

CIRCULAR DATED 3 OCTOBER 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold your ordinary shares in Civmec Limited (the “**Company**”), you should immediately forward this Circular and the Proxy Form enclosed with this Circular to the purchaser or the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.

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



CIVMEC LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201011837H)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) The proposed adoption of the Civmec Key Senior Executives Performance Rights Plan;**
- (2) The proposed participation by Mr James Finbarr Fitzgerald, a controlling shareholder of the Company pursuant to the Civmec Key Senior Executives Performance Rights Plan; and**
- (3) The proposed participation by Mr Patrick John Tallon, a controlling shareholder of the Company pursuant to the Civmec Key Senior Executives Performance Rights Plan.**

IMPORTANT DATES AND TIMES:

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| Last date and time for lodgement of Proxy Form | : | 23 October 2018 at 1.30 p.m. |
| Date and time of Annual General Meeting | : | 25 October 2018 at 1.30 p.m. |
| Place of Annual General Meeting | : | Novotel Singapore Clarke Quay, Nutmeg Room, Level 5, 177A River Valley Road, Singapore 179031 |

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CONTENTS

| | Page |
|---|-------------|
| DEFINITIONS | 3 |
| LETTER TO SHAREHOLDERS | 6 |
| 1. INTRODUCTION..... | 6 |
| 2. THE PROPOSED ADOPTION OF THE CIVMEC KEY SENIOR EXECUTIVES PERFORMANCE RIGHTS PLAN | 6 |
| 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS..... | 15 |
| 4. DIRECTORS' RECOMMENDATION | 16 |
| 5. ACTION TO BE TAKEN BY SHAREHOLDERS..... | 17 |
| 6. ABSTENTION FROM VOTING | 17 |
| 7. INSPECTION OF DOCUMENTS | 18 |
| 8. DIRECTORS' RESPONSIBILITY STATEMENT | 18 |

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DEFINITIONS

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

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| “2018 AGM” | : | The forthcoming annual general meeting of the Company scheduled to be held on 25 October 2018. |
| “Adoption Date” | : | The date on which the Civmec PRP is adopted by the Company in general meeting. |
| “Associate” | : | Associate shall bear the same meaning as set out in the Listing Manual. |
| “Auditors” | : | The auditors of the Company for the time being. |
| “Award Date” | : | The date on which the Performance Right is granted pursuant to the Civmec PRP. |
| “Award Letter” | : | A letter in such form as the Committee shall approve confirming a Performance Right granted to a Participant. |
| “Award Shares” | : | Means a fully paid Ordinary Share in the capital of the Company. |
| “Board” | : | The board of Directors of the Company from time to time. |
| “CDP” | : | The Central Depository (Pte) Limited. |
| “Circular” | : | This circular dated 3 October 2018. |
| “Companies Act” | : | The Companies Act, Chapter 50 of Singapore. |
| “Controlling Shareholder” | : | A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the Company. The SGX-ST may determine that a person who satisfies the aforesaid is not a Controlling Shareholder; or (b) in fact exercises control over the Company. |
| “Civmec PRP” | : | The Civmec Key Senior Executives Performance Rights Plan. |
| “Committee” | : | A committee comprising Directors duly authorised and appointed by the Board of Directors to administer the Civmec PRP. |
| “Directors” | : | The directors of the Company for the time being. |
| “EPS” | : | Earnings per Share. |
| “Executive Director” | : | A Director who performs an executive function. |
| “Group” | : | The Company and its subsidiaries. |

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| “Key Senior Executive” | : | Means: <ul style="list-style-type: none"> (a) the Executive Chairman; (b) the Chief Executive Officer (“CEO”); (c) Executives who report directly to the CEO; and (d) selected other individuals, being employees of any member of the Group holding the rank of senior manager (or such other equivalent rank which may from time to time be determined by the Committee) and above, who do not fall within the ambit of paragraphs (a) to (c) above, <p>who have been selected to participate in the Civmec PRP.</p> |
| “Latest Practicable Date” | : | 26 September 2018. |
| “Listing Manual” | : | The listing manual of the SGX-ST, as amended up to the Latest Practicable Date. |
| “Non-Executive Director” | : | A Director, other than an Executive Director, and “ Non-Executive Directors ” shall be construed accordingly. |
| “NTA” | : | Net tangible assets. |
| “Participant” | : | A Key Senior Executive who has been granted a Performance Right or Performance Rights. |
| “Performance Right” | : | A right to one Share granted under, and which shall be subject to the satisfaction of performance conditions in accordance with, the rules of the Civmec PRP and “ Performance Rights ” shall be construed accordingly. |
| “Relevant Period” | : | In relation to a Performance Right, a period of ten (10) years from the Award Date. |
| “Shareholders” | : | Registered holders of Shares except that where the registered holder is CDP, the term “ Shareholders ” shall, in relation to such Shares and where the context admits, mean the Depositors whose securities accounts are credited with Shares. |
| “Shares” | : | Issued ordinary shares of the Company. |
| “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. |

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in the Securities and Futures Act, Chapter 289 of Singapore.

