

CIRCULAR DATED 9 OCTOBER 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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

The Singapore Exchange Securities Trading Limited (“SGX-ST”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.



AUSGROUP LIMITED

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED ADOPTION OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME;**
- (2) THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE AUSGROUP ESOS; AND**
- (3) THE PROPOSED ADOPTION OF THE AUSGROUP PERFORMANCE SHARE PLAN**

IMPORTANT DATES AND TIMES:

- | | | |
|--|---|---|
| Last date and time for lodgement of Proxy Form | : | 21 October 2019 at 10.15 a.m. |
| Date and time of Extraordinary General Meeting | : | 24 October 2019 at 10.15 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company convened on the same day and at the same place at 10.00 a.m.) |
| Place of Extraordinary General Meeting | : | 438C Alexandra Road
Roof Storey, Function Room
Alexandra Technopark
ATP C (The Hub)
Singapore 119976 |

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:

- “Act” or “Companies Act”** : The Companies Act (Cap. 50) of Singapore, as amended or modified from the time to time
- “Associate” or “Associates”** : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its Subsidiary or holding company or is a Subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Auditors”** : The auditors of the Company for the time being
- “AusGroup ESOS”** : The Proposed AusGroup Employee Share Option Scheme
- “AusGroup PSP”** : The Proposed AusGroup Performance Share Plan
- “Award” or “Awards”** : A contingent award of Shares granted under the AusGroup PSP
- “Board” or “Board of Directors”** : The board of directors of the Company for the time being
- “CDP” or “Depository”** : The Central Depository (Pte) Limited
- “Circular”** : This circular dated 9 October 2019 issued by the Company
- “Company”** : AusGroup Limited
- “Constitution”** : The constitution of the Company, as amended or modified from time to time
- “Controlling Shareholder”** : A person who:-
- (a) holds directly or indirectly 15% or more of all voting shares (excluding Treasury Shares and subsidiary holdings) in the Company, unless determined by SGX-ST that such person is not a controlling shareholder; or
 - (b) in fact exercises control over the Company
- “CPF”** : The Central Provident Fund
- “CPF Approved Nominees”** : Agent banks included under the CPFIS

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“CPFIS”	:	Central Provident Fund Investment Scheme
“Directors”	:	The directors of the Company for the time being
“Date of Grant”	:	The date on which an Award is granted to a Participant pursuant to the rules of the AusGroup PSP
“EGM” or “Extraordinary General Meeting”	:	The extraordinary general meeting to be convened and held on 24 October 2019 at 10.15 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company convened on the same day and at the same place at to be held at:- 438C Alexandra Road Roof Storey, Function Room Alexandra Technopark ATP C (The Hub) Singapore 119976 on the same day and at the same place), notice of which is set out in the Notice of EGM accompanying this Circular
“EPS”	:	Earnings per Share
“Executive Director”	:	A director from time to time of the Company, who performs an executive function
“Exercise Price”	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option, as determined in accordance with Rule 8, or such adjusted price as may be applicable pursuant to Rule 12, as set out in the Rules of the AusGroup ESOS at Appendix A
“Financial Year”	:	Each period of 12 months or more or less than 12 months, at the end of which the balance of accounts of the Company are prepared and audited, for the purpose of laying the same before an annual general meeting of the Company
“FRS”	:	Financial Reporting Standard
“general meeting”	:	A general meeting of the Company
“Group”	:	The Company and its subsidiaries
“Group Employee”	:	Any confirmed employee of the Group (including any Director)
“Latest Practicable Date”	:	7 October 2019, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Price”	:	The average of the last dealt price for a Share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive Market Days immediately prior to the relevant Offering Date provided always that in the case of a

DEFINITIONS

- Market Day on which the Shares are not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices
- “Member” or “Shareholder”** : The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” or “Members” shall, in the relation to such Shares, mean the Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with those Shares
- “New Shares”** : The new shares which may be allotted and issued from time to time pursuant to the exercise of an Option under the AusGroup ESOS or the vesting of an Award under the AusGroup PSP
- “Non-Executive Director”** : A director (other than an Executive Director) from time to time of the Company
- “Notice of EGM”** : The notice of the EGM accompanying this Circular
- “NTA”** : Net tangible assets
- “Offering Date”** : The date on which an Option is granted pursuant to a Letter of Offer
- “Option”** : The right to acquire Shares granted or to be granted to a Group Employee pursuant to the AusGroup ESOS and for the time being subsisting
- “Option Committee”** : The committee comprising all the members of the remuneration & human capital committee of the Company from time to time, as may be duly authorised and appointed by the Board to administer the AusGroup ESOS
- “Plan Committee”** : The committee comprising all the members of the remuneration & human capital committee of the Company from time to time, as may be duly authorised and appointed by the Board to administer the AusGroup PSP
- “Proposed Adoption of the AusGroup ESOS”** : The proposed AusGroup ESOS, the terms of which are set out in **Appendix A** to this Circular
- “Proposed Adoption of the AusGroup PSP”** : The proposed AusGroup PSP, the terms of which are set out in **Appendix B** to this Circular
- “Participant”** : An eligible person selected by the Option Committee or the Plan Committee to participate in the AusGroup ESOS or the AusGroup PSP in accordance with the rules thereof
- “Share(s)”** : Ordinary share(s) in the issued and paid-up capital of the Company
- “Substantial Shareholders”** : A person who has an interest in the voting Shares (excluding Treasury Shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than 5% of all the voting Shares

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“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“relevant intermediary”	:	Means:- (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; (b) a person holding a capital markets licence to provide custodial services for securities under the SFA and who holds shares in that capacity; or (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Central Provident Fund Board holds those shares in the capacity of an intermediary
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore, or any statutory modification or re-enactment thereof for the time being in force
“Securities Account”	:	Securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Shares”	:	Ordinary shares in the issued share capital of the Company
“Treasury Shares”	:	shall have the meaning ascribed to it in Section 4 of the Act
“Vesting Period”	:	In relation to an Award, a period or periods, the duration of which is to be determined by the Committee at the date of the grant of the Award

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

Except where specifically defined, the terms **“we”**, **“us”** and **“our”** in this Circular refer to the Group.

The term **“subsidiary holdings”** shall have the meaning given to it in the Listing Manual.

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

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

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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 Act or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

LETTER TO SHAREHOLDERS

AUSGROUP LIMITED

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

Directors:

Mr Wu Yu Liang (Independent Director and Non-Executive Chairman)
Mr Chew Heng Ching (Independent and Non-Executive Director)
Ms Ooi Chee Kar (Independent and Non-Executive Director)
Mr Shane Francis Kimpton (Managing Director and Chief Executive Officer)
Mr Eng Chiaw Koon (Non-Independent and Non-Executive Director)
Mr Poh Boon Kher, Melvin (Non-Independent and Non-Executive Director)
Mr Wang Yu Huei (Non-Independent and Non-Executive Director)
Mr Toh Bee Yong (Non-Independent and Non-Executive Director)

Registered Office:

438B Alexandra Road
#05-08/10
Alexandra Technopark
Singapore 119968

9 October 2019

To : The Shareholders of AusGroup Limited

Dear Sir/Madam

THE PROPOSED ADOPTION OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME OF THE COMPANY, THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE AUSGROUP ESOS AND THE PROPOSED ADOPTION OF THE AUSGROUP PERFORMANCE SHARE PLAN

1. INTRODUCTION

- 1.1 The Directors are convening the EGM to be held at 438C Alexandra Road, Roof Storey, Function Room, Alexandra Technopark, ATP C (The Hub), Singapore 119976 on 24 October 2019 at 10.15 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company), to seek the approval of Shareholders in relation to the following matters:-
- (a) Proposed Adoption of the AusGroup ESOS;
 - (b) Proposed grant of authority to offer and grant Options at a discount under the AusGroup ESOS; and
 - (c) Proposed Adoption of the AusGroup PSP,
- (together, the “**Proposals**”).
- 1.2 The Proposed Adoption of the AusGroup ESOS, the proposed grant of authority to offer and grant Options at a discount under the AusGroup Employee Share Option Scheme, and the Proposed Adoption of the AusGroup PSP are set out as ordinary resolutions in the Notice of EGM accompanying this Circular.
- 1.3 The purpose of this Circular is to provide Shareholders with information relating to the Proposals, which will be tabled at the EGM for Shareholders’ approval. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.
- 1.4 The SGX-ST assumes no responsibility for the accuracy or correctness of any statements made or opinions expressed, or reports contained in this Circular.

LETTER TO SHAREHOLDERS

- 1.5 The SGX-ST has on 2 October 2019 granted in-principle approval for the listing and quotation for the new Shares to be allotted and issued pursuant to the exercise of the Options under the proposed AusGroup ESOS and the vesting of the Awards pursuant to the AusGroup PSP, subject to independent Shareholders' approval being obtained for the proposed AusGroup ESOS and AusGroup PSP, and the Company's compliance with SGX-ST's listing requirements and guidelines. Such in-principle approval by the SGX-ST, and the admission to, and quotation of the New Shares on the Official List of SGX-ST is not to be taken as an indication of the merits of the proposed AusGroup ESOS and AusGroup PSP, the New Shares, the Company and/or its Subsidiaries.

2. THE PROPOSED AUSGROUP EMPLOYEE SHARE OPTION SCHEME

2.1 RATIONALE FOR THE EMPLOYEE SHARE OPTION SCHEME

The Directors believe that the AusGroup ESOS will serve as a powerful incentive in retaining and motivating qualified key employees to optimise their performance standards and increase their efficiency. In addition, the AusGroup ESOS will provide the Company with the necessary flexibility and effectiveness to reward, retain and motivate employees to achieve superior performance. The AusGroup ESOS will also strengthen the Company's competitiveness in attracting and retaining talented employees.

The AusGroup ESOS will provide incentives to high performing employees to excel in their performance and encourage greater dedication and loyalty to the Company. Through the AusGroup ESOS, the Company will be able to continue motivating its employees to strive for the Group's long-term shareholder value. In addition, the AusGroup ESOS aims to continue to foster a greater ownership culture within the Group which more directly aligns the interest of employees with that of the Shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The AusGroup ESOS is extended to the Non-Executive Directors of the Group. Although the Non-Executive Directors are not involved in the day-to-day running of the Group, they play an invaluable role in the success by applying their experience, drawing on their knowledge and utilising their expertise for the benefit of the Group. It is therefore desirable that the Non-Executive Directors be allowed to participate in the AusGroup ESOS to give recognition to their services and contributions and to further align their interests with that of the Group.

The AusGroup ESOS uses methods that are fairly common among major local and multinational companies to incentivise and motivate its employees to create and enhance economic value for Shareholders. The Company believes that the AusGroup ESOS will be an effective tool in motivating its employees to strive to deliver long-term shareholder value.

2.2 SUMMARY OF RULES

The following are summaries of the principal rules of the AusGroup ESOS. The detailed rules of the AusGroup ESOS are set out in **Appendix A** to this Circular.

2.2.1 Eligibility

Group employees (including the Directors) who have attained the legal age of 21 years on or before the Offering Date and are not undischarged bankrupts may be eligible to participate in the AusGroup ESOS, at the absolute discretion of the Option Committee. For the avoidance of doubt, Controlling Shareholders and their Associates are not eligible to participate in the AusGroup ESOS.

2.2.2 Options

Options represent the right of a Participant to subscribe for Shares in consideration for the Exercise Price upon the exercise of the Option.

LETTER TO SHAREHOLDERS

2.2.3 Participants

The selection of a Participant and the number of Shares which are the subject of each Option to be granted to a Participant in accordance with the AusGroup ESOS shall be determined at the absolute discretion of the Option Committee, which shall take into account, *inter alia*, the seniority of his position, performance, length of service and potential for future development of the employee.

2.2.4 Exercise Price

Under the AusGroup ESOS, the Exercise Price of Options granted will be determined by the Option Committee, in its absolute discretion, on the Offering Date at:

- (a) a price equal to the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price; and the Shareholders of the Company in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the AusGroup ESOS at a discount not exceeding the maximum discount as aforesaid.

In determining whether to give a discount and the quantum of such discount in respect of the Exercise Price, the Option Committee may take into account factors such as the performance of the Group, the individual performance of the participant, his contribution to the success and development of the Group, and the prevailing market and economic conditions.

2.2.5 Grant of Options at a Discounted Price

Under the AusGroup ESOS, the Exercise Price of the Options granted will be determined by the Option Committee. The Option Committee has the discretion to grant Options at a discounted Exercise Price. In the event that the Options are granted at a discount, the discount shall not exceed 20% of the Market Price provided that the prior approval of the Shareholders of the Company in general meeting shall have approved the discount for the duration of the AusGroup ESOS. For the avoidance of doubt, the prior approval shall be required to be obtained only once and, shall unless revoked, authorise the making of offers and grants of Options under the AusGroup ESOS at such discount for the duration of the AusGroup ESOS.

