 9 of the Listing Manual is the Ezion Capitalisation Sum of S\$8,164,439.30, being the aggregate value of the Capitalisation Shares to be issued to Ezion pursuant to capitalisation of the Ezion Capitalisation Sum.

Based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2016, the Group's latest audited NTL as at 30 June 2016 was approximately S\$66,009,000. Based on the foregoing, the value at risk amounts to approximately 12.37% of the Group's latest audited NTL. As the value at risk is more than 5.0% of the Group's latest audited NTL, pursuant to Rule 906 of the Listing Manual, the Company will be seeking the approval of the Shareholders for the Proposed Issue of Capitalisation Shares at the EGM.

Accordingly, the Proposed Issue of Capitalisation Shares is subject to the approval of the Independent Shareholders at the EGM and an independent financial adviser is required to be appointed to advise on whether the transaction is carried out on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. In this regard, Provenance Capital Pte. Ltd. has been appointed as the IFA.

Please refer to Section 8 of this Circular and Appendix A to this Circular for the advice provided by the IFA.

4.5. Total Value of the Interested Person Transactions

As at the Latest Practicable Date, the aggregate value of all Interested Person Transactions with Ezion for the current financial year is approximately AU\$1,508,486.84 (equivalent to S\$1,572,144.99 based on the exchange rate as at 9 June 2017 of AU\$1 : S\$1.0422) representing approximately 2.38% of the Group's latest audited NTL of approximately S\$66,009,000 as at 30 June 2016. As at the Latest Practicable Date, there were no Interested Person Transactions with any other interested persons during the current financial year.

5. THE PROPOSED ISSUE OF EXCHANGE SHARES

5.1. 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.

On 21 May 2017, the Company announced that it was proposing to undertake the Exchange Offer and on 31 May 2017, the Company further announced that the Minimum Offer Condition had been satisfied and that accordingly the EGM would be convened. On 12 June 2017, the Company announced that the Offer Period for the Exchange Offer had closed and that the Company had received offers to exchange from Noteholders of 116 Notes with an aggregate principal amount equal to S\$27,944,400, representing 26.36% of the outstanding Notes. Based on the foregoing, the Exchange Consideration is S\$28,005,265.20 (being the Noteholder Exchange Sum).

Accordingly, pursuant to the Exchange Offer, the Company proposes to issue an aggregate of 482,849,304² Shares (being the Exchange Shares).

² The Exchange Consideration for one Note is based on the principal amount of one Note of S\$240,900.00 and the Accrued Interest of one Note of S\$524.70, which together amounts to S\$241,424.70 and is equivalent to 4,162,494 new Shares, fractional entitlements disregarded. Accordingly, the Noteholder Exchange Sum is the Exchange Consideration for 116 Notes, which together amounts to S\$28,005,265.20 and is equivalent to 482,489,304 new Shares.

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5.2. Principal Terms of the Exchange Offer

The consideration payable to each Noteholder is such number of new Shares equivalent in value to the sum of (i) the aggregate principal amount of Notes offered for exchange pursuant to the Exchange Offer (the “**Offered Notes**”) accepted for exchange by the Company and (ii) interest accrued and unpaid on such Offered Notes accepted for exchange by the Company, from and including 20 June 2017, being the immediately preceding interest payment date prior to the Settlement Date (as defined in Section 5.3 of this Circular), up to (but excluding) the Settlement Date (the “**Accrued Interest**”³), based on the Issue Price, fractional entitlements to be disregarded (the “**Exchange Consideration**”). The “**Issue Price**” of each new Share is S\$0.058 and represents a premium of approximately 6.03% above the VWAP of S\$0.0547 per Share for trades done on the SGX-ST over the 30 Market Days preceding the date of the Company’s announcement of the Proposed Transactions dated 21 May 2017 (the “**Announcement**”). The Exchange Shares will be traded on the SGX-ST in a minimum board lot size of 100 new Shares.

The Issue Price of S\$0.058 represents a premium of 6.62% above the VWAP of S\$0.0544 per Share for trades done on the SGX-ST on 18 May 2017, being the immediately preceding full Market Day on which the Exchange Offer was announced.

The terms of the Exchange Offer were arrived at by the Company after taking into consideration, *inter alia*, the rationale for the Proposed Transactions as set out in Section 2 of this Circular and the need to balance the interests of various stakeholders of the Company.

The Exchange Consideration for one Note⁴ is 4,162,494 new Shares.

The Exchange Shares will be subject to a moratorium on trading for 3 calendar months commencing from the date on which they are listed on the SGX-ST. Pursuant to the Company’s announcement dated 31 May 2017, the Company clarified that in order to minimise inconvenience to Noteholders, the Exchange Shares would not be issued into moratorium accounts with The Central Depository (Pte) Limited (“**CDP**”) but would be issued to Noteholders in scrip form instead.

The Exchange Offer will be governed by and construed in accordance with Singapore law.

5.3. Conditions of the Exchange Offer

In addition to the general conditions relating to the Exchange Offer set forth in the exchange offer memorandum to Noteholders dated 22 May 2017 (the “**Exchange Offer Memorandum**”) (the “**General Conditions**”), the Exchange Offer is conditional on, *inter alia*, the Company obtaining the requisite approvals from Shareholders and/or applicable regulatory authorities for the Exchange Offer (the “**Approval Condition**”) and valid offers for exchange being received and accepted from Noteholders of Notes with an aggregate principal amount equal to or exceeding S\$10,599,600, representing 10% of the outstanding Notes (the “**Minimum Offer Condition**”, and together with the Approval Condition and the General Conditions, the “**Exchange Offer Conditions**”).

As at the Latest Practicable Date, save for the Approval Condition, all of the Exchange Offer Conditions have been satisfied or waived. In the event Ordinary Resolution 2 is passed, the Approval Condition will be satisfied and all of the Exchange Offer Conditions would be satisfied or waived.

The settlement date of the Exchange Offer is expected to be on or around 30 June 2017 (the “**Settlement Date**”), on which date the Exchange Shares will be issued to Exchanging Noteholders.

3 For the avoidance of doubt, interest payable on the Notes on the interest payment date of 20 June 2017 in respect of the preceding interest payment period will be paid by the Company in cash.

4 The Exchange Consideration for one Note is based on the principal amount of one Note of S\$240,900.00 and the Accrued Interest of one Note of S\$524.70, which together amounts to S\$241,424.70 and is equivalent to 4,162,494 new Shares, fractional entitlements disregarded.