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.

References to persons shall include corporations.

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

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

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

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

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CIVMEC LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201011837H)

Directors:

James Finbarr Fitzgerald (*Executive Chairman*)
Patrick John Tallon (*Chief Executive Officer*)
Kevin James Deery (*Chief Operating Officer*)
Chong Teck Sin (*Lead Independent Director*)
Wong Fook Choy Sunny (*Independent Director*)
Douglas Owen Chester (*Independent Director*)

Registered Office:

80 Robinson Road
#02-00
Singapore 068898

3 October 2018

To: The Shareholders of Civmec Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 **Proposals.** The Directors are seeking Shareholders' approval for the following proposals to be tabled at the 2018 AGM:

- (a) the proposed adoption of the Civmec PRP;
- (b) the proposed participation by Mr James Finbarr Fitzgerald, a Controlling Shareholder of the Company, pursuant to the Civmec PRP; and
- (c) the proposed participation by Mr Patrick John Tallon, a Controlling Shareholder of the Company, pursuant to the Civmec PRP,

(collectively, the "**Proposals**").

1.2 **Circular.** The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposals.

2. THE PROPOSED ADOPTION OF THE CIVMEC KEY SENIOR EXECUTIVES PERFORMANCE RIGHTS PLAN

2.1 **Rationale.** The Civmec PRP is proposed primarily to supplement the Civmec Employee Share Option Scheme (the "**Civmec ESOS**") and the Civmec Performance Share Plan (the "**Civmec PSP**"), in order to increase the Company's overall effectiveness in its continuing efforts to reward, motivate and retain Key Senior Executives whose contributions are essential to the well-being and prosperity of the Group, and to give recognition to outstanding Key Senior Executives of the Group who have contributed to the growth of the Group.

The Civmec PRP caters principally to the Group's Key Senior Executives who include (but is not limited to) the Executive Chairman, the CEO and executives who report directly to the CEO. At present, the Group has approximately 20 Key Senior Executives, and this number may vary from time to time depending on the Group's recruitment efforts, staffing requirements and employee turnover. The main objective of the Civmec PRP is to reinforce the vital equity culture at the top management level, and to further align the interests of the Company's top management with those of Shareholders. The Civmec PRP also serves as an incentive for the recruitment and retention of talented senior executives who are categorised as Key Senior Executives under the Civmec PRP.

These executives who decide on a career switch often have to forgo substantial equity incentives when they join the Group. Through the Civmec PRP, the Company will be able to attract and retain these Key Senior Executives by compensating them for the equity incentives that they might have forgone when they opt to join the Group. The Civmec PRP will therefore enhance the Group's overall compensation packages, and strengthen the Group's ability to attract and retain high-performing talent.

The Civmec PRP differs from the Civmec ESOS in that Performance Rights granted under the Civmec PRP represent the right of a Participant to receive fully paid-up Shares, free of charge, provided that certain performance conditions are met. In contrast, options granted under the Civmec ESOS require the option-holder to pay the exercise price for the Shares upon the exercise of the option. In connection with Civmec's dual listing on the Australian Stock Exchange, no further options will be granted under the Civmec ESOS.

The Civmec PRP differs from the Civmec PSP in that the Civmec PRP is designed primarily to attract, motivate and retain Key Senior Executives, and is focused on the top management level of the Group. Whilst the Civmec PSP is also designed to encourage share ownership in the Company, in contrast it is offered to a broader base of eligible employees across all levels of the organisation. Additionally, unlike awards granted under the Civmec PSP, Performance Rights granted under the Civmec PRP may be subject to a vesting period or periods, as well as performance conditions, at the discretion of the Committee. This will cultivate company loyalty among members of top management, and encourage them to strive for sustainable and profitable growth, thereby enhancing long-term shareholder value.