The ability to offer Options at a discount to the Market Price of the Shares will give the Company flexibility in structuring the Options granted, and ensures that the Company maintains the competitiveness of its compensation strategy. Being able to grant Options at a discount allows the Company to acknowledge a Participant's contributions where such means is more meaningful than paying a cash bonus, as these Options operate as a form of cashless reward from the Company with a greater potential for capital appreciation than Options granted at the Market Price. Further, because Options granted with a discount under the AusGroup ESOS are subject to a longer vesting period of two years compared to one year for the Options granted at the Market Price, holders of such Options will be encouraged to have a long term view of the Company, thereby promoting staff and employee retention and reinforcing their commitment to the Company.

The Company believes that the maximum 20% discount to the Market Price of the Shares is sufficient to allow for flexibility in the AusGroup ESOS while minimising the potential dilutive effect to the Shareholders arising from the AusGroup ESOS.

2.2.6 Exercise Period

- (a) Options granted to a Participant (except Non-Executive Directors)

An Option granted with the Exercise Price set at the Market Price shall be exercisable at any time by the Participant after the first anniversary of the Offering Date, provided that the Option shall be exercised before the tenth anniversary of the relevant Offering Date or such earlier date as may be determined by the Option Committee, failing which the unexercised Option shall immediately lapse and become null and void.

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An Option granted with the Exercise Price set at a discount to the Market Price shall be exercisable at any time by the Participant after the second anniversary of the Offering Date, provided that the Option shall be exercised before the tenth anniversary of the relevant Offering Date or such earlier date as may be determined by the Option Committee, failing which the unexercised Option shall immediately lapse and become null and void.

(b) Options granted to Non-Executive Directors

An Option granted with the Exercise Price set at the Market Price shall be exercisable at any time by the Non-Executive Director after the first anniversary of the Offering Date, provided that the Option shall be exercised before the fifth anniversary of the relevant Offering Date or such earlier date as may be determined by the Option Committee, failing which the unexercised Option shall immediately lapse and become null and void.

An Option granted with the Exercise Price set at a discount to the Market Price shall be exercisable at any time by the Non-Executive Director after the second anniversary of the Offering Date, provided that the Option shall be exercised before the fifth anniversary of the relevant Offering Date or such earlier date as may be determined by the Option Committee, failing which the unexercised Option shall immediately lapse and become null and void.

2.2.7 Size and Duration of the AusGroup ESOS

The total number of Shares which may be delivered pursuant to the exercise of Options granted under the AusGroup ESOS on any date, when added to the number of Shares issued and issuable in respect of such other Shares issued and/or issuable under such other share-based incentive schemes of the Company, including but not limited to the AusGroup ESOS, shall not exceed 15% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) of the Company on the day preceding that date.

The AusGroup ESOS shall continue in force at the discretion of the Option Committee, subject to a maximum period of 10 years commencing on the date on which the AusGroup ESOS is adopted by the Company in general meeting, provided always that the AusGroup ESOS may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

2.2.8 Operation of the AusGroup ESOS

Subject to the prevailing legislation and rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants in relation to the exercise of an Option by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including Treasury Shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon exercise of their Options, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including Treasury Shares).

New Shares allotted and issued, and existing Shares procured by the Company for transfer on the exercise of an Option shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

LETTER TO SHAREHOLDERS

2.2.9 Adjustment Events under the AusGroup ESOS

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place:-

- (a) the Exercise Price in respect of the Shares comprised in the Option to the extent unexercised;
- (b) the class and/or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and/or
- (c) the class and/or number of Shares in respect of which additional options may be granted to Participants,

shall be adjusted by the Option Committee in such manner as the Option Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option and any adjustment must be confirmed in writing by the auditors of the Company for the time being (acting as experts and not as arbitrators) to be in their opinion, fair and reasonable.

The following (whether singly or in combination) shall not be regarded as events requiring adjustments:-

- (i) the issue of securities as consideration for an acquisition of any assets by the Company or in connection with a private placement of securities; or
- (ii) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to acquire new Shares in the capital of the Company (including the issue and allotment of Shares pursuant to the AusGroup ESOS or any other share-based incentive schemes implemented by the Company); or
- (iii) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) of such Shares undertaken by the Company on the SGX-ST during the period while a share purchase mandate granted by Shareholders (or any renewal thereof) is in force.

Notwithstanding the foregoing, no adjustments shall be made if as a result, a Participant would receive a benefit that a Shareholder does not receive.

2.2.10 Modification or Alterations to the AusGroup ESOS

The rules of the AusGroup ESOS may be modified or amended by resolution of the Option Committee from time to time subject to any necessary approvals of the SGX-ST (and any other stock exchange on which the Shares may be listed or quoted) and such other regulatory authorities as may be necessary except that:-

- (a) any proposed modification or amendment, which would be to the advantage of the Participants under the AusGroup ESOS (as confirmed by the auditors of the Company for the time being, acting as experts and not arbitrators) shall be subject to the prior approval of the Shareholders in general meeting;
- (b) no modification or amendment shall be made which would adversely affect the rights attached to Options granted prior to such modification or alteration except with the prior consent in writing of such number of Participants under the AusGroup ESOS who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) in number of all Shares which would be available under the AusGroup ESOS; and

LETTER TO SHAREHOLDERS

- (c) no modification or amendment shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

Notwithstanding anything to the contrary contained in the paragraph above, the Option Committee may at any time by resolution and without any other formality (save for the prior approval of the SGX-ST when necessary) modify or amend the rules of the AusGroup ESOS in any way to the extent necessary to cause the AusGroup ESOS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

2.2.11 Administration of the AusGroup ESOS

The AusGroup ESOS shall be administered by the Option Committee, which shall administer the AusGroup ESOS in its absolute discretion with such powers and duties as are conferred on it by the Board from time to time provided that no member of the Option Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.

The Option Committee shall have the power, from time to time, to make and vary such rules and regulations or impose terms and conditions necessary, desirable or expedient for the implementation and administration of the AusGroup ESOS as it may think fit.

Any decision of the Option Committee made pursuant to any provision of the AusGroup ESOS (other than a matter to be certified or confirmed by the auditors of the Company for the time being, acting as experts and not as arbitrators), shall be final and binding (including any decisions pertaining to quantum of discount applicable to an Option or to disputes as to interpretation of the AusGroup ESOS or any regulation, rule or procedure thereunder or as to any rights under the AusGroup ESOS).

2.2.12 Taxes, Costs and Expenses relating to the AusGroup ESOS

All taxes (including income tax, if applicable) arising from the grant and/or disposal of Shares pursuant to the exercise of Options granted to any Participant under the AusGroup ESOS shall be borne by that Participant.

Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the exercise of any Options in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

Save for the above, all other fees, costs and expenses incurred by the Company in relation to the AusGroup ESOS shall be borne by the Company.

2.3 **FINANCIAL EFFECTS OF THE AUSGROUP ESOS**

The following set out the financial effects of the AusGroup ESOS:-

2.3.1 Share Capital

The AusGroup ESOS will result in an increase in the Company's issued Shares only where new Shares are issued to Participants. The number of new Shares issued will depend on, inter alia, the number of Shares comprised in the Options granted under the AusGroup ESOS. In any case, the AusGroup ESOS provides that the total number of new Shares to be issued will be subject to the maximum limit of 15% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) preceding the date of exercise of the Option. If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants or the Company pays the equivalent cash value or no Options are exercised, the AusGroup ESOS will have no impact on the Company's issued ordinary share capital.

LETTER TO SHAREHOLDERS

2.3.2 NTA

The issue of new Shares upon the exercise of Options is likely to result in an increase of the Company's consolidated NTA by the aggregate Exercise Price of the new Shares issued. On a per Share basis, the effect on the NTA of the Company is accretive if the Exercise Price is above the NTA per Share but dilutive otherwise.

2.3.3 EPS

The AusGroup ESOS will have a dilutive impact on the Company's consolidated EPS following the increase in the number of issued Shares of the Company to the extent that new Shares are allotted and issued pursuant thereto.

However, the impact arising from the AusGroup ESOS on the Company's consolidated EPS is not expected to be material in any given financial year.

2.3.4 Potential Cost of Options

Any Options granted under the AusGroup ESOS would have a fair value. In the event that such Options are granted at prices below the fair value of the Options, there will be a cost to the Company. The amounts of such costs may be more significant in the case of Options granted with Exercise Prices set at a discount to the Market Price of the Shares. In addition to the impact on the Company's consolidated EPS and consolidated NTA as described above, the cost to the Company of granting Options under the AusGroup ESOS would be as follows:-

- (a) the exercise of an Option at the Exercise Price, if exercised at a price lower than Market Price, would translate into a reduction of the proceeds from the exercise of such Option, as compared to the proceeds that the Company would have received from such exercise had the exercise been made at the prevailing Market Price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to the Company; and
- (b) the grant of Options under the AusGroup ESOS will have an impact on the Company's reported profit under the FRS as share-based payment requires the recognition of an expense in respect of Options granted under the AusGroup ESOS. The expense will be based on the fair value of the Options at the Date of Grant (as determined by an option pricing model) and will be recognised over the vesting period provided that the only condition to vest the Option is service period.

It should be noted that the financial effects discussed in Section 2.3.4(a) above will materialise only upon the exercise of the relevant Options. The cost of granting Options discussed in paragraph 2.3.4(b) above will be recognised in the financial statements even if the Options are not exercised in 2.3.4(b). Measured against the cost of granting the Options as described above, the desirable effect of the AusGroup ESOS in attracting, recruiting and motivating Participants could in the long term yield greater returns for the Company and Shareholders.

3. PARTICIPATION IN THE AUSGROUP ESOS

3.1 NON-PARTICIPATION IN THE AUSGROUP ESOS BY THE CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Controlling Shareholders and their Associates are not eligible to participate in the AusGroup ESOS.

3.2 PARTICIPATION IN THE AUSGROUP ESOS BY THE NON-EXECUTIVE DIRECTORS

3.2.1 Participation by Non-Executive Directors

While the proposed AusGroup ESOS is primarily intended to cater to employees of the Group, it should also be recognised that there are other persons who make and can make significant contributions to the Group even though they are not employed within the Group. These may include the Non-Executive Directors who are from different professions and commercial

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backgrounds, bringing to the Group their wealth of knowledge, business expertise and contacts within the business community. They play an important role in helping the Group shape its business and growth strategies by allowing the Group to draw on their diverse backgrounds and experiences. It is crucial for the Group to attract and retain these Non-Executive Directors by allowing them to participate in the proposed AusGroup ESOS. This allows the Company to give recognition to their services and contributions and to further align their interests with that of the Group.

The Directors are of the view that including the Non-Executive Directors in the proposed AusGroup ESOS will allow the Company to show its appreciation for the Non-Executive Directors of the Group and to further motivate them to contribute towards the success of the Group.

The Option Committee when deciding on the selection of the Non-Executive Directors to participate in the proposed AusGroup ESOS and the number of Shares comprised in each Option, will take into consideration non-financial performance criteria such as the nature and extent of their input, assistance and expertise rendered to the boards on which they sit and impact thereof on the growth, success and development of the Company and the Group as well as their years of service and extent of involvement and commitment to the boards on which they sit.

3.2.2 Independent status of Independent Non-Executive Directors

Notwithstanding the eligibility of Independent Non-Executive Directors to participate in the AusGroup ESOS, the Directors are of the view that the participation of the Independent Non-Executive Directors will not compromise their independent status for the following reasons:-

- (a) the primary purpose of the AusGroup ESOS is to function as an additional tool for the Company to motivate the eligible employees through the tailoring of attractive remuneration packages for the particular Participant's circumstances;
- (b) it is envisaged that the number of Shares to be delivered to the participating Non-Executive Directors (if any), will not be significant and will only be made in exceptional circumstances having regard to the criteria as set out above.

Based on the foregoing reasons, the Directors are of the view that the participation by Independent Non-Executive Directors will not compromise their independent status.

4. THE PROPOSED ADOPTION OF THE AUSGROUP PERFORMANCE SHARE PLAN

4.1 BACKGROUND AND RATIONALE OF THE AUSGROUP PSP

4.1.1 Rationale of the AusGroup PSP

The Company has undertaken a review of employee remuneration and benefits and wishes to introduce a new compensation scheme that will promote higher performance goals, recognise exceptional achievement and retain talents within the Group. The AusGroup PSP is an integral and important component of the Group's new compensation scheme and is designed to reward and retain the Group's employees whose services and contributions are vital to the well-being and success of the Group. The AusGroup PSP contemplates the award of fully-paid Shares to Participants after certain pre-determined benchmarks have been met. The Company believes that the AusGroup PSP will be more effective and rewarding than pure cash bonuses in motivating employees to work towards pre-determined goals of the Company.