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5.4. Ranking of the Exchange Shares

The Exchange Shares will, when allotted and issued, be credited as fully-paid Shares free from any and all encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to the Shares in issue as at the Settlement Date, 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 Exchange Shares.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The *pro forma* financial effects of the Proposed Transactions, based on the unaudited consolidated financial statements of the Group for 3Q2017, are set out below. The information presented below has been prepared based on the following:

- (a) the issued share capital of the Company as at the Latest Practicable Date of 740,432,016 Shares;
- (b) the Ezion Capitalisation Sum of S\$8,164,439.30 and the Capitalisation Shares comprising 140,766,195 Shares;
- (c) the Noteholder Exchange Sum of S\$28,005,265.20 and the Exchange Shares comprising 482,849,304 Shares; and
- (d) all expenses in connection with the Proposed Transactions have been disregarded.

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

6.1. Share Capital

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

	Before the Proposed Transactions	After the Proposed Transactions
Issued and paid-up share capital (S\$'000)	153,181	189,351 ⁵
Number of Shares	740,432,016	1,364,047,515

6.2. NTA/NTL per Share

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

	Before the Proposed Transactions	After the Proposed Transactions
NTA / (NTL) attributable to owners of the Company (S\$'000)	(59,222)	(23,053)
Number of Shares	740,432,016	1,364,047,515
NTA / (NTL) per Share (cents)	(8.00)	(1.69)

5 Based on the Issue Price of S\$0.058.

LETTER TO SHAREHOLDERS

6.3. Earnings/Loss per Share

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

	Before the Proposed Transactions	After the Proposed Transactions
Net profit / (loss) attributable to owners of the Company (S\$'000)	2,494	4,632
Number of Shares	740,432,016	1,364,047,515
Earnings / (Loss) per Share (cents)	0.336	0.339

6.4. Gearing

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

	Before the Proposed Transactions	After the Proposed Transactions
Total debt (S\$'000)	181,964	145,794
Total equity (S\$'000)	(7,327)	28,842
Gearing ratio	(24.8)	5.1

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1. Interests of the Directors and Substantial Shareholders in the Shares

The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date, based on the Company's register of interests of Directors and register of Substantial Shareholders respectively, are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Directors						
Stuart Maxwell Kenny	–	–	8,908,896	1.20	8,908,896	1.20
Eng Chiaw Koon	–	–	–	–	–	–
Chew Heng Ching	–	–	–	–	–	–
Ooi Chee Kar	–	–	–	–	–	–
Wu Yu Liang	–	–	–	–	–	–
Substantial Shareholders (other than Directors)						
Ezion Holdings Limited	132,055,541	17.83	–	–	132,055,541	17.83

LETTER TO SHAREHOLDERS

Notes:

- (1) Based on 740,432,016 Shares as at the Latest Practicable Date.
- (2) Mr Stuart Maxwell Kenny is deemed interested in 8,908,896 Shares held by Emerald River Pty Ltd by virtue of his interest in Emerald River Pty Ltd.

7.2. Interests of the Directors and Substantial Shareholders

Ezion is interested in the Ezion Loan Capitalisation as it is a Controlling Shareholder of the Company.

Save for Ezion, 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.

8. 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 Independent Directors in respect of the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) as an Interested Person Transaction. For this purpose, the entire Board of Directors is deemed to be independent of the Ezion Loan Capitalisation 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 Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) 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 in respect of the Ezion Loan Capitalisation (as an Interested Person Transaction) is set out in Appendix A of this Circular. Shareholders are advised to read the IFA Letter in its entirety carefully and consider it in the context of this Circular before deciding on whether to approve the Proposed Issue of Capitalisation Shares.

9. OPINION OF THE AUDIT COMMITTEE

The Audit Committee comprises Ms Ooi Chee Kar, Mr Chew Heng Ching and Mr Wu Yu Liang. The Chairman of the Audit Committee is Ms Ooi Chee Kar. The members of the Audit Committee do not have any interests in the Ezion Loan Capitalisation and are deemed to be independent for the purposes of the Proposed Issue of Capitalisation Shares.

The Audit Committee, having reviewed, among other things, the terms of and rationale for the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) and after considering the advice of the IFA as set out in Appendix A to this Circular, concurs with the IFA and is of the opinion that the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

10. RECOMMENDATION BY THE DIRECTORS

10.1. The Proposed Issue of Capitalisation Shares

Having considered, *inter alia*, the terms of, the rationale for and the benefits of the Ezion Loan Capitalisation, the Directors are of the opinion that the Proposed Issue of Capitalisation Shares is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 1 for the Proposed Issue of Capitalisation Shares.

LETTER TO SHAREHOLDERS

10.2. The Proposed Issue of Exchange Shares

Having considered, *inter alia*, the terms of, the rationale for and the benefits of the Exchange Offer, the Directors are of the opinion that the Proposed Issue of Exchange Shares is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 2 for the Proposed Issue of Exchange Shares.

11. 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 persons 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, Ezion will abstain, and has undertaken to ensure that its Associates will abstain, from voting on Ordinary Resolution 1 for the Proposed Issue of Capitalisation Shares, and will not accept appointments as proxies in relation to the resolution unless specific voting instructions have been given by the Shareholders.

12. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 29 June 2017 at 10:00 a.m. at Ballroom 3, Level 3, The Singapore Island Country Club, 180 Island Club Road, Singapore 578774 for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions set out in the Notice of EGM.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, may complete, sign and return the proxy form attached to the Notice of EGM (the "**Proxy Form**") in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the office of the Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

Depositors who wish to attend and vote at the EGM, and whose names are shown in the Depository Register of CDP as at a time not less than 72 hours before the time appointed for the EGM supplied by CDP to the Company, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any Proxy Form.

14. 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 Issue of Capitalisation Shares, the Proposed Issue of Exchange Shares, 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.

LETTER TO SHAREHOLDERS

15. CONSENT FROM THE INDEPENDENT FINANCIAL ADVISER

Provenance Capital Pte. Ltd., the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter set out at Appendix A to this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 during normal business hours for a period of three (3) months from the date of this Circular:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for FY2016; and
- (c) the IFA Letter.

Yours faithfully

For and on behalf of the Board of
AUSGROUP LIMITED

Eng Chiaw Koon
Managing Director

APPENDIX A: LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

PROVENANCE CAPITAL PTE. LTD.