As at the Latest Practicable Date, no awards have been granted under the Civmec PSP. On and from the Adoption Date, (i) the committee administering the Civmec PSP will cease to grant awards under the Civmec PSP to Key Senior Executives; and (ii) awards under the Civmec PSP will only be utilised to remunerate non-executive Directors and lower management executives of any member of the Group holding the rank of manager (or such other equivalent rank which may from time to time be determined by the Committee) and below. No grants of options will be made to Key Senior Executives under the Civmec ESOS.

A Participant's Performance Rights under the Civmec PRP will be determined at the sole discretion of the Committee. In considering a Performance Right to be granted to a Participant, the Committee may take into account, *inter alia*, the Participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skills set.

Performance Rights granted under the Civmec PRP are principally performance-based with performance conditions to be set over a performance period. Performance conditions set are intended to be based on the financial performance of the Company in a given performance period. The performance conditions are stretched targets aimed at sustaining long term growth.

2.2 Basis for participation by Controlling Shareholders and their Associates. One of the objectives of the Civmec PRP is to motivate Participants to optimise their performance and to maintain a high level of contribution. The objectives of the Civmec PRP apply equally to the Key Senior Executives who are Controlling Shareholders or Associates of Controlling Shareholders.

The Company's view is that all deserving and eligible Participants should be motivated, regardless of whether they are Controlling Shareholders. The Company believes that as the Civmec PRP is designed to motivate, retain and reward Key Senior Executives who contribute to the growth and profits of the Company, Key Senior Executives who are also Controlling Shareholders or Associates of Controlling Shareholders should be entitled to the same benefits as other Key Senior Executives and should not be excluded from benefiting under the Civmec PRP solely for the reason that they are Controlling Shareholders or Associates of the Controlling Shareholders. The Company is also of the view that the extension of the Civmec PRP to Controlling Shareholders will enhance the long-term commitment of the Controlling Shareholders to the Company as it will ensure that such Controlling Shareholders will continue to have a stake in the Company even if they decrease their shareholdings in the Company in the future. In contrast, to deny participation by the Controlling Shareholders and their Associates may serve to demotivate them and undermine the objectives of the Civmec PRP.

The Controlling Shareholders and/or their Associates will be treated equally for the purposes of the Civmec PRP. In particular, the Civmec PRP does not unduly favour Controlling Shareholders, and the terms and conditions of the Civmec PRP do not differentiate the Controlling Shareholders from other Participants in determining the eligibility of such persons to participate in the Civmec PRP and be granted Performance Rights thereunder. As such, the Controlling Shareholders and/or their Associates will be subject to the same rules as those applicable to other Participants. In this manner, the Civmec PRP does not unduly favour Controlling Shareholders over other Participants.

Mr James Finbarr Fitzgerald is a Controlling Shareholder and Executive Chairman. He is responsible for the development and performance of the Group including the areas of safety, strategy and financial performance. Mr Fitzgerald and the Chief Executive Officer were amongst the founders of the Group.

Mr Patrick John Tallon is a Controlling Shareholder and Chief Executive Officer. He is responsible for the safety, budgets, management and development of the Group's operations, setting all Group policies such as those relating to safety, quality and the environment and the improvement of productivity. Mr Tallon and the Executive Chairman were amongst the founders of the Group.

The Directors (not including Mr James Finbarr Fitzgerald and Mr Patrick John Tallon, who are eligible to participate in, and are therefore interested in the Civmec PRP and have abstained from making any recommendation on the Civmec PRP) believe that both Mr Fitzgerald and Mr Tallon will continue to contribute substantially to the growth of the Group and allowing them to participate in the Civmec PRP will serve to reward as well as to instil in them a commitment to continue to contribute to the growth of the Group. As full time employees of the Group, Mr Fitzgerald and Mr Tallon should also be eligible to participate in the Civmec PRP alongside other Key Senior Executives, and benefit from the Company's fair and equitable system of remuneration.

The Company will seek shareholders' approval for the actual number of Award Shares and the terms of Performance Rights proposed to be granted to Mr James Finbarr Fitzgerald or Mr Patrick John Tallon or any controlling shareholder or their respective Associates pursuant to the Civmec PRP, in compliance with the requirements of the Listing Manual and the ASX Listing Rules.

Please refer to paragraph 3 of this Circular for details of Mr James Finbarr Fitzgerald's and Mr Patrick John Tallon's interests in Shares.

2.3 **Listing of new Shares.** The SGX-ST has granted in-principle approval for the listing and quotation of the new Shares to be issued pursuant to the proposed adoption of the Civmec PRP, subject to compliance with the SGX-ST's listing requirements and guidelines and independent Shareholders' approval being obtained for the proposed adoption of the Civmec PRP. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Civmec PRP, the new Shares, the Company and/or its subsidiaries.