With that in mind, the AusGroup PSP is based on the principle of pay-for performance and is designed to enable the Company to reward, retain and motivate employees to achieve superior performance. Under the AusGroup PSP, the Plan Committee will be able to determine performance targets or goals for employees to fulfil, upon which they may be awarded shares under the AusGroup PSP, subject always to the rules of the AusGroup PSP. As employees work towards attaining such performance criteria, which can be tied to the financial performance or

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results of the Group, an anticipated award of shares can provide additional motivation for such employees to hit or exceed such performance targets, seeing as such employees' interests will be aligned with the positive performance of the Group.

In a majority of cases, in setting performance targets or goals for employees under the AusGroup PSP, the Plan Committee intends to consider the previous and current performance of each employee, and seek to set performance targets which are incremental and are an improvement from the previous or current performance of the employee, in order to drive the improvement in performance for the Company. In setting such performance targets, the Plan Committee will also take into consideration relevant factors such as the employee's years of service with the Company, market conditions, scope of work of the employee and when such employee's work performance may be more appropriately determined on a project basis, any qualitative criteria which may constitute appropriate performance targets.

The purpose of adopting the AusGroup PSP is to give the Company greater flexibility to align the interests of employees with the interests of Shareholders. The AusGroup PSP will:-

- (a) provide an opportunity for Participants to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of Participants towards the Group;
- (b) motivate Participants to strive towards performance excellence and to maintain a high level of contribution to the Group;
- (c) give recognition to contributions made or to be made by Participants by introducing a variable component into their remuneration package; and
- (d) make employee remuneration sufficiently competitive to recruit new Participants and/or to retain existing Participants whose contributions are important to the long-term growth and profitability of the Group.

4.1.2 Difference between AusGroup PSP and AusGroup ESOS

While both the AusGroup ESOS and AusGroup PSP aim to incentivise and retain employees, the AusGroup ESOS does not achieve this in the same way the AusGroup PSP does because under the AusGroup PSP, Participants are awarded Shares only when pre-determined benchmarks and performance targets have been met.

In contrast, the assessment criteria in relation to the grant of Options pursuant to the AusGroup ESOS are more general. Under the AusGroup ESOS, factors such as the employee's seniority, performance, length of service and potential for future development are relevant. These do not relate to specific performance targets that have to be met.

In addition, the Company operates primarily in Australia, where it is industry practice for companies to have performance share plans. In this regard, the AusGroup PSP is necessary in order for the Company to remain competitive by offering similar schemes. Furthermore, given that most of the Company's employees are Australian, it would be administratively easier to award Shares under the AusGroup PSP.

In light of the above, the Company is of the opinion that the AusGroup PSP would be complementary to the AusGroup ESOS as it provides the Company with a comprehensive and flexible set of tools to incentivise, motivate, reward and retain its employees.

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4.1.3 Rationale of participation by Non-Executive Directors

While the AusGroup PSP caters principally to Group Employees and Executive Directors, it is recognised that the Group's Non-Executive Directors (including the Group's Independent Directors) also make significant contributions to the Group through their close working relationship with the Group, even though they are not employed within the Group.

Non-Executive Directors are persons from different professions and working backgrounds, bringing to the Company their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping the Company shape its business strategy by allowing the Company to draw on the backgrounds and diverse working experience of these individuals. It is crucial for the Company to attract, retain and incentivise the Non-Executive Directors and align their interests with that of the Group.

Our Directors are of the view that including the Non-Executive Directors in the AusGroup PSP will show the Company's appreciation for, and further motivate them in their contribution towards the success of the Group. However, as their services and contributions cannot be measured in the same way as the Group Employees and Executive Directors, for the purpose of assessing the contributions of the Non-Executive Directors, the Plan Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as the extent of involvement and responsibilities shouldered by the Non-Executive Directors within the Board.

4.1.4 Independent status of Independent Non-Executive Directors

It is not the intention of the Board that Independent Non-Executive Directors be over-compensated under the AusGroup PSP to the extent that their independence will be compromised. It is the intention of the Board and the Plan Committee that any award of shares under the AusGroup PSP to any Independent Non-Executive Directors be measured and balanced against considerations if such award could interfere or be reasonably perceived to interfere with the exercise of the Independent Non-Executive Director's independent business judgment. Taking the foregoing into consideration, the Board is of the view that the AusGroup PSP will not compromise the objectivity and independence of Independent Non-Executive Directors.

In addition, the Plan Committee will also consider the scope of advice given, and any measurable advancement of the Company's business which the Company is able to make from or with the assistance, advice or recommendations of the Non-Executive Directors. The Plan Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all.

4.2 **OVERVIEW OF THE AUSGROUP PSP**

The AusGroup PSP is designed to reward its Participants via the issue and/or transfer of fully-paid Shares according to the extent to which they achieve performance targets over set performance periods. Performance targets will be in the form of key performance indicators prescribed by the Plan Committee and may include, for example, the successful completion of a project or the successful achievement of certain quantifiable performance conditions or targets, such as sales targets, productivity targets or years of service.

The rules of the AusGroup PSP are in compliance with the Listing Manual relating to share schemes.

4.3 **AWARDS UNDER AUSGROUP PSP**

4.3.1 The Awards granted under the AusGroup PSP allow a Participant to receive fully-paid Shares free of consideration upon the Participant achieving the performance target(s) prescribed by the Plan Committee at its absolute discretion.

4.3.2 The selection of a Participant and the number of Shares which are the subject of each Award granted to a Participant in accordance with the AusGroup PSP shall be determined at the absolute discretion of the Plan Committee. The Plan Committee plans to exercise this discretion

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judiciously, taking into account criteria such as his rank, job performance, years of service and potential for further development, his contribution to the success and development of the Company and the extent of effort required to achieve the performance target within the performance period.

4.3.3 The Plan Committee shall decide, in relation to each Award to be granted:-

- (a) the Participant;
- (b) the performance period and the performance target(s);
- (c) the Date of Grant;
- (d) the number of Shares which are the subject of the Award; and
- (e) the Vesting Period(s).

4.3.4 Special provisions apply for the vesting and lapsing of Awards, including the following:-

- (a) the termination of the employment of the Participant;
- (b) the ill health, injury, disability or death of a Participant;
- (c) the bankruptcy of a Participant;
- (d) the misconduct of a Participant; and
- (e) a take-over, winding up or reconstruction of the Company.

4.3.5 Subject to the prevailing legislation and the Listing Manual, the Company will deliver Shares to the Participants upon vesting of their Awards by way of an issue of New Shares and/or the transfer of Treasury Shares (if any).

4.3.6 In determining whether to issue New Shares or transfer existing Treasury Shares, the Company shall have the right to take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing New Shares or transferring Treasury Shares.

4.3.7 New Shares allotted and issued on the release of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

“Record Date” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions or rights of holders of Shares.

4.3.8 The Plan Committee shall have the discretion to determine whether the performance target(s) have been satisfied (whether fully or partially) or exceeded, and in making any such determination, the Plan Committee shall have the right to make reference to the financial results of the Company, or to take into account such factors as the Plan Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the Plan Committee decides that a changed performance target would be a fairer measure of performance.

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4.4 SUMMARY OF AUSGROUP PSP

The rules of the AusGroup PSP are set out in Appendix B to this Circular. The following is a summary of the rules of the AusGroup PSP:-

4.4.1 Eligibility

The following persons are eligible to participate in the AusGroup PSP at the absolute discretion of the Plan Committee:-

- (a) confirmed Group Employees; and
- (b) the Executive Directors and Non-Executive Directors (including the Independent Directors),

who, in the opinion of the Plan Committee, have contributed or will contribute to the success and the development of the Group. All participants shall have attained the age of 21 years and above and shall not be an undischarged bankrupt and have not entered into compositions with their respective creditors at the relevant time. Like the AusGroup ESOS, Controlling Shareholders and their Associates are not eligible to participate in the AusGroup PSP.

There shall be no restriction on the eligibility of any Participant in the AusGroup PSP to participate in any other share incentive schemes or share plans implemented or to be implemented by the Company or any other company within the Group.

4.4.2 Operation of the AusGroup PSP

Subject to the prevailing legislation and the Listing Manual, the Company shall have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:-

- (a) an issue of New Shares; or
- (b) a transfer of Treasury Shares (if any).

In determining whether to issue New Shares or transfer existing Treasury Shares (if any) for delivery to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Company of either issuing New Shares or transferring existing Treasury Shares.

4.4.3 Administration of the AusGroup PSP

The AusGroup PSP shall be administered by the Plan Committee in its absolute discretion, with such powers and duties as are conferred on it by the Board of Directors. A member of the Plan Committee shall not be involved in the deliberations of the Plan Committee in respect of the grant of the Awards to him. The Plan Committee shall refer any matter not falling within the scope of its terms of reference to the Board of Directors. Shareholders who are eligible to participate in the AusGroup PSP shall abstain from voting on any resolution relating to the AusGroup PSP.

The Plan Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the AusGroup PSP) for the implementation and administration of the AusGroup PSP, to give effect to the provisions of the AusGroup PSP and/or to enhance the benefit of the Awards and the released Awards to the Participants, as it may, at its absolute discretion, think fit.

Any decision of the Plan Committee, made pursuant to any provision of the AusGroup PSP (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the AusGroup PSP or any rule, regulation, or procedure thereunder or as to any rights under the AusGroup PSP). The Plan Committee shall not be required to furnish any reasons for any decision or determination made by it.

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4.4.4 Grant of Awards

Awards represent the right conferred by the Company on a Participant to be issued or transferred Shares in the Company, free of charge, in accordance with the AusGroup PSP.

The Plan Committee may grant Awards at any time, provided that in the event that an announcement on any matter involving unpublished price sensitive information is made, Awards may only be granted after the second Market Day following the aforesaid announcement. Where the grant of Awards to any Participant is subject to approval of specific resolution at a general meeting, the Plan Committee shall grant such approved Awards within 30 days from the conclusion of the general meeting that approved the resolution.

The Plan Committee shall decide, in relation to each Award:-

- (a) the Participant;
- (b) the Date of Grant;
- (c) the performance period and the performance target(s);
- (d) the number of Shares which are the subject of the Award;
- (e) the Vesting Period(s);
- (f) the extent to which Shares which are the subject of that Award shall be released at the end of each prescribed Vesting Period (if any); and
- (g) such other conditions that the Plan Committee may determine in relation of the Award.

The Plan Committee may amend or waive the Vesting Period(s), the performance period and/or the performance target(s) in respect of any Award:-

- (a) if anything happens which causes the Plan Committee to conclude that:-
 - (i) an amended Vesting Period, performance target or performance period would be a fairer measure of performance and would be no less difficult to satisfy;
 - (ii) the Vesting Period, performance target or performance period should be waived; or
- (b) in the event of a general offer (whether conditional or unconditional) being made for all or any part of the Shares of the Company, or a scheme of arrangement or compromise between the Company and its Shareholders being sanctioned by the court under the Act, or a proposal to liquidate or sell all or substantially all of the assets of the Company,

and the Plan Committee shall notify the Participants of such amendment or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate any such amendment or waiver).

Participants are not required to pay for the grant of Awards.

An Award is personal to the Participant to whom it is granted and it may not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Plan Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any such rights under an Award, that Award shall immediately lapse. However the Shares granted to a Participant pursuant to a grant of the award may be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part.

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4.4.5 Acceptance of Awards

The grant of an Award to a Participant shall be accepted by the Participant within 15 Market Days from the Date of Grant. The Participant may accept or refuse the whole but not part of the offer.

The Plan Committee shall within 15 Market Days of receipt of the acceptance form acknowledge receipt thereof. If the grant of the Award is not accepted by the Participant within 15 Market Days from the Date of Grant, such offer shall upon the expiry of the aforementioned period automatically lapse and shall be null and void.

4.4.6 Release of Awards

Subject as provided in the AusGroup PSP, an Award shall be released, in accordance with any conditions that the Plan Committee may, at its absolute discretion, specify in the letter of offer.

Shares which are the subject of a released Award shall be vested to a Participant on the vesting date, which shall be a Market Day falling as soon as practicable after the review by the Plan Committee and the Company shall procure the allotment of such New Shares and/or transfer of Treasury Shares to each Participant of the number of Shares so determined in accordance with the Award.

New Shares which are allotted and/or Treasury Shares which are transferred on the release of an Award to a Participant shall be registered in the name of, or transferred to, CDP to the credit of the Securities Account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent.

New Shares allotted and issued and/or Treasury Shares (if any) held by the Company for transfer, upon the release of an Award, shall:-

- (a) be subject to all the provisions of the Constitution of the Company; and
- (b) rank for any dividend, right, allotment or other distribution the Record Date of which is on or after the relevant vesting date and (subject as aforesaid) will rank *pari passu* in all respects with the Shares then existing.