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

14 June 2017

To: The Board of Directors of AusGroup Limited
(who are all deemed to be independent in respect of the Ezion Loan Capitalisation)

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

Dear Sirs/Mdm,

THE EZION LOAN CAPITALISATION AS AN INTERESTED PERSON TRANSACTION

*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 the Company ("**Shareholders**") dated 14 June 2017 ("**Circular**").*

1. INTRODUCTION

1.1 On 21 May 2017, the board of directors of AusGroup Limited ("**Company**", together with its subsidiaries, "**Group**") announced ("**Announcement**") that the Company is proposing to undertake an invitation to holders ("**Noteholders**") of its S\$110,000,000 7.95% Notes due 2018 (ISIN:SG6TF6000008) issued by the Company ("**Notes**") to offer to exchange the Notes for new ordinary shares in the capital of the Company ("**Shares**"), fractional entitlements to be disregarded ("**Exchange Offer**"). Additionally, the Company is also proposing to undertake a capitalisation of the shareholder loan ("**Shareholder Loan**") from Ezion Holdings Limited ("**Ezion**") to the Company via the issuance of new Shares, fractional entitlements to be disregarded ("**Ezion Loan Capitalisation**"). The new Shares to be issued in connection with the Exchange Offer and the Ezion Loan Capitalisation are set at the issue price of S\$0.058 each ("**Issue Price**").

Ezion, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), is the controlling Shareholder, holding approximately 17.83% of the total number of issued Shares (of 740,432,016 Shares) as at 10 June 2017 (Saturday), being the Latest Practicable Date as referred to in the Circular.

The Exchange Offer and the Ezion Loan Capitalisation are collectively referred to as the "**Proposed Transactions**". The Proposed Transactions are subject to, *inter alia*, Shareholders' approval at the extraordinary general meeting ("**EGM**"). In order to ensure equality of treatment between Ezion and the Noteholders, the Company proposes for the Ezion Loan Capitalisation to occur on substantially the same terms as the Exchange Offer and Shareholders' approval at the EGM for each of the Proposed Transaction to be inter-conditional.

Pursuant to the Announcement, the amount of Shareholder Loan to be capitalised under the Ezion Loan Capitalisation shall be an amount which will result in Ezion's shareholding in the Company being not less than 20.0% but not more than 29.9% of the enlarged number of issued Shares following completion of the Proposed Transactions.

APPENDIX A: LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

- 1.2 On 31 May 2017, the Company announced, *inter alia*, that it has received valid offers for exchange from Noteholders which fulfils the Minimum Offer Condition of at least an aggregate principal amount of S\$10,599,600 or 10% of the outstanding Notes. Accordingly, the Company will convene the EGM for the Proposed Transactions.

On 1 June 2017, the Company further announced, *inter alia*, that the offer period for the Exchange Offer (which had commenced on 22 May 2017) will be extended by one day and will expire on 9 June 2017.

On 12 June 2017, the Company announced that the offer period for the Exchange Offer had closed and that the Company had received acceptances from Noteholders with an aggregate principal amount of S\$27,944,400, representing 26.36% of the outstanding principal amount of the Notes. Based on the results of the Exchange Offer, the Company had determined that the Exchange Consideration (which includes the Accrued Interest on the Notes) will be S\$28,005,265.20 and the Company proposes to issue an aggregate of 482,849,304 new Shares in satisfaction of the Exchange Consideration ("**Proposed Issue of Exchange Shares**"). The principal terms of the Exchange Offer are set out in Section 5.2 of the Circular.

Further, the Company also announced that it had, on 10 June 2017, entered into a subscription agreement with Ezion ("**Subscription Agreement**") to capitalise US\$5,903,000.00 (S\$8,164,439.30, based on the exchange rate as at 9 June 2017 of US\$1 : S\$1.3831) of the Shareholder Loan into 140,766,195 new Shares at the Issue Price ("**Proposed Issue of Capitalisation Shares**"). Under the Subscription Agreement, completion of the Ezion Loan Capitalisation shall occur on the same date as the settlement of the Exchange Offer, being 30 June 2017 ("**Settlement Date**"). Upon the settlement of the Exchange Offer and the Ezion Loan Capitalisation, Ezion's shareholding interest in the Company will increase from 17.83% to 20.00% of the enlarged number of issued Shares.

- 1.3 Pursuant to Chapter 9 of the listing manual of the SGX-ST ("**Listing Manual**"), Ezion is deemed as an interested person ("**Interested Person**"). Accordingly, the Ezion Loan Capitalisation constitutes an interested person transaction ("**IPT**" or "**Interested Person Transaction**").

Pursuant to Rule 906 of the 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 2016, the Group has a negative net asset value ("**NAV**") of A\$13.8 million and a negative NTA value or net tangible liability position ("**NLT**") of A\$64.7 million after deducting goodwill and intangible assets totalling A\$50.9 million. As the value of the Ezion Loan Capitalisation exceeds 5% of the latest audited NTA of the Group, the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) is subject to Shareholders' approval at the EGM.

In addition, pursuant to Rule 921(4), an IPT which is subject to the approval of shareholders requires the opinion of an independent financial adviser ("**IFA**"). In this regard, Provenance Capital Pte. Ltd. ("**Provenance Capital**") has been appointed as the IFA to render an opinion on whether the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) as an IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders ("**Independent Shareholders**").

The Company has confirmed that its entire Board of Directors ("**Directors**") is deemed to be independent in respect of the Ezion Loan Capitalisation as an IPT. This letter ("**Letter**") is therefore addressed to the Directors and sets out, *inter alia*, our evaluation and opinion on the Ezion Loan Capitalisation as an IPT. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, details of the Ezion Loan Capitalisation and the recommendation of the Directors thereon.

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2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA pursuant to Rule 921(4) of the Listing Manual as well as to advise the Directors in respect of the Ezion Loan Capitalisation (including the Proposed Issue of Capitalisation Shares) as an IPT. We are not and were not involved or responsible, in any aspect, of the negotiations in relation to the IPT nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the IPT or to obtain the approval of the Independent Shareholders for the IPT, and we do not, by this Letter, warrant the merits of the IPT, other than to express an opinion on whether the IPT is on normal commercial terms and is 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 IPT 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 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 IPT, 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 IPT, 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 IPT, 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

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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 10 June 2017 (Saturday), 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 IPT. Such review or comment, if any, remains the 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 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 IPT.

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 relevant to the IPT 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 IPT, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

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We have prepared this Letter pursuant to Rule 921(4) of the Listing Manual as well as for the use of the Directors in their consideration of the IPT and their recommendation to the Independent Shareholders. The recommendation made to the Independent Shareholders in relation to the IPT remain the responsibility of the Directors.

Our opinion in relation to the Ezion Loan Capitalisation as an IPT should be considered in the context of the entirety of this Letter and the Circular.

3. THE EZION LOAN CAPITALISATION

Details of the terms of the Ezion Loan Capitalisation are set out in Section 3 of the Circular.