2.4 **Summary of Rules.** The following is a summary of the principal rules of the Civmec PRP.

(a) *Eligibility*

Key Senior Executives (including Controlling Shareholders and Associates of such Controlling Shareholders, each as defined in the Listing Manual) who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time, will be eligible to participate in the Civmec PRP.

Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet the criteria as set out above are eligible to participate in the Civmec PRP, provided that (i) the participation of each Controlling Shareholder or his Associate, and (ii) the actual number and terms of the Performance Rights to be granted to them have been approved by independent Shareholders in separate resolutions for each such person.

Non-Executive Directors shall not be eligible to participate in the Civmec PRP.

(b) *Performance Rights*

Performance Rights represent the right of a Participant to receive fully paid Shares free of charge, provided that certain prescribed performance targets are met and/or after expiry of the prescribed vesting period(s) (where applicable), in accordance with the rules of the Civmec PRP.

A Performance Right shall be personal to the Participant to whom it is granted and, prior to the delivery to the Participant of the Award Shares, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee.

(c) *Participants*

The selection of a Participant and the number of Award Shares to be granted to a Participant in accordance with the Civmec PRP shall be determined at the discretion of the Committee, which may take into account such criteria as it considers fit, including (but not limited to) his rank, job performance, creativity, innovativeness, entrepreneurship, resourcefulness, years of service and potential for future development, his contribution to the success and development of the Group and the degree of difficulty of fulfilling the performance condition(s) within the performance period.

(d) *Details of Performance Rights*

The Committee shall decide, in relation to each Performance Right to be granted to a Participant:

- (i) the Award Date;
- (ii) the performance condition(s) and relevant performance period;
- (iii) the number of Performance Rights which shall vest on the performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (iv) the vesting date(s);
- (v) the vesting period(s), if any; and
- (vi) whether:
 - (1) the Award Shares shall be delivered within the prescribed automatic timeline stipulated in the Civmec PRP; or
 - (2) the Participant has the ability to elect to choose a deferred timeline whereby the Company shall deliver the Award Shares to the Participant, subject to the following:
 - (a) such election must be made by the Participant and notified to the Company prior to expiration of the Relevant Period; and
 - (b) in the event that no election is made by the Participant in respect of a vested Performance Right prior to the expiration of the Relevant Period, the Company shall deliver the aggregate number of Award Shares underlying the aggregate corresponding number of vested Performance Rights within 14 calendar days from the expiration of the Relevant Period;
- (vii) the time and circumstances when Performance Rights lapse, provided that once vested, the Performance Rights shall not lapse; and
- (viii) any other condition which the Committee may determine in relation to that Performance Right.

(e) *Timing*

The Committee may grant Performance Rights at any time during the period when the Civmec PRP is in force. An Award Letter confirming the Performance Right and specifying, *inter alia*, the Award Date, the number of Award Shares, the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) is/are to be attained or fulfilled, the extent to which the Award Shares will vest on satisfaction of the prescribed performance condition(s), the vesting date(s) and the vesting period(s) (if any) will be sent to each Participant as soon as is reasonably practicable after the grant of a Performance Right.

(f) *Events Prior to Vesting*

Special provisions for the vesting and lapsing of Performance Rights apply in certain circumstances including the following:

- (i) the Participant ceasing to be in the employment of the Group for any reason whatsoever (other than as specified in paragraphs (vi), (vii) and (viii) below);
- (ii) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Performance Right;
- (iii) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (iv) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (v) any breach of the rules of the Civmec PRP by the Participant;
- (vi) the retirement of the Participant;
- (vii) the Participant ceasing to be in the employment of the Group by reason of retirement, or ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death, or redundancy, or any other reason approved in writing by the Committee; or
- (viii) the Participant ceasing to be in the employment of the Group by reason of:
 - (1) the company by which he is employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group;
 - (2) (where applicable) the Participant's transfer of employment between members of the Group; or
 - (3) any other event approved by the Committee.

