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**ASX Announcement and Media Release**

**20 July 2018**

**SciGen Ltd**

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**VOLUNTARY CONDITIONAL GENERAL OFFER BY SAC CAPITAL PRIVATE LIMITED  
FOR AND ON BEHALF OF YIFAN INTERNATIONAL PHARMACEUTICAL CO., LIMITED**

**DESPATCH OF OFFEREE CIRCULAR**

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**1. Introduction**

The board of directors (the “**Board**” or the “**Directors**”) of SciGen Ltd (the “**Company**”) refers to the announcement dated 9 July 2018 issued by SAC Capital Private Limited, for and on behalf of Yifan International Pharmaceutical Co., Limited (the “**Offeror**”), relating to the despatch of the formal offer document containing the terms and conditions of the voluntary conditional general offer (the “**Offer**”) for all the issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares) (the “**Shares**”), other than those Shares already owned, controlled, or agreed to be acquired by the Offeror, but including Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror.

All capitalised terms used and not defined herein shall have the same meanings ascribed to them in the Circular (as defined herein), unless otherwise expressly stated or the context otherwise requires.

**2. Despatch of the Circular**

The Board wishes to inform Shareholders that the Company has despatched the circular dated 19 July 2018 in relation to the Offer (the “**Circular**”).

The Circular contains, amongst other things, the advice of Crowe Horwath Capital Pte Ltd (the “**IFA**”), the independent financial adviser to the directors of the Company

who are considered independent for the purposes of the Offer (the “**Independent Directors**”), the recommendation of the Independent Directors in respect of the Offer, and other information pertaining to the Offer, in compliance with the Singapore Code on Take-overs and Mergers.

**The Circular requires the immediate attention of Shareholders. Shareholders should read and carefully consider the information and the recommendation of the Independent Directors as well as the advice of the IFA to the Independent Directors in relation to the Offer set out in the Circular before deciding whether to accept or reject the Offer. Shareholders who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

### **3. Closing Date**

Shareholders should note that, as stated in the Offer Document:

- (i) acceptances of the Offer must be received no later than 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 (the “**Closing Date**”);
- (ii) the Offeror will not extend the Offer beyond the Closing Date; and
- (iii) accordingly, acceptances of the Offer received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on the Closing Date will be rejected.

### **4. Copies of the Circular**

Where there are potential restrictions on sending the Circular and/or any related documents to any overseas jurisdiction, the Company reserves the right not to send the Circular and/or any related documents to such relevant jurisdictions. Copies of the Circular and/or any related document may however be obtained between 8.30 a.m. to 5.00 p.m. (Sydney time) on weekdays and up to the Closing Date from the Company by phoning the information line on 1300 556 161 (within Australia) or +61 3 9415 4351 (outside Australia) to request for the Circular to be sent to an address in Singapore, Australia or Poland by ordinary post at the Shareholder’s own risk, up to five (5) Business Days prior to the Closing Date.

A copy of the Circular is also available on the ASX announcements platform at [www.asx.com.au](http://www.asx.com.au) and on the Company’s website at <http://scigenltd.com/investor-relations/>.

## **5. Responsibility Statement**

The Directors (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this announcement are fair and accurate, and that there are no other material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

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

For and on behalf of SciGen Ltd

**Marek Dziki**

20 July 2018

## About SciGen Limited

SciGen Ltd (“SciGen”) is a biopharmaceutical company involved in sales and marketing of genetically engineered biopharmaceutical products for human healthcare. SciGen focuses in the areas of endocrinology, paediatrics, neurology and oncology care.

Its core product portfolio consists of biosimilar products, notably, recombinant human insulin and recombinant human growth hormone which have undergone substantial clinical development. SciGen has since built a diversified portfolio in recent years, comprising neurology, oncology care products, paediatric supplements, orthopaedic injection therapy, anti-hypertensives and a range of medical devices.

SciGen has acquired the rights to distribute and market biopharmaceutical and proprietary products under both exclusive and semi-exclusive licensing arrangements. Its strategy is to focus on biosimilar products which have undergone much of the clinical development and trials required to bring new drugs to market. This minimises the risks associated with early stage product development.

SciGen’s current focus is in the Asia Pacific region which provides growth opportunities for its range of products. Following a licensing agreement signed in early 2012, SciGen now has marketing rights for recombinant human insulin in the Middle East and Africa. SciGen’s contract manufacturer for recombinant human insulin is its ultimate holding company in Poland, Bioton S.A..

SciGen currently maintains internal sales and marketing teams at its subsidiary offices, whilst venturing into distribution partnerships in other markets. Through joint collaboration with its partners, SciGen uses its extensive expertise in regulatory and clinical environments, to cater to a broader spectrum of market.

SciGen was established in 1988, as a Singapore biopharmaceutical company. SciGen is listed on the Australian Stock Exchange (ASX code SIE). Its corporate headquarters is located in Singapore, with subsidiary offices in Australia, South Korea, China and a sales office in Philippines. Strategic distribution channels are present in Thailand, Hong Kong, Pakistan, Indonesia, Singapore, Bangladesh, Myanmar and Vietnam.

<b>For further information:</b> Company - Investor Relations	Company
Mr. Martin Naef SciGen (Australia) Pty Ltd +61 2 9485 1800 Email: <a href="mailto:MNaef@scigen.com.au">MNaef@scigen.com.au</a>	Adam Polonek SciGen Ltd +65 6779 6638

CIRCULAR DATED 19 JULY 2018

**THIS CIRCULAR IS ISSUED BY SCIGEN LTD (THE “COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF CROWE HORWATH CAPITAL PTE LTD, THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.**

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

If you have sold or transferred all your Shares (as defined herein), you should immediately forward this Circular 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. However such documents should not be forwarded or transmitted to any jurisdiction outside of Singapore, Australia or Poland.



**SCIGEN LTD**

(Incorporated in the Republic of Singapore)  
(Company Reg. No. 199805796R)

**CIRCULAR TO SHAREHOLDERS**

in relation to the

**VOLUNTARY CONDITIONAL GENERAL OFFER**

by

**SAC CAPITAL PRIVATE LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Reg. No. 200401542N)

for and on behalf of

**YIFAN INTERNATIONAL PHARMACEUTICAL CO., LIMITED**

(Incorporated in the Hong Kong Special Administrative Region of the People's Republic of China)  
(Company Reg. No. 2141494)

to acquire the Offer Shares (as defined herein)

*Independent Financial Adviser to the Independent Directors of SciGen Ltd*



**CROWE HORWATH CAPITAL PTE LTD**

(Incorporated in the Republic of Singapore)  
(Company Reg. No. 200721675G)

**SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.00 P.M. (SINGAPORE TIME) / 7.00 P.M. (SYDNEY TIME) ON 7 AUGUST 2018.**

**THE OFFEROR HAS STATED THAT IT WILL NOT EXTEND THE OFFER BEYOND 5.00 P.M. (SINGAPORE TIME) / 7.00 P.M. (SYDNEY TIME) ON 7 AUGUST 2018. THE OFFEROR DOES NOT INTEND TO REVISE THE OFFER PRICE.**

**Notice to Shareholders in Australia:**

A copy of this Circular has not been provided to the Australian Securities and Investments Commission (“ASIC”). Neither ASIC nor any of its officers takes any responsibility for the contents of this Circular. A copy of this Circular will be uploaded to the Company's Australian Securities Exchange (“ASX”) announcement platform. Neither the ASX nor any of its officers takes any responsibility for the contents of this Circular.

Whilst the beneficial interests in Shares trade on the ASX in the form of CDIs, the Offer is not regulated by the Australian takeovers rules in Chapter 6 of the Australian Corporations Act 2001 (Cth) as the Company is not incorporated in Australia.

CDIs are units of beneficial ownership in Shares, with each CDI representing a beneficial ownership interest in one Share. Legal title to the Shares underlying the CDIs is held by the CDI Nominee (as defined herein). CDI Holders (as defined herein) can, if their instruction is received on time and in the required form, instruct the CDI Nominee to accept the Offer in respect of the Shares underlying the CDIs they hold. CDI Holders may only accept the Offer in respect of the underlying Shares by giving an instruction to the CDI Nominee. The CDI Nominee is prohibited by the ASX Settlement Operating Rules (as defined herein) from accepting the Offer in respect of particular Shares unless it is instructed to do so by the CDI Holder whose CDIs correspond with those Shares.

For the avoidance of doubt, valid acceptances of the Offer in respect of the CDIs received pursuant to the CDI Acceptance Forms (as defined herein) by the Closing Date (as defined herein) shall be treated as valid acceptances of the underlying and corresponding Shares, which will be counted towards meeting the minimum acceptance condition of the Offer (as set out in Section 2.5 of this Circular).

Details on how a CDI Holder can give an instruction to the CDI Nominee to accept the Offer are set out in Appendix 2 to the Offer Document.

CDI Holders should be aware that the disposal of Shares (or beneficial interest in Shares) by them as described in the Offer Document may have taxation consequences in Australia and elsewhere. Such consequences are not set out in the Offer Document and such holders are urged to consult their tax advisers.

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## CONTENTS

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<b>DEFINITIONS</b> .....	1
<b>CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS</b> .....	6
<b>INDICATIVE TIMETABLE</b> .....	7
<b>LETTER TO SHAREHOLDERS</b> .....	8
1. INTRODUCTION.....	8
2. THE OFFER.....	9
3. FURTHER DETAILS OF THE OFFER.....	11
4. PROCEDURES FOR ACCEPTANCE.....	11
5. INFORMATION ON THE COMPANY.....	11
6. INFORMATION ON THE OFFEROR AND YIFAN PHARMACEUTICAL.....	11
7. RATIONALE FOR THE OFFER.....	12
8. THE OFFEROR'S INTENTIONS FOR THE COMPANY.....	12
9. COMPULSORY ACQUISITION AND LISTING STATUS.....	12
10. IRREVOCABLE UNDERTAKING AND AGREEMENT ON BINDING OFFER.....	13
11. DIRECTORS' INTERESTS.....	15
12. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS.....	15
13. RECOMMENDATION OF THE INDEPENDENT DIRECTORS.....	17
14. ACTION TO BE TAKEN BY SHAREHOLDERS.....	18
15. OVERSEAS SHAREHOLDERS AND COPIES OF THIS CIRCULAR.....	18
16. DIRECTORS' RESPONSIBILITY STATEMENT.....	20
17. ADDITIONAL INFORMATION.....	20
<b>APPENDIX A : LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD</b> .....	A-1
<b>APPENDIX B : GENERAL INFORMATION RELATING TO THE COMPANY</b> .....	B-1
<b>APPENDIX C : RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY</b> .....	C-1
<b>APPENDIX D : SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017</b> ....	D-1
<b>APPENDIX E : VALUATION SUMMARY</b> .....	E-1

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## DEFINITIONS

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

- “1Q2018”** : The three-month period ended 31 March 2018
- “1Q2018 Report”** : The quarterly report for entities subject to ASX Listing Rule 4.7B for 1Q2018 which was released by the Company on 26 April 2018 on the ASX announcements platform at [www.asx.com.au](http://www.asx.com.au)
- “ABO Agreement”** : Shall have the meaning ascribed to it in Section 10.2 of this Circular
- “Acceptance Forms”** : The Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be
- “Amending Annex”** : Shall have the meaning ascribed to it in Section 6(f) to **Appendix B** of this Circular
- “ASIC”** : Australian Securities and Investments Commission
- “ASX”** : Australian Securities Exchange
- “ASX Listing Rules”** : The Listing Rules issued by the ASX in force as at the Latest Practicable Date
- “ASX Settlement”** : ASX Settlement Pty Limited ABN 49 008 504 532, a company incorporated in Australia and a wholly-owned subsidiary of the ASX
- “ASX Settlement Operating Rules”** : The operating rules of the settlement facility provided by ASX Settlement
- “Bioton”** : Bioton Spółka Akcyjna
- “Bioton Acquisition”** : Collectively, (i) the Company’s novation of its rights, interests, duties, obligations and liabilities under an existing licence agreement and technology transfer agreement to Bioton; (ii) Bioton’s acquisition of certain intellectual property rights (including certain trademarks currently owned by the Company) from the Company; and (iii) the grant of a sublicense by the Company to Bioton in respect of the Licence
- “Business Day”** : A day which is not a Saturday, Sunday or public holiday, on which commercial banks are open for business in Australia
- “CDIs”** : CHESS Depository Interests, in respect of which the underlying and corresponding security is one Share
- “CDI Acceptance Forms”** : The CDI Acceptance Form (CHESS) and/or the CDI Acceptance Form (Issuer Sponsored), as the case may be
- “CDI Acceptance Form (CHESS)”** : The CDI acceptance form applicable to CDI Holders who hold CDIs through the Company’s CHESS Subregister and which forms part of the Offer Document
- “CDI Acceptance Form (Issuer Sponsored)”** : The CDI acceptance form applicable to CDI Holders who hold CDIs through the Company’s Issuer Sponsored Subregister and which forms part of the Offer Document

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## DEFINITIONS

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“CDI Holder”	: A person who is the registered holder of one or more CDIs
“CDI Nominee”	: CHESS Depository Nominees Pty Limited ABN 75 071 346 506, a company incorporated in Australia and a wholly-owned subsidiary of the ASX
“CHESS Subregister”	: Has the meaning given in Section 2 of the ASX Settlement Operating Rules
“Circular”	: This circular to the Shareholders dated 19 July 2018 from the Company containing, amongst other things, the Recommendation and the advice of the IFA to the Independent Directors
“Closing Date”	: 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018, being the last date for the lodgement of acceptances of the Offer
“Code”	: The Singapore Code on Take-overs and Mergers
“Commencement Date”	: 9 July 2018 being the Despatch Date and the date from which the Offer is open for acceptances
“Companies Act”	: The Companies Act, Chapter 50 of Singapore
“Company”	: SciGen Ltd
“Company Securities”	: (i) The Shares; (ii) securities which carry voting rights in the Company; and (iii) convertible securities, warrants, options or derivatives in respect of the Shares or securities which carry voting rights in the Company
“Competing Offer”	: Any offer, proposal or expression of interest by any person other than the Offeror pursuant to which such person or any other person may, whether directly or indirectly, and whether by share purchase, scheme of arrangement, merger or amalgamation, capital reconstruction, purchase of assets, tender offer, general offer, partial offer, joint venture or otherwise (i) acquire or become the holder or owner of, or otherwise have an economic interest in: (a) all or any substantial part of the businesses, assets, revenues and/or undertakings of the Company or (b) all or a significant portion of the share capital of the Company; (ii) acquire control of the Group or merge with the Company; (iii) benefit under any other arrangement having an effect similar to any of the above or (iv) effect a transaction which would preclude, materially delay, materially frustrate or restrict the Offer
“Conditional Release Amount”	: Shall have the meaning ascribed to it in Section 6(d)(i) to <b>Appendix B</b> of this Circular
“Constitution”	: The constitution of the Company
“Datio In Solutum Agreement”	: Shall have the meaning ascribed to it in Section 6(d) to <b>Appendix B</b> of this Circular
“Debt Release Agreement”	: Shall have the meaning ascribed to it in Section 6(e) to <b>Appendix B</b> of this Circular
“Despatch Date”	: 9 July 2018, being the date of despatch of the Offer Document
“Directors”	: The directors of the Company as at the Latest Practicable Date



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## DEFINITIONS

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<b>“Final Settlement Date”</b>	: The last settlement date in respect of the Offer for all the Offer Shares validly tendered in acceptance of the Offer, being a date falling after the Closing Date but on or before the expiry of seven (7) Business Days from the Closing Date
<b>“FY”</b>	: In respect of the Company, financial year ended or ending (as the case may be) on 31 December of a particular year as stated
<b>“Group”</b>	: The Company and its subsidiaries
<b>“IFA” or “Crowe Horwath”</b>	: Crowe Horwath Capital Pte Ltd, the independent financial adviser to the Independent Directors in respect of the Offer
<b>“IFA Letter”</b>	: Letter dated 19 July 2018 from the IFA to the Independent Directors containing, amongst other things, the advice of the IFA to the Independent Directors in respect of the Offer, as set out in <b>Appendix A</b> to this Circular
<b>“Independent Directors”</b>	: The Directors who are considered independent for the purpose of making the Recommendation, being all the Directors
<b>“Independent Valuer”</b>	: AVA Associates Limited
<b>“Issuer Sponsored Subregister”</b>	: The meaning given in Section 2 of the ASX Settlement Operating Rules
<b>“Latest Practicable Date”</b>	: 11 July 2018, being the latest practicable date prior to the printing of this Circular
<b>“Licence”</b>	: Shall have the meaning ascribed to it in Section 6(c)(i) to <b>Appendix B</b> of this Circular
<b>“Offer”</b>	: The voluntary conditional general offer made by SAC Capital, for and on behalf of the Offeror, to acquire the Offer Shares, on the terms and subject to the conditions set out in the Offer Document and the Acceptance Forms
<b>“Offer Announcement”</b>	: The announcement released by SAC Capital, for and on behalf of the Offeror, on the Offer Announcement Date in relation to the Offeror’s firm intention to make the Offer
<b>“Offer Announcement Date”</b>	: 3 July 2018, being the date of the Offer Announcement
<b>“Offer Document”</b>	: The offer document dated 9 July 2018, including the Acceptance Forms, and any other document(s) which may be issued by SAC Capital for and on behalf of the Offeror, to amend, revise, supplement or update such offer document(s) from time to time
<b>“Offer Price”</b>	: US\$0.0507 in cash for each Offer Share
<b>“Offer Shares”</b>	: Shall have the meaning ascribed to it in Section 2.1 of this Circular
<b>“Offer Unconditional Date”</b>	: The date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms
<b>“Offeror”</b>	: Yifan International Pharmaceutical Co., Limited
<b>“Offeror Securities”</b>	: (i) The Offeror Shares; (ii) securities which carry voting rights in

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## DEFINITIONS

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	the Offeror; and (iii) convertible securities, warrants, options and derivatives in respect of the Offeror Shares or securities which carry voting rights in the Offeror
<b>“Offeror Shares”</b>	: Issued and paid-up ordinary shares in the capital of the Offeror
<b>“Overseas Shareholder”</b>	: Shareholders whose addresses are outside Singapore, Australia or Poland
<b>“Pre-Conditional Offer Announcement”</b>	: The announcement released by SAC Capital, for and on behalf of the Offeror, on the Pre-Conditional Offer Announcement Date in relation to the pre-conditional voluntary general offer by the Offeror for all the Offer Shares
<b>“Pre-Conditional Offer Announcement Date”</b>	: 15 May 2018, being the date of the Pre-Conditional Offer Announcement
<b>“Pre-Conditions”</b>	: Shall have the meaning ascribed to it in Paragraph 2.1 of the Pre-Conditional Offer Announcement
<b>“Profit Sharing Agreements”</b>	: Shall have the meaning ascribed to it in Section 6(a)(i) to <b>Appendix B</b> of this Circular
<b>“PSA Termination Agreement”</b>	: Shall have the meaning ascribed to it in Section 6(a) to <b>Appendix B</b> of this Circular
<b>“Recommendation”</b>	: Shall have the meaning ascribed to it in Section 1.5 of this Circular
<b>“Register”</b>	: The register of members of the Company
<b>“Resigning Directors”</b>	: Marek Dziki, Adam Tomasz Polonek, Ju Bo Liu, Kenneth Gross and Vaidyanathan Viswanath
<b>“SAC Capital”</b>	: SAC Capital Private Limited, being the financial adviser to the Offeror in connection with the Offer
<b>“Shareholders”</b>	: Persons who are holders of Shares, and where the Shares are registered in the name of the CDI Nominee, persons who are registered as holders of CDIs in the Company’s CHES Subregister and/or the Company’s Issuer Sponsored Subregister
<b>“Shareholder’s Loan”</b>	: The existing shareholder’s loan made by Bioton to the Company
<b>“Shares”</b>	: Issued and paid-up ordinary shares in the capital of the Company, which include securities which may be transmuted into such shares, such as CDIs
<b>“Shares Acceptance Form”</b>	: Shares acceptance form for Offer Shares in scrip form in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and which forms part of the Offer Document
<b>“SIC”</b>	: The Securities Industry Council of Singapore
<b>“Trademark Transfer Agreement”</b>	: Shall have the meaning ascribed to it in Section 6(b) to <b>Appendix B</b> of this Circular
<b>“Transfer of Market Access Agreement”</b>	: Shall have the meaning ascribed to it in Section 6(c) to <b>Appendix B</b> of this Circular

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## DEFINITIONS

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**“Valuation Summary”** : A summary of the independent valuation commissioned by the Company of the assets in relation to the Bioton Acquisition, published by the Independent Valuer on 19 July 2018, as set out in **Appendix E** to this Circular

**“Yifan Pharmaceutical”** : Yifan Pharmaceutical Co., Ltd

### Units and currencies

**“A\$”** : Australian dollars, being the lawful currency of Australia

**“S\$”** : Singapore dollars, being the lawful currency of Singapore

**“US\$”** : United States dollars, being the lawful currency of the United States of America

**“%” or “per cent.”** : Percentage or per centum

**Acting in concert.** Unless otherwise defined, the expression **“acting in concert”** shall have the meaning ascribed to it in the Code.

**Expressions.** 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, where applicable, include corporations.

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

**Issued Shares.** Unless otherwise stated, references in this Circular to the total number of issued Shares as at the Latest Practicable Date is 552,270,320 Shares. For the avoidance of doubt, references to Shares include securities which may be transmuted into Shares, such as CDIs.

**Rounding.** Any discrepancies in figures included in this Circular between the listed amounts and their totals are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

**Shareholders.** References to **“you”**, **“your”** and **“yours”** in this Circular are, as the context so determines, to Shareholders and/or CDI Holders, as the case may be.

**Statutes.** Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision for the time being amended, modified, supplemented or re-enacted. Save as otherwise defined in this Circular, any word defined in the Companies Act, the Code, or any such statutory or regulatory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Code or that modification thereof, as the case may be, unless the context otherwise requires.

**Subsidiary, wholly owned subsidiary and related corporation.** References to **“subsidiary”**, **“wholly owned subsidiary”** and **“related corporation”** shall have the meanings ascribed to them respectively in Sections 5, 5B and 6 of the Companies Act.