4.4.7 Events prior to vesting date

An Award to the extent not yet released shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its Directors or employees):-

- (a) misconduct or breach of term of employment contract on the part of the Participant as determined by the Plan Committee at its absolute discretion;
- (b) the Participant, being a Director, ceasing to be a director of the Company for any reason whatsoever;
- (c) the Participant, being an Employee, for any reason whatsoever ceasing to be in the employment of the Company and/or any subsidiary or in the event the company by which the Group Employee is employed ceases to be a company in the Group; and/or
- (d) the Participants commits any breach of any of the terms of his Awards.

The Awards shall be deemed not to have become void nor cease to have effect in accordance with the AusGroup PSP if a Participant ceases to be employed before the release by reason of:-

- (a) death of the Participant;
- (b) redundancy of the Participant;

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- (c) ill-health, injury, disability or accident (in each case evidenced to the satisfaction of the Plan Committee); or
- (d) any other ground where the release of the Award has been approved by the Plan Committee in writing,

the Plan Committee may waive the Vesting Period for all or any of the Awards not yet released to the Participant or his duly appointed representative(s) under any of the above stated circumstances.

In the event of a take-over offer (whether conditional or unconditional) being made for all or any part of the Shares, all Awards to the extent not yet released shall be released to and shares issued to all Participants and the Vesting Period waived so that they be entitled to exercise their rights under the take-over offer, on the date on which such take-over offer becomes or is declared unconditional, as the case may be.

If before the vesting date, any of the following occurs:-

- (a) a Participant does or suffers any act or thing whereby he would or might be deprived of the legal or beneficial ownership of the Award;
- (b) a Participant commits an act of bankruptcy or is subject to a petition for bankruptcy;
- (c) a scheme of arrangement or compromise between the Company and Shareholders being sanctioned by the court under the Act;
- (d) an order for the compulsory winding-up of the Company is made; or
- (e) a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made,

the Plan Committee may consider, at its discretion, whether or not to release any Award. If the Plan Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Plan Committee will have regard to the proportion of the performance period(s) which has elapsed and the extent to which the performance targets have been satisfied. Where such Awards are released, the Plan Committee will, as soon as practicable after Awards have been released, procure the allotment of such New Shares and/or transfer of Treasury Shares (if any) to each Participant of the number of Shares so determined in accordance with such Award, such allotment and/or transfer to be made in accordance with the AusGroup PSP.

4.4.8 Size and Duration

The aggregate number of Shares available under the AusGroup PSP, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or other share-based incentive schemes of the Company, including but not limited to the AusGroup ESOS and AusGroup PSP, shall not exceed 15% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) of the Company from time to time.

The AusGroup PSP shall continue to be in force at the discretion of the Plan Committee, subject to a maximum period of 10 years commencing on the date on which the AusGroup PSP is adopted by the Company in a general meeting, provided always that the AusGroup PSP may continue beyond the stipulated period with the approval of Shareholders by an ordinary resolution in general meeting and of any relevant authorities which may then be required.

The termination of the AusGroup PSP shall not affect Awards which have been granted and accepted as provided in the AusGroup PSP whether such Awards have been released (whether fully or partially) or not.

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4.4.9 Adjustment Events

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation, or distribution or otherwise howsoever) shall take place, then:-

- (a) the class and/or the number of Shares which are the subject of an Award to the extent not yet vested and the rights attached thereto; and/or
- (b) the class and/or the maximum number of Shares over which future Awards may be granted under the AusGroup PSP,

may at the option of the Plan Committee be adjusted and in such manner as the Plan Committee may determine to be appropriate.

No adjustment shall be made if, as a result the Participant receives a benefit that a Shareholder does not receive and any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

Unless the Plan Committee considers an adjustment to be appropriate, the issue of securities as consideration for a private placement of Shares or as consideration for or in connection with an acquisition of any assets or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the Main Board of the SGX-ST during the period when a share buyback mandate granted by Shareholders (including any renewal of such mandate) is in force will not be regarded as circumstances requiring adjustment.

When any adjustment has to be made pursuant to the AusGroup PSP, the Company shall notify the Participant (or his duly appointed personal representative where applicable) in writing and deliver to him (or his duly appointed personal representative where applicable) a statement setting forth the class and number of Shares and/or existing Shares (including Treasury Shares, if any) thereafter to be issued or transferred respectively on the vesting of an Award and the date on which any adjustment shall take effect.

The Plan Committee may, in any circumstances where it considers that no adjustment should be made or that it should take effect on a different date or that an adjustment should be made notwithstanding that no adjustment is required under the said provisions (as the case may be), request the Auditors to consider whether for any reasons whatsoever the adjustment or the absence of an adjustment is appropriate or inappropriate as the case may be, and, or nullified or an adjustment made (instead of no adjustment made) in such manner and on such date as shall be considered by the Auditors (acting only as experts and not as arbitrators) to be in their opinion appropriate.

4.4.10 Modification to the AusGroup PSP

Any or all of the provisions of the AusGroup PSP may be modified and/or altered at any time and from time to time by a resolution of the Board on the recommendation of the Plan Committee, save that:-

- (a) any modification or alteration which materially and adversely alters the rights attaching to any Award granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if the Awards were released to them upon the expiry of all the Vesting Periods applicable to the Awards, would together hold not less than three-quarters (3/4) in aggregate such number of Shares which would fall to be vested upon the release of all outstanding Awards held by all Participants who respond to the Company's request for such consent within 21 days of the Company's dispatch of the request; and

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- (b) any modification or alteration which would be to the advantage of the Participants under the AusGroup PSP shall be subject to the prior approval of Shareholders in general meeting.

The opinion of the Plan Committee as to whether any modification or alteration would materially and adversely alter the rights attaching to any Award or be to the advantage of the Participants shall be final and conclusive.

The Plan Committee may at any time by a resolution (and without other formality or approval of the Participants, save for the prior approval of the SGX-ST) amend or alter the AusGroup PSP in any way to the extent necessary to cause the AusGroup PSP to comply with any statutory provision of the provision of the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

Written notice of any modification or alteration made in accordance with the above shall be given to all Participants but accidental omission to give notice to any Participant(s) shall not invalidate any such modifications or alterations.

4.5 FINANCIAL EFFECTS OF THE AUSGROUP PSP

4.5.1 Share Capital

The AusGroup PSP will result in an increase in the Company's issued share capital only if New Shares are issued to Participants. The number of New Shares issued will depend on, *inter alia*, the size of the Awards granted under the AusGroup PSP. However, if Treasury Shares are transferred to Participants in lieu of issuing New Shares to Participants, the AusGroup PSP will have no impact on the Company's issued share capital.

4.5.2 NTA

The AusGroup PSP will result in a charge to the Company's and Group's income statements which are equal to the fair value of the Awards over the period from the Date of Grant to the vesting date. In addition, when New Shares are issued under the AusGroup PSP, there would be no effect on the NTA of the Group and the Company. If Treasury Shares are transferred to Participants, the NTA of the Group and the Company would decrease by the cost of Shares purchased.

Although the AusGroup PSP will result in a charge to the income statements of the Company and the Group, it should be noted that Awards are granted only on a selective basis and will be granted to Participants whom the Company believes would have contributed or will contribute to its success including financial performance. In particular, the grant of Awards and delivery of Shares to Participants of the AusGroup PSP are contingent upon the Participants meeting prescribed performance targets. Therefore, Participants would have contributed to or will contribute to value add to the Company and the Group as determined by the Plan Committee before the Awards are granted and Shares delivered.

4.5.3 EPS

The AusGroup PSP will result in a charge to earnings equivalent to the fair value of the Awards at the Date of Grant over the period from the Date of Grant to the vesting date. Although the AusGroup PSP will have a dilutive impact on the EPS of the Company and the Group, the delivery of Shares to Participants in respect of Awards granted under the AusGroup PSP is contingent upon the Participants meeting prescribed performance targets, which will take into consideration the Participants' years of service and their contributions towards the financial performance of the Group.

4.5.4 Dilutive Impact

It is expected that any dilutive impact of the AusGroup PSP on the NTA per share and EPS would not be significant.

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4.5.5 Potential Cost of Awards

The AusGroup PSP is considered a share-based payment that falls under the scope of the Singapore Financial Reporting Standards (International) 2 (“**SFRS(I) 2**”). The Awards, if settled by way of the issue of New Shares or through the use of Treasury Shares (i.e. purchase of existing Shares), would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards will be recognised as a charge to the income statement over the period between the Date of Grant and the vesting date of an Award. The total amount of the charge over the Vesting Period is determined by reference to the fair value of each Award granted at the Date of Grant and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. The amount of the charge to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. At each reporting date, the number of Awards that are expected to be vested are estimated. The impact on the revision of original estimates is recognised as an expense in the income statement and as a corresponding adjustment to the reserve account over the remaining Vesting Period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions. No expense is recognised for Awards that do not ultimately vest, except for Awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

After the vesting date, no adjustment to the charge to the income statement is made.

4.5.6 Taxes

All taxes (including income tax) arising from the grant or vesting of any Award under the AusGroup PSP shall be borne by the Participant.

5. **DISCLOSURES IN ANNUAL REPORTS**

In accordance with the Listing Manual, the following disclosures (as applicable) will be made by the Company in its annual report for so long as the AusGroup ESOS and/or AusGroup PSP remains in operation:-

- (a) the names and members of the Option Committee administering the AusGroup ESOS and/or AusGroup PSP;
- (b) in respect of the following Participants:-
 - (i) Directors of the Company; and
 - (ii) Participants (other than those in paragraph (i) above) who have received Shares pursuant to the grant of Options granted under the AusGroup ESOS and/or who have received Shares pursuant to the vesting of Awards granted under the AusGroup PSP which, in aggregate represent 5% or more of the aggregate number of Options under both the AusGroup ESOS and AusGroup PSP,

the following information:-

- (A) the name of the Participant;
- (B) the following particulars relating to Options granted under the AusGroup ESOS and/or Awards granted under the AusGroup PSP (as the case may be):-
 - (1) the number of Options granted during the financial year under review (including terms);

LETTER TO SHAREHOLDERS

- (2) the aggregate number of Shares comprised in Options or Awards (as the case may be) granted since the commencement of the AusGroup ESOS and/or AusGroup PSP up to the end of the Financial Year in review;
- (3) (for the AusGroup ESOS) the aggregate number of Options exercised since the commencement of the AusGroup ESOS up to the end of the Financial Year under review;
- (4) (for the AusGroup ESOS) the aggregate number of Options outstanding as at the end of the Financial Year under review;
- (5) (for the AusGroup PSP) the aggregate number of Shares issued to such under the AusGroup PSP during the Financial Year under review;
- (6) (for the AusGroup PSP) the aggregate number of Shares comprised in the Awards which have not been released as at the end of the Financial Year under review;
- (c) Where applicable, the number and proportion of Options granted at a discount during the Financial Year in review in respect of every 10% range, up to the maximum quantum of discount granted; and
- (d) such other information as may be required by the Listing Manual or the Companies Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and Substantial Shareholders in the Shares of the Company, as at the Latest Practicable Date, are as follows:-

	Direct Interest		Deemed interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors				
Wu Yu Liang	0	0.00	0	0.00
Chew Heng Ching	0	0.00	0	0.00
Ooi Chee Kar	0	0.00	0	0.00
Shane Francis Kimpton	0	0.00	0	0.00
Eng Chiaw Koon	0	0.00	0	0.00
Poh Boon Kher, Melvin	299,799,712	9.84	0	0.00
Wang Yu Huei	0	0.00	818,326,974	26.84
Toh Bee Yong	356,093,525	11.68	0	0.00
Substantial Shareholders (other than Directors)				
Ezion Holdings Limited	409,232,604	13.43		

Notes:-

- (1) Based on 3,048,230,431 issued Shares as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

7. DIRECTORS' RECOMMENDATION

- 7.1 Save for Wang Yu Huei, all the other Directors are eligible to participate in, and are therefore, interested in the Proposed AusGroup ESOS Adoption. Accordingly, Wu Yu Liang, Chew Heng Ching, Ooi Chee Kar, Shane Francis Kimpton, Eng Chiaw Koon, Poh Boon Kher, Melvin and Toh Bee Yong have refrained from making any recommendation as to how Shareholders should vote in respect of the ordinary resolution for the Proposed Adoption of the AusGroup ESOS as set out in the Notice of EGM.

Wang Yu Huei, having reviewed and considered the rationale and benefit of the proposed adoption of the AusGroup ESOS, is of the view that the proposed adoption of the AusGroup ESOS is in the best interests of the Company. He accordingly recommends that Independent Shareholders vote in favour of the ordinary resolutions relating to the AusGroup ESOS as set out in the Notice of EGM, at the EGM.