Upon the occurrence of any of the events specified in paragraphs (i), (ii), (iii), (iv) and (v) above, a Performance Right then held by a Participant shall, as provided in the rules of the Civmec PRP and to the extent not yet vested, lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in paragraphs (vi), (vii) and (viii) above, the Committee may, in its discretion, determine whether a Performance Right then held by such Participant, to the extent not yet vested, shall lapse or that all or any part of such Performance Right shall be vested. If the Committee determines that a Performance Right (to the extent not yet vested) shall lapse, then such Performance Right shall lapse without any claim whatsoever against the Company. If the Committee determines that a certain

number of, or all Performance Rights shall be vested, the aggregate number of Award Shares underlying that aggregate number of vested Performance Rights shall be delivered to the Participant within the prescribed automatic timeline stipulated in the Civmec PRP.

In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the prescribed performance condition(s) has/have been satisfied.

(g) *Size and Duration*

The total number of Award Shares which may be delivered pursuant to Performance Rights granted under the Civmec PRP on any date, when added to:

- (i) the total number of new Shares allotted and issued and/or to be allotted and issued and issued Shares delivered and/or to be delivered, pursuant to Performance Rights granted under the Civmec PRP; and
- (ii) the number of new Shares allotted and issued and/or to be allotted and issued and issued Shares delivered and/or to be delivered, in respect of any other options or grants under share option schemes or share schemes adopted by the Company for the time being in force, as the case may be,

shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (or such other limit as may be prescribed by the SGX-ST) of the Company on the date preceding the date of grant of the relevant Performance Right.

The maximum limit of 15% will provide for sufficient Shares to support the use of Performance Rights in the Company's overall long-term incentive and compensation strategy. In addition, it will provide the Company with the means and flexibility to grant Performance Rights as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders.

Furthermore, the aggregate number of Award Shares available to Controlling Shareholders and their Associates shall not exceed 25% of all Award Shares available under the Civmec PRP, and the number of Award Shares available to each Controlling Shareholder or his Associate shall not exceed 10% of all Awards Shares available under the Civmec PRP.

The Civmec PRP shall continue in force at the absolute discretion of the Committee, subject to a maximum of 10 years commencing from the date it is adopted by the Company in general meeting, provided always that the Civmec PRP may continue beyond this stipulated period with the approval of Shareholders in general meeting and relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Civmec PRP, any Performance Rights granted to Participants prior to such expiry or termination, whether such Performance Rights have been vested (whether fully or partially) or not, will continue to remain valid.

(h) *Operation*

Subject to the prevailing legislation and the Listing Manual, the Company will have the flexibility to deliver Award Shares to Participants 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, 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).

The financial effects of the above methods of delivery of Award Shares are discussed in paragraph 2.8 below.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the vesting of a Performance Right, shall rank in full 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.

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

2.5 **Adjustments and Modifications.** The following describes the adjustment events under, and provisions relating to modifications of, the Civmec PRP.

(a) *Adjustment Events*

If a variation in the 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 or if the Company shall make a capital distribution or a declaration of a special dividend (whether in cash or *in specie*), then the Committee may, in its discretion, determine whether:

- (a) the number of Performance Rights and corresponding number of Award Shares to the extent not yet vested; and/or
- (b) the number of Shares in respect of which future Performance Rights may be granted under the Civmec PRP,

shall be adjusted and if so, the manner in which such adjustments should be made, provided always that the adjustment will not result in a Participant receiving a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

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.

(b) *Modifications*

The Civmec PRP may be modified and/or altered at any time and from time to time by a resolution of the Committee and must be made in compliance with the Listing Manual where applicable, and subject to such approval of any regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to any Performance Right granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Performance Rights were vested upon the performance conditions for their Performance Rights being satisfied in full, would thereby

become entitled to not less than three-quarters in number of all the Award Shares which would fall to be vested under all outstanding Performance Rights upon the performance conditions for all outstanding Performance Rights being satisfied in full.

No modification or alteration shall be made to rules of the Civmec PRP which relate to matters contained in Rules 844 to 849 and Rules 853 to 854 of the Listing Manual to the advantage of the Participants except with the prior approval of Shareholders in general meeting.

2.6 **Disclosures in Annual Reports.** The Company will make such disclosures or appropriate negative statements (as applicable) in its annual report for so long as the Civmec PRP continues in operation as from time to time required by the Listing Manual, including the following (where applicable):

- (a) the names of the members of the Committee;
- (b) in respect of the following Participants of the Plan:
 - (i) Directors;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Participants (other than those in sub-paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Performance Rights granted under the Civmec PRP which, in aggregate, represent 5% or more of the total number of Shares available under the Civmec PRP,

the following information:

- (i) the name of the Participant;
- (ii) the aggregate number of Award Shares which have been granted under the Civmec PRP during the financial year under review (including terms);
- (iii) the aggregate number of Award Shares which have been granted under the Civmec PRP since its commencement to the end of the financial year under review;
- (iv) the aggregate number of Award Shares which have vested under the Civmec PRP since its commencement to the end of the financial year under review and;
- (v) the aggregate number of Award Shares granted under the Civmec PRP which have not vested, as at the end of the financial year under review.