3.1 The Shareholder Loan was a result of the novation and amendment exercise undertaken by the Company and Ezion in 2016 which was approved by Shareholders at the Company's annual general meeting ("**AGM**") held on 15 December 2016. Pursuant to the above exercise, the interest rate on the Shareholder Loan was amended from 8.0% per annum to 5.0% per annum with effect from 1 July 2016. Details of the novation exercise can be found in the Appendix to the AGM dated 30 November 2016. As the novation and amendment exercise was an IPT, we were also appointed as the IFA to opine on the terms of the IPT. Our IFA letter dated 30 November 2016 was attached in the above Appendix to the AGM.

3.2 In connection with the Proposed Transactions, Ezion had, on 19 May 2017, given an undertaking ("**Ezion Undertaking**") to vote in favour of the Proposed Issue of Exchange Shares and to undertake the Ezion Loan Capitalisation, subject to the following conditions:

- (a) satisfaction of the Minimum Offer Condition under the Exchange Offer;
- (b) SGX-ST in-principle approval for the listing and quotation of the new Shares pursuant to the Exchange Offer and the Ezion Loan Capitalisation on the Main Board of the SGX-ST; and
- (c) Shareholders' approval for the Proposed Transactions at the EGM.

As announced by the Company on 31 May 2017, the Minimum Offer Condition under condition (a) above has been satisfied.

As at the date of the Announcement, the aggregate principal amount of outstanding Notes was S\$105,996,000. Based on this outstanding principal amount, the aggregate Accrued Interest up to but excluding the Settlement Date is S\$230,868. Assuming 100% of the Noteholders accept the Exchange Offer, the Maximum Exchange Sum would be S\$106,226,868 and the Company may potentially issue up to 1,831,497,724 new Shares to the Noteholders in satisfaction of the Maximum Exchange Sum.

Following the close of the offer period for the Exchange Offer on 9 June 2017, 26.36% of the Notes were accepted for the Exchange Offer. The Company has determined the Exchange Consideration to be S\$28,005,265.20 and an aggregate of 482,849,304 new Shares is proposed to be issued at the Issue Price of S\$0.058 each in satisfaction of the Exchange Consideration. The Proposed Issue of Exchange Shares is subject to Shareholders' approval at the EGM as Ordinary Resolution 2.

The Company has also obtained the SGX-ST in-principle approval for the listing and quotation of the new Shares pursuant to the Exchange Offer and the Ezion Loan Capitalisation on the Main Board of the SGX-ST, subject to conditions as set out in Section 1.1 of the Circular. The condition (b) above has therefore also been fulfilled. The SGX-ST's approval in-principle is not to be taken as an indication of the merits of the Proposed Transactions, the Company and/or its subsidiaries.

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In the event that the Ezion Loan Capitalisation is not completed on or before 31 July 2017, the Ezion Undertaking will lapse.

- 3.3** Pursuant to the Ezion Undertaking, Ezion has the sole discretion to determine the amount of the Shareholder Loan to be capitalised into new Shares, so long as the Ezion Loan Capitalisation will not result in Ezion's shareholding in the Company being less than 20.0% or more than 29.9% of the enlarged number of issued Shares following the completion of the Proposed Transactions.

Following the close of the Exchange Offer, Ezion has determined the amount of the Shareholder Loan to be capitalised into equity. Ezion has, on 10 June 2017, entered into the Subscription Agreement with the Company to capitalise (including accrued interest) US\$5,903,000.00 (S\$8,164,439.30 based on the exchange rate as at 9 June 2017 of US\$1 : S\$1.3831) of the Shareholder Loan into 140,766,195 new Shares at the Issue Price. The Issue Price for the Ezion Loan Capitalisation is the same as the new Shares to be issued pursuant to the Exchange Offer. The amount to be capitalised represents 19.4% of the total outstanding Shareholder Loan of US\$30.5 million as at the expected Settlement Date. Details of the Subscription Agreement are set out in Section 3.1 of the Circular.

The Issue Price for the new Shares represents (i) a premium of 6.62% above the volume weighted average price ("VWAP") of S\$0.0544 per Share for trades done on the SGX-ST on 18 May 2017, being the last full market day prior to the trading halt on the Shares on 19 May 2017 and the Announcement on 21 May 2017; and (ii) a premium of 6.03% above the VWAP of S\$0.0547 per Share for trades done on the SGX-ST over the 30 market days preceding the above trading halt.

On the completion date of the Ezion Loan Capitalisation, which is also the Settlement Date for the Exchange Offer, expected to be on 30 June 2017, Ezion's shareholding interest in the Company will be increased from 17.83% to 20.00% of the enlarged number of issued Shares.

The new Shares, when allotted and issued, shall be credited as fully-paid Shares free from any encumbrances and shall rank *pari passu* in all respects with, and carry all rights similar to the 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 new Shares.

The new Shares issued pursuant to the Ezion Loan Capitalisation and the Exchange Offer are subject to a moratorium on trading for 3 calendar months commencing from the date on which they are listed on the SGX-ST.

- 3.4** The Proposed Transactions, in particular, the Proposed Issue of Capitalisation Shares as Ordinary Resolution 1 and Proposed Issue of Exchange Shares as Ordinary Resolution 2, are subject to Shareholders' approval at the EGM.

Pursuant to the Ezion Undertaking, Ezion, who is the legal and beneficial owner of 132,055,541 Shares, representing 17.83% of the total number of issued Shares as at the Latest Practicable Date, will vote in favour of Ordinary Resolution 2 at the EGM. However, as Ezion is an Interested Person under the Listing Manual in respect of Ordinary Resolution 1, Ezion will abstain from voting on Ordinary Resolution 1.

Mr Stuart Maxwell Kenny, the Non-Executive Director and Chairman, and Ms Faye Lorraine Kenny, who are together the beneficial owners of 8,908,896 Shares, representing 1.20% of shareholding interest in the Company as at the Latest Practicable Date, and Mr Barry Alfred Carson and Ms Jennifer Margaret Carson, who together are the legal and beneficial owners of 20,651,518 Shares, representing 2.79% shareholding interest in the Company as at the Latest Practicable Date, have undertaken to vote in favour of Ordinary Resolution 1 and Ordinary Resolution 2 at the EGM.

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In order to ensure equality of treatment between Ezion and the Noteholders, the Company had proposed for the Ezion Loan Capitalisation to occur on substantially the same terms as the Exchange Offer, and for Ordinary Resolution 1 and Ordinary Resolution 2 to be inter-conditional. This means that if Ordinary Resolution 1 is not approved, Ordinary Resolution 2 will not be passed, and *vice versa*.