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

**Statements which are reproduced in their entirety or as excerpts from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in *italics*, and all capitalised terms and expressions used within these reproduced statements and not defined herein shall have the same meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.**

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “if”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

Given the risks and uncertainties that may cause the actual results, performance or achievements of the Company and/or Group to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, Shareholders are advised not to place undue reliance on those statements. Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and/or any regulatory or supervisory body or agency.

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## INDICATIVE TIMETABLE

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Despatch Date and Commencement Date	:	9 July 2018
Despatch of Circular	:	19 July 2018
Closing Date <sup>(1)</sup>	:	5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018, such date being the last day for lodgement of acceptances of the Offer
Period for settlement of consideration	:	<p>In respect of valid and complete acceptances received on or before the Offer Unconditional Date, within seven (7) Business Days of the Offer Unconditional Date</p> <p>In respect of valid and complete acceptances received after the Offer Unconditional Date but before the Offer closes, within seven (7) Business Days after the date of receipt of each such acceptance</p>
Final Settlement Date	:	Within seven (7) Business Days after the Closing Date

**Note:**

- (i) The Offeror will not extend the Offer beyond 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on the Closing Date. Accordingly, acceptances received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 will be rejected.

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## LETTER TO SHAREHOLDERS

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### SCIGEN LTD

(Incorporated in the Republic of Singapore)  
(Company Reg. No. 199805796R)

#### Directors

Marek Dziki (Chairman and Chief Executive Officer)  
Adam Tomasz Polonek (Executive Director and Chief Financial Officer)  
Lim Lean Guat (Executive Director and Group Financial Controller)  
Ju Bo Liu (Non-Executive Director)  
Kenneth Gross (Non-Executive Director)  
Vaidyanathan Viswanath (Non-Executive Director)

#### Registered Office

152 Beach Road  
#26-07/08 Gateway East  
Singapore 189721

19 July 2018

**To: The Shareholders of the Company**

Dear Sir/Madam

### **VOLUNTARY CONDITIONAL GENERAL OFFER BY SAC CAPITAL FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES**

#### **1. INTRODUCTION**

- 1.1 **Pre-Conditional Offer Announcement.** On the Pre-Conditional Offer Announcement Date, SAC Capital announced, for and on behalf of the Offeror, that, subject to and contingent upon the satisfaction or waiver of the Pre-Conditions, the Offeror intends to make the Offer for all the Shares, other than those Shares already owned, controlled, or agreed to be acquired by the Offeror, but including Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror, in accordance with Rule 15 of the Code.
- 1.2 **Offer Announcement.** On the Offer Announcement Date, SAC Capital announced, for and on behalf of the Offeror, that all of the Pre-Conditions have been satisfied and accordingly the Offeror's firm intention to make the Offer, as set out in the Offer Announcement.
- 1.3 **Offer Document.** Shareholders should have received by now a copy of the Offer Document, issued by SAC Capital, for and on behalf of the Offeror, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Paragraph 2 of the Offer Document. Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.
- A copy of each of the Pre-Conditional Announcement, the Offer Announcement and the Offer Document is available on the ASX announcements platform at [www.asx.com.au](http://www.asx.com.au). The Offer Announcement was also advertised in The Australian on 6 July 2018.
- 1.4 **Independent Financial Adviser.** The Company has appointed Crowe Horwath as the independent financial adviser to advise the Independent Directors in respect of the Offer.
- 1.5 **Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors ("**Recommendation**") and the advice of the IFA to the Independent Directors with regard to the Offer.

**Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix A carefully and consider the Recommendation of the Independent Directors in respect of the Offer before deciding whether or not to accept the Offer.**

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## LETTER TO SHAREHOLDERS

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

### 2. THE OFFER

2.1 **Offer and Offer Shares.** As set out in Paragraph 2.1.1 of the Offer Document, the Offer will be extended to all the Shares issued or to be issued on or prior to the close of the Offer, other than those Shares already owned, controlled, or agreed to be acquired by the Offeror, but including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror (the “Offer Shares”).

2.2 **Offer Consideration.** Paragraphs 2.1.2 and 2.1.3 of the Offer Document state the following:

“**2.1.2 Offer Consideration.** *The consideration for each Offer Share will be as follows:*

*For each Offer Share: US\$0.0507 in cash (the “Offer Price”).*

*The Offer Price is final. The Offeror does not intend to increase the Offer Price.*

2.1.3 **CHESSE Depository Interests.** *The Offeror is not making a separate offer to acquire CDIs. However, CDI Holders may accept the Offer in respect of underlying Shares by instructing the CDI Nominee to accept the Offer on their behalf, in accordance with the procedures set out in Appendix 2 to this Offer Document.”*

Further details on the procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document.

The Offeror has stated in Paragraph 2.1.2 of the Offer Document that it will not be increasing the Offer Price.

2.3 **No Encumbrances.** Paragraph 2.1.4 of the Offer Document states the following:

“**2.1.4 No Encumbrances.** *The Offer Shares are to be acquired (i) fully paid and validly issued, (ii) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (collectively, the “Encumbrances”) and (iii) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) (the “Distributions”) declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.”*

2.4 **Adjustment for Distributions.** Paragraph 2.1.5 of the Offer Document states the following:

“**2.1.5 Adjustment for Distributions.** *Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.*

*Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such accepting Shareholder falls, as follows:*

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## LETTER TO SHAREHOLDERS

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- (i) *if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “Books Closure Date”), the Offer Price shall remain unadjusted for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or*
- (ii) *if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.”*

2.5 **Minimum Acceptance Condition.** Paragraph 2.1.6 of the Offer Document states the following:

**“2.1.6 Minimum Acceptance Condition.** *The Offer will be conditional on the Offeror, having received by the Closing Date, valid acceptances pursuant to the Offer or otherwise acquiring Shares from the Despatch Date other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date).*

*Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares acquired or agreed to be acquired from the Despatch Date, will result in the Offeror holding such number of Shares carrying not less than 90 per cent. of the total number of Shares (other than treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date).*

*As set out in further detail in **Paragraph 4** below, Bioton has provided the Irrevocable Undertaking to the Offeror to tender its Shares (representing approximately 95.57 per cent. of the total number of Shares) in acceptance of the Offer. **Accordingly, after such acceptance by Bioton in respect of more than 90 per cent. of the total number of Shares, the Offer will become and be declared to be unconditional in all respects.***

*For the avoidance of doubt, valid acceptances of the Offer in respect of the CDIs received pursuant to the CDI Acceptance Forms by the Closing Date shall be treated as valid acceptances of the underlying and corresponding Shares, which will be counted towards meeting the Minimum Acceptance Condition.”*

On 11 July 2018, SAC Capital announced, for and on behalf of the Offeror, that 527,786,735 Shares (representing approximately 95.57 per cent. of the total number of Shares as at 11 July 2018) have been received by the Offeror as valid acceptances of the Offer and, accordingly, the Offer has become and has been declared unconditional in all respects on 11 July 2018. A copy of this announcement is available on the ASX announcements platform at [www.asx.com.au](http://www.asx.com.au).

2.6 **Warranty.** Paragraph 2.2 of the Offer Document states the following:

**“2.2 Warranty.** *Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (i) fully paid and validly issued; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements as of the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any) declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.”*



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## LETTER TO SHAREHOLDERS

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2.7 **Closing Date.** Paragraph 2.3 of the Offer Document states the following:

**“2.3 Closing Date.** *The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder.*

*Accordingly, the Offer will close at 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018. The Offeror will not extend the Offer beyond the Closing Date. Accordingly, notice is hereby given that acceptances of the Offer received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 will be rejected.”*

### 3. FURTHER DETAILS OF THE OFFER

Appendix 1 to the Offer Document sets out further details on, *inter alia*:

- (a) the duration of the Offer;
- (b) the settlement of the consideration for the Offer;
- (c) the requirements relating to the announcement of the level of acceptances of the Offer; and
- (d) the right of withdrawal of acceptances of the Offer.

### 4. PROCEDURES FOR ACCEPTANCE

Appendix 2 to the Offer Document sets out the procedures for acceptance of the Offer by a Shareholder (including those holding CDIs).

### 5. INFORMATION ON THE COMPANY

The Company is a public company incorporated in Singapore and listed on the ASX, involved in the sales and marketing of genetically engineered biopharmaceutical products for human healthcare.

Additional information on the Company is set out in **Appendix B** to this Circular.

### 6. INFORMATION ON THE OFFEROR AND YIFAN PHARMACEUTICAL

The following information on the Offeror and Yifan Pharmaceutical has been extracted from Paragraph 6 of the Offer Document and reproduced in *italics* below.

**“6.1 The Offeror.** *The Offeror is a company incorporated in Hong Kong and mainly focuses on the sale and distribution of pharmaceutical products, as well as providing high quality medicine and devices. The Offeror is a wholly-owned subsidiary of Yifan Pharmaceutical. As at the Latest Practicable Date, the Offeror has an issued share capital of US\$48,601,280, comprising 10,000 issued ordinary shares which is held by Yifan Pharmaceutical.*

*As at the Latest Practicable Date, the sole director of the Offeror is Cheng Xianfeng (程先鋒) (the “Offeror Director”).*

**6.2 Yifan Pharmaceutical.** *Yifan Pharmaceutical is a company incorporated in the People’s Republic of China and listed on the Shenzhen Stock Exchange. The Yifan Pharmaceutical Group focuses on the development and manufacturing of pharmaceutical products.*

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## LETTER TO SHAREHOLDERS

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*As at the Latest Practicable Date, the directors of Yifan Pharmaceutical are Cheng Xianfeng (程先鋒), Ye Yiqun (叶依群), Zhou Benyu (周本余), Feng Deqi (冯德崎), Lin Hang (林行), Liu Meijuan (刘梅娟), Wang Zhao (汪钊), Zhang Kejian (张克坚) and Zhang Yingting (张颖霆).*

**6.3 Additional Information.** *Appendices 3 and 4 to this Offer Document set out additional information on the Offeror and Yifan Pharmaceutical respectively.*

### 7. RATIONALE FOR THE OFFER

The full text stating the rationale for the Offer has been extracted from Paragraph 8 of the Offer Document and is reproduced in *italics* below. Shareholders are advised to read the extract below carefully.

**8.1 Offeror's Investment in the Company.** *The Offeror sees potential for continued growth in the various businesses and the subsidiaries of the Company, taking into account the geographical footprint of the Company's assets and its developments.*

**8.2 Combination of complementary business and expertise to realise potential synergies.** *The Offeror is of the view that the businesses of the Company and the Offeror are complementary and there are potential synergies that can be created, including cross-selling to an enlarged customer base, economies of scale, improvement of productivity and cost efficiency, as well as sharing of domain knowledge such as know-hows and best practices.*

### 8. THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text stating the Offeror's intentions in relation to the Company has been extracted from Paragraph 9.1 of the Offer Document and reproduced in *italics* below. Shareholders are advised to read Paragraph 9.1 of the Offer Document carefully and note the Offeror's intentions for the Company.

**9.1 Offeror's Intentions in Relation to the Company.** *Upon completion of the Offer, the Offeror may undertake a strategic and operational review of the Company and its subsidiaries with a view of realising synergies, scale, cost efficiencies and growth potential.*

*Save as disclosed in Paragraph 5.1.1 above, the Offeror presently has no intention to (i) introduce any major changes to the business of the Company, (ii) discontinue the employment of any of the existing employees of the Company and its subsidiaries or (iii) re-deploy any of the fixed assets of the Company, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider options and opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.*

### 9. COMPULSORY ACQUISITION AND LISTING STATUS

The full text stating the Offeror's intentions relating to the compulsory acquisition of the Company and its listing status has been extracted from Paragraphs 9.2 and 9.3 of the Offer Document and reproduced in *italics* below.

**9.2 Compulsory Acquisition.** *In the event the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares from the Despatch Date other than through valid acceptances of the Offer) in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date and excluding treasury shares) (the "CA Threshold"), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "Dissenting Shareholders") on the same terms as those offered under the Offer.*

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## LETTER TO SHAREHOLDERS

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***In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer.***

*In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of shares in the Company. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.*

- 9.3 Listing Status.** *The Offeror intends to make a request to delist the Company from the ASX in accordance with ASX Listing Rule 17.14, if the Offeror is entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act. It is expected that the ASX will, after reviewing the request for delisting, advise on the date on which the Company will be removed from the official list of the ASX, and any conditions that are required to be met in order for delisting of the Company to occur.*

*The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in the implementation of strategic initiatives and/or operational changes in the business, as well as dispense with compliance costs associated with the maintenance of its listed status.”*

## 10. IRREVOCABLE UNDERTAKING AND AGREEMENT ON BINDING OFFER

- 10.1 Irrevocable Undertaking.** *As stated in Paragraph 4 of the Offer Document, the Offeror has executed an undertaking with Bioton, as reproduced in italics below.*

**“4.1 Irrevocable Undertaking.** *As at the Pre-Conditional Offer Announcement Date, the Offeror has executed an undertaking with Bioton (the “Irrevocable Undertaking”), pursuant to which Bioton has undertaken, represented and warranted to the Offeror, amongst other things:*

- 4.1.1** *subject to the satisfaction of the Pre-Conditions, to tender all the Shares beneficially owned by Bioton (or to procure its nominees to tender)<sup>1</sup> (the “Relevant Shares”) free from any Encumbrances in acceptance of the Offer, not later than 5.00 p.m. (Singapore time) on the date falling three Business Days after the Despatch Date, and notwithstanding any rights of withdrawal under the Code, not to (and to procure its nominees not to) withdraw any of the Relevant Shares tendered for acceptance until (and including) the date on which the Offer lapses or is withdrawn by the Offeror;*
- 4.1.2** *not accept (or permit the acceptance of) any Competing Offer or other offer for the Shares in respect of all or any of the Relevant Shares or approve, endorse, recommend, vote or agree to vote for (and shall vote against or reject) any Competing Offer, whether or not such Competing Offer or other offer is at a higher price than the Offer Price and/or on more favourable terms than under the Offer;*
- 4.1.3** *except pursuant to the Offer, not to sell, transfer, dispose of, charge, pledge or otherwise encumber, grant any option or other right over, enter into any arrangement that transfers any of the legal, beneficial or economic*

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<sup>1</sup> *As at the Latest Practicable Date, Bioton is the beneficial owner of 527,786,735 CDIs, representing a beneficial interest in approximately 95.57 per cent. of the total number of Shares.*

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## LETTER TO SHAREHOLDERS

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consequences of ownership of any of the Relevant Shares, or otherwise deal with any of the Relevant Shares or any interest in them (whether conditionally or unconditionally, directly or indirectly);

**4.1.4** not exercise the voting rights attaching to the Relevant Shares in such manner as to oppose the taking of any action which might result in any Pre-Conditions or condition of the Offer not being satisfied;

**4.1.5** not (a) acquire or seek to acquire any interest in the Shares (other than Shares that Bioton is the beneficial owner of as at the date of the Irrevocable Undertaking) or (b) announce or take any action which would require the announcement (whether under the Code or otherwise) of any proposals for any take-over, merger, consolidation or share exchange or similar transaction involving the securities of the Company; and

**4.1.6** not enter into any agreement or arrangement with any person, whether conditionally or unconditionally (directly or indirectly), to do any of the acts prohibited by the above terms of **Paragraphs 4.1.1 to 4.1.5**.

**4.2 Cessation of Irrevocable Undertaking.** The Irrevocable Undertaking shall lapse, cease and terminate on, inter alia, the earlier of (i) the date on which the Offer closes, lapses or is withdrawn, other than as a result of Bioton breaching its obligations under the Irrevocable Undertaking or (ii) such date as may be mutually agreed between Bioton and the Offeror.

**For the avoidance of doubt, Bioton will NOT have the right to terminate the Irrevocable Undertaking on the basis that another offer for the Shares has been made (even if the price offered for the Shares is higher than the Offer Price).**

**4.3 No Other Undertakings.** Save for the Irrevocable Undertaking, the Offeror has not received any undertakings from any other party to accept or reject the Offer.”

**10.2 Agreement on Binding Offer.** As stated in Paragraph 5 of the Offer Document, the Offeror and Bioton have also entered into an agreement on binding offer on 15 May 2018 (the “**ABO Agreement**”), as reproduced in *italics* below.

**“5.1 Salient Terms of the Agreement on Binding Offer.** The Offeror and Bioton have also entered into an agreement on binding offer on 15 May 2018 (the “**ABO Agreement**”) to set out, inter alia:

**5.1.1** parties’ agreement in relation to (i) the Company’s novation of its rights, interests, duties, obligations and liabilities under an existing licence agreement and technology transfer agreement to Bioton (the licence held by the Company under such agreements, the “**Licence**”), (ii) Bioton’s acquisition of certain intellectual property rights (including certain trademarks currently owned by the Company) from the Company, (iii) the grant of a sublicense by the Company to Bioton in respect of the Licence (the agreement setting out such grant, the “**Sublicense Agreement**” and collectively with (i) and (ii), the “**Bioton Acquisition**”), (iv) the partial extinguishing of the existing shareholder’s loan made by Bioton to the Company (the “**Shareholder’s Loan**”) as consideration payable for the Bioton Acquisition, (v) the waiver by Bioton of the Company’s obligation to repay the remaining amount of the Shareholder’s Loan and (vi) the termination of certain profit sharing agreements between Bioton and the Company.

The ABO Agreement provides that the Side Agreements (as defined below) will only take effect when, amongst others, (a) the Company is delisted from

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<sup>2</sup> As at 31 December 2017, the aggregate amount of the Shareholder’s Loan is US\$76,388,238.90.

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## LETTER TO SHAREHOLDERS

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the ASX and (b) Shareholders pass all resolutions to approve the transactions in connection with the Side Agreements.

For the purpose of this Announcement, “**Side Agreements**” means the agreements which sets out parties’ agreement in relation to the transactions contemplated in (i), (ii), (iv) and (vi) of this **Paragraph 5.1.1** above; and

**5.1.2** *Bioton’s agreement to tender all its Shares in acceptance of the Offer pursuant to the Irrevocable Undertaking.*

**5.2** **SIC Confirmation.** *The SIC has confirmed that the Bioton Acquisition does not constitute a special deal under Rule 10 of the Code, provided that the independent financial adviser to the Company publicly states that in its opinion the terms of the Bioton Acquisition are fair and reasonable. The ABO Agreement also provides that the Side Agreements and the Sublicense Agreement will only take effect when the independent financial adviser to the Company provides an opinion that the terms of the Side Agreements and the Sublicense Agreement are fair and reasonable.”*

### 11. DIRECTORS’ INTERESTS

Details of the Directors including, amongst other things, the Directors’ direct and deemed interests in the Offeror Securities and Company Securities as at the Latest Practicable Date are set out in **Appendix B** to this Circular.

### 12. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

**12.1** **IFA.** Shareholders should read and consider carefully the advice of the IFA to the Independent Directors on the Offer as contained in the IFA Letter and the Recommendation before deciding on whether to accept or reject the Offer. The IFA Letter is reproduced in **Appendix A** to this Circular.

**12.2** **Evaluation of the Offer by the IFA.** In arriving at its advice, the IFA has taken into account the following key considerations as set out in section 10 of the IFA Letter and reproduced in *italics* below. The considerations set out below should be considered and read in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all capitalised terms and expressions used in the extract below shall have the same meanings as defined in the IFA Letter.

**“10. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER AND OUR OPINION ON THE BIOTON ACQUISITION, THE SIDE AGREEMENTS AND THE SUBLICENSE AGREEMENT**

*In arriving at our advice in respect of the Offer, we have taken into account, inter alia, the following key considerations summarised below. This summary should be read in conjunction with, and in the context of, the full text of this letter.*

**(a) Historical trading performance of the CDIs**

*Over the past 1-year period prior to the Pre-Conditional Offer Announcement Date, the CDIs have traded from a low of A\$0.021 to a high of A\$0.070 per CDI. The Offer Price represents a premium of approximately 220.8% and a discount of approximately 3.8% to the lowest and highest transacted price respectively.*

*The Offer Price represents a premium of approximately 72.7%, 169.5%, 192.9%, 180.7% and 180.7% to the corresponding VWAP of the CDIs for the 1-year period, 6-month period, 3-month period, 1-month period and the closing price of the CDIs on the last traded market day prior to the Pre-Conditional Offer Announcement Date respectively.*

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## LETTER TO SHAREHOLDERS

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*The Offer Price represents a premium of approximately 38.1% to the closing price of the CDIs on the last traded market day prior to the Offer Announcement Date.*

*The CDIs have not traded above the Offer Price since the Pre-Conditional Offer Announcement Date.*

*The CDIs have been thinly traded during the 1-year period prior to the Pre-Conditional Offer Announcement Date with an average daily trading volume of approximately 5,241 CDIs, representing 0.02% of the Free Float.*

**(b) Relative CDIs price performance vis-à-vis the performance of the market index**

*The CDIs have generally underperformed the S&P/ASX 300 in relative terms for the 1-year period prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date.*

**(c) Analysis of selected valuation statistics of broadly comparable companies to the Group**

*SciGen Ltd is profitable while the Selected Comparable Companies are loss-making.*

*It would not be meaningful to assess the P/NAV ratio of SciGen Ltd as at 31 December 2017 as the Group was in a net liabilities position.*

**(d) Comparison with successful privatisation and delisting of companies**

*The premiums of approximately 180.7%, 180.7% and 192.9% as implied by the Offer Price to the last transacted price, 1-month VWAP and 3-month VWAP of the CDIs prior to the Pre-Conditional Offer Announcement Date are above the corresponding ranges of premiums in the Successful Singapore Privatisation Transactions and Successful ASX Delisting Transactions.*

**(e) NAV of the Group**

*The Group was in a net liabilities position of US\$53.3 million as at 31 December 2017.*

**(f) Dividend record of the Company**

*The Company has not paid any dividend in the last 5 financial years.*

**(g) Other relevant considerations**

*The net profit margin of the Group (on a full year basis) is currently at its lowest in the past 5 financial years at 4.4% for FY2017 and the Group has been in a net liabilities position for the past 5 financial years.*

*The Offer Price is final and the Offeror does not intend to increase the Offer Price.*

*As at the Latest Practicable Date, there is no alternative or competing offer made for the Shares that is available to Shareholders. Under the terms of the Irrevocable Undertaking, Bioton has undertaken, represented and warranted to the Offeror, amongst other things, not to accept any Competing*

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## LETTER TO SHAREHOLDERS

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*Offer, whether or not such Competing Offer or other offer is at a higher price than the Offer Price and/or on more favourable terms than under the Offer.*

*The Offeror has stated that it intends to make an application to delist the Company from the ASX in accordance with ASX Listing Rule 17.14, if the Offeror is entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to increase the Offer Price.*

*Bioton has provided the Irrevocable Undertaking to the Offeror to tender its Shares (representing approximately 95.57% of the total number of Shares) in acceptance of the Offer. Accordingly, after such acceptance by Bioton in respect of more than 90% of the total number of Shares, the Offeror would be in a position to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and Dissenting Shareholders would be in a position to require the Offeror to acquire their Shares under Section 215(3) of the Companies Act.”*

- 12.3 **Advice of the IFA to the Independent Directors on the Offer.** After having regard to the considerations set out in the IFA Letter, carefully considering all available information and based on the IFA’s assessment of the financial terms of the Offer, the IFA has advised the Independent Directors to recommend that Shareholders **accept** the Offer.