2.7 **Role and Composition of the Committee.** The Remuneration Committee, whose function is to assist the Board of Directors in reviewing Directors' and key executives' remuneration in the Company as set out in its terms of reference, will be designated as the Committee responsible for the administration of the Civmec PRP, and will comprise Directors to administer the Civmec PRP.

In compliance with the requirements of the Listing Manual, a Participant of the Civmec PRP who is a member of the Remuneration Committee shall not be involved in its deliberations in respect of Performance Rights to be granted to or held by that member of the Remuneration Committee.

2.8 **Financial Effects.** Financial Reporting Standard 102, Share-based payment ("**FRS 102**") applies to the financial statements of the Company and the Group. As the Participants will receive Shares, the Performance Rights will 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 Performance Rights would be recognised as a charge to the income statement over the period between the grant date and the vesting date of a Performance Right. The total amount of the charge over the performance period is determined by reference to the fair value of each Performance Right granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to the reserve account. Before the end of the performance period, at each reporting date, the estimate of the number of Performance Rights that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to the income statement is made.

The amount charged to the income statement would be the same whether the Company settles the Performance Rights using new Shares or existing Shares. The amount charged to the income statement also depends on whether or not the performance condition attached to a Performance Right is a "market condition", that is, a condition which is related to the market price of the Shares. If the performance condition is a market condition, the probability of the performance condition being met is taken into account in estimating the fair value of the Shares granted at the grant date, and no adjustments to the amounts charged to income statement is made if the market condition is not met. On the other hand, if the performance condition is not a market condition, the probability of the condition being met is not taken into account in estimating the fair value of the Shares granted at the grant date. Instead, it is subsequently considered at each reporting date in assessing whether the Performance Rights would vest. Thus, where the performance conditions do not include a market condition, there would be no charge to the income statement (on a cumulative basis) if the Performance Rights do not ultimately vest.

The following sets out the financial effects of the Civmec PRP.

(a) *Share Capital*

The Civmec PRP will result in an increase in the Company's issued ordinary 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 Performance Rights granted under the Civmec PRP. In any case, the Civmec PRP provides that the aggregate number of new Shares to be issued and existing Shares to be delivered pursuant to Performance Rights granted under the Civmec PRP will be subject to a maximum limit of 15% of the Company's issued Shares (excluding treasury shares and subsidiary holdings) from time to time. If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants on vesting, the Civmec PRP will have no impact on the Company's ordinary share capital.

(b) *NTA*

As described below in the paragraph on EPS, the Civmec PRP is likely to result in a charge to the income statement over the period from the grant date to the vesting date of the Performance Rights. The amount of the charge will be computed in accordance with FRS 102. If new Shares are issued under the Civmec PRP, there would be no effect on the NTA. However, if instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants, the NTA would be impacted by the cost of the Shares purchased.

Nonetheless, it should be noted that the delivery of Shares to Participants under the Civmec PRP will generally be contingent upon the Participants meeting prescribed performance conditions.

(c) *EPS*

The Civmec PRP is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with FRS 102.

Nonetheless, it should again be noted that the delivery of Shares to Participants under the Civmec PRP will generally be contingent upon the Participants meeting prescribed performance conditions.

(d) *Dilutive Impact*

It is expected that the dilutive impact of the Civec PRP on the NTA per Share and EPS will not be significant.

The Civec PRP provides that the aggregate number of existing Shares to be delivered pursuant to Performance Rights granted under the Civec PRP will be subject to a maximum limit of 15% of the Company's issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant Performance Right.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

3.1 Directors' Interests. As at the Latest Practicable Date, the Directors' interests in Shares as recorded in the Register of Directors' Shareholdings are as follows:

| Director | Number of Shares | | Number of Shares comprised in outstanding share options/awards | | |
|--------------------------|------------------|------------------|--|------------------|---|
| | Direct Interest | % ⁽¹⁾ | Deemed Interest | % ⁽¹⁾ | |
| James Finbarr Fitzgerald | - | - | 97,720,806 | 19.51 | 0 |
| Patrick John Tallon | 54,000 | 0.01 | 97,566,806 | 19.47 | 0 |
| Kevin James Deery | - | - | 13,295,250 | 2.65 | 0 |
| Chong Teck Sin | - | - | - | - | - |
| Wong Fook Choy Sunny | - | - | - | - | - |
| Douglas Owen Chester | - | - | - | - | - |

Notes:

- (1) Based on 501,000,000 Shares in issue (and disregarding 15,000 Shares held in treasury) as at the Latest Practicable Date.