- 7.2 Save for Wang Yu Huei, all the other Directors are eligible to participate in, and are therefore, interested in the Proposed AusGroup PSP Adoption. Accordingly, Wu Yu Liang, Chew Heng Ching, Ooi Chee Kar, Shane Francis Kimpton, Eng Chiaw Koon, Poh Boon Kher, Melvin and Toh Bee Yong have refrained from making any recommendation as to how Shareholders should vote in respect of the ordinary resolution for the Proposed Adoption of the AusGroup PSP as set out in the Notice of EGM.

Wang Yu Huei, having reviewed and considered the rationale and benefit of the proposed adoption of the AusGroup PSP, is of the view that the proposed adoption of the AusGroup PSP is in the best interests of the Company. He accordingly recommends that Independent Shareholders vote in favour of the ordinary resolutions relating to the proposed adoption of the AusGroup PSP as set out in the Notice of EGM, at the EGM.

8. ABSTENTION FROM VOTING

Save for Wang Yu Huei, all the other Directors are entitled to participate in the AusGroup ESOS and AusGroup PSP. Accordingly, Wu Yu Liang, Chew Heng Ching, Ooi Chee Kar, Shane Francis Kimpton, Eng Chiaw Koon, Poh Boon Kher, Melvin and Toh Bee Yong shall abstain from voting in respect of their holdings of Shares (if any) at the EGM in respect of the ordinary resolutions for the Proposed AusGroup PSP and Proposed AusGroup ESOS and shall not accept appointments as proxies for voting at the EGM in respect of the ordinary resolutions for the Proposed AusGroup PSP and Proposed AusGroup ESOS unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the ordinary resolutions for the Proposed AusGroup PSP and Proposed AusGroup ESOS.

Any Shareholder entitled to participate in the proposed AusGroup ESOS and AusGroup PSP shall abstain from voting at the EGM in respect of the ordinary resolutions for the Proposed AusGroup ESOS and AusGroup PSP and shall not accept appointments as proxies for voting at the EGM in respect of the ordinary resolutions for the Proposed AusGroup ESOS and Proposed AusGroup PSP unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the ordinary resolutions for the Proposed AusGroup PSP and the Proposed AusGroup PSP.

9. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 438C Alexandra Road, Roof Storey, Function Room, Alexandra Technopark, ATP C (The Hub), Singapore 119976 on 24 October 2019 at 10.15 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company convened on the same day and at the same place) for the purpose of considering and, if thought fit, passing, with or without any modification(s), the ordinary resolutions as set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

10. ACTION TO BE TAKEN BY SHAREHOLDERS

The EGM, notice of which is set out in the Notice of EGM, will be held at 438C Alexandra Road, Roof Storey, Function Room, Alexandra Technopark, ATP C (The Hub), Singapore 119976 on 24 October 2019 at 10.15 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company convened on the same day and at the same place for the purpose of considering and, if thought fit, passing, with or without any modification(s), the ordinary resolutions as set out in the notice of EGM.

If a Shareholder who is unable to attend the EGM wishes to appoint a proxy to attend and vote at the EGM on his behalf, he should complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's Registered Office, 438B Alexandra Road, #05-08/10 Alexandra Technopark, Singapore 119968, not later than 72 hours before the time appointed for the EGM.

Completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he so wishes. An appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the EGM.

CPFIS investors may wish to check with their CPF Approved Nominees on the procedure and deadline for the submission of their written instructions to their CPF Approved Nominees to vote on their behalf.

11. 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 Adoption of the AusGroup ESOS, the proposed grant of authority to offer and grant options at a discount under the AusGroup ESOS and the Proposed Adoption of the AusGroup PSP, 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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's registered office at 438B Alexandra Road, #05-08/10 Alexandra Technopark, Singapore 119968, for a period commencing from the date of this Circular up to and including the date of the EGM:-

- (a) the proposed rules of the AusGroup ESOS
- (b) the proposed rules of the AusGroup PSP.

Yours faithfully

For and on behalf of the Board of Directors

AUSGROUP LIMITED

Wu Yu Liang
Board Chairman

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

1. NAME OF THE SCHEME

This Scheme shall be called the “AusGroup Employee Share Option Scheme” (the “**AusGroup ESOS**”).

2. DEFINITIONS

2.1 In the AusGroup ESOS, except where the context otherwise requires, the following words and expressions shall have the following meanings:

- “Act” or “Companies Act”** : The Companies Act (Cap. 50) of Singapore, as amended from time to time
- “Acceptance Period”** : The period within which an Option may be accepted, as described in Rule 7.2
- “Associate” or “Associates”** : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its Subsidiary or holding company or is a Subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”** : A company in which at least 20% but no more than 50% of its shares are held by the Company
- “Auditors”** : The auditors of the Company for the time being
- “Board” or “Board of Directors”** : The board of directors of the Company for the time being
- “CDP” or “Depository”** : The Central Depository (Pte) Limited
- “Company”** : AusGroup Limited
- “Constitution”** : The constitution of the Company, as amended or modified from time to time

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

- “Controlling Shareholder”** : A person who:-
- (a) holds directly or indirectly 15% or more of all voting shares (excluding Treasury Shares and subsidiary holdings) in the Company, unless determined by SGX-ST that such person is not a controlling shareholder; or
 - (b) in fact exercises control over the Company
- “Directors”** : The directors of the Company for the time being (including non-executive directors and independent directors) of the Group for the time being and/or its subsidiaries as the case may be
- “Executive Director”** : A director of the Company who performs an executive function
- “Exercise Price”** : The price at which a Participant shall subscribe for each Share upon the exercise of an Option, as determined in accordance with Rule 8, or such adjusted price as may be applicable pursuant to Rule 12
- “FRS”** : Financial Reporting Standard
- “Grantee”** : The person to whom an offer of an Option is made
- “Group”** : The Company and its subsidiaries
- “Group Employee”** : Any confirmed employee of the Group (including any Director) selected by the Option Committee to participate in the AusGroup ESOS in accordance with the rules herein.
- “Letter of Offer”** : Shall have the meaning ascribed to it in Rule 6.3
- “Market Day”** : A day on which the SGX-ST is open for trading in securities.
- “Market Price”** : The average of the last dealt price for a Share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive Market Days immediately prior to the relevant Offering Date provided always that in the case of a Market Day on which the Shares are not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices
- “Non-Executive Director”** : A director of the Company other than one who performs an executive function
- “Offering Date”** : The date on which an Option is granted pursuant to a Letter of Offer
- “Option”** : The right to acquire Shares granted or to be granted to a Group Employee pursuant to the AusGroup ESOS and for the time being subsisting

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

“Option Committee”	:	Means the committee comprising all the members of the remuneration & human capital committee of the Company from time to time, as may be duly authorised and appointed by the Board to administer the AusGroup ESOS
“Option Period”	:	The period for the exercise of an Option as set out in Rule 9.1 or 9.2 (as the case may be)
“Participant”	:	An eligible person selected by the Option Committee or the Plan Committee to participate in the AusGroup ESOS or the AusGroup PSP in accordance with the rules thereof
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share(s)”	:	Ordinary share(s) in the issued and paid-up capital of the Company
“Shareholders”	:	The registered holders of Shares in the register of members of the Company, except where the registered depositor is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the persons to whose securities accounts maintained with CDP are credited with the Shares
“subsidiary holdings”	:	Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
“%” or “per cent”	:	Per centum or percentage

2.2 The terms “**Depositor**”, “**Depository**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Cap. 289). The term “**Treasury Shares**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

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

2.4 Any reference to a time of a day in this AusGroup ESOS is a reference to Singapore time.

2.5 Any reference in the AusGroup ESOS 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 or any statutory modification thereof and used in this AusGroup ESOS shall, where applicable, have the same meaning assigned to it under the Companies Act.

2.6 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.

3. OBJECTIVES

The objectives of the AusGroup ESOS are as follows:-

- (a) to motivate Participants to optimise performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to retain key employees whose contributions are important to the long term growth and prosperity of the Group;

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

- (c) to attain a harmonious employer/employee relations as well as the strengthening of working relationships with the Group's close business associates;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders;
- (e) to align the interests of the Participants with the interests of the Shareholders; and
- (f) to develop a participatory style of management which promotes greater commitment and dedication among the employees and instill loyalty and a stronger sense of identification with the long term prosperity of the Group.

4. ELIGIBILITY

4.1. Subject to the absolute discretion of the Option Committee, Group Employees (including any Director) who:-

- (a) have attained the legal age of 21 years on or before the Offering Date; and
- (b) are not undischarged bankrupts,

shall be eligible to participate in the AusGroup ESOS. For the avoidance of doubt, Controlling Shareholders and their Associates are not eligible to participate in the AusGroup ESOS.

4.2 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share-based incentive scheme implemented by the Company or any other company within the Group (if any).

4.3 Subject to the Companies Act and any requirement of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted from time to time (if applicable), the terms of eligibility for participation in the AusGroup ESOS may be amended from time to time at the absolute discretion of the Option Committee.

5. LIMITATIONS UNDER THE AUSGROUP ESOS

The aggregate number of Shares for which an Option may be granted on any date under the AusGroup ESOS, when added to the number of Shares issued and/or issuable in respect of:-

- (a) all Options granted under the AusGroup ESOS; and
- (b) all Shares, options or awards granted under any other share option or share-based incentive scheme,

shall not exceed 15% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) on the day preceding the Offering Date.

6. GRANT OF OPTIONS

6.1 The Option Committee may grant Options at any time during the period when the AusGroup ESOS is in force.

6.2 Subject to Rules 4 and 5, the number of Shares which are the subject of each Option to be granted to a Participant under the AusGroup ESOS shall be determined at the absolute discretion of the Option Committee, which shall take into consideration, where applicable, factors such as the seniority of position, performance, length of service and potential for future development of the eligible Group Employee.

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

6.3 An offer to grant an Option to a Participant shall be made by way of a letter (the “**Letter of Offer**”) in the form or substantially in the form set out in Schedule 1 of this AusGroup ESOS, subject to such amendments as the Option Committee may determine from time to time.

7. ACCEPTANCE OF OFFER

7.1 An option is personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant’s personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Option Committee.

7.2 An Option offered to a Participant pursuant to Rule 6 may only be accepted by the Participant within 30 days after the relevant Offering Date and not later than 5.00 p.m. on the 30th day from such Offering Date. The grant of an Option must be accepted by completing, signing and returning of the Acceptance Form in or substantially in the form set out in Schedule 2 of this AusGroup ESOS, subject to such modification as the Option Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration or such other amount and such other documentation as the Option Committee may require. The Option is deemed not accepted until the Company is in actual receipt of the Acceptance Form.

7.3 Unless the Option Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:-

- (a) a grant of an Option is not accepted strictly in the manner as provided in Rule 7.2 within the Acceptance Period;
- (b) the Grantee dies prior to his acceptance of the Option;
- (c) the Grantee is adjudicated a bankrupt or enters into a composition with his creditors prior to his acceptance of the Option;
- (d) the Grantee being an Executive Director or, as the case may be, a Group Employee ceases to be in the employment of the Group or (being a Non-Executive Director) ceases to be a Director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
- (e) the Company is liquidated or wound-up prior to the Grantee’s acceptance of the Option.

7.4 The Company shall be entitled at its absolute discretion to reject any purported acceptance of a grant of an Option made pursuant to this Rule 7 or Exercise Notice (as defined in Rule 11) given pursuant to Rule 11 which does not strictly comply with the terms of this AusGroup ESOS.

7.5 In the event that the grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and of no effect and the relevant Participant shall have no claim whatsoever against the Company.

8. EXERCISE PRICE

8.1 Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Option Committee at its absolute discretion, and shall be fixed by the Option Committee at:-

- (a) the Market Price; or
- (b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Option Committee at its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price in respect of that Option.

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

- 8.2 In making any determination under Rule 8.1(b) on whether to give a discount and the quantum of such discount, the Option Committee shall be at liberty to take into consideration such criteria as the Option Committee may, at its absolute discretion, deem appropriate, including but not limited to:-
- (a) the performance of the Company, its subsidiaries and Associated Companies, as the case may be, taking into account financial parameters such as net profit after tax, return on equity and earnings growth;
 - (b) the years of service and individual performance of the eligible Group Employee;
 - (c) the contribution of the eligible Group Employee to the success and development of the Company and/or the Group; and
 - (d) the prevailing market conditions.
- 8.3 In the event that the Company is no longer listed on the SGX-ST or any other relevant stock exchange or trading in the Shares on the SGX-ST or such stock exchange is suspended for any reason for 14 days or more, the Exercise Price for each Share in respect of which an Option is exercisable shall be the fair market value of each such Share as determined by the Option Committee in good faith.