The Recommendation is set out in section 10 of the IFA Letter and has been extracted and reproduced in *italics* below. It should be considered and read in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meaning as defined in the IFA Letter.

*“Having carefully considered the information available as at the Latest Practicable Date and based on our assessment of the financial terms of the Offer, we are of the opinion that, on balance, the financial terms of the Offer are fair and reasonable.*

*Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting related expenses).*

*Based on our evaluation of the terms of the Bioton Acquisition, Side Agreements, Sublicense Agreement and the information available to us as at the Latest Practicable Date, we are of the opinion that, (i) the terms of the Bioton Acquisition are fair and reasonable in the context of Rule 10 of the Code; and (ii) the terms of the Side Agreements and Sublicense Agreement are fair and reasonable.”*

### 13. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

**Independent Directors’ Recommendation.** The Independent Directors, having considered carefully, amongst other things, the terms of the Offer and the advice given by the IFA in the IFA Letter, **CONCUR** with the IFA’s assessment of the Offer and its Recommendation thereon. **Accordingly, the Independent Directors recommend that Shareholders ACCEPT the Offer** or sell their Shares in the open market if they are able to obtain a price higher than the Offer Price (after deducting related expenses).

**SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER. SHAREHOLDERS SHOULD NOTE THAT THE IFA’S OPINION SHOULD NOT BE RELIED UPON BY ANY SHAREHOLDER AS THE SOLE BASIS FOR DECIDING WHETHER OR NOT TO ACCEPT THE OFFER. SHAREHOLDERS ARE ALSO URGED TO READ THE OFFER DOCUMENT CAREFULLY.**

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## LETTER TO SHAREHOLDERS

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The IFA and the Independent Directors, in making their advice and Recommendation respectively, have not had regard to or considered the specific objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment profiles and objectives, any individual Shareholder who may require specific advice in respect of his investment portfolio or objectives should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

### 14. ACTION TO BE TAKEN BY SHAREHOLDERS

14.1 **Shareholders who DO NOT WISH TO ACCEPT the Offer.** Shareholders who do not wish to accept the Offer should take no further action in respect of the Offer Document which has been sent to them.

14.2 **Shareholder who WISH TO ACCEPT the Offer.** Shareholders who wish to accept the Offer must do so no later than 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on the Closing Date and should take note of Appendix 2 to the Offer Document.

### 15. OVERSEAS SHAREHOLDERS AND COPIES OF THIS CIRCULAR

15.1 **Overseas Shareholders.** The full text relating to Overseas Shareholders has been extracted from Paragraph 13 of the Offer Document and is reproduced in *italics* below.

**“13.1 Overseas Shareholders.** *This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for, sell or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction.*

*Where there are potential restrictions on sending this Offer Document and the Acceptance Forms to any overseas jurisdictions, the Offeror and SAC Capital each reserves the right not to send this Offer Document and the Acceptance Forms to Shareholders in such overseas jurisdictions. The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements in his own jurisdiction, and exercise caution in relation to the Offer, as this Offer Document has not been reviewed by any regulatory authority in any overseas jurisdiction. **For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document and the Acceptance Forms have not been, or may not be, sent.***

*Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a “**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

**13.2 Copies of Offer Document.** *Shareholders (including CDI Holders and Overseas Shareholders) may (subject to compliance with applicable laws) obtain copies of this Offer Document, the Acceptance Forms and/or any related documents, between 8.30 a.m. to 5.00 p.m. (Sydney time) on weekdays and up to the Closing Date, from the Offeror by phoning the information line on 1300 161 485 (within Australia) or +61 3 9415 4351 (outside Australia) to request for this Offer Document, the Acceptance Forms and/or any related documents to be sent to an address in Singapore, Australia*



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## LETTER TO SHAREHOLDERS

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or Poland by ordinary post at the Shareholder's own risk, up to five (5) Market Days prior to the Closing Date.

Electronic copies of this Offer Document may also be obtained from the website of the ASX at [www.asx.com.au](http://www.asx.com.au). In addition, this Offer Document and the CDI Acceptance Forms may also be obtained from the website of the Company at <http://scigenltd.com/newsroom/>.

- 13.3 Overseas Jurisdiction.** *It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, the Acceptance Forms and/or any related documents; and/or (ii) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including SAC Capital, the Shares Receiving Agent and the CDIs Receiving Agent) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including SAC Capital, the Shares Receiving Agent and the CDIs Receiving Agent) may be required to pay, and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Shareholder pursuant to the Offer and/or any exercise of the compulsory acquisition rights described in **Paragraph 9.2** of the Letter to Shareholders in this Offer Document. In (a) requesting for this Offer Document, the Acceptance Forms and/or any related documents; and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and SAC Capital that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction. All Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdiction.***
- 13.4 Notice.** *The Offeror and SAC Capital each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement on the ASX and if necessary, paid advertisement in a daily newspaper published and circulated in Australia, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."*
- 15.2 Copies of this Circular.** Where there are potential restrictions on sending this Circular and/or any related documents to any overseas jurisdiction, the Company reserves the right not to send this Circular and/or any related documents to such relevant jurisdictions. Copies of this Circular and/or any related document may however be obtained between 8.30 a.m. to 5.00 p.m. (Sydney time) on weekdays and up to the Closing Date from the Company by phoning the information line on 1300 556 161 (within Australia) or +61 3 9415 4351 (outside Australia) to request for this Circular to be sent to an address in Singapore, Australia or Poland by ordinary post at the Shareholder's own risk, up to five (5) Business Days prior to the Closing Date. A copy of this Circular is also available on the ASX announcements platform at [www.asx.com.au](http://www.asx.com.au) and on the Company's website at <http://scigenltd.com/investor-relations/>.

It is the responsibility of any Overseas Shareholder who wishes to request this Circular and/or any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. In requesting for this Circular and/or any related documents the Overseas Shareholder represents and warrants to the Company that he is in full observance of the laws of the

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## LETTER TO SHAREHOLDERS

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relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.

### **16. DIRECTORS' RESPONSIBILITY STATEMENT**

- 16.1 The Directors (including those who have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than in the IFA Letter and the Valuation Summary) are fair and accurate and that there are no other material facts not contained in this Circular, the omission of which would make any statement in this Circular misleading, and they jointly and severally accept responsibility accordingly.
- 16.2 In respect of the IFA Letter and the Valuation Summary, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.
- 16.3 The Recommendation set out in Section 13 of this Circular is the sole responsibility of the Independent Directors.
- 16.4 Where any information has been extracted or reproduced from the Offer Document or from published or publicly available sources (including, without limitation, in respect of the Company), the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

### **17. ADDITIONAL INFORMATION**

The attention of Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully  
For and on behalf of  
SCIGEN LTD

**The Board of Directors**

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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19 July 2018

To: The Independent Directors  
SciGen Ltd  
152 Beach Road  
#26-07/08 Gateway East  
Singapore 189721

Dear Sirs

### **VOLUNTARY CONDITIONAL GENERAL OFFER BY SAC CAPITAL FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES**

#### **1. INTRODUCTION**

On the Pre-Conditional Offer Announcement Date, SAC Capital announced, for and on behalf of the Offeror that, subject to and contingent upon the satisfaction or waiver of the Pre-Conditions, the Offeror intends to make a voluntary conditional general offer (the “**Offer**”) for all the Shares, other than those Shares already owned, controlled, or agreed to be acquired by the Offeror, but including Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror, in accordance with Rule 15 of the Code.

On the Offer Announcement Date, SAC Capital announced, for and on behalf of the Offeror, that all of the Pre-Conditions have been satisfied and accordingly the Offeror’s firm intention to make the Offer, as set out in the Offer Announcement.

In connection with the Offer, the Offeror and the controlling shareholder of SciGen Ltd (“**SciGen**” or the “**Company**”), Bioton, have also entered into an agreement on binding offer on 15 May 2018 (the “**ABO Agreement**”) to set out, *inter alia*, the Bioton Acquisition (as defined herein), the partial extinguishing of the Debt (as defined herein) owing by the Company to Bioton as consideration payable for the Bioton Acquisition, the waiver by Bioton of the Company’s obligation to repay the remaining amount of the Debt and the termination of Profit Sharing Agreements (as defined herein) between Bioton and the Company.

The SIC has confirmed that the Bioton Acquisition does not constitute a special deal under Rule 10 of the Code, provided that the independent financial adviser to the Company publicly states that in its opinion the terms of the Bioton Acquisition are fair and reasonable. The ABO Agreement also provides that the Side Agreements (as defined herein) and the Sublicense Agreement (as defined herein) will only take effect when the independent financial adviser to the Company provides an opinion that the terms of the Side Agreements and the Sublicense Agreement are fair and reasonable.

Crowe Horwath Capital Pte Ltd (“**Crowe Horwath Capital**”) has been appointed as the independent financial adviser to advise the directors of the Company who are regarded as independent for the purpose of the Offer (the “**Independent Directors**”).

This letter sets out, *inter alia*, our evaluation of the financial terms of the Offer, the Bioton Acquisition, the Side Agreements and the Sublicense Agreement and our advice thereon. It will form part of the Circular issued by the Company, containing, *inter alia*, details of the Offer, the Bioton Acquisition and the recommendations of the Independent Directors in respect of the Offer. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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### 2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors in respect of their recommendations to the Shareholders in relation to the Offer and to opine on (i) the Bioton Acquisition as required by SIC in the context of Rule 10 of the Code; and (ii) the Side Agreements and the Sublicense Agreement.

We have confined our evaluation to the financial terms of the Offer and related matters and our terms of reference do not require us to evaluate or comment on the commercial risks and/or commercial merits of the Offer, the Bioton Acquisition, the Side Agreements and the Sublicense Agreement or the future prospects of the Company or the Group and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

We have not been requested, and we do not express any opinion on the relative merits of the Offer, the Bioton Acquisition, the Side Agreements and the Sublicense Agreement as compared to any other alternative transaction. We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares or any assets of the Group.

In the course of formulating our opinion and recommendation, we have held discussions with the Company and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors and the Company's professional advisers. We have relied upon and assumed the accuracy of information provided and have not independently verified such information, whether written or verbal, and accordingly we cannot and do not warrant or make any representation (whether expressed or implied) in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation or assurance. However, we have made reasonable enquiries and exercised our judgment as we deemed necessary on such information and have found no reason to doubt the accuracy or reliability of the information.

We have relied upon the assurances of the Directors (including those who may have delegated supervision of the Circular) that they have taken all reasonable care to ensure that the facts stated and opinions expressed in the Circular are true, complete and accurate in all material aspects. The Directors have confirmed to us, that to the best of their knowledge and belief, all material information relating to the Group, the Offer, the Bioton Acquisition, the Side Agreements and the Sublicense Agreement have been disclosed to us, that such information is true, complete and accurate in all material respects and that there are no other material facts and circumstances the omission of which would make any statement in the Circular inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group and we have not been furnished with any such evaluation or appraisal except for the independent valuations commissioned by the Group in relation to the material assets which are the subject of the Bioton Acquisition, the Side Agreements and the Sublicense Agreement ("**Valuation Summary**"). With respect to such valuation reports, we are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on these valuation reports for such asset appraisal and we have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the Valuation Summary or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements under the Code. A copy of the Valuation Summary is set out in Appendix E of the Circular.

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## **APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD**

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Our opinion as set out in this letter is based upon prevailing market, economic, industry, monetary, regulatory and other conditions, as well as the information available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion on the future financial performance and/or financial position of the Company or the Group and we assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement relevant to their consideration of the Offer, which may be released or published by or on behalf of the Company and/or the Offeror after the Latest Practicable Date.

In rendering our advice, we did not have regard to the specific investment objectives, financial situation, tax position, risk profile or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any Shareholder who may require specific advice in relation to his specific investment objectives or portfolio to consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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

Whilst a copy of this IFA letter may be reproduced in the Circular, neither the Company nor the Independent Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purposes at any time and in any manner, without the prior written consent of Crowe Horwath Capital in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer. The recommendations made to Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors. Our opinion on the Bioton Acquisition is addressed to the Independent Directors for their benefit and in the context of Rule 10 of the Code. Our recommendation to the Independent Directors in relation to the Offer and our opinion on the Bioton Acquisition, the Side Agreements and the Sublicense Agreement should be considered in the context of the entirety of this IFA letter and the Circular.

### **3. THE OFFER**

The Offer Price is US\$0.0507 in cash for each Offer Share.

The Offer Price is final and the Offeror does not intend to increase the Offer Price.

The Offer will be conditional upon the Minimum Acceptance Condition. Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

Further details of the Offer are set out in sections 2 and 3 of the Circular. Shareholders are advised to refer to this section for more details on the Offer.

### **4. INFORMATION ON THE OFFEROR**

Information on the Offeror is set out in section 6 of the Circular.

### **5. OFFEROR'S RATIONALE AND INTENTIONS**

The full text of the rationale for the Offer and the Offeror's intentions for the Company is set out in sections 7 and 8 of the Circular.

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## **APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD**

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### **6. IRREVOCABLE UNDERTAKING AND AGREEMENT ON BINDING OFFER**

Details of the arrangements pursuant to the Irrevocable Undertaking and ABO Agreement can be found in section 10 of the Circular.

### **7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER**

In assessing the financial terms of the Offer, we have considered the following:

- (i) Historical trading performance of the CDIs;
- (ii) Relative CDIs price performance vis-à-vis the performance of the market index;
- (iii) Analysis of selected valuation statistics of broadly comparable companies to the Group;
- (iv) Comparison with successful privatisation and delisting of companies;
- (v) Net asset value (“NAV”) of the Group; and
- (vi) Dividend record of the Company.

These factors are discussed in greater detail in the following sections.

In our analysis, we have used the following information:

- (a) published financial information of the Group and the comparable companies up to the Latest Practicable Date;
- (b) the historical trading prices and volumes of the CDIs and other securities and index mentioned in this section which have been extracted from Bloomberg; and
- (c) announcements and circulars to shareholders in relation to the respective successful privatisation/delisting transactions.

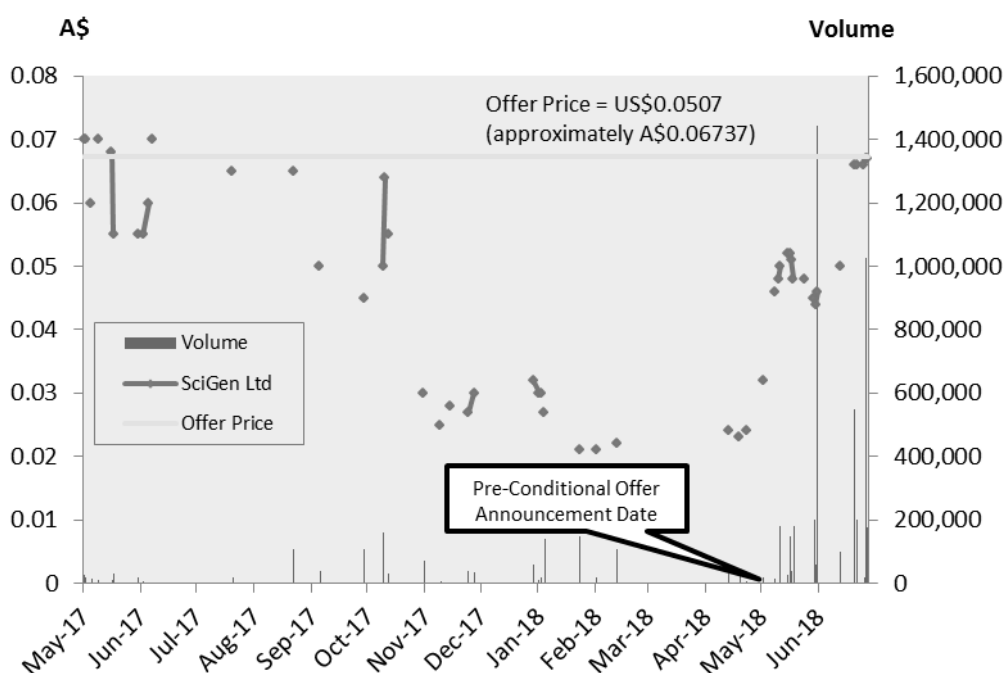
We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. Certain of the figures and computations as set out in this letter have been subject to rounding where necessary.

#### **7.1 Historical trading performance of the CDIs**

##### **(a) CDI price performance and volume**

We set out below the Company’s CDI price and volume chart based on the daily last transacted price of the CDIs and daily volume traded for the 1 year prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

**APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS  
OF SCIGEN LTD**



Source: Bloomberg

Note:

Broken points on the CDI price line indicate days on which there was no trading in the CDIs. The Offer Price is calculated based on the closing exchange rate of A\$1:US\$0.7526 on 14 May 2018, being the last market day prior to the Pre-Conditional Offer Announcement Date.

**(b) Volume-weighted average price per CDI**

The volume-weighted average price per CDI (“VWAP”) at various periods over a duration of 1 year prior to the Pre-Conditional Offer Announcement Date and thereafter are set out below:

	VWAP (A\$)	Premium of Offer Price over VWAP (%)	Highest Price (A\$)	Lowest Price (A\$)	Average Daily Trading Volume	Average Daily Trading Volume as a percentage of Free Float <sup>(1)</sup> (%)
<b><u>Periods prior to Pre-Conditional Offer Announcement Date</u></b>						
Last 1 year	0.039	72.7 <sup>(2)</sup>	0.070	0.021	5,241	0.021
Last 6 months	0.025	169.5 <sup>(2)</sup>	0.032	0.021	5,332	0.022
Last 3 months	0.023	192.9 <sup>(2)</sup>	0.024	0.021	3,187	0.013
Last 1 month	0.024	180.7 <sup>(2)</sup>	0.024	0.023	3,236	0.013
Last traded market day prior to Pre-Conditional Offer Announcement Date	0.024 <sup>(3)</sup>	180.7 <sup>(2)</sup>	0.024	0.024	6,000	0.025

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**APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS  
OF SCIGEN LTD**

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<u>After Conditional Announcement Date</u>	<u>Pre- Offer Announcement Date</u>						
Between Conditional Announcement Date and the Offer Announcement Date	Pre- Offer Announcement Date	0.047	47.4 <sup>(4)</sup>	0.053	0.026	70,911	0.290
Last traded market day prior to the Offer Announcement Date		0.050 <sup>(5)</sup>	38.1 <sup>(4)</sup>	0.050	0.050	100,000	0.408
Between Announcement Date and the Latest Practicable Date	Offer Announcement Date	0.065	4.8 <sup>(6)</sup>	0.067	0.058	281,811	1.151
As at Latest Practicable Date		0.067	2.8 <sup>(6)</sup>	0.067	0.066	175,271	0.718

Source: Bloomberg

Notes:

- (1) The "**Free Float**" refers to the 24,483,585 Shares other than the Shares in which the Offeror and Bioton have interests in, as at the Pre-Conditional Offer Announcement Date.
- (2) The premia have been calculated based on the closing exchange rate of A\$1:US\$0.7526 on 14 May 2018, being the last market day prior to the Pre-Conditional Offer Announcement Date ("**Last Market Day**").
- (3) This refers to the closing price on 7 May 2018, being the last market day on which the CDIs were traded prior and up to the Last Market Day.
- (4) The premia have been calculated based on the closing exchange rate of A\$1:US\$0.7340 on 2 July 2018, being the last market day prior to the Offer Announcement Date.
- (5) This refers to the closing price on 26 June 2018, being the last market day on which the CDIs were traded prior to the Offer Announcement Date.
- (6) The premia have been calculated based on the closing exchange rate of A\$1:US\$0.7366 on the Latest Practicable Date.

We note the following:

- (i) Over the past 1-year period prior to the Pre-Conditional Offer Announcement Date, the CDIs have traded from a low of A\$0.021 to a high of A\$0.070 per CDI. The Offer Price represents a premium of approximately 220.8% and a discount of approximately 3.8% to the lowest and highest transacted price respectively;
- (ii) The Offer Price represents a premium of approximately 72.7%, 169.5%, 192.9%, 180.7% and 180.7% to the corresponding VWAP of the CDIs for the 1-year period, 6-month period, 3-month period, 1-month period and the closing price of the CDIs on the last traded market day prior to the Pre-Conditional Offer Announcement Date respectively;
- (iii) The Offer Price represents a premium of approximately 38.1% to the closing price of the CDIs on the last traded market day prior to the Offer Announcement Date;
- (iv) The CDIs have not traded above the Offer Price since the Pre-Conditional Offer Announcement Date;



## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

- (v) Between the Pre-Conditional Offer Announcement Date and the Latest Practicable Date, the CDIs have traded from a low of A\$0.026 per CDI to a high of A\$0.067 per CDI. The Offer Price is above the closing price of the CDIs as at the Latest Practicable Date; and
- (vi) The CDIs have been thinly traded during the 1-year period prior to the Pre-Conditional Offer Announcement Date with an average daily trading volume of approximately 5,241 CDIs, representing 0.02% of the Free Float.