3.2 Substantial Shareholders' Interests. As at the Latest Practicable Date, the interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders are as follows:

| Substantial Shareholder | Number of Shares | | | |
|---|------------------|------------------|-----------------|------------------|
| | Direct Interest | % ⁽¹⁾ | Deemed Interest | % ⁽¹⁾ |
| JF & OT Fitzgerald Family Trust ⁽²⁾ | 97,720,806 | 19.51 | - | - |
| Kariong Investment Trust ⁽³⁾ | 97,566,806 | 19.47 | - | - |
| Michael Lorrain Vaz ⁽⁴⁾ | 15,013,000 | 3.00 | 23,812,000 | 4.75 |
| James Finbarr Fitzgerald (and Olive Teresa Fitzgerald) ⁽²⁾ | - | - | 97,720,806 | 19.51 |
| Goldfirm Pty Ltd ⁽³⁾ | - | - | 97,566,806 | 19.47 |
| Patrick John Tallon ⁽³⁾ | 54,000 | 0.01 | 97,566,806 | 19.47 |

Notes:

- (1) Based on 501,000,000 Shares in issue (and disregarding 15,000 Shares held in treasury) as at the Latest Practicable Date.
- (2) Mr. James Finbarr Fitzgerald and his spouse (Olive Teresa Fitzgerald) are the trustees of the JF & OT Fitzgerald Family Trust. Pursuant to Section 4(3) of the Securities and Futures Act ("SFA"), Mr. James Finbarr Fitzgerald and his spouse (Olive Teresa Fitzgerald), their children (Sean Fitzgerald, Claire Fitzgerald and Sarah Fitzgerald) and Parglade Holdings Pty Ltd (which is equally held by Mr. James Finbarr Fitzgerald and his spouse) are deemed to have an interest in the Shares owned by JF & OT Fitzgerald Family Trust, which are legally held in the names of Mr. James Finbarr Fitzgerald and his spouse, Olive Teresa Fitzgerald, as trustees.
- (3) Goldfirm Pty Ltd is the trustee of the Kariong Investment Trust. Mr. Patrick John Tallon has a deemed interest in the Shares which are held by Goldfirm Pty Ltd as trustee. Pursuant to Section 4(3) of the SFA, Mr. Patrick John Tallon is also deemed to have interest in the Shares owned by the Kariong Investment Trust, which are legally held in the name of Goldfirm Pty Ltd, as trustee.
- (4) Michael Lorrain Vaz is deemed interested in 23,812,000 shares which are held by Clarendon Pacific Venture Pte. Ltd.

4. DIRECTORS' RECOMMENDATION

- 4.1 **The Proposed Adoption of the Civmec PRP.** The Non-Executive Directors are of the opinion that the proposed adoption of the Civmec PRP is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 13, being the Ordinary Resolution relating to the proposed adoption of the Civmec PRP to be proposed at the 2018 AGM.

Any Shareholder who is a Key Senior Executive and being eligible to participate in the Civmec PRP must abstain from voting at the 2018 AGM in respect of Resolution 13, being the Ordinary Resolution relating to the proposed adoption of the Civmec PRP. Such Shareholder should also not accept nominations to act as proxy, corporate representative or attorney to vote in respect of Resolution 13 unless the Shareholder appointing him indicates clearly how votes are to be cast in respect of Resolution 13.

- 4.2 **The Proposed Participation by Mr James Finbarr Fitzgerald pursuant to the Civmec PRP.** In accordance with the requirements of the Listing Manual and the ASX Listing Rules, specific Shareholders' approval must be sought for the participation by Mr James Finbarr Fitzgerald, a Controlling Shareholder of the Company.

Mr James Finbarr Fitzgerald has therefore abstained from making any recommendations to the Shareholders in relation to Resolution 14, being the Ordinary Resolution relating to the proposed participation by Mr Fitzgerald in the Civmec PRP to be proposed at the 2018 AGM.