9. EXERCISE OF OPTION

- 9.1 Options granted with the Exercise Price set at Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the Offering Date of that Option, provided always that:-
- (a) in the case of a Participant (except Non-Executive Directors), the Options shall be exercised before the 10th anniversary of the relevant Offering Date, or such earlier date as may be determined by the Option Committee, failing which all unexercised Options shall immediately lapse and become null and void and he shall have no claim against the Company; or
 - (b) in the case of a Non-Executive Director, the Options shall be exercised before the 5th anniversary of the relevant Offering Date, or such earlier date as may be determined by the Option Committee, failing which all unexercised Options shall immediately lapse and become null and void and he shall have no claim against the Company.
- 9.2 Options granted with the Exercise Price set at a discount to Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the Offering Date of that Option, provided always that:-
- (a) in the case of a Participant (except Non-Executive Directors), the Options shall be exercised before the tenth anniversary of the relevant Offering Date, or such earlier date as may be determined by the Option Committee, failing which all unexercised Options shall immediately lapse and become null and void and he shall have no claim against the Company.
 - (b) in the case of a Non-Executive Director, the Options shall be exercised before the fifth anniversary of the relevant Offering Date, or such earlier date as may be determined by the Option Committee, failing which all unexercised Options shall immediately lapse and become null and void and he shall have no claim against the Company.

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

- 9.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company:-
- (a) subject to Rules 9.4, 9.5, and 9.6, upon the Participant ceasing to be in the employment of the Company or any of the Companies within the Group for any reason whatsoever; or
 - (b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or
 - (c) in the event of misconduct on the part of the Participant, as determined by the Option Committee in its absolute discretion.

For the purpose of Rule 9.3(a), a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

- 9.4 If a Participant ceases to be employed by the Group by reason of his:-
- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Option Committee;
 - (b) redundancy;
 - (c) retirement at or after a normal retirement age;
 - (d) retirement before that age with the consent of the Option Committee; or
 - (e) for any other reason approved in writing by the Option Committee,

he may, at the absolute discretion of the Option Committee, exercise any unexercised Option within the relevant Option period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

- 9.5 If a Participant ceases to be employed by a subsidiary:-
- (a) by reason of the subsidiary, by which he is principally employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such subsidiary, being transferred otherwise than to another company within the Group; or
 - (b) for any other reason, provided the Option Committee gives its consent in writing,

he may, at the absolute discretion of the Option Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

- 9.6 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Option Committee, be exercised by the duly appointed legal personal representatives of the Participant within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

- 9.7 If a Participant, who is also an Executive Director or a Non-Executive Director (as the case may be), ceases to be a director for any reason whatsoever, he may, at the absolute discretion of the Option Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

10. TAKE-OVER AND WINDING UP OF COMPANY

10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is unconditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-

(a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Option Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or

(b) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the specified date shall lapse and become null and void provided that the rights of acquisition or obligation to acquire shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall subject to Rule 9 remain exercisable until the expiry of the Option Period relating thereto.

10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a AusGroup ESOS for the reconstruction of the Company or its amalgamation with another company or companies, each Participant (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled, notwithstanding the provisions under Rule 9 but subject to Rule 10.5, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option period relating thereto), whereupon the Option shall lapse and become null and void.

10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent that they are unexercised, shall be deemed or become null and void.

10.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Participants ((including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled within 30 days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto), to exercise any unexercised Option, after which period such unexercised Option shall lapse and become null and void.

10.5 If in connection with the making of a general offer referred to in Rule 10.1 or the AusGroup ESOS referred to in Rule 10.2 or the winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the payment of cash or by any other form of benefit, no exercise of an Option (to the extent not yet exercised) shall be made in such circumstances.

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.

11. MANNER OF EXERCISE

11.1 An Option may be exercised during the Option Period, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiples thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule 3 of this AusGroup ESOS (the “**Exercise Notice**”), subject in each case to such modifications as the Option Committee may from time to time determine. Every Exercise notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which must have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Option Committee may require. An Option shall be deemed to be exercised upon the receipt by the Company of Exercise Notice duly completed, the relevant documentation required by the Option Committee and the aggregate Exercise price.

11.2 All payments shall be made by cheque, cashier’s order, bank draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.

11.3 Subject to the Companies Act and the Listing Manual, the Company shall have the flexibility to deliver Shares to Participants upon the exercise of their Options by way of:-

- (a) an issue and allotment of new Shares; and/or
- (b) subject to applicable laws, the transfer of existing Shares, including any Shares acquired by the Company pursuant to a share purchase mandate and/or held by the Company as Treasury Shares.

In determining whether to issue new Shares or to deliver existing Shares to Participants upon the exercise of their Options, the Company will take into account factors such as (but not limited to):-

- (i) the prevailing Market Price of the Shares;
- (ii) the prevailing Market Price of the Shares relative to the financial performance of the Company;
- (iii) the cash position of the Company;
- (iv) the projected cash needs of the Company;
- (v) the dilution impact (if any);
- (vi) the cost to the Company of either issuing new Shares or purchasing existing Shares; and
- (vii) the liquidity of the Shares based on the average daily trading volume of the Shares, and in particular whether the repurchase by the Company of existing Shares to deliver to Participants upon exercise of their Options would materially impact upon the Market Price of the Shares.

11.4 Subject to:-

- (a) such consents or other required actions of any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and
- (b) compliance with the Rules of this AusGroup ESOS and the Constitution of the Company,

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

the Company shall within 1 month after the exercise of an Option by a Participant in accordance with Rule 11.1, allot or transfer existing Shares to the Participant and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Option Committee may deem fit.

- 11.5 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of such Shares.
- 11.6 Shares which are allotted or transferred on the exercise of an Option by a Participant shall be issued or transferred to, in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 11.7 Shares issued and allotted or transferred upon the exercise of an Option shall be subject to all the provisions of the Constitution of the Company, and shall rank in full for all entitlements, excluding dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or before the relevant date of the exercise of the Option, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

Except as set out in Rule 11 and subject to Rule 12, an Option does not confer on a Participant any right to participate in any new issue of Shares.

12. ADJUSTMENT EVENTS

- 12.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits, reserves, rights issue, reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or issues for cash or for shares or otherwise howsoever) shall take place, then:-
- (a) the Exercise Price in respect of the Shares comprised in the Option to the extent unexercised;
 - (b) the class and/or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and/or
 - (c) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

shall be adjusted by the Option Committee in such manner as the Option Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable. For this purpose, "Record Date" means the date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributors (as the case may be).

- 12.2 The following (whether singly or in combination) shall not be regarded as events requiring adjustments:-
- (a) the issue of securities as consideration for an acquisition of any assets by the Company or in connection with a private placement of securities;
 - (b) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to acquire new Shares in the capital of the Company (including the issue and allotment of

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

Shares pursuant to or any other share-based incentive schemes implemented by the Company); or

- (c) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) of such Shares undertaken by the Company on the SGX-ST during the period while a share purchase mandate granted by Shareholders (or any renewal thereof) is in force.

12.3 Notwithstanding Rule 12.1, no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive.

12.4 Upon any adjustment made, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the new Exercise Price thereafter in effect and the number of Shares thereafter comprised in the Option insofar as it is unexercised. Any adjustment shall take effect upon such written notice being given.

13. ADMINISTRATION OF THE AUSGROUP ESOS

13.1 The AusGroup ESOS shall be administered by the Option Committee duly authorised and appointed by the Board, in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Option Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.

13.2 The Option Committee shall have the power, from time to time, to make and vary such rules and regulations or impose terms and conditions necessary, desirable or expedient for the implementation and administration of the AusGroup ESOS as it may think fit including, but not limited to, imposing restrictions on the number of Options that may be exercised within particular sections of the relevant Option Period.

13.3 Any decision of the Option Committee, made pursuant to any provision of this AusGroup ESOS (other than a matter to be certified or confirmed by the auditors of the Company for the time being, acting as experts and not as arbitrators), shall be final and binding (including any decisions pertaining to disputes as to interpretation of the AusGroup ESOS or any regulation, rule or procedure thereunder or as to any rights under the AusGroup ESOS).

14. MODIFICATIONS AND ALTERATIONS TO THE AUSGROUP ESOS

14.1 The rules of the AusGroup ESOS may be modified or amended by resolution of the Option Committee from time to time subject to any necessary approvals of the SGX-ST (and any other stock exchange on which the Shares may be listed or quoted) and such other regulatory authorities as may be necessary except that:-

- (a) any proposed modification or amendment, which would be to the advantage of the Participants under the AusGroup ESOS (as confirmed by the auditors of the Company for the time being, acting as experts and not arbitrators) shall be subject to the prior approval of the Shareholders in general meeting;
- (b) no modification or amendment shall be made which would adversely affect the rights attached to Options granted prior to such modification or alteration except with the prior consent in writing of such number of Participants under the AusGroup ESOS who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) in number of all Shares which would be available under the AusGroup ESOS; and
- (c) no modification or amendment shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

14.2 Notwithstanding anything to the contrary contained in the paragraph above, the Option Committee may at any time by resolution and without any other formality (save for the prior approval of the SGX-ST when necessary) modify or amend the rules of the AusGroup ESOS in any way to the extent necessary to cause the AusGroup ESOS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

14.3 The Company shall give written notice of any modification or alteration made in accordance with this Rule to be given to all Participants.

15. DURATION OF THE AUSGROUP ESOS

15.1 The AusGroup ESOS shall continue in force at the discretion of the Option Committee, subject to a maximum period of 10 years commencing on the date on which the AusGroup ESOS is adopted by the Company in general meeting, provided always that the AusGroup ESOS may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

15.2 Upon the termination of the AusGroup ESOS, no additional Options shall be granted by the Company hereunder.

15.3 The termination of this AusGroup ESOS shall not affect the rights accrued to Options which have been granted and accepted, whether such Options have been exercised (whether fully or partial) or not.

16. DISCLOSURES IN ANNUAL REPORT

The Company shall disclose the following in its annual report to Shareholders in compliance with the Listing Manual for so long as the AusGroup ESOS continues in operation:-

- (a) the names and members of the Option Committee;
- (b) in respect of the following Participants of the AusGroup ESOS:-
 - (i) Directors of the Company; and
 - (ii) Participants (other than those in paragraph (i) above) who have received Shares pursuant to the grant of Options granted under the AusGroup ESOS which, in aggregate represent five per cent (5%) or more of the aggregate number of Options under the AusGroup ESOS,

the following information:-

Name of Participant	Options granted during the financial year under review (including terms)	Aggregate Options granted since commencement of the Plan to end of financial year under review	Aggregate Options exercised since commencement of the Plan to end of financial year under review	Aggregate Options outstanding as at end of financial year under review

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

- (c) in relation to the AusGroup ESOS, the following particulars:-
- (i) the number and proportion of Options granted at a discount during the Financial Year in review in respect of every 10% range, up to the maximum quantum of discount granted;
 - (ii) The aggregate number of Options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the scheme to the end of the financial year under review; and
- (d) such other information as may be required by the Listing Manual or the Companies Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

17. NOTICES

- 17.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.
- 17.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Option Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.
- 17.3 Any notice sent by post shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is posted, and in proving such service by post, it shall be sufficient to prove that the letter or wrapper containing the same was properly addressed and put into the post office as a prepaid letter or wrapper.

18. TERMS OF EMPLOYMENT UNAFFECTED

- 18.1 The AusGroup ESOS or any Option granted hereunder shall not form part of any contract of employment between the Company or any of its subsidiaries (as the case may be) and any Participant and the rights and obligations of any individual under the terms of office or employment with such company within the Group shall not be affected by his participation in the AusGroup ESOS or any right which he may have to participate in it or any rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.
- 18.2 The AusGroup ESOS shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company and/or any of its subsidiaries directly or indirectly or give rise to any cause of action at law or in equity against the Company and/or any of its subsidiaries.

19. TAXES, COSTS AND EXPENSES

- 19.1 All taxes (including income tax, if applicable) arising from the grant and/or disposal of Shares pursuant to the Options granted to any Participant under the AusGroup ESOS shall be borne by that Participant.
- 19.2 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the exercise of any Options in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION SCHEME

19.3 Save for the above, all other fees, costs and expenses incurred by the Company in relation to the AusGroup ESOS shall be borne by the Company.

20. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Board, the Option Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 11.5.

21. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Option Committee and its decision shall be final and binding in all respects.

22. ISSUE OF SHARES CONTRARY TO LAW

Every Option shall be subject to the condition that no Shares would be issued pursuant to the exercise of any Option if such issue would be contrary to law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

23. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the AusGroup ESOS must abstain from voting on any resolution relating to the AusGroup ESOS.

24. GOVERNING LAW

The AusGroup ESOS shall be governed by, and construed in accordance with the laws of the Republic of Singapore. The Participants, by accepting the offer of the grant of Options in accordance with the AusGroup ESOS, and the Company irrevocably submits to the exclusive jurisdiction of the courts of the Republic of Singapore.

**APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION
SCHEME**

SCHEDULE 1

**AUSGROUP LIMITED
EMPLOYEE SHARE OPTION SCHEME**

LETTER OF OFFER

PRIVATE AND CONFIDENTIAL

Date:

To: [Name]
[Designation]
[Address]

Dear Sir/Madam

We are pleased to inform you that you have been nominated by the Option Committee to participate in the AusGroup Employee Share Option Scheme (the “**AusGroup ESOS**”). Terms as defined in the AusGroup ESOS shall have the same meaning when used in this letter.