4. INFORMATION ON THE COMPANY AND THE GROUP

4.1 Overview

The Company was listed on the Catalist board of the SGX-ST in 2005 and upgraded to the Mainboard of the SGX-ST in 2007. The Group offers a range of integrated service solutions to the energy and industrial sectors across Australia and South East Asia. Through its subsidiaries, the Group provide maintenance, construction, access services, fabrication and marine services.

Ezion is the controlling Shareholder and as at the Latest Practicable Date, it owns 132,055,541 Shares, representing 17.83% of the total number of existing issued Shares.

Based on the existing 740,432,016 issued Shares and the last transacted Share price of S\$0.049 on 9 June 2017 (Friday), being the last market day before the Latest Practicable Date (Saturday), the market capitalisation of the Company is approximately S\$36.3 million. The Company does not have any treasury shares.

On the assumption that the Proposed Transactions are approved at the EGM, and based on the enlarged number of issued Shares of 1,364,047,515 Shares and the last transacted Share price of S\$0.049 on 9 June 2017 (Friday), being the last market day before the Latest Practicable Date (Saturday), the implied market capitalisation of the Company is approximately S\$66.8 million.

4.2 Financial performance of the Group

For the last audited financial year ended 30 June 2016 (“**FY2016**”), the Group had recognised a significant net loss after tax of A\$258.9 million and as at 30 June 2016, its current liabilities had exceeded current assets by A\$115.2 million and its total liabilities had exceeded total assets by A\$14.9 million. In addition, the Group had breached covenants on its major debt facilities during the year and there were also uncertainties then regarding the valuation of its major port assets. As a result, there was a material uncertainty that could cast significant doubt on the Group’s ability to continue as a going concern. However, after assessing various factors by the Directors, the financial statements of the Group for FY2016 were prepared on a going concern basis. The Company’s auditors had also issued a disclaimer of opinion on the audited financial statements of the Group for FY2016.

Since then, the Group had undergone certain restructuring of its businesses during the financial year ending 30 June 2017 (“**FY2017**”) as explained in Section 2 of the Circular under the caption “Rationale for the Proposed Transactions”. Based on the latest financial results of the Group for the nine months ended 31 March 2017 (“**9M2017**”), the Group had reported a small profit after tax from continuing operations of A\$0.66 million. This is a significant improvement from the loss after tax from continuing operations of A\$78.99 million for the nine months ended 31 March 2016 (“**9M2016**”).

Together with the profit after tax from discontinued operations, the Group had recorded total profit after tax of A\$2.21 million for 9M2017, of which A\$2.37 million was attributable to owners of the Company and a loss of A\$0.16 million was attributable to non-controlling interests.

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Notwithstanding the above, on the basis of a trailing 12-month period ended 31 March 2017, the Group had recorded net loss of A\$162.73 million.

Set out below is a summary of the audited profit and loss statements of the Group for the financial years ended 30 June 2015 (“FY2015”) and FY2016, and the unaudited interim profit and loss statements of the Group for 9M2016 and 9M2017:

A\$'000	← Audited → FY2015	FY2016	← Unaudited → 9M2016	9M2017
Revenue	427,412	481,788	368,190	313,807
Gross profit	59,352	21,939	25,477	35,178
Profit/(loss) from continuing operations, net of tax	6,210	(258,922)	(78,990)	664
Profit/(loss) from discontinued operations, net of tax	-	-	(14,468)	1,546
Profit/(loss) for the year/period	6,210	(258,922)	(93,458)	2,210
Attributable to:				
Owners of the Company	6,174	(258,270)	(93,166)	2,372
Non-controlling interests	36	(652)	(292)	(162)
	6,210	(258,922)	(93,458)	2,210

Source: The Company's annual report for FY2016 and the Company's results announcements for 9M2017.

As mentioned above following the Group's restructuring exercise, the Group managed to turn around with a small profit from continuing operations of A\$0.66 million for 9M2017 as compared to the loss from continuing operations of A\$78.99 million for 9M2016.

The Group recorded a profit from discontinued operations of A\$1.55 million arising from its cessation of its fabrication and manufacturing operations in Singapore as announced by the Company on 23 August 2016.

As a result, the Group recorded profit after tax of A\$2.21 million for 9M2017 of which A\$2.37 million was attributable to owners of the Company and a loss of A\$0.16 million was attributable to non-controlling interests.

4.3 Financial position of the Group

Based on the latest financial results of the Group for 9M2017, total equity of the Group is a negative amount of A\$6.83 million as at 31 March 2017, of which equity attributable to the owners of the Company is a negative amount of A\$5.61 million and non-controlling interests is a negative amount of A\$1.22 million.

As at 31 March 2017, the Group has significant amount of goodwill and other intangible assets totalling A\$48.39 million. After deducting such intangible assets, the Group is in a NTL position of A\$54.00 million. Overall, this is an improvement from its NTL position of A\$64.7 million as at 30 June 2016.

The NTL position of the Group as at 31 March 2017 was due mainly to total liabilities exceeding total assets, and goodwill and other intangible assets. Of the total liabilities of A\$302.76 million, borrowings amounted to A\$169.66 million (representing 56.0% of total liabilities), and trade and other payables amounted to A\$111.19 million (representing 36.7% of total liabilities). These borrowings include bank borrowings, the Notes and the Shareholder Loan. As at 31 March

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2017, the outstanding principal amount of the Notes was A\$99.5 million (S\$106.0 million¹) and the Shareholder Loan was A\$39.3 million (S\$41.9 million¹). The difference between the value of Shareholder Loan as at 31 March 2017 and the maximum capitalisation sum of S\$42.5 million under the Ezion Loan Capitalisation is due mainly to the estimated accrued interest from 1 April 2017 to the Settlement Date on 30 June 2017.

Based on the NTL value of the Group as at 31 March 2017 of A\$54.00 million and the number of issued Shares of 740,432,016 as at the Latest Practicable Date, the NTL per Share is A\$0.0729 (S\$0.0777¹).

In view of the above, the Group is proposing the Proposed Transactions which has the dual impact of reducing the liability position of the Group and reducing the cash outflows from debt servicing after conversion into equity, and the potential of raising new equity for the Group.

A summary of the financial position of the Group as at 31 March 2017 is set out below:

A\$'000	Unaudited as at 31 March 2017
Current assets	159,331
Non-current assets	136,597
Total assets	295,928
Current liabilities	148,233
Non-current liabilities	154,527
Total liabilities	302,760
Equity attributable to owners	(5,608)
Non-controlling interests	(1,224)
Total equity	(6,832)

Source: *The Company's results announcements for 9M2017.*

In our evaluation of the financial terms of the Ezion Loan Capitalisation, 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 unaudited statement of financial position of the Group as at 31 March 2017, 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 NTL of the Group as at 31 March 2017.