The Non-Executive Directors are of the view that the approval for the proposed participation by Mr James Finbarr Fitzgerald pursuant to the Civmec PRP and on such terms as may be determined by the Committee, to be proposed at the 2018 AGM are in the interests of the Company and Shareholders. Accordingly, they recommend that Shareholders vote in favour of Resolution 14, being the Ordinary Resolution relating to the proposed participation by Mr James Finbarr Fitzgerald pursuant to the Civmec PRP and on such terms as may be determined by the Committee, to be proposed at the 2018 AGM.

- 4.3 **The Proposed Participation by Mr Patrick John Tallon pursuant to the Civmec PRP.** In accordance with the requirements of the Listing Manual and the ASX Listing Rules, specific Shareholders' approval must be sought for the participation by Mr Patrick John Tallon, a Controlling Shareholder of the Company.

Mr Patrick John Tallon has therefore abstained from making any recommendations to the Shareholders in relation to Resolution 15, being the Ordinary Resolution relating to proposed participation by Mr Tallon in the Civmec PRP to be proposed at the 2018 AGM.

The Non-Executive Directors are of the view that the approval for the proposed participation by Mr Patrick John Tallon pursuant to the Civmec PRP and on such terms as may be determined by the Committee, to be proposed at the 2018 AGM are in the interests of the Company and Shareholders. Accordingly, they recommend that Shareholders vote in favour of Resolution 15 being the Ordinary Resolution relating to the proposed participation by Mr Patrick John Tallon pursuant to the Civmec PRP and on such terms as may be determined by the Committee, to be proposed at the 2018 AGM.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

- 5.1 **Appointment of Proxies.** If a Shareholder is unable to attend the 2018 AGM and wishes to appoint a proxy to attend, speak and vote on his behalf at the 2018 AGM, he should complete, sign and return the Proxy Form attached to the Annual Report of the Company 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 Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00, Singapore 068898, not less than 48 hours before the time appointed for the 2018 AGM.

The completion and return of the Proxy Form by a Shareholder will not prevent him from attending, speaking and voting at the 2018 AGM in person if he so wishes and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the 2018 AGM.

- 5.2 **When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder entitled to attend the 2018 AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 72 hours before the 2018 AGM.

6. ABSTENTION FROM VOTING

- 6.1 Shareholders who are eligible to participate in the Civmec PRP will abstain from voting on the following Resolutions to be proposed at the 2018 AGM:

- (a) Resolution 13, being the Ordinary Resolution in relation to the proposed adoption of the Civmec PRP;
- (b) Resolution 14, being the Ordinary Resolution in relation to the proposed participation by Mr James Finbarr Fitzgerald; and
- (c) Resolution 15, being the Ordinary Resolution in relation to the proposed participation by Mr Patrick John Tallon, and

the Company will disregard any votes cast by such Shareholders in respect of their Shares on the said Resolutions. With reference to the voting exclusion statement relating to Resolution 13 in the Notice of the 2018 AGM, for the avoidance of doubt, the Company will also disregard any votes cast against Resolution 13 by shareholders who are eligible to participate in the Civmec PRP.

Such Shareholders will also not accept nominations to act as proxies unless specific instructions have been given in the proxy instruments by the independent Shareholders appointing them on how they wish their votes to be cast in respect of each of such Ordinary Resolutions. With reference to the voting exclusion statement relating to Resolution 13 in the Notice of the 2018 AGM, for the avoidance of doubt, the Company need not disregard a vote cast by a Shareholder who is eligible to participate in the Civmec PRP as a proxy for independent Shareholders (that is, Shareholders who are **not** eligible to participate in the Civmec PRP) who have given specific instructions in the proxy instruments on how they wish their votes to be cast in respect of Resolution 13.

- 6.2 Mr James Finbarr Fitzgerald, Mr Patrick John Tallon and their Associates will also abstain from voting on Resolutions 13 to 15 at the 2018 AGM and they shall also decline to accept appointment as proxies for any Shareholder to vote in respect of the said Resolutions unless the Shareholder concerned has given specific instructions in his proxy instrument as to the manner in which his votes are to be cast in respect of such Resolutions.

7. INSPECTION OF DOCUMENTS

Copies of the following documents are available for inspection at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date of this Circular up to the date of the 2018 AGM:

- (a) the proposed rules of the Civmec PRP;
- (b) the Annual Report of the Company for the financial year ended 30 June 2018; and
- (c) the Constitution of the Company.

8. 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 Proposals, and the Company and its subsidiaries which are relevant to the Proposals, 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.

Yours faithfully
For and on behalf of the Board of Directors of
CIVMEC LIMITED



James Finbarr Fitzgerald
Executive Chairman

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