

Letter to Shareholders

AusGroup Limited

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

Registered Office:~

36 Tuas Road
Singapore 638505

Board of Directors:

Mr Stuart Maxwell Kenny (Executive Chairman)
Mr Gerard Patrick Hutchinson (Managing Director and CEO – Engineering Services)
Captain Larry Glenn Johnson (Executive Director and CEO – Port and Marine Services)
Mr Eng Chiaw Koon (Executive Director)
Mr Chew Heng Ching (Lead Independent Non-Executive Director)
Mr Barry Alfred Carson (Non-Independent Non-Executive Director)
Mr Damien Marian O’Reilly (Independent Non-Executive Director)
Ms Ooi Chee Kar (Independent Non-Executive Director)
Mr Wu Yu Liang (Independent Non-Executive Director)

12 October 2015

To: The Shareholders of AusGroup Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 Annual General Meeting

Reference is made to the Notice accompanying the Company’s Annual Report 2015, convening the AGM and the ordinary resolution in relation to the proposed renewal of the IPT Mandate, under the heading “Special Business” set out in the Notice.

1.2 Purpose of this Appendix

The purpose of this Appendix is to provide the Independent Shareholders with details in respect of the proposed renewal of the IPT Mandate.

2. PROPOSED RENEWAL OF THE IPT MANDATE

2.1 The Existing IPT Mandate

At the EGM, the Independent Shareholders granted approval for certain Interested Person Transactions, to be entered into between the Company, its subsidiaries and Associated Companies or any of them, with specified classes of the Company’s Interested Persons, pursuant to Chapter 9 of the Listing Manual.

The IPT Mandate enables the Company, its subsidiaries and Associated Companies which are considered to be “entities at risk” to enter, in the ordinary course of business, into certain types of transactions with specified classes of the Company’s Interested Persons, provided that such transactions are made on normal commercial terms, will not be prejudicial to the interests of the Company and its minority Shareholders, and are made in accordance with the review procedures for such transactions

2.2 Details of the IPT Mandate

Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information required by Chapter 9 of the Listing Manual are set out in Annexure A to this Appendix.

2.3 Proposed Renewal of the IPT Mandate

The IPT Mandate was to take effect until the conclusion of the AGM. Accordingly, the Directors propose that the IPT Mandate be renewed at the AGM, taking effect until the conclusion of the following AGM.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, based on the registers of Directors' interests in Shares and Substantial Shareholders' interests in Shares, respectively, and the notifications to the Company by Directors and Substantial Shareholders of their interests, are as follows:

	Direct Interest		Deemed Interest		No. of Shares in outstanding share options
	Number of Shares	% ⁽¹⁾	No. of Shares in outstanding share options	% ⁽¹⁾	
Directors					
Mr Stuart Maxwell Kenny ⁽²⁾	-	-	12,908,896 ⁽²⁾	1.7	100,000
Mr Gerard Patrick Hutchinson	-	-	-	-	-
Captain Larry Glenn Johnson	-	-	-	-	15,000,000
Mr Eng Chiaw Koon	-	-	-	-	7,500,000
Mr Chew Heng Ching	-	-	-	-	-
Mr Barry Alfred Carson	20,651,518	2.8	-	-	200,000
Mr Damien Marian O'Reilly	-	-	-	-	100,000
Ms Ooi Chee Kar	-	-	-	-	-
Mr Wu Yu Liang	-	-	-	-	-
Substantial Shareholders (other than Directors)					
Ezion Holdings Limited	132,055,541	17.8	-	-	-
Wang Yu Huei	37,500,000	5.1	-	-	-

Notes:

- (1) The percentage of shareholdings is calculated on the basis of 740,432,016 Shares as at the Latest Practicable Date.
- (2) Mr Stuart Maxwell Kenny is deemed interested in the Shares held by Emerald River Pty Ltd.

4. ABSTENTION FROM VOTING

By virtue of its interest in the IPT Mandate, Ezion and its Associates will abstain from voting, whether by representative or proxy, on the ordinary resolution relating to the proposed renewal of the IPT Mandate.

Ezion and its Associates will not accept nominations as proxy or otherwise vote at the AGM in respect of the ordinary resolution relating to the proposed renewal of the IPT Mandate unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast.

5. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed the terms of the IPT Mandate and confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the EGM; and
- (b) the methods or procedures for determining the transaction prices under the IPT Mandate are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If during the course of any of their reviews, the Audit Committee is of the view that the internal control procedures for Interested Person Transactions have become inappropriate or insufficient for whatever reasons, the Company will seek the Shareholders' approval for a fresh general mandate based on new internal control procedures to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. During the period prior to obtaining a fresh general mandate from the Shareholders, all Interested Person Transactions will be subject to prior review and approval by the Audit Committee.

6. DIRECTORS' RECOMMENDATIONS

The Independent Directors who are independent for the purposes of the proposed renewal of the IPT Mandate, having considered, *inter alia*, the terms, the rationale and the benefits of the IPT Mandate and the statement of the Audit Committee, are of the view that the IPT Mandate, as proposed to be renewed, are in the best interests of the Company and accordingly recommend that the Independent Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the IPT Mandate at the AGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

Where information in this Appendix 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 Appendix in its proper form and context.

8. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 36 Tuas Road, Singapore 638505, during normal business hours from the date of this Appendix to the date of the AGM:

- (i) the Memorandum and Articles of Association of the Company; and
- (ii) the Annual Report 2015.

Yours faithfully,

For and on behalf of the Board of Directors of

AusGroup Limited



Gerard Hutchinson
Managing Director