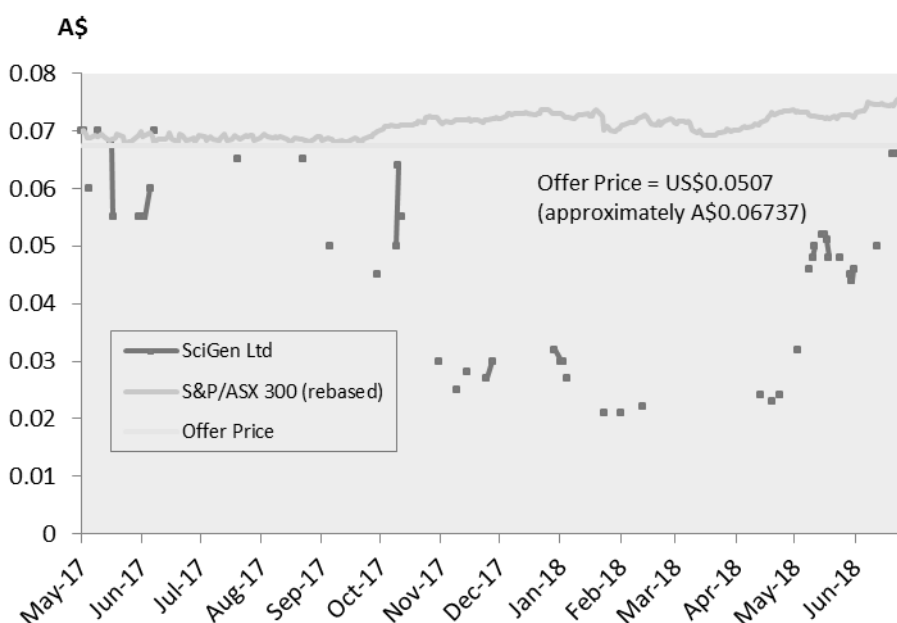
Shareholders should note that given the low liquidity of the CDIs (in terms of number of CDIs traded on daily basis) during the periods observed, the Offer may represent a realistic exit opportunity to realise their entire investment for cash and that the Offer Price is at a significant premium above the market prices of CDIs for periods prior to the Pre-Conditional Offer Announcement Date.

Shareholders should also note that the past trading performance of the CDIs should not be relied upon as an indication of the fair value of the Company's securities or as a guide of its future trading performance.

### 7.2 Relative CDIs price performance *vis-à-vis* the performance of the market index

In assessing the relative performance of the CDIs *vis-à-vis* the equity market in Australia, we have compared the price movements of the CDIs against those of the S&P/ASX 300 index ("**S&P/ASX 300**"), for the 1-year period prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

S&P/ASX 300 is extensively used as a performance benchmark index. The index is highly liquid, float-adjusted and includes up to 300 of Australia's largest securities by float-adjusted market capitalisation. The S&P/ASX 300 index includes the large cap, mid cap and small cap components of the S&P/ASX index family. The index was launched in April 2000.



Source: Bloomberg

Note:

Broken points on the CDI price line indicate days on which there was no trading in the CDIs. The Offer Price is calculated based on the closing exchange rate of A\$1:US\$0.7526 on 14 May 2018, being the Last Market Day.

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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Based on the chart above, we note that the CDIs have generally underperformed the S&P/ASX 300 in relative terms for the 1-year period prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date.

The movements in the closing prices of the CDIs and the S&P/ASX 300 between the Market Day immediately prior to the Pre-Conditional Offer Announcement Date and the Latest Practicable Date are as follows:

	Market Day prior to Pre-Conditional Offer Announcement Date <sup>(1)</sup>	Latest Practicable Date	Percentage Change (%)
SciGen Ltd (A\$)	0.024	0.067	179.2
S&P/ASX 300	6041.22	6169.67	2.1

Source: Bloomberg

Note:

(1) This refers to 7 May 2018, being the last market day on which the CDIs were traded prior and up to the Last Market Day.

Based on the table above, the CDI price has increased by approximately 179.2% from the Market Day prior to the Pre-Conditional Offer Announcement Date up to the Latest Practicable Date. Over the same period, S&P/ASX 300 has increased by approximately 2.1%.

We note that the closing price of the CDIs was A\$0.024 on the last traded market day immediately prior to the Pre-Conditional Offer Announcement Date. On 16 May 2018, being the market day after the Pre-Conditional Offer Announcement Date, the closing price of the CDIs was A\$0.032 with an intra-day high of A\$0.032 and intra-day low of A\$0.026. Subsequently, the CDIs have traded within a range of A\$0.026 to A\$0.067 between the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date.

Based on the above observations, it appears highly likely that the market price of the CDIs as at the Latest Practicable Date is supported by the Offer and may not be maintained at such levels after the close of the Offer.

### 7.3 Analysis of selected valuation statistics of broadly comparable companies to the Group

In the evaluation of the Offer Price, we have considered the range of selected valuation statistics of comparable companies listed in Asia Pacific that are broadly comparable to the Group ("**Selected Comparable Companies**").

Shareholders may wish to note that there may not be any company listed that is directly comparable to the Group in terms of, *inter alia*, market capitalisation, size, diversity of business activities, asset base, geographical spread, customer base, brand loyalty, track record, financial performance, future prospects, operating and financial leverage, liquidity, risk profile, quality of earnings and accounting and such other relevant criteria.

In addition, we also wish to highlight that there may be significant differences between valuations that investors may accord to shares trading on the ASX and other stock exchanges. Such cross border valuation statistics are subjected to differing macroeconomic variables and hence may not be directly comparable to the Group.

As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies. Therefore, any comparison made serves only as an illustrative guide for the Shareholders. The list of Selected Comparable Companies is by no means exhaustive.

## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

Details of the Selected Comparable Companies are set out below:

Company	Stock Exchange	Business Description
Fountain Biopharma Inc	Taiwan	Fountain Biopharma Inc manufactures and markets biopharmaceuticals products.
Immuron Limited	Australia	Immuron Limited operates as a biopharmaceutical company. It focuses on oral immunotherapy utilizing polyclonal antibody products that target the human gut immune system and gut microbiome. Immuron's technology platform is developing and producing an orally stable therapeutic for various immune mediated and inflammatory disorders.
iX Biopharma Ltd	Singapore	iX Biopharma Ltd is a speciality pharmaceutical company. It works primarily on drug delivery and formulation required to reduce the loss of drugs due to hepatic and gastrointestinal metabolism.
Paradigm Biopharmaceuticals Limited	Australia	Paradigm Biopharmaceutical Limited operates as a biopharmaceutical company. It develops PPS drug to treat respiratory diseases such as allergic asthma, allergic rhinitis and chronic obstructive pulmonary.

In our assessment of the Offer Price, we have considered three main valuation measures namely, the price to historical earnings ("P/E") ratio, the enterprise value ("EV") to historical earnings before net interest, tax, depreciation and amortisation ("EBITDA") ("EV/EBITDA") ratio and the price to net asset value ("P/NAV") ratio implied by the Offer Price compared with the Selected Comparable Companies.

The ratios of the Selected Comparable Companies based on their last transacted prices as at the Latest Practicable Date are set out below. Shareholders should note that comparisons between the Group and the Selected Comparable Companies below are affected by differences in their financial periods, accounting policies and valuation composition of the businesses and our analysis has not been adjusted for such differences.

Company	Market Capitalisation (A\$m) <sup>(1)</sup>	P/E (x) <sup>(2)</sup>	EV/EBITDA (x) <sup>(2)</sup>	P/NAV (x) <sup>(2)</sup>
Fountain Biopharma Inc	270.1 <sup>(3)</sup>	Nm <sup>(4)</sup>	Nm <sup>(5)</sup>	1.4
Immuron Limited	47.1	Nm <sup>(4)</sup>	Nm <sup>(5)</sup>	7.2
iX Biopharma Ltd	113.8 <sup>(6)</sup>	Nm <sup>(4)</sup>	Nm <sup>(5)</sup>	3.2
Paradigm Biopharmaceuticals Limited	100.4	Nm <sup>(4)</sup>	Nm <sup>(5)</sup>	7.5
<b>High</b>		<b>Nm</b>	<b>Nm</b>	<b>7.5</b>
<b>Mean</b>		<b>Nm</b>	<b>Nm</b>	<b>4.8</b>
<b>Median</b>		<b>Nm</b>	<b>Nm</b>	<b>5.2</b>
<b>Low</b>		<b>Nm</b>	<b>Nm</b>	<b>1.4</b>
<b>SciGen Ltd (based on Offer Price)</b>	<b>37.2<sup>(7)</sup></b>	<b>15.9<sup>(8)</sup></b>	<b>18.3<sup>(8)</sup></b>	<b>Nm<sup>(8)(9)</sup></b>

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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Sources: Bloomberg, company annual reports and results announcements

Notes:

- (1) Market Capitalisation is calculated based on total number of issued shares for the Selected Comparable Companies and their respective share prices as at the Latest Practicable Date.
- (2) Based on the results of the respective Selected Comparable Companies for the most recent completed financial year.
- (3) Exchange rate of A\$1:TWD22.4528 as at the Latest Practicable Date used in the computation of the market capitalisation.
- (4) Nm = not meaningful because of net losses.
- (5) Nm = not meaningful because of negative EBITDA.
- (6) Exchange rate: A\$1:S\$1.0050 as at the Latest Practicable Date used in the computation of the market capitalisation.
- (7) Exchange rate: A\$1:US\$0.7526 as at 14 May 2018, being the last market day prior to the Pre-Conditional Announcement Date.
- (8) Based on the audited financial statements of the Group for the financial year ended 31 December 2017.
- (9) Nm = not meaningful because of net liabilities position as at 31 December 2017.

Based on the above analysis, we note the following:

- (i) SciGen Ltd is profitable while the Selected Comparable Companies are loss-making; and
- (ii) It would not be meaningful to assess the P/NAV ratio of SciGen Ltd as at 31 December 2017 as the Group was in a net liabilities position.

### 7.4 Comparison with successful privatisation and delisting of companies

We note that it is the intention of the Offeror to delist the Company from the ASX. In assessing the reasonableness of the Offer Price, we have compared the financial terms of the Offer with (i) those of selected recent successful privatisation of companies announced and completed in the last one year prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date, which were carried out by way of general takeover offers under the Code, where the intention of the offeror was to delist the target company ("**Successful Singapore Privatisation Transactions**"); and (ii) those of selected recent delisting of companies listed on ASX which were completed in the last six months prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date, which were carried out either by way of takeover offers or scheme of arrangement ("**Successful ASX Delisting Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offerors have paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations.

We wish to highlight that the list of companies set out under the lists of Successful Singapore Privatisation Transactions and Successful ASX Delisting Transactions may not be directly comparable to the Group in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, future prospects and other relevant criteria. Each of the Successful Singapore Privatisation Transactions and Successful ASX Delisting Transactions must be judged on its own commercial and financial merits. The premium that any offeror is prepared to pay depends on various factors such as the potential synergy that the offeror can gain from its investment in the target company, the presence of competing bids for the target company, prevailing market conditions, attractiveness and profile of the target company's underlying business and assets, size of consideration, existing level of control in the target company, general economic and business risks. Therefore, any comparison of the Offer with the Successful Singapore Privatisation Transactions and Successful ASX Delisting Transactions is for illustration purposes only. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation of the Group.

## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

### 7.4.1 Successful Singapore Privatisation Transactions

Details of the Successful Singapore Privatisation Transactions are set out below.

Company	Date announced	Premium over / (Discount to) last transacted price prior to announcement (%)	Premium over / (Discount to) 1 month VWAP prior to announcement (%)	Premium over / (Discount to) 3 month VWAP prior to announcement (%)	P/NAV (times)
Changtian Plastic & Chemical Limited	29 May 17	45.3	46.6	48.2	0.4
China Flexible Holdings Limited	19 June 17	23.2	24.3	28.2	0.6
CWT Limited	9 July 17	5.9	6.4	14.8	1.5
GP Batteries International Limited	22 Sept 17	62.5	62.9	62.7	0.9
Poh Tiong Choon Logistics Limited	20 Oct 17	1.6	30.1	41.3	3.1
Cogent Holdings Limited	3 Nov 17	5.2	6.2	12.7	3.6
CWG International Ltd.	28 Dec 17	27.5	29.5	29.2	0.7
<b>High</b>		<b>62.5</b>	<b>62.9</b>	<b>62.7</b>	<b>3.6</b>
<b>Mean</b>		<b>24.5</b>	<b>29.4</b>	<b>33.9</b>	<b>1.5</b>
<b>Median</b>		<b>23.2</b>	<b>29.5</b>	<b>29.2</b>	<b>0.8</b>
<b>Low</b>		<b>1.6</b>	<b>6.2</b>	<b>12.7</b>	<b>0.4</b>
<b>SciGen Ltd (implied by Offer Price)</b>	<b>15 May 18</b>	<b>180.7</b>	<b>180.7</b>	<b>192.9</b>	<b>Nm<sup>(1)</sup></b>

Sources: Bloomberg, announcements and circulars to shareholders in relation to the respective transactions.

Note:

(1) Nm = not meaningful because of net liabilities position as at 31 December 2017.

We note the following:

- (i) The premium of approximately 180.7% as implied by the Offer Price to the last transacted price of the CDIs prior to the Pre-Conditional Offer Announcement Date is above the corresponding range in the Successful Singapore Privatisation Transactions;
- (ii) The premium of approximately 180.7% as implied by the Offer Price over the 1-month VWAP of the CDIs prior to the Pre-Conditional Offer Announcement Date is above the corresponding range in the Successful Singapore Privatisation Transactions;
- (iii) The premium of approximately 192.9% as implied by the Offer Price over the 3-month VWAP of the CDIs prior to the Pre-Conditional Offer Announcement Date is above the corresponding range in the Successful Singapore Privatisation Transactions; and
- (iv) It would not be meaningful to assess the P/NAV ratio of SciGen based on the financial year ended 31 December 2017 as implied by the Offer Price as the Group was in a net liabilities position.

## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

### 7.4.2 Successful ASX Delisting Transactions

Details of the Successful ASX Delisting Transactions are set out below.

Company	Delisting Date	Premium over / (Discount to) last transacted price prior to announcement (%)	Premium over / (Discount to) 1 month VWAP prior to announcement (%)	Premium over / (Discount to) 3 month VWAP prior to announcement (%)
Aphrodite Gold Limited	8 Jan 18	87.1	169.8	142.6
Automotive Solutions Group Ltd	22 Jan 18	45.8	59.1	40.0
Queensland Mining Corporation Limited	8 Feb 18	36.0	82.8	49.1
Aconex Limited	3 Apr 18	47.4	50.4	64.4
Trilogy International Limited	13 Apr 18	27.8	21.4	28.1
Altona Mining Limited	19 Apr 18	35.0	27.0	28.0
Billabong International Limited	26 Apr 18	28.2	69.0	52.0
AWE Limited	8 May 18	74.3	74.0	86.6
Primary Gold Limited	8 May 18	47.4	35.4	21.7
Lifehealthcare Group Limited	28 May 18	46.0	44.0	42.0
Tox Free Solutions Limited	29 May 18	27.5	28.0	32.8
Mantra Group Limited	1 Jun 18	22.6	29.2	33.1
Bulletproof Group Limited	7 Jun 18	127.0	120.0	94.0
Enice Holding Company Limited	8 Jun 18	91.3	114.6	72.6
RHS Limited	15 Jun 18	100.0	111.0	108.0
Viralytics Limited	21 Jun 18	168.3	141.4	156.1
<b>High</b>		<b>168.3</b>	<b>169.8</b>	<b>156.1</b>
<b>Mean</b>		<b>63.2</b>	<b>73.6</b>	<b>65.7</b>
<b>Median</b>		<b>46.7</b>	<b>64.0</b>	<b>50.6</b>
<b>Low</b>		<b>22.6</b>	<b>21.4</b>	<b>21.7</b>
<b>SciGen Ltd (implied by Offer Price)</b>		<b>180.7</b>	<b>180.7</b>	<b>192.9</b>

Sources: ASX website, Bloomberg, announcements and circulars to shareholders in relation to the respective transactions.

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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We note the following:

- (i) The premium of approximately 180.7% as implied by the Offer Price to the last transacted price of the CDIs prior to the Pre-Conditional Offer Announcement Date is above the corresponding range in the Successful ASX Delisting Transactions;
- (ii) The premium of approximately 180.7% as implied by the Offer Price over the 1-month VWAP of the CDIs prior to the Pre-Conditional Offer Announcement Date is above the corresponding range in the Successful ASX Delisting Transactions; and
- (iii) The premium of approximately 192.9% as implied by the Offer Price over the 3-month VWAP of the CDIs prior to the Pre-Conditional Offer Announcement Date is above the corresponding range in the Successful ASX Delisting Transactions.

### 7.5 NAV of the Group

Based on the audited consolidated balance sheet of the Group as at 31 December 2017, we note that the Group had cash and cash equivalents of US\$6.6 million and loans and borrowings of US\$63.6 million. The Group was in a net liabilities position of US\$53.3 million as at 31 December 2017.

The Directors have confirmed that to the best of their knowledge and belief, (i) they are not aware of any circumstances which may cause the NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the audited balance sheet of the Group as at 31 December 2017; (ii) there have been no material disposals or acquisitions of assets by the Group since 31 December 2017 and up to the Latest Practicable Date; and (iii) there are no contingent liabilities or bad or doubtful debts which are likely to have a material impact on the audited NAV of the Group as at 31 December 2017.

The computation set out in this section is for illustrative purposes only and does not imply that the assets can be disposed at the value indicated in the audited consolidated balance sheet of the Group as at 31 December 2017 nor does it imply that after payment of all liabilities and obligations, the net amount (if any) will be realisable or distributable to the Shareholders as it is dependent on, amongst others, the prevailing regulations, market and economic conditions.

### 7.6 Dividend record of the Company

For the purpose of assessing the Offer Price, we have considered the dividend track record of the Company against the potential returns which a Shareholder may potentially obtain by reinvesting the proceeds from the Offer in A\$ term deposits in Australian banks.

We wish to highlight that the Company has not paid any dividend in the last 5 financial years.

#### Deposits with local commercial banks in Australia

For illustration purposes only, Shareholders who accept the Offer and choose to reinvest their Offer proceeds in a 12-month A\$ term deposit account with a local commercial bank in Australia can expect to receive interest rate of 2.30% per annum for deposits between A\$5,000 to A\$99,999 with ANZ, 2.20% per annum for deposits between A\$10,000 to A\$49,999 with Commonwealth Bank and 1.90% per annum for deposits between A\$5,000 to A\$250,000 with Westpac (Source: Official website of the respective banks) as at the Latest Practicable Date.

As there was no dividend payout by the Company for FY2017, Shareholders would have increased their investment income if they had monetised their investment in the Shares and deposited the Offer proceeds as term deposits with the local commercial banks in Australia.

There is no assurance that the historical dividend practice of the Company will continue in the future and/or will be maintained at the same level. The analysis above only serves as an illustrative guide to Shareholders and is not an indication of the Company's future dividend



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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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policy. The actual dividend yield would depend on each Shareholder's cost of investment in the Shares.

Shareholders should also note that an equity investment provides a fundamentally different risk-return profile compared to that of a term deposit account with a local commercial bank in Australia.

### 8. OTHER CONSIDERATIONS IN RELATION TO THE OFFER

#### 8.1 Rationale for the Offer

The full text of the rationale for the Offer is set out in section 7 of the Circular and we would recommend Independent Directors to advise Shareholders to read this section carefully.

We note that:

- (a) The Offeror sees potential for continued growth in the various businesses and the subsidiaries of the Company, taking into account the geographical footprint of the Company's assets and its development; and
- (b) The Offeror is of the view that the businesses of the Company and the Offeror are complementary and there are potential synergies that can be created, including cross-selling to an enlarged customer base, economies of scale, improvement of productivity and cost efficiency, as well as sharing of domain knowledge such as know-hows and best practices.

#### 8.2 Financial performance and outlook of the Group

We set out below a summary of selected key financial statistics of the Group as extracted from the audited consolidated profit and loss statements/balance sheets for FY2013 to FY2017. The following summary should be read together with the annual reports of the Group for FY2013 to FY2017 respectively.

##### (a) Summary of profit and loss statements

US\$'000	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	20,790	23,605	23,527	29,138	40,395
Net Profit	1,530	1,620	1,268	2,056	1,763
Net profit margin (%)	7.4	6.9	5.4	7.1	4.4

Source: Company annual reports

Based on the table above, we note that the net profit margin of the Group (on a full year basis) is currently at its lowest in the past 5 financial years at 4.4% for FY2017.

##### (b) Summary of balance sheets

US\$'000	As at 31 Dec 2013	As at 31 Dec 2014	As at 31 Dec 2015	As at 31 Dec 2016	As at 31 Dec 2017
Net current (liabilities)/assets	(6,678)	15,823	18,637	9,494	12,641
Shareholders' equity	(55,421)	(58,579)	(57,387)	(55,769)	(53,285)
Loans and borrowings	76,144	74,527	74,527	64,580	63,637
Cash and Cash equivalents	1,665	2,759	3,579	4,581	6,548

Source: Company annual reports



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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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Based on the table above, we note that the Group has been in a net liabilities position for the past 5 financial years.

### 8.3 Future plans for the Company

We note from section 9.1 of the Offer Document that the Offeror has set out its intentions in relation to the Company, pertinent parts of which is reproduced in italics below:

*“Upon completion of the Offer, the Offeror may undertake a strategic and operational review of the Company and its subsidiaries with a view of realising synergies, scale, cost efficiencies and growth potential.*

*The Offeror presently has no intention to (i) introduce any major changes to the business of the Company, (ii) discontinue the employment of any of the existing employees of the Company and its subsidiaries or (iii) re-deploy any of the fixed assets of the Company, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider options and opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.”*

### 8.4 Final Offer Price

We note that the Offer Price is final and the Offeror does not intend to increase the Offer Price.

### 8.5 Condition to the Offer

The Offer is conditional upon the Minimum Acceptance Condition. Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

We note that Bioton has provided the Irrevocable Undertaking to the Offeror to tender its Shares (representing approximately 95.57% of the total number of Shares) in acceptance of the Offer.

Accordingly, after such acceptance by Bioton in respect of more than 90% of the total number of Shares, the Offer will become and be declared to be unconditional in all respects.

### 8.6 Alternative Offer

As at the Latest Practicable Date, there is no publicly available evidence of any alternative offer for the Shares.

Shareholders should note that under the terms of the Irrevocable Undertaking, Bioton has undertaken, represented and warranted to the Offeror, amongst other things, not to accept any Competing Offer, whether or not such Competing Offer or other offer is at a higher price than the Offer Price and/or on more favourable terms than under the Offer.

### 8.7 Listing Status and Compulsory Acquisition for Shareholders

The Offeror has stated that when entitled, it intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act on the same terms as those under the Offer. The Offeror has also stated that it intends to make an application to delist the Company from the ASX in accordance with ASX Listing Rule 17.14, if the Offeror is entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act. It is expected that the ASX will, after reviewing the request for delisting, advise on the date on which the Company will be removed from the official list of the ASX, and any conditions that are required to be met in order for delisting of the Company to occur.