Accordingly, an offer is hereby made to grant you an Option, in consideration of the payment of a sum of S\$[●], to subscribe for and be allotted [●] Shares of S\$[●] each in the capital of the Company at the price of S\$[●] per Share (the “**Exercise Price**”). The Option shall be subject to the terms of this Letter of Offer and the Rules of the AusGroup ESOS (as the same may be amended from time to time pursuant to the terms and conditions of the AusGroup ESOS). You may obtain a copy of the Rules of the AusGroup ESOS from the Company.

The Option is personal to you and may not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of S\$[●] not later than [time] on [date] failing which this offer will forthwith lapse.

Yours faithfully
For and on behalf of
AusGroup Limited

Name:

Designation:

**APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION
SCHEME**

SCHEDULE 2

**AUSGROUP LIMITED
EMPLOYEE SHARE OPTION SCHEME**

ACCEPTANCE FORM

Date:

To: The Option Committee
AusGroup Employee Share Option Scheme
c/o The Company Secretary
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Closing Date and Time for Acceptance of Option : _____

No. of Shares in respect of which Option is offered : _____

Exercise Price per Share : _____

Total Amount Payable on acceptance of Option : _____
(exclusive of the relevant CDP charges)

I have read your Letter of Offer dated [●] (the “**Offering Date**”) and agree to be bound by the terms hereof and of the AusGroup Employee Share Option Scheme stated therein. I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I hereby accept the Option to subscribe for [●] Shares of S\$[●] each in the capital of the Company (the “**Shares**”) at S\$[●] per Share and enclose a *cheque/banker’s draft/cashier’s order/postal order no. [●] for S\$[●] being payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP relating to or in connection with the issue and allotment of any Shares in CDP’s name, the deposit of share certificate(s) with CDP, the Participant’s securities account with CDP or the participant’s securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

I confirm as at the date hereof:

- (a) I am not less than 21 year old, nor an undischarged bankrupt, nor have I entered into a composition with any of my creditors; and
- (b) I satisfy the eligibility requirements to participate in the AusGroup ESOS and such other requirements to participate in the AusGroup ESOS as set out in the Rules of the AusGroup ESOS.

I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer. I agree to keep all information pertaining to the grant of the Option to me confidential.

**APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION
SCHEME**

PLEASE PRINT IN BLOCK LETTERS

Name in Full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete where inapplicable

Notes:

1. Option must be accepted in full or in multiples of 1,000 Shares.
2. The Acceptance Form must be forwarded to the Company Secretary in an envelope marked "Private and Confidential".
3. The Participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.

**APPENDIX A – RULES OF THE AUSGROUP EMPLOYEE SHARE OPTION
SCHEME**

SCHEDULE 3

**AUSGROUP LIMITED
EMPLOYEE SHARE OPTION SCHEME**

EXERCISE NOTICE

To: The Committee
AusGroup Employee Share Option Scheme
c/o The Company Secretary
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Total Number of Shares S\$[●] each (the "Share") at
S\$[●] per Share under an Option granted on [date] : _____

No. of Shares previously allotted and issued thereunder : _____

Outstanding balance of Shares which may be allotted
and issued thereunder : _____

Number of Shares now to be subscribed
(in multiples of 1,000) : _____

Pursuant to your Letter of Offer dated [●] (the "**Offering Date**") and my acceptance thereof, I hereby exercise the Option to subscribe for Shares in AusGroup Limited (the "**Company**") at S\$[●] per Share.

I hereby request the Company to allot and issue to me the number of Shares specified above in the name of The Central Depository (Pte) Limited ("**CDP**") to the credit of my Securities Account with a CDP/*Securities Sub-Account with a CDP Depository Agent/*CPF investment account with a CPF agent bank specified below and to deliver the share certificates relating thereto to CDP at my own risk. I further agree to bear such fees or other charges as may be imposed by CDP/CPF (the "**CDP charges**") and any stamp duties in respect thereof:-

*(a) Direct Securities Account Number : _____

*(b) Securities Sub-Account Number : _____

Name of CDP Depository Agent : _____

*(c) CPF Investment Account Number : _____

Name of CPF agent bank : _____

I enclose a *cheque/cashier's order/bank draft/postal order no. [●] for S\$[●] in payment for the subscription of S\$[●] for the total number of [●] Shares and the CDP charges of S\$[●].

I agree to subscribe for the Shares subject to the terms of the Letter of Offer, the AusGroup Employee Share Option Scheme (as the same may be amended pursuant to the terms thereof from time to time) and the Constitution of the Company.

I declare that I am subscribing for the Shares for myself and not as a nominee for any other person.

*Delete where inapplicable

APPENDIX B – RULES OF THE AUSGROUP PERFORMANCE SHARE PLAN

1. NAME OF THE PLAN

This Plan shall be called the “AusGroup Performance Share Plan”

2. DEFINITIONS

2.1 In this Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:-

“Act” or “Companies Act” : The Companies Act (Cap. 50) of Singapore, as amended or modified from time to time

“Adoption Date” : The date on which the Plan is adopted by resolution of the Shareholders of the Company

“Associate” or “Associates” : In relation to a Controlling Shareholder (being an individual), means:

(a) his/her spouse, child, adopted child, step-child, sibling and parent (his “immediate family”);

(b) the trustees of any trust of which he/she or his/her immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(c) any company in immediate family together (directly or indirectly) have an interest of 30%, or more; or

In relation to a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30%. or more

“Auditors” : The auditors for the time being of the Company

“Award” : A contingent award of Shares under the Plan

“Award Letter” : A letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee

“Board” : The board of Directors for the time being of the Company

“CPD” : The Central Depository (Pte) Limited

“Committee” : The committee comprising all the members of the remuneration & human capital committee of the Company from time to time, as may be duly authorised and appointed by the Board to administer the AusGroup PSP

“Company” : AusGroup Limited

“Constitution” : The Constitution of the Company as amended or modified from time to time

“Control” : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company

APPENDIX B – RULES OF THE AUSGROUP PERFORMANCE SHARE PLAN

“Controlling Shareholder”	:	A person who:- (a) holds directly or indirectly 15% or more of the value of all voting shares in the Company; or (b) in fact exercises control over the Company,
“Date of Grant”	:	In relation to an Award, the date on which the Award is granted to a Participant
“Director”	:	A director of the Company from time to time
“Employee” or “Group Employee”	:	Any person who is an employee of the Group
“Executive Director”	:	A director from time to time of the Company, who performs an executive function
“Group”	:	The Company and its Subsidiaries
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“New Shares”	:	The new shares which may be allotted and issued from time to time pursuant to the vesting of an Award under the Plan
“Non-Executive Director”	:	A director (other than an Executive Director) from time to time of the Company
“Participant”	:	A person who is eligible and who has been selected by the Committee to participate in the Plan
“Performance Target(s)”	:	The performance target(s) prescribed by the Committee to be fulfilled by a Participant for any particular period determined by the Committee
“Plan”	:	The AusGroup Performance Share Plan, as the same may be modified or altered from time to time
“Record Date”	:	The date as at the close of business (or such other time as may have been prescribed by the Company) on which Shareholders of the Company must be registered in order to participate in the dividends, or other distributions or rights of holders of Shares (as the case may be)
“Rules”	:	Rules of the Plan and any reference to a particular Rule shall be construed accordingly
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share”	:	Ordinary shares in the capital of the Company
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited

APPENDIX B – RULES OF THE AUSGROUP PERFORMANCE SHARE PLAN

- “**Subsidiary**” : A company (whether incorporated within or outside Singapore and wheresoever resident) being a subsidiary for the time being of the Company within the meaning of Section 5 of the Companies Act
- “**Vesting Period**” : In relation to an Award, a period or periods, the duration of which is to be determined by the Committee at the date of the grant of the Award
- “**S\$**”, “**SGD**” or “**\$**” and “**cents**” : Singapore dollars
- “**%**” : Per centum or percentage

- 2.2 The terms “**Depositor**”, “**Depository**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Cap. 289). The term “**Treasury Shares**” shall have the meaning ascribed to it in Section 4 of the Companies Act.
- 2.3 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.
- 2.4 Any reference to a time of a day in the Plan is a reference to Singapore time.
- 2.5 Any reference in the Plan 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 or any statutory modification thereof and used in the Plan shall have the meaning assigned to it under the Companies Act.

3. OBJECTIVE OF THE PLAN

The Plan is a performance incentive scheme which will form an integral part of the Group’s incentive compensation program.

The objectives of the Plan are as follows:-

- (a) foster a culture of ownership within the Group which aligns the interests of Group Employees with the interests of Shareholders;
- (b) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;
- (c) to retain key employees whose contributions are essential to the long-term growth and profitability of the Group;
- (d) to instill loyalty to, and reinforce a stronger identification by Participants with the long-term prosperity of, the Group;
- (e) to align the interests of Participants with the interests of Shareholders; and
- (f) to attract potential employees with relevant skills to contribute to the Group and to create value for Shareholders.

APPENDIX B – RULES OF THE AUSGROUP PERFORMANCE SHARE PLAN

4. ELIGIBILITY OF PARTICIPANTS

4.1 Any person shall be eligible to participate in the Plan at the absolute discretion of the Committee if at the Date of Grant:-

- (a) he shall be:-
 - (i) a confirmed Group Employee; or
 - (ii) an Executive Director or Non-Executive Director (including independent directors);
- (b) he shall have attained the age of 21 years and above; and
- (c) he shall not be an undischarged bankrupt.

Persons who are Controlling Shareholders of the Company or their Associates are not eligible to participate in the AusGroup PSP.

4.2 The eligibility of Participants to participate in the Plan, and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan and the Performance Period shall be determined at the absolute discretion of the Committee, which shall take into account:-

- (a) the financial performance of the Group;
- (b) in respect of a Participant being an Employee or Executive Director, criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of the Group;
- (c) in respect of a Participant being a Non-Executive Director, criteria such as his extent of involvement, responsibilities within the Board, contribution to the success and development of the Group; and
- (d) the extent of effort required to achieve the performance target(s) within the Performance Period shall also be considered.

5. GRANT OF AWARDS

5.1 Subject to Rule 4 and Rule 8, the Committee may grant Awards to Employees as the Committee may select in its absolute discretion, at any time during the period when the Plan is in force.

5.2 The Committee shall decide, in its absolute discretion, in relation to each Award:-

- (a) the Participant;
- (b) the Date of Grant;
- (c) the number of Shares which are the subject of the Award;
- (d) the performance target(s);
- (e) the performance period;
- (f) the Vesting Period(s);
- (g) the extent to which Shares which are the subject of that Award shall be released at the end of each prescribed Vesting Period (if any);;
- (h) such other conditions that the Committee may determine in relation to the Award.

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- 5.3 The Committee may amend or waive the Vesting Period(s), the performance period and/or the performance target(s) in respect of any Award:-
- (a) in the event of a general offer (whether conditional or unconditional) being made for all or any part of the Shares, or a scheme of arrangement or compromise between the Company and its Shareholders being sanctioned by the Court under the Companies Act, or a proposal to liquidate or sell all or substantially all of the assets of the Company; or
 - (b) if anything happens which causes the Committee to conclude that:-
 - (i) an amended Vesting Period, performance target or performance period would be a fairer measure of performance and would be no less difficult to satisfy;
 - (ii) the Vesting Period, performance target or performance period should be waived,
- and the Committee shall notify the Participants of such change or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate any such change or waiver).
- 5.4 As soon as reasonably practicable after making an Award, the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:-
- (a) the date of Grant;
 - (b) the number of Shares which are the subject of the Award;
 - (c) the performance target(s) and the performance period; and
 - (d) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the performance period.
- 5.5 Participants are not required to pay for the grant of Awards.
- 5.6 An Award is personal to the Participant to whom it is granted and it may not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any such rights under an Award, that Award shall immediately lapse. However the Shares granted to a Participant pursuant to a grant of the award may be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part.

6. EVENTS PRIOR TO THE VESTING DATE

- 6.1 An Award, to the extent not yet released, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its Directors or employees):-
- (a) a Participant, being an Employee, ceasing for any reason whatsoever, to be in the employment of the Company and/or the relevant Subsidiary or in the event the company by which the Employee is employed ceases to be a company in the Group;
 - (b) a Participant, being a Director, ceasing to be director of the Company or any reason whatsoever;
 - (c) a Participant commits any breach of any of the terms of his Award; and/or
 - (d) misconduct or breach of term of employment contract on the part of a Participant as determined by the Committee in its absolute discretion.