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, and save for the announcements made by the Company since 31 March 2017 to the Latest Practicable Date and the disclosures in the Circular:

- (a) there are no material differences between the realisable values of the Group's assets and their respective book values as at 31 March 2017 which would have a material impact on the NTL position of the Group;

¹ For illustration purposes, based on the exchange rate of A\$1 : S\$1.0658 as at 31 March 2017 as extracted from Bloomberg L.P..

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- (b) other than that already provided for or disclosed in the Group's financial statements as at 31 March 2017, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTL position of the Group as at the Latest Practicable Date;
- (c) there is no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries 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 had 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 31 March 2017 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.

5. EVALUATION OF THE EZION LOAN CAPITALISATION AS AN INTERESTED PERSON TRANSACTION

In our evaluation of the Ezion Loan Capitalisation as an Interested Person Transaction, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for the Proposed Transactions which includes the Ezion Loan Capitalisation;
- (b) assessment of the terms of the Ezion Loan Capitalisation;
- (c) dilution impact arising from the Ezion Loan Capitalisation on the Independent Shareholders; and
- (d) other relevant considerations which may have a significant bearing on our assessment of the Ezion Loan Capitalisation.

5.1 Rationale for the Proposed Transactions which includes the Ezion Loan Capitalisation

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Transactions or the future prospects of the Group after the Proposed Transactions. The full text of the rationale for the Proposed Transactions is set out in Section 2 of the Circular.

An extract of the purpose of the Proposed Transactions (which includes the Ezion Loan Capitalisation) is set out below:

"The purpose of the Proposed Transactions is to build on the success of the Company's business restructuring, and includes the following commercial objectives:

- (a) *to improve the Company's net asset position on its balance sheet by reducing debt and increasing paid-up capital;*
- (b) *to reduce interest costs as a result of reduced debt;*
- (c) *to improve the Company's ability to raise funds from financial markets due to a healthier balance sheet;*

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| <p>(d) <i>to improve the Company's ability to win new contracts from potential customers; and</i></p> <p>(e) <i>to improve the perception and confidence of the Company's customers, suppliers, employees and other stakeholders."</i></p> |
|--|

In addition to the purpose of the Proposed Transactions to improve the Group's balance sheet by reducing debt and increasing paid-up capital of the Company, and reducing interest costs as a result of lower debt, we note that the Ezion Loan Capitalisation was proposed by the Company after taking into consideration the need to achieve equality of treatment between Ezion and the Noteholders, with respect to, *inter alia*, the shareholding interest of Ezion in the enlarged Company.

Hence, the terms of the Ezion Loan Capitalisation are substantially similar to the terms of the Exchange Offer to the Noteholders. In particular, the new Shares to be issued pursuant to the Ezion Loan Capitalisation and the Exchange Offer is at the same Issue Price of S\$0.058 each and the new Shares are subject to a 3-month moratorium period from trading on the SGX-ST.

5.2 Assessment of the terms of the Ezion Loan Capitalisation

In assessing the Issue Price, we have considered the following:

- (i) the historical trading performance and trading liquidity of the Shares; and
- (ii) the NTL position of the Group.

5.2.1 Historical trading performance and trading liquidity of the Shares

The Company had requested for a trading halt ("**Trading Halt**") on the Shares on 19 May 2017 (Friday) and the Announcement on the Proposed Transactions was made on 21 May 2017 (Sunday).

We have therefore compared the Issue Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares for the last one year period from 19 May 2016 to 18 May 2017, being the last full market day before the Trading Halt on the Shares on 19 May 2017, and up to 9 June 2017 (Friday), being the last full market day before the Latest Practicable Date (Saturday) ("**Period Under Review**").

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 Period Under Review.

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



Overview

As can be seen from the Share price chart above, the Shares were generally trading at below the Issue Price for the Period Under Review, in particular, after the Company's announcement on profit warning, the financial results of significant losses for FY2016 in August 2016 and breaches of various financial covenants in relation to its borrowings.

The Issue Price is set at a slight premium of 6.62% above the VWAP of S\$0.0544 on 18 May 2017 and 6.03% above the VWAP of S\$0.0547 of 30 market days preceding the trading halt on 19 May 2017.

Since the Announcement Date and up to 9 June 2017, the Shares have continued to trade below the Issue Price. As at 9 June 2017, the Shares were last transacted at S\$0.049.

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 for the Period Under Review as set out below:

Reference period	Highest traded price (S\$)	Lowest traded price (S\$)	VWAP ⁽¹⁾ (S\$)	Premium / (Discount) of Issue Price over/(to) VWAP (%)	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾ (million)	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
<u>Prior to the Trading Halt</u>							
Last 1 year	0.088	0.035	0.0551	5.3	251	9.31	1.55
Last 6 months	0.063	0.041	0.0520	11.5	123	6.98	1.16
Last 3 months	0.063	0.046	0.0550	5.5	61	6.05	1.01
Last 1 month	0.059	0.047	0.0554	4.7	20	6.38	1.06

APPENDIX A: LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

Reference period	Highest traded price (S\$)	Lowest traded price (S\$)	VWAP ⁽¹⁾ (S\$)	Premium / (Discount) of Issue Price over/(to) VWAP (%)	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾ (million)	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
18 May 2017 (being the last trading day prior to the Trading Halt)	0.055	0.054	0.0544	6.6	1	4.72	0.79
<u>After the date of Announcement</u>							
From 22 May 2017 to 9 June 2017 (being the last trading day prior to the Latest Practicable Date)	0.057	0.048	0.0520	11.5	15	5.02	0.84
9 June 2017 (being the last trading day prior to the Latest Practicable Date)	0.050	0.048	0.0488	18.9	1	3.03	0.51

Source: Bloomberg L.P.

Notes:

- (1) The volume-weighted average price (“VWAP”) for the respective periods are calculated based on the VWAP turnover divided by VWAP volume as extracted from Bloomberg L.P.. VWAP turnover is computed based on the aggregate daily turnover value of the Shares and VWAP volume is computed based on the aggregate daily trading volume of the Shares for the respective periods. 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 599.7 million Shares based on the free float of 81% as disclosed in the Company’s Annual Report for FY2016.