It should be noted that Dissenting Shareholders would have a corresponding right, under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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at the Offer Price by serving notice requiring the Offeror to do so, in the event that the Shares acquired by the Offeror pursuant to the Offer, together with any other Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of shares in the Company. Dissenting Shareholders who decide to exercise their rights under Section 215(3) of the Companies Act are advised to seek independent legal advice.

We note that Bioton has provided the Irrevocable Undertaking to the Offeror to tender its Shares (representing approximately 95.57% of the total number of Shares) in acceptance of the Offer. Accordingly, after such acceptance by Bioton in respect of more than 90% of the total number of Shares, the Offeror would be in a position to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and Dissenting Shareholders would be in a position to require the Offeror to acquire their Shares under Section 215(3) of the Companies Act.

### 9. EVALUATION OF THE BIOTON ACQUISITION, THE SIDE AGREEMENTS AND THE SUBLICENSE AGREEMENT

Bioton had provided SciGen with debt financing pursuant to a loan agreement dated 21 October 2014 (the "**Loan Agreement**") and the total outstanding amount (both principal and interests) as at 30 April 2018 is US\$76,993,398.25 (the "**Debt**"). The loan is to be repaid on 31 December 2020.

In connection with the Offer, on 15 May 2018, Bioton and the Offeror executed the ABO Agreement pursuant to which, *inter alia*, they established the terms and conditions in relation to the sale and purchase of shares in SciGen.

Pursuant to the ABO Agreement, the Company and Bioton, on 15 May 2018, entered into a series of agreements as follows:

- (a) the Company's novation of its rights, interests, duties, obligations and liabilities under an existing licence agreement and technology transfer agreement to Bioton (the licence held by the Company under such agreements, the "**Licence**") pursuant to a Conditional Transfer of Market Access Agreements ("**Transfer Agreement**");
- (b) Bioton's acquisition of certain intellectual property rights (including certain trademarks currently owned by the Company) from the Company, pursuant to the Conditional Agreement on Transfer of Protection Rights to Trademarks ("**Trademarks Agreement**");
- (c) a Conditional Profit Sharing Agreements Termination Agreement ("**Termination Agreement**");
- (d) The grant of a sublicense by the Company to Bioton in respect of the Licence ("**Sublicense Agreement**"), pursuant to a Conditional *Datio In Solutum* Agreement; and
- (e) a Conditional Debt Release Agreement,

(paragraphs (a), (b) and the Sublicense Agreement collectively, the "**Bioton Acquisition**").

The Side Agreements refers to the Transfer Agreement, Trademarks Agreement, Termination Agreement and Conditional *Datio In Solutum* Agreement.

#### 9.1 Transfer Agreement

Ferring International Center S.A. ("**Ferring**"), Bio-Technology General (Israel) Ltd ("**BTGIL**") and SciGen are parties to a Ferring Agreement dated 1 April 2002. Under the Ferring Agreement, SciGen is entitled to distribute recombinant human insulin in different forms, under the Scilin trademarks in certain territories.

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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Ferring and SciGen are also parties to a Technology Transfer Agreement effective as of 5 May 2003.

Pursuant to the Transfer Agreement, SciGen will transfer to Bioton and Bioton will accept the transfer of the Ferring Agreement and the Technology Transfer Agreement (the “**Transfers**”). Ferring and BTGIL have consented to the Transfer Agreement.

SciGen and Bioton agree that the rights transferred pursuant to the Transfer Agreement have a material economic value, and that the Transfers are made for a consideration of US\$11.7 million (“**Transfers Consideration**”) and that SciGen’s performance hereof is made in order to release SciGen from a portion of the Debt.

Based on the Valuation Summary set out in Appendix E of the Circular, the market value of the Transfers as at 31 March 2018 is US\$10.0 million.

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Such value represents an estimate based on the economic theory of equilibrium price for an asset in a perfect market.

The Transfers Consideration represents a premium of 17.0% to the market value of the Transfers.

In view of the above, we are of the view that the terms of the Transfer Agreement are fair and reasonable.

### 9.2 Trademarks Agreement

SciGen is entitled to protection rights to certain trademarks, registered or pending registration in relevant trademark registers (the “**Trademarks**”).

Pursuant to the Trademarks Agreement, SciGen agrees to transfer to Bioton, and Bioton agrees to acquire from SciGen, (i) the protection rights to the Trademarks, for all classes for which they have been registered, and (ii) copyrights, together with the rights to exercise and allow the exercise derivative rights, to the graphical representation of the Trademarks (the “**Works**”).

The parties agree that the consideration for the transfer of protection rights to the Trademarks along with the copyrights to the Works in accordance with the terms of the Trademarks Agreement is US\$100,000 (“**Trademarks Consideration**”) and that SciGen’s performance hereof is made in order to release SciGen from a portion of the Debt.

Based on the Valuation Summary set out in Appendix E of the Circular, the transfer of protection rights to the Trademarks together with the copyrights to the Works do not have significant value.

In view of the above, we are of the view that the terms of the Trademarks Agreement are fair and reasonable.

### 9.3 Termination Agreement

SciGen currently operates as a distributor of Bioton in the countries of the Far East.

Both parties have previously executed (i) the license and profit sharing agreement dated 29 December 2011, and (ii) the profit share agreement dated 3 January 2016 as amended by the first amendment dated 2 January 2017 concerning China and Vietnam markets (collectively the “**Profit Sharing Agreements**”).

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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Pursuant to the Termination Agreement, SciGen and Bioton jointly agree to the termination of the Profit Sharing Agreements. Both parties confirm that as at 15 May 2018, (i) there are no outstanding amounts to be settled, resulting from the Profit Sharing Agreements, and (ii) there are no other claims against each other resulting from non-performance or improper performance of the Profit Sharing Agreements.

The parties agree that the Profit Sharing Agreements have a material economic value and that the termination of the Profit Sharing Agreements is made for a consideration of US\$18.1 million ("**Termination Consideration**") and that SciGen's performance hereof is made in order to release SciGen from a portion of the Debt.

Based on the Valuation Summary set out in Appendix E of the Circular, the market value of the Profit Sharing Agreements as at 31 March 2018 is US\$18.0 million.

The Termination Consideration represents a premium of 0.6% to the market value of the Profit Sharing Agreements.

In view of the above, we are of the view that the terms of the Termination Agreement are fair and reasonable.

### 9.4 Conditional *Datio In Solutum* Agreement and the Sublicense Agreement

On 15 May 2018, a Conditional *Datio In Solutum* Agreement was executed by and between Bioton and SciGen where Bioton agrees that SciGen will release itself from a portion of debt resulting from the Loan, in the amount of US\$29.9 million based on the value of (i) the rights under the Ferring Agreement and the Technology Transfer Agreement transferred pursuant to the Transfer Agreement, (ii) the trademarks transferred pursuant to the Trademarks Agreement and (iii) the Profit Sharing Agreement (collectively the "**SciGen's Assets**").

In addition, for the period commencing on the date of the close of the Offer until such time when the conditions precedent in the Conditional *Datio In Solutum* Agreement are satisfied, SciGen will grant Bioton an exclusive right to manufacture, use, promote, market, sell and distribute recombinant human insulin under the Scilin trademarks (the "**Product**"), including also the exclusive right to use and practice the know-how and process in certain territories, and to use, promote, market, sell and distribute the Product under the trademarks listed in the Trademarks Agreement, with the right to sublicense of the Licence (the "**Sublicence**").

We note that (a) the consideration of the SciGen's Assets of US\$29.9 million to offset a portion of the Debt is within the range of market value of the SciGen's Assets based on the Valuation Summary and represents a premium of 6.8% to the market value of US\$28.0 million, and (b) the grant of the Sublicence will be following the close of the Offer where Bioton have provided an Irrevocable Undertaking to tender its Shares (representing approximately 95.57% of the total number of Shares) in acceptance of the Offer.

In view of the above, we are of the view that the terms of the Conditional *Datio In Solutum* Agreement and the Sublicense Agreement, are fair and reasonable.

### 9.5 Conditional Debt Release Agreement

Taking into account the amount of US\$29.9 million conditionally settled between SciGen and Bioton by way of the *Datio In Solutum* Agreement, the outstanding amount of debt as at 30 April 2018 resulting from the Loan Agreement is equal to US\$47,093,398.25 ("**Remaining Portion of Debt**").

We note that in connection with the Offer and Bioton Acquisition, Bioton has agreed to release SciGen from the Remaining Portion of Debt and SciGen has agreed to accept the release pursuant to the Conditional Debt Release Agreement.

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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### 10. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER AND OUR OPINION ON THE BIOTON ACQUISITION, THE SIDE AGREEMENTS AND THE SUBLICENSE AGREEMENT

In arriving at our advice in respect of the Offer, we have taken into account, *inter alia*, the following key considerations summarised below. This summary should be read in conjunction with, and in the context of, the full text of this letter.

#### (a) Historical trading performance of the CDIs

Over the past 1-year period prior to the Pre-Conditional Offer Announcement Date, the CDIs have traded from a low of A\$0.021 to a high of A\$0.070 per CDI. The Offer Price represents a premium of approximately 220.8% and a discount of approximately 3.8% to the lowest and highest transacted price respectively.

The Offer Price represents a premium of approximately 72.7%, 169.5%, 192.9%, 180.7% and 180.7% to the corresponding VWAP of the CDIs for the 1-year period, 6-month period, 3-month period, 1-month period and the closing price of the CDIs on the last traded market day prior to the Pre-Conditional Offer Announcement Date respectively.

The Offer Price represents a premium of approximately 38.1% to the closing price of the CDIs on the last traded market day prior to the Offer Announcement Date.

The CDIs have not traded above the Offer Price since the Pre-Conditional Offer Announcement Date.

The CDIs have been thinly traded during the 1-year period prior to the Pre-Conditional Offer Announcement Date with an average daily trading volume of approximately 5,241 CDIs, representing 0.02% of the Free Float.

#### (b) Relative CDIs price performance vis-à-vis the performance of the market index

The CDIs have generally underperformed the S&P/ASX 300 in relative terms for the 1-year period prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date.

#### (c) Analysis of selected valuation statistics of broadly comparable companies to the Group

SciGen Ltd is profitable while the Selected Comparable Companies are loss-making.

It would not be meaningful to assess the P/NAV ratio of SciGen Ltd as at 31 December 2017 as the Group was in a net liabilities position.

#### (d) Comparison with successful privatisation and delisting of companies

The premiums of approximately 180.7%, 180.7% and 192.9% as implied by the Offer Price to the last transacted price, 1-month VWAP and 3-month VWAP of the CDIs prior to the Pre-Conditional Offer Announcement Date are above the corresponding ranges of premiums in the Successful Singapore Privatisation Transactions and Successful ASX Delisting Transactions.

#### (e) NAV of the Group

The Group was in a net liabilities position of US\$53.3 million as at 31 December 2017.

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## APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF SCIGEN LTD

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(f) **Dividend record of the Company**

The Company has not paid any dividend in the last 5 financial years.

(g) **Other relevant considerations**

The net profit margin of the Group (on a full year basis) is currently at its lowest in the past 5 financial years at 4.4% for FY2017 and the Group has been in a net liabilities position for the past 5 financial years.

The Offer Price is final and the Offeror does not intend to increase the Offer Price.

As at the Latest Practicable Date, there is no alternative or competing offer made for the Shares that is available to Shareholders. Under the terms of the Irrevocable Undertaking, Bioton has undertaken, represented and warranted to the Offeror, amongst other things, not to accept any Competing Offer, whether or not such Competing Offer or other offer is at a higher price than the Offer Price and/or on more favourable terms than under the Offer.

The Offeror has stated that it intends to make an application to delist the Company from the ASX in accordance with ASX Listing Rule 17.14, if the Offeror is entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to increase the Offer Price.

Bioton has provided the Irrevocable Undertaking to the Offeror to tender its Shares (representing approximately 95.57% of the total number of Shares) in acceptance of the Offer. Accordingly, after such acceptance by Bioton in respect of more than 90% of the total number of Shares, the Offeror would be in a position to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and Dissenting Shareholders would be in a position to require the Offeror to acquire their Shares under Section 215(3) of the Companies Act.

**Having carefully considered the information available as at the Latest Practicable Date and based on our assessment of the financial terms of the Offer, we are of the opinion that, on balance, the financial terms of the Offer are fair and reasonable.**

**Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting related expenses).**

**Based on our evaluation of the terms of the Bioton Acquisition, Side Agreements, Sublicense Agreement and the information available to us as at the Latest Practicable Date, we are of the opinion that, (i) the terms of the Bioton Acquisition are fair and reasonable in the context of Rule 10 of the Code; and (ii) the terms of the Side Agreements and Sublicense Agreement are fair and reasonable.**

The Independent Directors should note that trading of the Shares is subject to, *inter alia*, the performance and prospects of the Group, prevailing market conditions, economic outlook and stock market conditions and sentiments. Accordingly, our opinion does not and cannot take into account future trading activities, patterns or price levels that may be established beyond the Latest Practicable Date.

The Independent Directors should advise the Shareholders that the opinion and advice of Crowe Horwath Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

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**APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS  
OF SCIGEN LTD**

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This letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and there is no implication with regard to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore and any re-enactment thereof shall not apply.

Yours faithfully  
For and on behalf of  
**Crowe Horwath Capital Pte Ltd**

CLEMENT LEOW  
CHIEF EXECUTIVE OFFICER  
HEAD OF CORPORATE FINANCE

CHAN TZUN  
DIRECTOR  
CORPORATE FINANCE

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## APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

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### 1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
Marek Dziki	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Chairman and Chief Executive Officer
Adam Tomasz Polonek	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Executive Director and Chief Financial Officer
Lim Lean Guat	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Executive Director and Group Financial Controller
Ju Bo Liu	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Non-Executive Director
Kenneth Gross	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Non-Executive Director
Vaidyanathan Viswanath	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Non-Executive Director

### 2. PRINCIPAL ACTIVITIES

The Company is incorporated in the Republic of Singapore with its principal place of business and registered office at 152 Beach Road, #26-07/08 Gateway East, Singapore 189721. Based on publicly available information, the Company was incorporated under the laws of Singapore on 25 November 1998 and has been listed on the ASX since 15 November 2002. The Company is a biopharmaceutical company manufacturing and marketing high quality biosimilar therapeutic products and other healthcare products. The Company focuses on the areas of endocrinology, paediatrics, neurology and oncology care. Its core product portfolio consists of biosimilar products, notably, recombinant human insulin and recombinant human growth hormone which have undergone substantial clinical development. The Company has built a diversified portfolio in recent years, comprising neurology, oncology care products, paediatric supplements, orthopaedic injection therapy and a range of medical devices.

### 3. SHARE CAPITAL

#### 3.1 Issued Shares

As at the Latest Practicable Date, the Company has an issued and fully paid-up share capital of S\$65,220,223 divided into 552,270,320 Shares. As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2017, being the end of



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## **APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY**

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the last financial year of the Company. As at the Latest Practicable Date, the Company has no treasury shares.

The Shares carry equal ranking rights to dividends, voting at general meetings and return of capital.

There is no restriction in the Constitution on the right to transfer any Shares, which has the effect of requiring the holders of Offer Shares, before transferring them, to offer them for purchase to members of the Company or to any other person.

### **3.2 Convertible securities**

As at the Latest Practicable Date, the Company has no outstanding instruments convertible into, rights to subscribe for and options or derivatives in respect of, the Shares or securities carrying voting rights in the Company.

### **3.3 Rights in respect of capital, voting rights and dividends**

The rights of Shareholders in respect of capital, voting rights and dividends are contained in the Constitution. For ease of reference, selected texts of the Constitution relating to the rights of Shareholders in respect of capital, voting rights and dividends have been reproduced in **Appendix C** to this Circular.

## **4. DISCLOSURE OF INTERESTS**

### **4.1 Interests of the Company in Offeror Securities**

As at the Latest Practicable Date, neither the Company nor its subsidiaries has any direct or indirect interests in any Offeror Securities.

### **4.2 Dealings in Offeror Securities by the Company**

Neither the Company nor its subsidiaries has dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

### **4.3 Interests of Directors in Offeror Securities**

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any Offeror Securities.

### **4.4 Dealings in Offeror Securities by Directors**

None of the Directors has dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

### **4.5 Interests of Directors in Company Securities**

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any Company Securities.

### **4.6 Dealings in Company Securities by Directors**

None of the Directors has dealt in any Company Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

### **4.7 Interests of the IFA in Company Securities**

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## **APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY**

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As at the Latest Practicable Date, none of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, owns or controls any Company Securities.

### **4.8 Dealings in Company Securities by the IFA**

None of the IFA, its related corporations or any of the funds whose investments are managed by the IFA or its related corporations on a discretionary basis, has dealt for value in Shares or any Company Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

### **4.9 Directors' intentions in respect of the Offer**

As at the Latest Practicable Date, none of the Directors hold Offer Shares.

## **5. ARRANGEMENTS WITH DIRECTORS**

### **5.1 Directors' service contracts**

As at the Latest Practicable Date, there are no service contracts between any Director or proposed director with the Group which have more than 12 months to run and which cannot be terminated by the Group within the next 12 months without paying any compensation and there are no such service contracts entered into or amended between any Director or proposed director with the Group during the period commencing six (6) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

### **5.2 Arrangements affecting Directors**

As at the Latest Practicable Date:

- (a) there are no payments or other benefits to be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Resigning Directors, who the Company understands pursuant to the ABO Agreement will be resigning as directors with effect from the close of the Offer, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) there are no material contracts entered into by the Offeror in which any of the Directors has a material personal interest, whether direct or indirect.

## **6. MATERIAL CONTRACTS**

Save for the agreements entered into pursuant to the ABO Agreement as set out below, neither the Company nor any of its subsidiaries has entered into any material contracts with interested persons<sup>1</sup> (other than those entered into in the ordinary course of business) during

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<sup>1</sup> As defined in the Note to Rule 24.6 read with the Note on Rule 23.12 of the Code, an interested person is:-

- (a) a director, chief executive officer, or substantial shareholder of the Company;
- (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

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## APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

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the period commencing three (3) years before the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date:

- (a) **PSA Termination Agreement.** The Company entered into a conditional profit sharing agreements termination agreement with Bioton on 15 May 2018 (“**PSA Termination Agreement**”). Under the PSA Termination Agreement:
- (i) the Company and Bioton agree to terminate the following agreements (1) the license and profit sharing agreement dated 29 December 2011 entered into between the Company and Bioton and (2) the profit share agreement dated 3 January 2016 as amended by the first amendment dated 2 January 2017 concerning China and Vietnam markets entered into between the Company and Bioton (“**Profit Sharing Agreements**”); and
  - (ii) the termination of the Profit Sharing Agreements is made for a consideration of US\$18,100,000.00.
- (b) **Trademark Transfer Agreement.** The Company entered into a conditional agreement on transfer of protection rights to trademarks with Bioton on 15 May 2018 (“**Trademark Transfer Agreement**”). Under the Trademark Transfer Agreement:
- (i) the Company will transfer to Bioton certain trademarks; and
  - (ii) the transfer is made for a consideration of US\$100,000.00.
- (c) **Transfer of Market Access Agreement.** The Company entered into a conditional transfer of market access agreements with Bioton on 15 May 2018 (“**Transfer of Market Access Agreement**”). Under the Transfer of Market Access Agreement:
- (i) the Company will transfer to Bioton the Company’s rights relating to the distribution of recombinant human insulin under the SciLin trademarks under certain existing licensing and technology transfer agreements (the licence held by the Company under such agreements, the “**Licence**”) which the Company has entered into with certain third parties (who have provided their consent to the Transfer of Market Access Agreement); and
  - (ii) the transfer is made for a consideration of US\$11,700,000.00.
- (d) **Datio In Solutum Agreement.** The Company entered into a conditional *datio in solutum agreement* with Bioton on 15 May 2018 (“**Datio In Solutum Agreement**”). Under the Datio In Solutum Agreement:
- (i) Bioton will release the Company from a portion of the Shareholder’s Loan in respect of the amount of US\$29,900,000.00 (“**Conditional Release Amount**”) (being the total value of the PSA Termination Agreement, the Trademark Transfer Agreement and the Transfer of Market Access Agreement); and
  - (ii) the Company will grant an exclusive sublicense to Bioton in respect of the Licence for the period commencing from the date of the close of the Offer until such time when the conditions precedent in the Datio In Solutum Agreement are satisfied.
- (e) **Debt Release Agreement.** The Company entered into a conditional debt release agreement with Bioton on 15 May 2018 (“**Debt Release Agreement**”). Under the Debt Release Agreement, in connection with the Offer, Bioton will release the Company in respect of the portion of the Shareholder’s Loan which remains outstanding after deducting the Conditional Release Amount.
- (f) **Amending Annex.** The Company entered into a conditional amending annex with Bioton on 15 May 2018 (“**Amending Annex**”). Under the Amending Annex, in connection with the Offer and Bioton Acquisition, the Company and Bioton agree to

## APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

amend an existing supply agreement entered into between them on 29 October 2001 (which was further amended by them three times) in relation to the supply of certain recombinant human insulin products by Bioton to the Company, by making changes to, *inter alia*, the agreement on the price, purchase orders and delivery terms and the general obligations of each party.

### 7. FINANCIAL INFORMATION

Set out below is certain financial information extracted from the annual reports of the Company for FY2017, FY2016 and FY2015 respectively.<sup>2</sup> The financial information for FY2017, FY2016 and FY2015 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2017, FY2016 and FY2015.

	Group		
	FY2017	FY2016	FY2015
	US\$'000	US\$'000	US\$'000
<b>Revenue</b>	40,395	29,138	23,527
<b>Exceptional Items</b>	-	-	-
<b>Net profit / (loss) before tax</b>	2,853	3,160	2,278
<b>Net profit / (loss) after tax</b>	1,763	2,056	1,268
<b>Non-controlling interests</b>	-	-	-
<b>Net earnings per share (cents)</b>	0.319	0.372	0.230

No dividends were declared in each of FY2017, FY2016 and FY2015.

The audited consolidated balance sheets of the Group for FY2017, FY2016 and FY2015 are summarised below.