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For the purpose of Rules 6.1 (a) above, an Employee shall be deemed to have ceased to be in the employment of the Company or the Subsidiary (as the case may be) on the date on which he gives notice of termination of employment, unless prior to the date on which termination takes effect, the Employee has (with the consent of the Company or the Subsidiary (as the case may be)) withdrawn such notice.

For the purpose of Rule 6.1(b), a Participant shall be deemed to have ceased to be a Director as of the date the notice of resignation of or termination of directorship, as the case may be, is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

- 6.2 The Committee may in its absolute discretion and on such terms and conditions as it deems fit, preserve all or any part of any Award notwithstanding the provisions of any other Rules including Rules 6.1. Further to such exercise of discretion, the Awards shall be deemed not to have become void nor cease to have effect in accordance with the relevant provisions in Rule 6.1.
- 6.3 The Awards shall not be deemed to have become void nor cease to have effect in accordance with the Plan if a Participant ceases to be employed before the release of the Award by reason of:-
- (a) death of the Participant;
 - (b) redundancy of the Participant;
 - (c) ill-health, injury, disability or accident (in each case evidenced to the satisfaction of the Committee); or
 - (d) any other ground where the release of the Award has been approved by the Committee in writing,

the Committee may waive the Vesting Period for all or any of the Awards not yet released to the Participant or his duly appointed representative(s) under any of the above stated circumstances.

- 6.4 Without prejudice to the provisions of Rule 5.3, to the extent of an Award yet to be released, if any of the following occurs:-
- (a) a Participant does or suffers any act or thing whereby he would or might be deprived of the legal or beneficial ownership of the Award;
 - (b) a Participant commits an act of bankruptcy or is subject to a petition for bankruptcy;
 - (c) a scheme of an arrangement or compromise between the Company and the Shareholders being sanctioned by the Court under the Companies Act;
 - (d) an order for the compulsory winding-up of the Company is made; or
 - (e) a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made,

the Committee may consider, at its discretion, whether or not to release such Award. If the Committee decides to release such Award, then in determining the number of Share to be vested in respect of such Award, the Committee will have regard to the proportion of the performance period(s) which has elapsed and the extent to which the performance targets have been satisfied. Where such Award is released, the Committee will, as soon as practicable after such release, procure the allotment or transfer to each Participants of the number of Shares so determined in accordance with such Award, such allotment or transfer to be made in accordance with the Rules of the Plan.

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6.5 In the event of a take-over offer (whether conditional or unconditional) being made for all or any part of the Shares, all Awards to the extent not yet released shall be released to all Participants and the Vesting Period waived so that they be entitled to exercise their rights under the take-over offer, on the date on which such take-over offer becomes or is declared unconditional, as the case may be.

7. ACCEPTANCE AND RELEASE OF AWARDS

7.1 Acceptance of Awards

7.1.1 The grant of an Award to a Participant shall be accepted by the Participant within 15 Market Days from the Date of Grant. The Participant may accept or refuse the whole but not part of the offer.

7.2 The Committee shall within 15 Market Days of receipt of the acceptance form acknowledge receipt thereof. If the grant of the Award is not accepted by the Participant within 15 Market Days from the Date of Grant, such offer shall upon the expiry of the aforementioned period automatically lapse and shall be null and void.

7.3 Release of Awards

7.3.1 As soon as reasonably practicable after the end of the relevant performance period(s), the Committee shall review the performance target(s) specified in respect of that Award and determine whether it has been satisfied and, if so, the extent to which it has been satisfied.

If the Committee determines in its sole discretion that the performance target(s) has/have not been satisfied, that Award shall lapse and be of no value and the provisions of Rule 7 (save for this Rule 7.3.1) shall be of no effect.

The Committee shall have the discretion whether the performance target(s) has/have been satisfied (whether fully or partially) or exceeded and, in making any such determination, the Committee shall have the right to make reference to the audited results of the Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events.

Subject to:-

- (i) the Committee having determined that the performance target(s) has/have been satisfied;
- (ii) the relevant Participant (being an Employee) having continued to be an Employee from the Date of Grant up to the end of the relevant performance period, or as the case may be, the relevant Participant (being a Director) having continued to be a Director from the Date of Grant up to the end of the relevant performance period;
- (iii) the Committee being of the opinion that the performance of the relevant Participant has been satisfactory;
- (iv) such consents (including any approvals required by the SGX-ST) as may be necessary;
- (v) compliance with the terms of the Award, the Plan, the Constitution of the Company;
- (vi) where Shares are to be allotted or transferred on the release of an Award, the Participant having a securities account with CDP and compliance with the applicable requirements of CDP; and
- (vii) where new Shares are to be allotted on the release of an Award, the Company being satisfied that the Shares which are the subject of the released Award will be listed for quotation on the SGX-ST,

upon the expiry of each performance period in relation to an Award, the Company shall release to the relevant Participant the Shares to which his Award relates on the vesting date.

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- 7.3.2 Shares which are the subject of a released Award shall be vested to a Participant on the vesting date, which shall be a Market Day falling as soon as practicable after the Release of such Award in accordance with Rule 7.3.1 and, the Company shall within 10 Market Days after the vesting date, allot the relevant Shares and dispatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit, or in the case of a transfer of Treasury Shares, do such acts or things which are necessary for the transfer to be effective.
- 7.3.3 Where new Shares are allotted upon the vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for the listing and quotation of such Shares.
- 7.4 Shares which are allotted or transferred on the release of an Award to a Participant shall be registered in the name of, or transferred to, CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent.
- 7.5 New Shares allotted and issued and/or Treasury Shares transferred, upon the release of an Award shall:-
- (i) be subject to all the provisions of the Constitution of the Company; and
 - (ii) rank for any dividend, right, allotment or other distribution on the Record Date of which is on or after the relevant vesting date and (subject as aforesaid) will rank *pari passu* in all respects with the Shares then existing.

8. LIMITATION ON THE SIZE OF THE PLAN

The aggregate number of Shares available under the Plan, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) of the Company from time to time.

9. ADJUSTMENT EVENTS

- 9.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:-
- (a) the class and/or the number of Shares which are the subject of an Award to the extent not yet vested and the rights attached thereto; and/or
 - (b) the class and/or the number of Shares in respect of which future Awards may be granted under the Plan,

may, at the option of the Committee, be adjusted in such manner as the Committee may, acting reasonably, determine to be appropriate. No adjustment shall be made if, as a result the Participant receives a benefit that a Shareholder does not receive.

- 9.2 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for a private placement of Shares or as consideration for or in connection with an acquisition of any assets or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the Main Board of the SGX-ST during the period when a share buyback mandate granted by Shareholders (including any renewal of such mandate) is in force will not be regarded as circumstances requiring adjustment.
- 9.3 Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

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- 9.4 Upon any adjustment being made pursuant to this Rule 9, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and number of Shares thereafter to be issued or transferred on the vesting of an Award and the date on which such adjustment shall take effect.
- 9.5 The Committee may, in any circumstances where it considers that no adjustment should be made or that it should take effect on a different date or that an adjustment should be made notwithstanding that no adjustment is required under the said provisions (as the case may be), request the Auditors to consider whether for any reasons whatsoever the adjustment or the absence of an adjustment is appropriate or inappropriate as the case may be, and, after such consideration, no adjustment shall take place or the adjustment shall be modified or nullified or an adjustment made (instead of no adjustment made) in such manner and on such date as shall be considered by such Auditors (acting only as experts and not as arbitrators) to be in their opinion appropriate.

10. ADMINISTRATION OF THE PLAN

- 10.1 The Plan shall be administered by the Committee in its absolute discretion, with such powers and duties as are conferred on it by Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him or held by him. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board of Directors.
- 10.2 The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the released Awards to the Participants, as it may, in its absolute discretion, think fit.
- 10.3 The Company shall bear the costs of establishing and administering the Plan.
- 10.4 Any decision of the Committee, made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Plan or any rule, regulations, or procedure thereunder or as to any rights under the Plan).
- 10.5 Shareholders who are eligible to participate in the Plan shall abstain from voting on any resolution relating to the Plan.

11. NOTICES

- 11.1 A Participant shall not by virtue of being granted any Award be entitled to receive copies of any notices or other documents sent by the Company to the holders of Shares.
- 11.2 Any notice or other communication between the Company and Participant may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office and, in the case of the Participant, his address as notified by him to the Company from time to time.
- 11.3 Any notices or other communication sent by post:-
- (a) by the Company shall be deemed to have been received 24 hours after the same was put in the post properly addressed and stamped;
 - (b) by the Participant shall be deemed to have been received when the same is received by the Company at the registered office of the Company.

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12. MODIFICATION TO THE PLAN

- 12.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Board on the recommendation of the Committee, except that:-
- (a) any modification or alteration which materially and adversely alters the rights attaching to any Award granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if the Awards were released to them upon the expiry of all the Vesting Periods applicable to the Awards, would together hold not less than three-quarters (3/4) in aggregate such number of Shares which would fall to be vested upon the release of all outstanding Awards held by all Participants who respond to the Company's request for such consent within 21 days of the Company's despatch of the request; and
 - (b) any modification or alteration which would be to the advantage of the Participants under the Plan shall be subject to the prior approval of Shareholders in general meeting.
- 12.2 The opinion of the Committee as to whether any modification or alteration would materially and adversely alter the rights attaching to any Award or be to the advantage of Participants shall be final and conclusive.
- 12.3 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision or the regulations of any regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 12.4 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants but accidental omission to give notice to any Participant(s) shall not invalidate any such modifications or alterations.

13. TERMS OF EMPLOYMENT UNAFFECTED

Notwithstanding the provisions of any other Rule:-

- (a) the Plan or any Award shall not form part of any contract of employment between the Company and/or any Subsidiary and/or any Employee and the rights and obligations of any individual under the terms of the office or employment with any such company shall not be affected by his participation in the Plan or any right which he may have to participate in it or any Award which he may be granted and the Plan or any Award shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever (whether lawful or not); and
- (b) the Plan shall not confer on any person any legal or equitable rights (other than those constituting the Awards themselves) against the Company and/or any Subsidiary directly or indirectly or give rise to any cause of action at law or in equity against any such company, its directors or employees.

14. DURATION OF THE PLAN

- 14.1 The Plan shall continue to be in operation at the discretion of the Committee for a maximum period of 10 years commencing on the Adoption Date, provided always that the Plan may, subject to applicable laws and regulations, continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 14.2 The termination of the Plan shall not affect Awards which have been granted and accepted as provided in the Plan, whether such Award have been released (whether fully or partially) or not.

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15. ANNUAL REPORT DISCLOSURE

The Company shall make the following disclosures in its annual report to Shareholders for the duration of the Plan:-

15.1 the names of the members of the Committee;

15.2 information as required in the table below for the following Participants:-

- (a) Participants who are Directors;
- (b) Participants, other than those in (a) above, who receive Awards comprising Shares representing five per cent (5%) or more of the aggregate of the total number of Shares available under the Plan,

Name of Participant	Awards granted during the financial year under review (including terms)	Aggregate Awards granted since commencement of the Plan to end of financial year under review	Aggregate Awards released since commencement of the Plan to end of financial year under review	Aggregate Awards not yet released as at end of financial year under review

15.3 in relation to the Plan, the following particulars:-

- (a) the names of and number and terms of Awards granted to each director and employee of the parent company and its subsidiaries who receives five per cent (5%) or more of the total number of Awards available to all directors and employees of the parent company and its subsidiaries under the Plan, during the financial year under review;
- (b) the aggregate number of Awards granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the Plan to the end of the financial year under review

15.4 if any of the disclosure above in the foregoing of this Rule 15 is not applicable, an appropriate negative statement will be included in the annual report.

16. TAXES, COSTS AND EXPENSES OF THE PLAN

16.1 Notwithstanding anything herein, each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares or transfer of Treasury Shares pursuant to the release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent.

16.2 The Participants shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or vesting of the relevant Award. All taxes (including income tax) arising from the grant or vesting of any Award under the Plan shall be borne by that Participant. The Company shall not be responsible for any failure by the Participant to obtain any such consent or for any tax or other liability to which the Participant may become subject as a result of his participation in the Plan.

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17. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Company, its Directors or employees or the Committee shall not under any circumstances be held liable for any costs, losses, expenses liabilities or damages whatsoever and howsoever arising in respect of any matter under or in connection with the Plan, including but not limited to any delay or failure to issue the Shares or procure the transfer of the Treasury Shares or to apply for or procure the listing of new Shares on the SGX-ST in accordance with Rule 7.3.3.

18. DISPUTES

Any disputes or differences of any nature arising hereunder (other than matters to be confirmed by the Auditors in accordance with the Plan) shall be referred to the Committee and its decision shall be final and binding in all respects (including any decisions pertaining to disputes as to interpretation of the Plan or any Rule, regulation, procedure thereunder or as to any rights under the Plan).

19. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by being granted Awards in accordance with the Plan, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.