We observe the following with regard to the Share price performance of the Company for the Period Under Review:

- (a) Over the 1-year period prior to the Trading Halt, the Shares had traded between a low of S\$0.035 and a high of S\$0.088. However, following the announcement of financial results of the Group for FY2016 on 29 August 2016, the Shares had traded between a low of S\$0.036 and a high of S\$0.063. The Issue Price is at a premium of 61.1% above the lowest transacted price and a discount of 7.9% to the highest transacted price during the latter period;
- (b) The Issue Price represents premium of 5.3%, 11.5%, 5.5% and 4.7% to the VWAP of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the Trading Halt. The Issue Price is at a slight premium of 6.6% above the last transacted Share price of S\$0.054 prior to the Trading Halt; and
- (c) Following the date of Announcement and up to 9 June 2017, the Shares had traded between S\$0.048 and S\$0.057 or at the VWAP of S\$0.052. The Issue Price continues to represent a slight premium of 11.5% above the VWAP price post the Announcement to 9 June 2017. On 9 June 2017, the Shares were last transacted at S\$0.049. The

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Issue Price represents a premium of 18.4% above the last transacted price on 9 June 2017.

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

- (i) During the one-year period prior to the Trading Halt, the Shares were actively traded on a daily basis. The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the Trading Halt represent 1.55%, 1.16%, 1.01% and 1.06% of the free float of the Shares respectively; and
- (ii) Following the date of Announcement and up to 9 June 2017, the average daily trading volume on the Shares was 5.02 million Shares, representing 0.84% of the free float of the Shares.

5.2.2 NTL position of the Group

In assessing the reasonableness of the Issue Price, we have considered using (a) the earnings approach which is commonly used for the valuation of a profitable company as a going concern; and/or (b) the net asset approach which shows the extent to which the value of each Share is backed by its net assets. The net asset value (“NAV”) or NTA 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 and intangible assets (in the case of the NTA approach) of the group.

We note that the Group does not meet the criteria as a profitable company on a going concern basis as the Group has incurred significant losses for FY2016 and managed to turnaround with a slight profit for 9M2017. On the basis of a trailing 12-month period ended 31 March 2017, the Group had recorded net loss of A\$162.73 million. Hence, the earnings approach cannot be meaningfully applied in assessing the reasonableness of the Issue Price.

The Group continued to be in a net liability (“NL”)/NTL position as at 31 March 2017 despite the improvement in the NL/NTL amount compared to 30 June 2016. Hence, the NAV/NTA approach is also not relevant nor meaningful.

The table below sets out the relevant NL and NTL position of the Group as at 31 March 2017:

Attributable to owners of the Company	As at 31 March 2017 ⁽¹⁾ (A\$'000)	NL/NTL per Share (A\$)	NL/NTL per Share ⁽²⁾ (S\$)	Issue Price as a premium above NL/NTL per Share (S\$)
NL	(5,608)	(0.0076)	(0.0081)	0.0661
NTL	(53,995)	(0.0729)	(0.0777)	0.1357

Notes:

- (1) Based on the unaudited financial results of the Group for 9M2017; and
- (2) For illustration purposes, based on the exchange rate of A\$1 : S\$1.0658 as at 31 March 2017 as extracted from Bloomberg L.P..

Compared against the above NL/NTL per Share, the Issue Price is at a substantial dollar amount of premium above the NL/NTL per Share and hence is to the benefit of the Group. Computation of the premium as a percentage is not meaningful in view of the negative NAV/NTA position of the Group as at 31 March 2017.

APPENDIX A: LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

5.3 Dilution impact arising from the Ezion Loan Capitalisation on the Independent Shareholders

The Proposed Transactions to be approved by Shareholders at the EGM are inter-conditional on each other and are to be completed at the same time on the Settlement Date, which is expected to be on 30 June 2017. Hence, for the purpose of assessing the shareholding dilution impact on the Independent Shareholders, we have assumed that the Proposed Issue of Exchange Shares and Proposed Issue of Capitalisation Shares will be completed and issued contemporaneously.

Following the close of the Exchange Offer, the Company has determined that 482,849,304 new Shares will be issued to the Noteholders pursuant to the Exchange Offer, and 140,766,195 new Shares will be issued to Ezion pursuant to the Ezion Loan Capitalisation based on the foreign exchange rate of US\$1 : S\$1.3831 as at 9 June 2017.

Accordingly, the respective shareholding interests of the Noteholders, Ezion and the Independent Shareholders before and after the Proposed Transactions are set out in the below table:

	Shareholding before the Proposed Transactions		Shareholding after the Proposed Transactions	
	No. of Shares held	%	No. of Shares held	%
<u>Shareholders</u>				
Noteholders	Nil	Nil	482,849,304	35.40
Ezion	132,055,541	17.83	272,821,736	20.00
Existing Independent Shareholders	608,376,475	82.17	608,376,475	44.60
Total	740,432,016	100.00	1,364,047,515	100.00

Following the completion of the Proposed Transactions, Ezion's shareholding interest will increase from 17.83% to 20.00% of the enlarged number of issued Shares. The existing Independent Shareholders will have its aggregate shareholding interest diluted from 82.17% to 44.60% of the enlarged issued Shares after the Proposed Transactions.

The Company has confirmed that none of the Noteholders will own or control 15% or more of the Shares after the Proposed Transactions. Hence, Ezion will still remain as the single largest Shareholder after the Proposed Transactions.

5.4 Other relevant considerations which may have a significant bearing on our assessment of the Ezion Loan Capitalisation

5.4.1 Inter-conditionality of the Proposed Transactions

The Proposed Transactions to be tabled at the EGM are inter-conditional upon each other. In the event that any of the Proposed Transactions is not approved by Shareholders, none of the Proposed Transactions will proceed. Given that the rationale for the Proposed Transactions is to, *inter alia*, recapitalise the equity base of the Company, and the Noteholders have given their support for the Exchange Offer, it will be a futile exercise by the Company if the Proposed Transactions are not approved by Shareholders at the EGM.

5.4.2 Financial effects of the Proposed Issue of Capitalisation Shares

As the Proposed Transactions to be proposed at the EGM are inter-conditional on each other and are to be completed on the Settlement Date, the illustrative financial effects cannot be isolated and instead will capture the effects of both the Proposed Transactions.

APPENDIX A: LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

Details on the financial effects of the above are set out in Section 6 of the Circular and are based on the Group's financial information for 9M2017, 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 the Proposed Transactions.

In summary, based on the Group's 9M2017 results, we note the following:

(a) Share capital

Upon completion of the Proposed Transactions, 482,849,304 new Shares under the Exchange Offer and 140,766,195 new Shares under the Ezion Loan Capitalisation, totalling 623,615,499 new Shares, will be issued by the Company. The number of Shares will increase substantially from 740.4 million to 1,364.0 million after the Proposed Transactions.

Based on the Issue Price of S\$0.058 for each new Share, the issued share capital of the Company will also increase by S\$36.2 million from S\$42.9 million to S\$79.1 million, excluding transactions costs.