	Group		
	FY2017	FY2016	FY2015
	US\$'000	US\$'000	US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,548	4,581	3,579
Trade and other receivables	7,087	6,063	15,344
Income tax receivable	-	-	119
Inventories	2,824	2,588	2,257
<b>Total current assets</b>	<b>16,459</b>	<b>13,232</b>	<b>21,299</b>
<b>Non-current assets</b>			
Plant and equipment	107	96	98
Intangible assets	3,568	3,823	4,064
Deferred tax assets	6,011	6,147	6,355
Subsidiaries	-	-	-
<b>Total non-current assets</b>	<b>9,686</b>	<b>10,066</b>	<b>10,517</b>
<b>Total assets</b>	<b>26,145</b>	<b>23,298</b>	<b>31,816</b>

<sup>2</sup> Although ASX Listing Rule 4.7B, to which the Company is subject, requires the publication of quarterly reports, these reports are limited to details in relation to cash flows.

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## APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

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### LIABILITIES, NET OF CAPITAL DEFICIENCY

#### **Current liabilities**

Trade and other payables	3,260	3,106	2,347
Income tax payable	558	632	315
Total current liabilities	3,818	3,738	2,662

#### **Non-current liabilities**

Other payables	11,975	10,749	12,014
Loans and borrowings	63,637	64,580	74,527
Total non-current liabilities	75,612	75,329	86,541

#### **Capital and reserves**

Share capital	42,530	42,530	42,530
Translation reserve	(1,134)	(1,855)	(1,417)
Accumulated losses	(94,681)	(96,444)	(98,500)
Net capital deficiency	(53,285)	(55,769)	(57,387)

<b>Total liabilities, net of capital deficiency</b>	<b>26,145</b>	<b>23,298</b>	<b>31,816</b>
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## 8. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in the 1Q2018 Report and any other information relating to the Group which is publicly available (including without limitation, the annual reports of, and the circulars issued by, the Company and the announcements released by the Group on the ASX announcements platform at [www.asx.com.au](http://www.asx.com.au) and on the Company's website at <http://scigenltd.com/investor-relations/>), there have been no material changes to the financial position of the Group since 31 December 2017, being the date to which the last published audited consolidated financial statements of the Group were made up.

### 8.1 Significant accounting policies

The significant accounting policies of the Group are disclosed in Notes 2 and 3 of the audited consolidated financial statements of the Group for FY2017 as set out in the annual report of the Group for FY2017 and which are set out in **Appendix D** of this Circular.

### 8.2 Changes in accounting policies

As at the Latest Practicable Date, there is no change in the accounting policy of the Company which will cause the figures disclosed in this Circular not to be comparable to a material extent.

## 9. VALUATION OF ASSETS

9.1 The Company had commissioned an independent valuation of the assets in relation to the Bioton Acquisition. The Valuation Summary is set out in **Appendix E** to this Circular.

9.2 Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. The Company does not expect to incur any tax liability on the hypothetical sale of the assets in relation to the Bioton Acquisition if such assets were to be sold at the amount of the valuation based on the valuation report from the Independent Valuer. Shareholders should note that, as

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## APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

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at the Latest Practicable Date, the Company has no intention to sell the assets in relation to the Bioton Acquisition.

### 10. GENERAL

#### 10.1 Costs and expenses

All costs and expenses incurred by the Company in respect of the Offer will be borne by the Company.

#### 10.2 Consent of the IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter setting out its advice to the Independent Directors set out in **Appendix A** of this Circular and all references thereto, in the form and context in which they appear in this Circular.

#### 10.3 Consent of the Independent Valuer

The Independent Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Summary set out in **Appendix E** of this Circular and all references thereto, in the form and context in which they appear in this Circular.

#### 10.4 Documents available for inspection

Copies of the following documents are available for inspection at the registered office of the Company at 152 Beach Road, #26-07/08 Gateway East, Singapore 189721 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Constitution;
- (b) the IFA Letter;
- (c) the valuation report issued by the Independent Valuer, a summary of which is appended in **Appendix E**; and
- (d) the letters of consent referred to in Sections 10.2 and 10.3 of this **Appendix B**.

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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All capitalised terms used in the following extracts shall have the same meanings as those given to them in the Constitution.

The rights of Shareholders in respect of (i) capital, (ii) voting rights and (iii) dividends as set out in the Constitution are as follows:

### (i) **RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL**

#### **2. Share Capital**

##### **2.1 Shares**

- (a) *Without prejudice to any special right conferred on a holder of a share or class of shares and subject to the provisions of the Relevant Statutes, the directors may issue, grant options in relation to or otherwise dispose of a share to a person as the directors think fit, provided that the members in a general meeting have so authorised the directors prior to such issue, grant or disposition.*
- (b) *Notwithstanding paragraph (a) and subject to the provisions of the Listing Rules, the Company may by ordinary resolution in general meeting, give to the directors a general authority, either unconditionally or subject to such conditions as may be specified in that ordinary resolution, to issue any marketable securities, whether by way of rights, bonus or otherwise, provided that unless revoked or varied by the Company in general meeting, the general authority to issue such marketable securities will not continue beyond the conclusion of the next annual general meeting of the Company next following the general meeting at which the abovementioned ordinary resolution was passed, or the expiration of such other period as may be prescribed by that ordinary resolution or by the Relevant Statutes, whichever is the earlier to occur.*
- (c) *The directors' discretion includes but is not limited to terms on:*
- (1) *price, conditions and timing;*
  - (2) *a special right or restriction which may be preferred or deferred; and*
  - (3) *dividends, voting, return of capital and participation in the property of the Company on a winding up.*
- (d) *The directors may differentiate between each holder of a partly paid share on:*
- (1) *the amount of a call that a member must pay; and*
  - (2) *the time the member must pay that amount.*

##### **2.2 Preference shares**

- (a) *The Company may issue preference shares including preference shares which:*
- (1) *are liable to be redeemed; or*
  - (2) *at the option of the Company, are liable to be redeemed.*
- (b) *The rights attached to preference shares are those set out in Appendix A or those approved by special resolution as applicable to those shares.*

##### **2.3 Power to pay brokerage, commission and interest on share capital**

- (a) *The Company may pay brokerage or commission in the manner and subject to the limits, provided by the Relevant Statutes.*
- (b) *The Company may satisfy a payment of brokerage or commission by:*
- (1) *paying cash;*
  - (2) *issuing fully or partly paid shares; or*
  - (3) *any combination of these.*
- (c) *The Company may pay interest on its share capital in the manner provided by the Relevant Statutes.*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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### **2.4 Joint holders of shares**

- (a) *If 2 or more persons are registered as the holders of a share, then they hold it:*
- (1) *as joint tenants with rights of survivorship; and*
  - (2) *subject to this rule 2.4.*
- (b) *A joint holder and that person's legal personal representative is liable severally as well as jointly for each payment, including a call, which ought to be made for a share.*
- (c) *Subject to rule 2.4(b), on the death of any 1 joint holder, a survivor is the only person the Company recognises as having any title to the share.*
- (d) *Any 1 joint holder may give effectual receipts for dividend, interest or other distribution or payment for the share.*
- (e) *The Company is not bound to register more than 3 persons as joint holders of a share.*
- (f) *Rule 2.4(e) does not apply to persons jointly entitled to be registered as the holders of a share following a transmission event.*

### **2.5 Equitable and other claims**

- (a) *Subject to the law and an express rule in these Articles, the Company is entitled to treat the registered holder of a share as the absolute owner of that share.*
- (b) *Even if the Company has notice of a trust, claim or interest, the Company is not:*
- (1) *obliged to recognise a person as holding a share upon any trust; or*
  - (2) *subject to an absolute right of ownership in the registered holder, obliged to recognise any equitable, contingent, future or partial claim to or interest in a share on the part of any person.*
- (c) *With the consent of the directors, the Company may identify a share in the register as a share held subject to a trust.*
- (d) *Nothing in rule 2.5(c) limits the operation of rules 2.5(a) and (b).*

### **2.6 Certificates**

*A member is entitled without charge to receive within two months of allotment and one month from lodgment of an instrument of transfer duly stamped, other than a transfer for which the Company is for any reason entitled to refuse to register and does not register:*

- (a) *1 certificate for the marketable securities of the Company of each class registered in the member's sole name; or*
- (b) *several such certificates, each for a reasonable part of those marketable securities.*

*It is for the Company to determine, however:*

- (c) *if the Listing Rules and the SCH Business Rules, as they apply to the Company, allow the Company not to issue a certificate for particular securities:*
- (1) *not to issue a certificate for those securities;*
  - (2) *to cancel a certificate for those securities without issuing another certificate; and*
  - (3) *to ignore references in these Articles to a certificate for those securities; and*
- (d) *for marketable securities held by 2 or more persons, whether or not to treat those holders as 1 person, and the delivery of a certificate to any 1 of those holders as sufficient delivery to each of them.*

### **2.7 Essential Terms of Certificate**

*Every certificate of a marketable security shall be issued under seal and shall specify the name of the company,*



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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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*the authority under which the company is constituted, the address of the registered office of the Company, the nominal value and class of those securities, the distinctive numbers thereof and the amount paid up thereon.*

### **2.8 Replacement of Certificate**

*If a certificate of a marketable security shall be worn out, defaced, destroyed or lost, it may be renewed on such evidence being produced as the Directors shall require, and in the case of wearing out or defacement, on delivery up of the old certificate, and in the case of destruction or loss, on the execution and delivery of such statutory declaration and underwriting as may be required under the Relevant Statutes and such indemnity (if any) as the Directors may from time to time require. In case of destruction or loss, the person to whom such renewed certificate is given shall also bear and pay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of such indemnity.*

#### ***Calls, forfeiture, indemnities, lien and surrender***

### **2.9 Calls**

- (a) *Subject to these Articles and to the terms of issue of a share, the directors may call upon a member for any money unpaid on a share which is not by the terms of issue, payable at a fixed time.*
- (b) *The directors may require a member to pay a call by instalments.*
- (c) *The Company must give the member at least 14 days notice to pay a call.*
- (d) *The notice must specify:*
  - (1) *the amount that the member must pay; and*
  - (2) *the time and the place of payment.*
- (e) *Each member must pay the amount stated in the notice in the manner set out in the notice.*
- (f) *A call is made when the directors pass a resolution authorising the call.*
- (g) *The directors may revoke or postpone a call.*
- (h) *The directors may extend the time for payment of a call.*
- (i) *A call is valid, even if:*
  - (1) *a member does not receive a notice of a call; or*
  - (2) *the Company omits to give a member a notice of a call.*
- (j) *If a person does not pay a sum called for a share in full by the due date, then the person must pay:*
  - (1) *interest on the sum which is unpaid, from and including the due date for payment to the date of actual payment; and*
  - (2) *any costs, expenses or damages, which the Company incurs for the non-payment or late payment of the sum.*
- (k) *The Company must determine the interest rate under rule 2.17.*
- (l) *If under the terms of issue, a sum unpaid on a share becomes payable on issue or at a fixed date, then:*
  - (1) *the sum is payable as if the Company has duly made and notified the member of the call; and*
  - (2) *the person must pay the sum of the call on the date on which it is payable under the terms of issue of the share.*
- (m) *To the extent permitted by law and the Listing Rules, the directors may waive or compromise all or a part of a payment due to the Company:*
  - (1) *under the terms of issue of a share; or*
  - (2) *under this rule 2.9.*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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### **2.10 Proceedings for recovery of calls**

- (a) *The following is conclusive evidence of a debt in any proceedings for the recovery of a call amount, interest, costs or expenses that the Company incurs following the non-payment or late payment of a call:*
- (1) *the name of the defendant is entered in the Register as the holder or 1 of the holders of the share for which the call is claimed;*
  - (2) *the resolution making the call is recorded in the minute book; and*
  - (3) *notice of the call was duly given to the defendant.*
- (b) *It is not necessary to prove any matter including the appointment of the directors, who made the call.*
- (c) *In this rule 2.10 a defendant may include but is not limited to a person against whom the Company alleges a set-off or counter-claim.*

### **2.11 Payments in advance of calls**

- (a) *The directors may accept from a member an amount unpaid on a share, even if the Company has not called that amount.*
- (b) *The directors may authorise the Company to pay interest upon an amount accepted under rule 2.11(a):*
- (1) *until the amount becomes payable; and*
  - (2) *at a rate agreed between the directors and the member paying the amount.*
- (c) *The directors may repay to a member any of the amount accepted under rule 2.11(a).*

### **2.12 Forfeiture of partly paid shares**

- (a) *If a member fails to pay the whole of a call or instalment of a call by the time appointed for payment, then the directors may serve a notice on that member requiring payment of:*
- (1) *the amount which is unpaid;*
  - (2) *any interest that has accrued; and*
  - (3) *all costs, expenses or damages that the Company has incurred because of the non-payment or late payment of the call or instalment.*
- (b) *In the notice, the directors may:*
- (1) *name a further day and a place at which the member must pay the amount payable; and*
  - (2) *state, that if the member does not pay the whole of the amount as required, then the member is liable to forfeit the shares for which the Company made the call.*
- (c) *The directors must give a member at least 14 days after the date of service to pay.*
- (d) *If the member does not comply with the notice, then the directors may resolve to forfeit any share for which the notice was given:*
- (1) *at any time after the day named in the notice; but*
  - (2) *before the member pays.*
- (e) *If a member forfeits a share, then the forfeiture includes all dividends, interest and other money payable by the Company for the forfeited share which is not paid before the forfeiture.*
- (f) *If the Company forfeits a share, then it must:*
- (1) *give notice of the resolution to the member in whose name the share stood immediately before the forfeiture; and*
  - (2) *enter the forfeiture and the date of forfeiture in the register of members.*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (g) *The forfeiture is valid even if the Company fails to:*
- (1) *give the notice; or*
  - (2) *make the entry,*
- under rule 2.12(f).*
- (h) *A forfeited share becomes the property of the Company.*
- (i) *The directors may sell, reissue or otherwise dispose of the share as they think fit.*
- (j) *The directors may reissue or dispose of the share, with or without any money paid on the share by any former holder being credited as paid up.*
- (k) *A person whose share is forfeited:*
- (1) *ceases to be a member for the forfeited share; but*
  - (2) *remains liable to pay and must immediately pay, to the Company:*
    - (A) *all calls, instalments, interest, costs, expenses and damages owing for the share at the time of the forfeiture; and*
    - (B) *interest on any amount payable which is unpaid from and including the date of the forfeiture, to the date of actual payment.*
- (l) *The Company must determine the interest rate under rule 2.17.*
- (m) *Subject to an express provision in these Articles, the forfeiture of a share extinguishes for that share all:*
- (1) *interest in the Company;*
  - (2) *claims and demands against the Company; and*
  - (3) *other rights attached to the share.*
- (n) *The directors may, before a forfeited share has been sold, reissued or otherwise disposed of, annul the forfeiture upon the conditions they think fit.*

### **2.13 Indemnity for payments by the Company**

- (a) *Rules 2.13(b) – (d) inclusive apply if the Company becomes liable under any law to make any payment:*
- (1) *for a share held solely or jointly by a member;*
  - (2) *for a transfer or transmission of a share by a member;*
  - (3) *for dividends, bonuses or other money due or payable or which may become due and payable to a member; or*
  - (4) *otherwise for or on account of a member, whether as a consequence of:*
    - (A) *the death of that member;*
    - (B) *the non-payment of any tax liability of the member or the legal personal representative of that member;*
    - (C) *the non-payment of any estate, probate, succession, death, stamp or other duty by that member or the legal personal representative of that member; or*
    - (D) *any other act or thing.*
- (b) *In addition to any right or remedy that a law may confer on the Company, the member or the member's legal personal representative must:*
- (1) *fully indemnify the Company against any liability arising under rule 2.13(a);*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (2) *reimburse the Company for any payment made under or as a consequence of that liability immediately on demand by the Company; and*
- (3) *pay interest on so much of the amount payable to the Company under rule 2.13(b)(2) as is unpaid from and including the date the Company makes a payment under that law until the date the Company is reimbursed in full for that payment.*
- (c) *The Company has a lien upon all dividends, interest and other money payable for a share held solely or jointly by that member or that member's legal personal representative for all money payable to the Company under this rule 2.13.*
- (d) *The directors may:*
  - (1) *exempt a share from all or any part of this rule 2.13; and*
  - (2) *wave or compromise all or any part of any payment due to the Company under this rule 2.13.*

### **2.14 Lien on shares**

- (a) *The Company has a first and paramount lien on:*
  - (1) *each partly paid share for all money, whether presently payable, called or otherwise due under these Articles for that share;*
  - (2) *each share registered in the name of a holder whether individually or jointly, for all money presently payable by the holder, or the holder's estate, to the Company, including but not limited to any money payable under rule 2.13;*
- (b) *The Company's lien on a share extends to all dividends payable for the share and to the proceeds of sale of the share.*
- (c) *The directors as they think fit may sell any share on which the Company has a lien if:*
  - (1) *an amount for which a lien exists is presently payable; and*
  - (2) *not less than 14 days before the date of the sale, the Company has given to the registered holder of the share a notice in writing:*
    - (A) *setting out each amount for which the lien exists which is presently payable; and*
    - (B) *demanding the payment before the date of the sale of that amount.*
- (d) *If the Company registers a transfer of shares on which the Company has a lien without giving to the transferee notice of its claim then the Company releases its lien in so far as it relates to sums owing by the transferor or any predecessor in title.*
- (e) *The directors may:*
  - (1) *exempt a share from all or any part of this rule 2.14; and*
  - (2) *wave or compromise all or any part of any payment due to the Company under this rule 2.14.*

### **2.15 Surrender of shares**

- (a) *The directors may accept a surrender of a share by way of compromise:*
  - (1) *of any claim about whether or not that share has been validly issued; or*
  - (2) *in any other case, if the surrender is within the powers of the Company.*
- (b) *The directors may sell, reissue or otherwise dispose of a surrendered share in the same manner as they may for a forfeited share.*

### **2.16 General provisions applicable to a disposal of shares**

- (a) *A reference in this rule 2.16 to a disposal of shares is a reference to:*
  - (1) *any sale, reissue or other disposal of a forfeited share under rule 2.16(i) or a surrendered*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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*share under rule 2.15; and*

- (2) *any sale of a share on which the Company has a lien under rule 2.14(c).*
- (b) *If a share is disposed of under these Articles then the directors may:*
  - (1) *receive the purchase money or consideration given for the shares on the disposal;*
  - (2) *effect a transfer of the shares;*
  - (3) *execute, or appoint a person to execute, on behalf of the former holder an instrument of transfer of the shares or any other instrument to give effect to the disposal; and*
  - (4) *register the person to whom they have transferred the shares as the holder of the shares.*
- (c) *A person to whom the directors transfer a share is not bound to consider:*
  - (1) *the regularity or validity of purchase money or consideration; or*
  - (2) *how the Company applies the purchase money or consideration.*
- (d) *A person's title to a share is not affected by any irregularity or invalidity in:*
  - (1) *the forfeiture or surrender of a share; or*
  - (2) *the exercise of the Company's lien on a share.*
- (e) *The remedy of a person aggrieved by a disposal of shares under these Articles:*
  - (1) *is limited to damages only; and*
  - (2) *is exclusively against the Company.*
- (f) *The Company must apply the proceeds of a disposal of a share in the payment of:*
  - (1) *the expenses of the disposal;*
  - (2) *all money presently payable by the former holder whose share has been disposed of; and*
  - (3) *the former holder, subject to any lien that exists for money not presently payable.*
- (g) *The Company must pay the amounts referred to in rule 2.16(f), on the former holder delivering to the Company the certificate for the share that has been disposed of or other proof of title which the directors accept.*
- (h) *A director or secretary of the Company may sign a statutory declaration stating that a share was duly:*
  - (1) *forfeited; or*
  - (2) *sold or reissued or otherwise disposed of.*
- (i) *This statutory declaration is conclusive evidence of the:*
  - (1) *facts stated therein as against all persons claiming to be entitled to the share; and*
  - (2) *right of the Company to forfeit, sell, reissue or otherwise dispose of the share.*

### **2.17 Interest payable by member**

- (a) *Under rules 2.9(k), 2.12(l) and 2.13(b)(3), the rate of interest payable to the Company is:*
  - (1) *the rate the directors fix; or*
  - (2) *if no rate is fixed by the directors, 8% per annum.*
- (b) *Interest payable:*
  - (1) *accrues daily; and*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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(2) may be capitalised monthly or at other intervals which the directors determine.

### **4. Transfer and transmission of shares**

#### **4.1 Forms of instrument of transfer**

Subject to these Articles, a member may transfer all or any of the member's shares:

- (a) in the case of CHESSE approved securities, in accordance with the CHESSE Rules;
- (b) by an instrument in writing in any usual or common form or in any other form that the directors approve; or
- (c) by any other method of transfer of marketable securities which may be recognised by a Relevant Statute, SCH and ASX and is approved by the directors.

#### **4.2 Registration procedure**

- (a) If CHESSE approved securities are to be transferred then the procedure set down by the CHESSE Rules is to be observed.
- (b) If an instrument of transfer is to be used to transfer shares in accordance with rule 4.1(b):
  - (1) the instrument of transfer must be executed by or on behalf of both the transferor and the transferee unless it is otherwise a sufficient transfer of marketable securities within the meaning and requirements of the Relevant Statutes; and
  - (2) a proper instrument of transfer duly stamped (if required under the laws of any applicable jurisdiction) must be left for registration at the share registry of the Company, accompanied by the information the directors properly require to show the right of the transferor to make the transfer,

then the Company must, subject to the powers vested in the directors by these Articles, register the transferee as holder of the shares.

- (c) Except as provided by the CHESSE Rules, a transferor of a share remains the holder of the shares transferred until the transfer is registered and the name of the transferee is entered in the Register in respect of the shares and a transfer of a share does not pass the right to any dividends declared on the share until registration.
- (d) The Company must register all registrable transfer forms, split certificates, renunciations and transfers, issue certificates and transmission receipts and mark or note transfer forms without charge except where the issue of a certificate is to replace a lost or destroyed certificate.

#### **4.3 Directors' powers to apply a holding lock and to decline to register**

- (a) If permitted to do so by the Listing Rules, the directors may:
  - (1) request SCH to apply a holding lock to prevent a transfer of CHESSE approved securities; or
  - (2) decline to register any transfer of other shares.
- (b) The directors must:
  - (1) request SCH to apply a holding lock to prevent a transfer of CHESSE approved securities registered on CHESSE; or
  - (2) decline to register any transfer of other shares;if:
  - (3) the Listing Rules require the Company to do so; or
  - (4) the transfer is in breach of the Listing Rules or a restriction agreement.
- (c) If in the exercise of their rights under rule 4.3(a) and rule 4.3(b) the directors request application of a holding lock to prevent a transfer of CHESSE approved securities or refuse to register a transfer of other

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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shares they must give written notice to the holder of the securities of the refusal and to the broker lodging the transfer, if any. Failure to give such notice does not invalidate the decision of the directors.

### 4.4 Company to retain instrument of transfer

- (a) The Company must retain every instrument of transfer which is registered for such period as the directors determine.
- (b) If the directors refuse registration of a transfer they shall within one month after the transfer was lodged with the Company send the notice of refusal to the transferor and the transferee and the transfer must be returned to the person who deposited it if demand is made within 12 months of the giving of notice of refusal to register unless there has been an allegation of fraud concerning the transfer or the transactions to which it relates.

### 4.5 Certification of transfer

If any holder produces to the Company an instrument of transfer of shares signed by that holder as a transferor and deposits with the Company the certificate of title of that holder to the relevant shares the Company may pursuant to section 1071G of the Corporations Act endorse upon that instrument of transfer a statement to the effect that the certificate of title to the relevant shares is deposited with the Company and is held by the Company for the limited period specified in that statement.

### 4.6 Transmission of shares

- (a) If a member dies, the only persons the Company recognises as having any title to the member's shares or any benefits accruing for those shares are:
  - (1) the legal personal representative of the deceased, if the deceased was a sole holder; and
  - (2) the survivor or survivors, if the deceased was a joint holder.
- (b) Nothing in rule 4.6(a) releases the estate of a deceased member from liability for a share, whether the deceased member held that share solely or jointly.
- (c) A person who becomes entitled to a share because of a transmission event may:
  - (1) sign a written notice stating that the person wishes to register as a shareholder and serve it on the Company; or
  - (2) execute a transfer of the share to another person.
- (d) Before making the election under rule 4.6(c), the person must prove that person's entitlement by producing any evidence that the directors require.
- (e) The rules about the right to transfer and register a share apply with the necessary changes to a transfer under rule 4.2(b) as if:
  - (1) the relevant transmission event had not occurred; and
  - (2) the registered holder of the share signed the transfer.
- (f) If 2 or more persons are jointly entitled to a share because of a transmission event, then upon being registered, they:
  - (1) hold the share as joint tenants; and
  - (2) rule 2.4 applies.
- (g) Despite rule 4.6(a), the directors may register a transfer of shares which a member signs prior to a transmission event, even though the Company has notice of the transmission event.

## (ii) RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING RIGHTS

### 5. General meetings

#### 5.1 Calling general meetings

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (a) *A director may at any time and shall on requisition of the members in accordance with the Relevant Statutes, convene a general meeting. Extraordinary meetings shall be convened on such requisition or in default may be convened by such requisitionists as provided by the Relevant Statutes.*
- (b) *A general meeting may be called and arranged only as provided under these Articles and subject to the Relevant Statutes. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held at such time and place as the directors shall determine.*
- (c) *All other general meetings shall be called extraordinary general meetings.*

### **5.2 Notice of general meetings**

- (a) *Subject to these Articles and to the rights or restrictions attached to a share or class of shares, the Company must give notice of a general meeting:*
  - (1) *within the time limits prescribed by the Relevant Statutes; and*
  - (2) *in the manner authorised by rule 11.1.*

*provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these Articles or the Relevant Statutes be deemed to be duly called if it is so agreed:*

  - (3) *in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and*
  - (4) *in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right or 95% of the total voting rights at that meeting of all the members.*
- (b) *The Company must give a notice of a general meeting to each person, who is at the date of the notice a member, a director or an auditor of the Company.*
- (c) *A notice of a general meeting must:*
  - (1) *specify the date, time and place of the meeting; and*
  - (2) *state the general nature of the business to be transacted at the meeting.*
- (d) *A valid action and a valid resolution remain valid, even if a person entitled to receive a notice or proxy for a general meeting does not receive or is not sent one or both of them and the failure occurred by accident or error; or*
- (e) *Subject to rule 5.2(f), a person's attendance at a general meeting waives any objection that person may have to:*
  - (1) *an accidental failure to give notice or to a defective notice; and*
  - (2) *the consideration of a matter which is not stated in the notice of the meeting.*
- (f) *Rule 5.2(e)(1) does not apply if the person at the beginning of the meeting objects to the holding of the meeting.*
- (g) *Rule 5.2(e)(2) does not apply if the person objects to considering the matter when it is presented during the conduct of the meeting.*

### **5.3 Admission to general meetings**

*The chairperson of a general meeting may expel or refuse admission to a person who:*

- (a) *has a pictorial-recording or sound-recording device;*
- (b) *has a placard or banner;*
- (c) *has an article considered by the chairperson to be dangerous, offensive or liable to cause disruption;*



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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (d) *refuses to produce or to permit examination of any article or the contents of any article, in the person's possession;*
- (e) *behaves or threatens to behave in a dangerous, offensive or disruptive manner; or*
- (f) *is not:*
  - (1) *a member or proxy, attorney or representative of a member; or*
  - (2) *a director or an auditor of the Company.*

### **5.4 Quorum at general meetings**

- (a) *Subject to rule 5.4(b) business may only be transacted at any general meeting, if a quorum of members is present when the meeting proceeds to business.*
- (b) *Even if there is no quorum, the meeting may elect a chairperson and adjourn a meeting.*
- (c) *A quorum consists of:*
  - (1) *if the number of members entitled to vote is 2 or more - 2 of those members; or*
  - (2) *if only 1 member is entitled to vote - that member,**present at the meeting in person or by proxy, attorney or representative.*
- (d) *If a quorum is not present within 30 minutes after the time appointed for a general meeting and the meeting was convened upon the requisition of members, then the meeting is dissolved.*
- (e) *If a quorum is not present within 30 minutes after the time appointed for a general meeting in any other case, then the meeting stands adjourned:*
  - (1) *to the day, the time and place, that the directors determine; or*
  - (2) *if no determination is made by the directors, to the same day in the next week and at the same time and place.*
- (f) *If, at the adjourned meeting, a quorum is not present within 30 minutes after the time appointed for the meeting, then the meeting is dissolved.*

### **5.5 Chairperson of general meetings**

- (a) *The chairperson of directors must chair a general meeting if the person is:*
  - (1) *present within 15 minutes after the time appointed for the meeting; and*
  - (2) *willing to act.*
- (b) *If the directors have elected a deputy chairperson of directors, then the deputy chairperson of directors must preside as chairperson, if at a general meeting:*
  - (1) *there is no chairperson of directors;*
  - (2) *the chairperson of directors is not present within 15 minutes after the time appointed for the meeting; or*
  - (3) *the chairperson of directors is present within that time but is not willing to act as chairperson.*
- (c) *The deputy chairperson must chair a general meeting if the person is:*
  - (1) *present within 15 minutes after the time appointed for the meeting; and*
  - (2) *willing to act.*
- (d) *Subject to rule 5.5(a), the meeting must elect a person under rule 5.5(e) if at a general meeting:*
  - (1) *there is no deputy chairperson of directors;*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (2) *the deputy chairperson of directors is not present within 15 minutes after the time appointed for the meeting; or*
- (3) *the deputy chairperson of directors is present within that time but is not willing to act as chairperson.*
- (e) *The members present must elect as chairperson:*
  - (1) *another director, who is present and willing to act; or*
  - (2) *if no other director is present and willing to act, a member who is present and willing to act.*

### **5.6 Conduct of general meetings**

- (a) *A person must refer any question arising at a general meeting about the order of business, procedure or conduct of the meeting to the chairperson.*
- (b) *The chairperson's decision is final.*
- (c) *The chairperson may adjourn the meeting from time to time and from place to place.*
- (d) *The meeting may direct the chairperson to adjourn a meeting.*
- (e) *An adjourned meeting may only transact business unfinished at the meeting from which the adjournment took place.*
- (f) *If a meeting is adjourned for 30 days or more, then the Company must give notice of the adjourned meeting as if it is an original meeting.*
- (g) *Subject to rule 5.6(e) and (f), it is not necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.*

### **5.7 Decisions at general meetings**

- (a) *Subject to a resolution which pursuant to the provisions of a Relevant Statute or otherwise as a matter of law, requires a special majority:*
  - (1) *a question arising at a general meeting is decided by a majority of votes cast by the members present, in person or by proxy or representative; and*
  - (2) *a majority vote is for all purposes, a decision of the members.*
- (b) *In the case of an equality of votes upon any proposed resolution the chairperson of the meeting has a second or casting vote.*
- (c) *Subject to 5.7(d), a resolution put to the vote of a general meeting must be decided on a show of hands.*
- (d) *Either the chairperson or at least 5 members who can vote at a meeting or a member or members with at least 5% of the voting rights at a meeting or members with a right to attend and vote at the meeting on which there have been paid sums in the aggregate equal to not less than 5% of the total sum paid up on all shares conferring that right, that may be cast on the resolutions on a poll, may demand a poll:*
  - (1) *before the vote is taken; or*
  - (2) *before or immediately after the declaration of the result of the show of hands.*
- (e) *A demand for a poll does not prevent the continuance of a general meeting for the transaction of any business other than the question on which the poll has been demanded.*
- (f) *The chairperson may declare the result of a vote decided on a show of hands.*
- (g) *Unless a poll is duly demanded:*
  - (1) *the chairperson's declaration of a result of a vote and an entry to that effect into the minute book is conclusive evidence of the result; and*
  - (2) *further proof of the number or proportion of the votes recorded in favour of or against the*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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*resolution is not required.*

- (h) *If a poll is duly demanded at a general meeting, the meeting must conduct the poll as the chairperson directs.*
- (i) *Subject to rule 5.7(j), the chairperson may direct that the poll be taken in any manner and either at once or after an interval or adjournment.*
- (j) *A poll demanded at a general meeting on the election of a chairperson or on a question of adjournment must be taken immediately.*
- (k) *The result of the poll is a resolution of the meeting at which the poll was demanded.*
- (l) *The demand for a poll may be withdrawn.*

### **5.8 Voting rights**

- (a) *Subject to these Articles and to any rights or restrictions attached to a share or class of shares, at a general meeting on a:*
  - (1) *show of hands, every person present who is a member or a proxy, attorney or representative of a member has 1 vote; and*
  - (2) *poll, every person present who is a member or a proxy, attorney or representative of a member has 1 vote for each share the member holds and which entitles the member to vote, except for partly paid shares, each of which confers on a poll only a fraction of one vote equal to the proportion of the total amount paid on the share which has been paid on the share.*

*For the purposes of determining voting rights, an amount a member pays or has credited as paid on a share in advance of a call or has credited as paid on a share otherwise than for value, must be ignored.*

- (b) *If a person present at a general meeting represents more than 1 member:*
  - (1) *on a show of hands, the person is entitled to 1 vote only despite the number of members the person represents;*
  - (2) *that vote is cast for all the members the person represents; and*
  - (3) *the person must not exercise that vote in a way, which would contravene any directions given to the person in accordance with rule 5.9(f) in any instrument appointing the person as a proxy or attorney.*
- (c) *A joint holder may vote at any meeting in person or by proxy, attorney or representative as if that person was the sole holder.*
- (d) *If more than 1 joint holder tenders a vote, then the vote of the holder named first in the register is accepted to the exclusion of any other.*
- (e) *The parent or guardian of an infant member may vote at any general meeting upon producing evidence of the relationship or of the appointment as the directors may require.*
- (f) *A vote by a parent or guardian of an infant member is accepted to the exclusion of the vote of the infant member.*
- (g) *A person entitled to a share as a result of a transmission event may vote at a general meeting as if that person were the registered holder of the share if, before the meeting, the directors:*
  - (1) *admit that person's right to vote at that meeting for the share; or*
  - (2) *are satisfied that person has a right to be registered as the holder of, or to transfer, the share under rule 4.6(c).*
- (h) *A vote tendered by a person under rule 5.8(g) is accepted to the exclusion of the vote of the registered holder of the share.*
- (i) *A member is entitled to vote at a general meeting only if all calls and other sums of money, presently payable by that member for shares in the Company, are paid.*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (j) *A person must raise an objection to the qualification of a person to vote at a general meeting:*
  - (1) *before or at the meeting at which the vote is given; and*
  - (2) *by referring it to the chairperson of the meeting.*
- (k) *The chairperson's decision about a person's qualification to vote is final.*
- (l) *A vote the chairperson allows under rule 5.8(g) is valid for all purposes.*

### **5.9 Representation at general meeting**

- (a) *Subject to these Articles, each member entitled to vote at a meeting of members may vote:*
  - (1) *in person or if a member is a body corporate by its representative appointed in accordance with the provisions of the Relevant Statutes;*
  - (2) *by not more than 2 proxies; or*
  - (3) *by not more than 2 attorneys.*
- (b) *A proxy, attorney or representative may be a member.*
- (c) *A proxy, attorney or representative is not required to be a member.*
- (d) *A proxy, attorney or representative may be appointed for:*
  - (1) *all or any number of general meetings; or*
  - (2) *a particular general meeting.*
- (e) *Subject to the Relevant Statutes and to the terms of an appointment, an appointment confers authority on a proxy, attorney or representative to:*
  - (1) *agree to a meeting being convened by shorter notice than is required by the Relevant Statutes or by these Articles;*
  - (2) *speak at a meeting regarding any proposed resolution on which the person may vote; and*
  - (3) *vote at a meeting on a show of hands and to demand or join in demanding a poll on any resolution on which the person may vote.*
- (f) *Subject to the Relevant Statutes and to the terms of appointment, if the instrument refers to specific resolutions and directs the proxy, attorney or representative on how to vote on those resolutions, then the appointment confers authority to:*
  - (1) *vote on any amendment moved to the proposed resolutions and on any motion that the proposed resolutions not be put or any similar motion;*
  - (2) *vote on any procedural motion, including any motion to elect the chairperson, to vacate the chair or to adjourn the meeting; and*
  - (3) *act generally at the meeting.*
- (g) *Subject to the Relevant Statutes and to the terms of appointment, if the instrument refers to a specific meeting to be held at a specified time or venue and the meeting is rescheduled or adjourned or changed to another venue, then the appointment confers authority:*
  - (1) *to attend and vote at the rescheduled or adjourned meeting; or*
  - (2) *at the new venue.*
- (h) *If a member appoints 2 proxies or attorneys:*
  - (1) *a proxy or attorney may vote only if each person is appointed to represent a specified proportion of the member's voting rights;*
  - (2) *neither person may vote on a show of hands; and*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (3) *on a poll, each person may only exercise the voting rights for the portion of votes the person holds.*
- (i) *An instrument appointing a proxy or attorney may direct the manner in which the proxy or attorney is to vote for a particular resolution.*
- (j) *If an instrument directs the proxy or attorney, then the person must vote as directed.*
- (k) *Subject to rule 5.9(n), an instrument appointing a proxy or attorney:*
  - (1) *must be in writing, legally valid and signed by the appointer or the appointer's attorney; and*
  - (2) *is not required to be in a particular format.*
- (l) *Subject to rule 5.9(n), a proxy or attorney may vote only if the instrument appointing the person and any authority under which the instrument is signed are:*
  - (1) *received in the office of the Company not more than 48 hours before the meeting;*
  - (2) *tabled at the meeting at which the person proposes to vote; or*
  - (3) *in the case of a poll, produced when the poll is taken.*
- (m) *The instrument and the authority may be delivered either to the office of the Company or to an address stated on the notice of meeting by:*
  - (1) *hand delivery;*
  - (2) *fax using the number on the notice; or*
  - (3) *any electronic means using the electronic address stated in the notice.*
- (n) *The directors may waive any of the requirements of rules 5.9(k) and 5.9(l).*
- (o) *The directors may accept upon the production of other evidence:*
  - (1) *an appointment of a proxy or attorney which is not signed in the manner required by rule 5.9(k); and*
  - (2) *a copy of any document, including a copy sent by fax.*
- (p) *If one of the following events occurs and the Company does not receive written notice before a meeting commences, then a vote by a proxy or attorney is valid:*
  - (1) *a transmission event has occurred to the appointer;*
  - (2) *the appointer revokes the instrument or the authority under which the instrument was executed; or*
  - (3) *the transfer of the share for which the instrument was given is not registered.*
- (q) *The appointment of a proxy or attorney is not revoked by the appointer attending and taking part in the general meeting.*
- (r) *The proxy or attorney must not vote, as the appointer's proxy or attorney, if the appointor votes on a resolution.*

### **(iii) RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS**

#### **3. *Distribution of profits***

##### **3.1 *Dividends***

- (a) *The directors may pay any interim and final dividend out of the profits of the Company, as appear to the directors to be justified by the financial position of the Company. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors.*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (b) *The directors may pay any dividend payable under the terms of issue of a share.*
- (c) *Subject to any rights or restrictions attached to a share or class of shares or to the terms of any Dividend Selection Plan established by the directors, all dividends on shares are to be paid in proportion to the number of shares issued by the Company except that:*
- (1) *a partly paid share will only entitle the holder to a fraction of the dividend payable on a fully paid share equal to the proportion of the total amount paid on the share which has been paid on the share; and*
- (2) *if dividends are declared by the directors to be paid in respect of a specified period and if the directors also declare that the dividends on any shares shall be further apportioned according to when amounts are paid on those shares during the specified period, an amount which is paid on a relevant share during the specified period will only entitle the holder of the share to a fraction of the dividend that would otherwise be payable in respect of that amount equal to the proportion of the specified period that has expired as at the date of payment of that amount.*
- (d) *For the purposes of paying a dividend, the directors must ignore an amount a member pays or has credited as paid on a share in advance of a call or has credited as paid on a share otherwise than for value.*
- (e) *The Company will not pay interest on any dividend.*
- (f) *The directors may fix a record date for a dividend.*
- (g) *The directors must pay a dividend to the person who is registered as the holder of the share on the record date or, if one has not been fixed, on the date payment of the dividend is to be sent to members.*
- (h) *The directors must pay the dividend on the date fixed for payment of the dividend (if any).*
- (i) *Any general meeting declaring a dividend may:*
- (1) *direct payment of the dividend wholly or partly by the distribution of specific assets, including paid up shares or other securities of the Company, of another body corporate or trust, either generally or to specific shareholders; and*
- (2) *direct that the dividend be paid:*
- (A) *to particular shareholders wholly or partly out of any particular fund or reserve or out of profits derived from any particular source; and*
- (B) *to the remaining shareholders wholly or partly out of any profits derived from any other particular source or generally*
- and the directors shall give effect to such direction.*
- (j) *The directors may deduct from any dividend payable to a member:*
- (1) *all sums of money presently payable by the member to the Company; and*
- (2) *apply the amount deducted in or towards satisfaction of the money owing.*
- (k) *If a person is entitled to a share as a result of a transmission event, then the directors may retain any dividend payable for that share until that person becomes registered as the holder of the share or transfers it.*
- (l) *The directors are not obliged to retain any dividend payable for a share under rule 3.1(k) until that person becomes registered as the holder of the share or transfers that share.*
- (m) *Without prejudice to any other method of payment the directors may adopt, the directors may pay any money payable in cash for shares by cheque.*
- (n) *The directors may send a cheque by post:*
- (1) *to the address in the Register of the holder;*
- (2) *in the case of joint holders, to the address in the Register of the joint holder first named in that*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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*register; or*

(3) *to another address that a holder directs in writing.*

(o) *A cheque may be made payable to:*

(1) *bearer;*

(2) *the order of the member to whom it is sent; or*

(3) *a person that the member may direct.*

(p) *A cheque is sent at the member's risk.*

### **3.2 Capitalisation of profits**

*The Company in a general meeting may, upon the recommendation of the directors and subject to any rights or restrictions attached to a share or class of shares, resolve that:*

(a) *it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and*

(b) *such sum be distributed amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the Company to be allotted, distributed and credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other and the directors shall give effect to such resolution.*

*A share premium account and a capital redemption reserve may, for the purposes of this regulation, be applied only in the paying up of unissued shares to be issued to members of the Company as fully paid shares.*

### **3.3 Ancillary powers**

(a) *To give effect to a resolution which determines how the directors will pay a dividend or that the directors will capitalise any amount, the directors may:*

(1) *settle any difficulty that may arise in making the distribution or capitalisation;*

(2) *fix the value for distribution of a specific asset;*

(3) *pay cash or issue a share or other security to a member to adjust the rights of all parties;*

(4) *vest a specific asset, cash, share or other security in any trustee upon trust for a person entitled to a dividend or capitalised amount; and*

(5) *authorise a person to make, on behalf of all the members entitled to any further share or security following the distribution or capitalisation, an agreement with the Company or another body corporate.*

(b) *The authorised person may agree to:*

(1) *the issue of further shares or securities credited as fully paid up; or*

(2) *the Company paying on behalf of the members an amount remaining unpaid on their existing shares or security by the application of their respective proportions of the sum distributed or capitalised.*

(c) *Any agreement made between the directors and an authorised person is effective and binding on all members concerned.*

(d) *If the Company distributes securities in the Company or in another body corporate or trust each member receiving a distribution, appoints the Company as that person's agent to do anything needed to give effect to that distribution, including but not limited to becoming a member of that other body corporate.*

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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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- (e) *Rule 3.3(c) applies whether the distribution is:*
- (1) *generally to members or to specific members;*
  - (2) *as a dividend or otherwise; and*
  - (3) *for value or not.*

### **3.4 Reserves**

- (a) *Subject to these Articles, the directors may set aside, out of the profits of the Company, any reserves or provisions for any purpose.*
- (b) *The directors may appropriate to the profits of the Company an amount previously set aside as a reserve or provision.*
- (c) *If the directors set aside an amount as a reserve or provision, they may:*
- (1) *keep the amount together with other assets of the Company;*
  - (2) *use the amount in the business of the Company; and*
  - (3) *invest the amount in any investment.*

### **3.5 Carry forward of profits**

- (a) *The directors may carry forward profits which are not distributed to members; and*
- (b) *The directors are not required to transfer those profits to a reserve or provision.*

### **3.6 Alteration of capital**

*The Company may by ordinary resolution:*

- (a) *increase the Company's share capital by the creation of new shares;*
- (b) *consolidate or divide some or all of the Company's share capital into shares of a greater amount than the Company's existing shares;*
- (c) *subdivide some or all of the Company's share capital into shares of smaller amounts;*
- (d) *cancel shares that have not been taken or agreed to be taken by any person or that have been forfeited and reduce the amount of the Company's share capital by the amount of those shares; or*
- (e) *convert all or any of paid up shares into stock and reconvert that stock into paid-up shares of any denomination.*

### **3.7 Restrictions on subdivision**

*On a subdivision, the proportion between the amount paid and the amount unpaid on each share of a smaller amount must be the same as for the share before subdivision.*

### **3.8 Additional rights**

*If the Company passes an ordinary resolution under rule 3.6(b) or (c), it may also, by special resolution, determine that, as between the shares resulting from the consolidation, division or subdivision, 1 or more of those shares has some preference or special advantage as regards dividends, capital, voting or otherwise.*

### **3.9 Reduction of capital and share buy-backs**

*There are no restrictions, other than those imposed by the Relevant Statutes, on:*

- (a) *reducing the Company's share capital; or*
- (b) *share buy-backs.*

### **3.10 Variation of rights**



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## APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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*If the issued shares are divided into different classes, the rights attaching to a class of shares (unless the terms of issue of that class otherwise provide) may be varied or abrogated only with:*

- (a) the written consent of the holders of at least 75% of the issued shares of that class; or*
- (b) the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.*

*For the purposes of this rule 3.10 the:*

- (c) provisions of these Articles that relate to general meetings apply, as far as they can, and changed as necessary, to a separate meeting of the holders of shares in a class, except that a holder of shares of that class present in person or by proxy, attorney or representative may demand a poll; and*
- (d) rights attached to a class of shares are not taken to be varied if further shares of that class are issued on identical terms unless the terms of issue of that class of shares otherwise provide.*

### **3.11 Adjustments**

*The directors shall in accordance with the terms of a resolution duly passed by shareholders in a general meeting or other action authorising or effecting an alteration of the Company's share capital, vary or abrogate rights attaching to a class of shares or adjusting rights of all parties. In particular, the directors may, with the authorisation of the shareholders in a general meeting:*

- (a) round or disregard fractions of shares or fractional entitlements; and*
- (b) determine that, as between the holders of shares or other entitlements, one or more of them has a preference or special advantage as regards dividend, capital, voting or otherwise.*

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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The significant accounting policies of the Group have been extracted from the audited consolidated financial statements of the Group for FY2017 as set out in the annual report of the Group for FY2017, and are set out below.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (c) Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** - On January 1, 2017, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations.