(b) NL/NTL position of the Group

The Proposed Transactions, which are debt-to-equity conversion exercises, have the dual impact of reducing the borrowings of the Group and increasing the share capital base of the Company.

The Group expects an improvement in the NL/NTL position of the Group as at 31 March 2017 after the Proposed Transactions;

(c) Earnings per Share

The Proposed Transactions will result in interest savings for the Group as part of the Notes and Shareholder Loan will be deemed settled.

However, the Proposed Transactions 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 issued Shares.

(d) Gearing

As mentioned above, the debt-to-equity conversion of the Proposed Transactions will have the dual impact of reducing the borrowings of the Group and increasing the capital base of the Company. As a result, the gearing ratio of the Group will improve.

5.4.3 Same Issue Price for the new Shares and similar moratorium period for the new Shares

As a condition of the Ezion Undertaking, the Issue Price for the new Shares under the Ezion Loan Capitalisation is the same as the new Shares under the Proposed Exchange Offer. In addition, all the new Shares are subject to similar moratorium period on trading for 3 calendar months from the date of listing of the new Shares on the SGX-ST.

Hence, the key terms of the Ezion Loan Capitalisation as an Interested Person Transaction are on similar terms as the Noteholders, which are deemed as unrelated third parties of the Company.

APPENDIX A: LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

6. OUR OPINION

In arriving at our opinion in respect of the Ezion Loan Capitalisation as an Interested Person Transaction, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

- (a) rationale for the Proposed Transactions which includes the Ezion Loan Capitalisation;
- (b) assessment of the terms of the Ezion Loan Capitalisation;
- (c) dilution impact arising from the Ezion Loan Capitalisation on the Independent Shareholders; and
- (d) other relevant considerations which may have a significant bearing on our assessment of the Ezion Loan Capitalisation.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the view that the Ezion Loan Capitalisation 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 Transactions. 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 Ezion Loan Capitalisation as an Interested Person Transaction.

This Letter is prepared for the purpose as required under Rule 921(4) of the Listing Manual as well as addressed to the Directors for their benefit and for the purpose of their consideration of the Ezion Loan Capitalisation 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 Ezion Loan Capitalisation 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

NOTICE OF EXTRAORDINARY GENERAL MEETING

AUSGROUP LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless otherwise defined or the context otherwise requires, all capitalized terms herein shall bear the same meaning as used in the circular dated 14 June 2017 issued by the Company (the "Circular"). An electronic copy of the Circular will be made available at the website of the SGX-ST at www.sgx.com.

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "EGM") of the shareholders (the "Shareholders") of AusGroup Limited (the "Company") will be held on 29 June 2017 at 10:00 a.m. at Ballroom 3, Level 3, The Singapore Island Country Club, 180 Island Club Road, Singapore 578774 for the purpose of considering and, if thought fit, passing (with or without modifications) the following ordinary resolutions:

SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTION 1 AND ORDINARY RESOLUTION 2 ARE INTER-CONDITIONAL. THIS MEANS THAT IF ORDINARY RESOLUTION 1 IS NOT APPROVED, ORDINARY RESOLUTION 2 WILL NOT BE PASSED, AND VICE VERSA.

ORDINARY RESOLUTION 1:

THE PROPOSED ALLOTMENT AND ISSUE OF 140,766,195 NEW SHARES TO EZION PURSUANT TO THE EZION LOAN CAPITALISATION AT THE ISSUE PRICE OF S\$0.058 AS AN INTERESTED PERSON TRANSACTION

That, subject to and contingent upon the passing of Ordinary Resolution 2, for the purposes of Chapter 8 and Chapter 9 of the Listing Manual:

- (a) approval be and is hereby given for the proposed allotment and issue of 140,766,195 new Shares to Ezion, a Controlling Shareholder of the Company, pursuant to the Ezion Loan Capitalisation at the issue price of S\$0.058, fractional entitlements to be disregarded, upon the terms and conditions of the Subscription Agreement (the "**Proposed Issue of Capitalisation Shares**"); and
- (b) any of the Directors be and is 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 Capitalisation Shares and to give effect to this Ordinary Resolution 1 as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 2:

THE PROPOSED ALLOTMENT AND ISSUE OF 482,849,304 NEW SHARES TO EXCHANGING NOTEHOLDERS PURSUANT TO THE EXCHANGE OFFER AT THE ISSUE PRICE OF S\$0.058

That, subject to and contingent upon the passing of Ordinary Resolution 1, for the purposes of Chapter 8 of the Listing Manual:

- (a) approval be and is hereby given for the proposed allotment and issue of 482,849,304 new Shares to Exchanging Noteholders pursuant to the Exchange Offer at the issue price of S\$0.058, fractional entitlements to be disregarded, upon the terms and conditions of the Exchange Offer Memorandum (the "**Proposed Issue of Exchange Shares**"); and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any of the Directors be and is 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 Exchange Shares and to give effect to this Ordinary Resolution 2 as he shall think fit and in the interests of the Company.

By Order of the Board
AusGroup Limited

Eng Chiaw Koon
Managing Director

14 June 2017

Notes:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint two or more proxies to attend and vote at the EGM. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund (“**CPF**”) Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
3. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the EGM will act as your proxy.
6. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the office of the Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the EGM and at any adjournment thereof.
7. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited at least 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

Personal data privacy:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM 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 proxy(ies) and/or representative(s) appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (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. 198803225E)

EXTRAORDINARY GENERAL MEETING - PROXY FORM

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We, _____ NRIC/Passport 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 (delete as appropriate):

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

or failing him/her, the Chairman of the extraordinary general meeting (the "**Extraordinary General Meeting**") as my/our proxy to vote for me/us on my/our behalf, by poll, at the Extraordinary General Meeting of the Company to be held at Ballroom 3, Level 3, The Singapore Island Country Club, 180 Island Club Road, Singapore 578774 on 29 June 2017 at 10:00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Extraordinary General Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Please indicate your vote "For" or "Against" with an "X" within the boxes provided.

No.	Resolutions relating to:	Number of Votes For	Number of Votes Against
1.	The Proposed Issue of Capitalisation Shares		
2.	The Proposed Issue of Exchange Shares		

Dated this _____ day of _____ 2017

Total number of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

Signature(s) of Member(s) or Common Seal
of Corporate Member



PROXY FORM

Notes:

1. 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 of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint two or more proxies to attend and vote at the Extraordinary General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. Where a Member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
5. The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than forty-eight (48) hours before the time appointed for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or the 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 of proxy may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Extraordinary General Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Extraordinary General Meeting, 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), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 14 June 2017.