The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

#### Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 15. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 15, the application of these amendments has had no impact on the Group's consolidated financial statements.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*<sup>1</sup>
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*<sup>1</sup>
- FRS 116 *Leases*<sup>2</sup>
- INT FRS 122 *Foreign Currency Transactions and Advance Consideration*<sup>1</sup>
- INT FRS 123 *Uncertainty over Income Tax Treatments*<sup>2</sup>

<sup>1</sup> Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

<sup>2</sup> Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

Consequential amendments were also made to various standards as a result of these new or revised standards.

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

### FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment of financial assets. Management has performed a detail analysis of the requirements of the initial application of FRS 109 and has anticipated that the adoption of FRS 109 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management has not early adopted the new FRS 109.

### FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipate that the initial application of the new FRS 115 will result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made in respect of trade receivables and revenue recognition, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of FRS 115, and has anticipated that the adoption of FRS 115 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management has not early adopted the new FRS 115.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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### FRS 116 Leases

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

As at December 31, 2017, the Group has non-cancellable operating lease arrangements of US\$974,000 as disclosed in Note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under FRS 116, and hence the Group will recognise a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of FRS 116. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review. Management has not early adopted the new FRS 116.

### INT FRS 122 Foreign Currency Transactions and Advance Consideration

The Interpretation applies to a foreign currency transaction when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The Interpretation clarifies that:

- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Management anticipates that the initial application of the new INT FRS 122 will result in changes to the accounting policies relating to the foreign currency transactions. Management has performed a detail analysis of the requirements of the initial application of INT FRS 122 and has anticipated that the adoption of INT FRS 122 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management has not early adopted the new INT FRS 122.

### INT FRS 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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- if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

Management is currently still assessing the possible impact of implementing INT FRS 123. It is currently not practicable to disclose any further information on the known or reasonably estimable impact to the Group's and the Company's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management has not early adopted INT FRS 123.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee, (b) is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair values at the acquisition date except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

### **Financial assets**

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are classified as "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.



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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payable when the recognition of interest would be immaterial.

Interest-bearing loan from ultimate holding company is initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**OFFSETTING ARRANGEMENTS** - Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

**LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**INVENTORIES** - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**PLANT AND EQUIPMENT** - Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method on the following bases:

Office furniture and fittings	-	5 to 10 years
Office equipment	-	3 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### INTANGIBLE ASSETS

#### Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

#### Internally-generated intangible assets - research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development costs are charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS** - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Profit sharing

Profit sharing revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Profit sharing agreements are based on sales and other measures, recognised by reference to the underlying arrangement. Profit share are for the use of the Group's intangible assets.

**BORROWING COSTS** - Borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and state schemes where the Group's operations are located, are dealt with as payments to defined contribution plans where the Group's obligation under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in profit or loss.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the company operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and equity of the Company are presented in United States dollars, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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## APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP FOR FY2017

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### ***Critical judgements in applying the Group's accounting policies***

There are no critical judgements made that will have significant effect on the amounts recognised in the financial statements apart from those involving estimations which are dealt with below and in other notes to the financial statements.

### ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

(a) Impairment of intangible assets – licences

The Group has substantial investments in intangible assets, which mainly comprise of licences and the related development costs.

An impairment loss is recognised when events and circumstances indicate that the Group and the Company's intangible assets may be impaired and the carrying amounts of the intangible assets exceed their recoverable amounts.

The recoverable amounts of the licences and development costs were estimated based on its value in use for all products. Value in use was determined by discounting the future cash flows generated from the continuing use of the intangible assets.

The management has estimated the recoverable amount of the licences for insulin with a carrying amount of US\$3,130,000 (2016 : US\$3,346,000) (Note 11). The recoverable amount was estimated based on its value in use which includes discounting future cash flows generated from the continuing use of the licences through profit sharing income using the implied pre-tax rate of 7.8% (2016 : 7.8%) and terminal growth rate of 0% (2016 : 0%). The Company has signed two (2016 : two) profit sharing agreements with its ultimate holding company, whereby the Company will receive a share of the revenues from the use of the insulin licences in the countries wherein the Group has the licences and rights to distribute the product. The Company expects profit from its ultimate holding company for contracts with annual sale for the next eight years (2016 : nine years) with projected fee based on estimated volume for the use of insulin licences and development cost which confirms the non-impairment of the licences and related development costs for insulin.

The carrying amounts of the Group and the Company's intangible assets are disclosed in Note 11 to the financial statements.

(b) Deferred tax assets valuation

The carrying amount of deferred tax assets amounts to US\$6,011,000 (2016 : US\$6,147,000). The deferred tax assets are recognised for the carry forward of unused tax losses and some temporary tax differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies and also subject to satisfying relevant tax legislations in jurisdiction where the Company and its subsidiaries operate.

(c) Provision

Subsequent to the end of the reporting period, a supplier has filed a disposition against the Korean subsidiary to ban import and sales of a particular product in the Korean market. The Korean subsidiary is in the process of opposing the disposition in court. As this is at a very early stage, the directors are unable to assess the likely outcome of the disposition and the potential impact on the future sales of the said product in Korea.



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## APPENDIX E: VALUATION SUMMARY

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### AVA Associates Limited

806 Empress Plaza  
17-19 Chatham Road South  
Tsim Sha Tsui, Hong Kong

19 July 2018

To  
Board of Directors  
**SciGen Limited**  
152 Beach Road  
#26-05/08 Gateway East  
Singapore 189721

Dear Sirs,

Pursuant to instructions by SciGen Limited (“SciGen”, the “Company”), AVA Associates Limited (“AVA”) has performed a **valuation of the 100% interest in (1) an existing licence agreement and technology transfer agreement (the licence held by the Company under such agreements, the “Licence”) between the Company and Bioton Spolka Akcyjna (“Bioton”) for the sale and distribution of recombinant human insulin (“RHI”) in selected countries and (2) profit sharing agreements between the Company and Bioton for the sale and distribution of RHI in Vietnam and China (the “PSAs”) (together, the “Agreements”). The valuation date is 31 March 2018 (“Valuation Date”).** Our report is to assist the Board of Directors of the Company (the “Board”) in their assessment of the value of the Agreements, and inclusion in a circular (“Circular”) to the shareholders in relation to a pre-conditional voluntary general offer for all the issued and paid-up ordinary shares in the capital of the Company (the “Offer”). No other use of our valuation report is intended or should be inferred.

### Definition of Value

In estimating the value of the assets, our efforts were based on the following premise of value:

**Market Value** – *“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”* Such value represents an estimate based on the economic theory of equilibrium price for an asset in a perfect market.

### Scope of Work

#### Background

On 15 May 2018, SciGen, listed on Australian Securities Exchange and majority-owned by Bioton, announced that it has received the Offer from Yifan International Pharmaceutical Co., Ltd. (the “Offeror”). As part of the proposed transaction, Bioton and the Offeror have entered into a separate agreement on 15 May 2018 in relation to, inter alia, (i) the Company’s novation of its rights, interests, duties, obligations and liabilities under the Licence, (ii) Bioton’s acquisition of certain intellectual property rights (including certain trademarks currently owned by the Company) from the Company,

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## APPENDIX E: VALUATION SUMMARY

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(iii) the grant of a sublicense by the Company to Bioton in respect of the Licence (collectively, the "Bioton Acquisition"), (iv) the partial extinguishing of the existing shareholder's loan made by Bioton to the Company (the "Shareholder's Loan") as consideration payable for the Bioton Acquisition, (v) the waiver by Bioton of the Company's obligation to repay the remaining amount of the Shareholder's Loan and (vi) the termination of the PSAs.

### Valuation & Identification

As part of the proposed transaction and to comply with the confirmation of the Securities Industry Council of Singapore (the "SIC") that the Bioton Acquisition does not constitute a special deal under Rule 10 of the Singapore Code on Takeovers and Mergers, the Company engaged AVA to assist in the determination of the Market Value of the 100% interest in the Agreements, as part of the Bioton Acquisition.

The proposed transaction also involves the trademark, "SciLin" (the "Trademark"), registered and owned by the Company for use to market RHI in Myanmar, Philippines, China and Vietnam only. For Bangladesh and Thailand, the "Gensulin" trademark used in those markets is owned by Bioton, while the trademarks used in Pakistan and Indonesia are owned by the respective local distributors appointed by the Company. Based on our discussion with the Company, we understand that these trademarks are used for registration and identification purposes in the selected countries. The quality of the underlying products and strength of the marketing, promotion and distribution organization are crucial. As such, we concluded that the Trademark does not have significant value.

Our valuation and report are prepared in accordance with the International Valuation Standards (2017 edition) as published by the International Valuation Standard Committee and relevant guidelines of International Financial Reporting Standard 38 – Intangible Assets ("FRS 38"). FRS 38 defines an intangible asset as "*an identifiable non-monetary asset without physical substance*". An asset is "*a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected*" FRS 38, Paragraph 8.

The three critical attributes of an intangible asset are:

- *Identifiability* - an intangible asset is identifiable when it: FRS 38, Paragraph 12 "*is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract) or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations*".
- *Control* - power to obtain future economic benefits from the asset
- *Future economic benefits* - such as revenues or reduced future costs

The PSAs and the Licence meet the attributes mentioned and have been identified as intangible assets for the purpose of this exercise.

The procedures used in our valuation analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Preparation of an information checklist for information gathering;
- Discussion with the appropriate parties regarding the identified assets, adopted/proposed valuation methodologies, current/proposed operations and historical/forecast financials of the Company, as well as its prospects, etc;
- Development of appropriate valuation models pertinent to the exercise;

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## APPENDIX E: VALUATION SUMMARY

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- Preparation of draft reports for discussion with the Company; and
- Submission of the final report for the purpose of this exercise.

### Sources of Information

As part of our due diligence, we relied upon documents supplied by the Company, including, but not limited to, the following:

- Profit share agreements, dated 3 January 2016 and 29 December 2011 and between SciGen and Bioton;
- Supply agreement, dated 29 October 2001, between SciGen and Bioton;
- Consolidated annual financial statements of SciGen for the period from 2014 to 2017;
- Consolidated financial statements for the 3-month period ending 31 March 2018; and
- Other relevant documentations.

We planned and performed our review and valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. In the course of our work, we held discussions with the management concerning the history and current conditions of the Company, financial and general outlook of the business. We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us are true and accurate. We also used financial and other information obtained from private and public sources we considered reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. We believe the review and valuation procedures we employed provide a reasonable basis for our opinion.

### Valuation Theory

Our approach in valuing the identified asset relies on using the appropriate techniques to arrive at our conclusion of value. We considered the three generally recognized approaches to value: the income, market and cost approaches.

An overview of the three approaches considered is as follows:

- The *Income Approach* focuses on the income-producing capability of a business or asset. The income approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.
- The *Market Approach* measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. In estimating the value of a business under the market approach there are two methodologies: the publicly-traded guideline company methodology and the recent transaction methodology. The publicly traded guideline company methodology develops an indication of value for the subject company by calculating market pricing multiples for selected publicly-traded guideline companies and applying these multiples to the appropriate financial measures of the subject company. The recent transaction methodology develops an indication of value for the subject company by calculating market pricing multiples based on actual acquisitions of similar businesses and applying these multiples to the appropriate financial measures of the subject company. After deriving a value, adjustments are then made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

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## APPENDIX E: VALUATION SUMMARY

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- The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The cost approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

### **Basis of Valuation**

#### **Valuation of the Agreements – The PSAs**

The income approach, employing the discounted cash flow (“DCF”) methodology is judged to be the most appropriate due to the availability of relevant data, specifically the historical information and profit sharing projections provided by the Company. The DCF methodology enables us to focus on the free cash flow that can be generated in the future under the terms and conditions of the PSAs in the future. The projected cash flows are then discounted to their present value equivalent and summed.

#### **Valuation of the Agreements – The Licence**

We estimated this intangible asset using Multi-Period Excess Earnings Method (“MEEM”), a form of the income approach. The principle behind this excess cash flow method, through the use of DCF analysis, is that the value of an intangible asset is equal to the present value of the cash flow attributable only to that intangible asset.

The excess cash flow method provides an estimate of the fair value of an intangible asset by deducting operating expenses and economic charges (contributory asset charges) from the revenue expected to be generated by the underlying asset. The projected cash flows are then discounted to their present value equivalent and summed.

#### **Contributory Asset Charges**

The expected after-tax cash flow margin reflects the after-tax cash flows attributable to this intangible asset. After-tax income attributable to this intangible asset was determined by subtracting cost of revenue, operating expenses and income taxes from the revenues attributable to the contract.

In accordance with the excess cash flow method, after-tax cash earnings, after adding back depreciation and amortization, were reduced by the after-tax required rate of return for the use of contributory assets to determine the after-tax cash flows specifically attributable to the contract. An intangible asset will typically leverage other assets to realize its expected future cash flow. Contributory asset charges (“CAC”), therefore, should be assessed to provide theoretical fair returns on the contributions provided by those contributory assets. Contributory assets may include other assets purchased in the same transaction and any other assets required to realize the cash flows. Capital asset charges are not appropriate for assets that do not contribute to the expected future cash flows (for example, land held for investment should not be considered as a basis for a charge if it is not required to generate future cash flows).

Because the intangible asset to be valued is considered to “rent” or “lease” from a hypothetical third party, whose assets are required to produce the cash flow attributable to the development of the intangible asset, the owner of the contributory asset must be paid a fair return on (and return on, when appropriate) the fair value of such rented assets. The appropriate charges are estimated as after-tax amounts representing the returns on and returns of (when appropriate) the contributory

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## APPENDIX E: VALUATION SUMMARY

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assets such that any net cash flow remaining after the charges is attributable solely to the intangible assets under consideration.

### Valuation of the Agreements

#### Key Valuation Assumptions

We have assumed the following for the purpose of the valuation exercise:

- The Agreements will be renewed upon expiration with the same terms and conditions;
- The business of executing the Agreements will compose of all necessary assets, both tangible and intangible, to continue operating as it has under its current owners;
- The historical financial statements, while unaudited by external auditors, have been properly prepared to reflect true financial performance and standing; and
- There is no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.

The Company has provided us with guidance on projected revenue, expenses, and working capital requirements. Based on our professional judgement, we have put forth a set of parameters deemed to be reasonable to arrive at a 5-year projection and adopted it for the purpose of this valuation. We discussed the risks of achieving these projections and the overall reasonableness of the parameters used. We considered the impact of each valuation-related parameter individually, and the related impact on our overall valuation conclusions.

Although the information and assumptions used in the cash flow projections are a reasonable basis for valuation purposes, our analysis and use of them do not constitute an examination or compilation of prospective financial information in accordance with established standards.

#### PSAs - Assumptions for Base Case

Based on our analysis of the financial statements and understanding of the current business model, we prepared a base case scenario modelled on the following assumptions.

Parameters	Assumptions
Forecast period	<ul style="list-style-type: none"><li>• From April 2018 to December 2022 with the the terminal year beginning in 1 January 2023.</li></ul>
Revenue	<ul style="list-style-type: none"><li>• Total revenue from profit-sharing agreements for China and Vietnam, is projected to enjoy annual increases as follows:<ul style="list-style-type: none"><li>○ 2018 – 51.8%</li><li>○ 2019 – 19.4%</li><li>○ 2020 – 19.4%</li><li>○ 2021 – 9.5%</li><li>○ 2022 – 9.2%</li><li>○ Beyond 2022 – 0.0%</li></ul></li></ul>
Marginal income tax	<ul style="list-style-type: none"><li>• 17.0%</li></ul>
WACC	<ul style="list-style-type: none"><li>• 13.5%</li></ul>

#### PSAs – Value Conclusion for Base Case

We estimated that under the above-mentioned scenario, the Market Value of the PSAs is USD18,000,000.

## APPENDIX E: VALUATION SUMMARY

### PSAs - Sensitivity Analysis

We performed a sensitivity analysis to understand the value of the PSAs based on a variance in (1) the revenue derived from the PSAs and (2) the required return on the PSAs as represented by the WACC. The following table shows the range of values.

Sensitivity Analysis - The PSAs			
Change in Revenue	-5.0%	0.0%	+5.0%
Value (USD)	17,200,000	18,000,000	19,000,000
Increase/Decrease in WACC	-1.0%	0.0%	+1.0%
Value (USD)	19,500,000	18,000,000	16,900,000

### Licence - Assumptions for Base Case

Based on our analysis of the financial statements and understanding of the current business model, we prepared a base case scenario modelled on the following assumptions.

Parameters	Assumptions
Forecast period	<ul style="list-style-type: none"> <li>• From April 2018 to December 2022 with the terminal year beginning in 1 January 2023.</li> </ul>
Revenue	<ul style="list-style-type: none"> <li>• Total revenue, from the distribution in the 6 markets, is projected to enjoy annual increases as follows:                             <ul style="list-style-type: none"> <li>○ 2018 – 22.7%</li> <li>○ 2019 – 45.2%</li> <li>○ 2020 – 43.6%</li> <li>○ 2021 – 6.0%</li> <li>○ 2022 – 6.0%</li> <li>○ Beyond 2022 – 0.0%</li> </ul> </li> </ul>
Gross profit	<ul style="list-style-type: none"> <li>• Gross profit, from the distribution in the 6 markets and, is projected to enjoy annual increases as follows:                             <ul style="list-style-type: none"> <li>○ 2018 – 64.5%</li> <li>○ 2019 – 116.2%</li> <li>○ 2020 – 63.8%</li> <li>○ 2021 – 6.0%</li> <li>○ 2022 – 6.0%</li> <li>○ Beyond 2022 – 0.0%</li> </ul> </li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Operating expenses are allocated on the basis of percentage of sales.</li> </ul>
Marginal income tax	<ul style="list-style-type: none"> <li>• 17.0%</li> </ul>
CAC	<ul style="list-style-type: none"> <li>• Working capital – 1.17% of Revenue</li> <li>• Fixed assets – 0.02% of Revenue</li> <li>• Assembled workforce – 0.16% of Revenue</li> </ul>
WACC	<ul style="list-style-type: none"> <li>• 13.5%</li> </ul>

### Licence – Value Conclusion for Base Case

We estimated that under the above-mentioned scenario, the Market Value of the Licence is USD10,000,000.

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## APPENDIX E: VALUATION SUMMARY

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### Licence - Sensitivity Analysis

We performed a sensitivity analysis to understand the value of the Licence based on a variance in (1) the gross profit derived from the Licence and (2) the WACC. The following table shows the range of values.

Sensitivity Analysis - The Licence			
Change in Gross Profit	-5.0%	0.0%	+5.0%
Value (USD)	7,900,000	10,000,000	11,300,000
Increase/Decrease in WACC	-1.0%	0.0%	+1.0%
Value (USD)	10,400,000	10,000,000	8,900,000

### Conclusion of Value

Under the Income Approach, our base case scenario, which is based on an as-is basis, points to USD28,000,000 as the Market Value of the Agreements. Our sensitivity analysis, which varies 2 key parameters, sees the Market Value ranging from USD24,800,000 to USD30,800,000.

Based on the information provided, our analyses and conclusions on the various approaches, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the Market Value of the Agreements is reasonably represented, through the Income Approach, as follows.

Item	Market Value - Low (USD)	Market Value - High (USD)
100% interest in the Agreements	24,800,000	30,800,000

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuations of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report and the observations and analyses are intended solely for use by the Company and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Company.

Respectfully submitted,

**AVA Associates Limited**

*AVA Associates Limited, based in Hong Kong and Singapore, has been providing independent valuation services to clients in Asia since 2008. We provide transaction-based advisory services, primarily focusing on independent valuation services to assist its clients to comply with internal and external requirements. Our valuation team, made up of qualified professionals in their respective fields, has the expertise covering various classifications of tangible and intangible assets, focusing on four key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation. Thomas Chua, a 15-year valuation practitioner, holds a Masters of Business Administration (Finance) while Fiona Tay, a 10-year practitioner, holds a Bachelor of Accountancy.*

**Exhibit 1**

**Statement of General Assumption and Limiting Conditions**

This analysis is subject to the following general assumptions and limiting conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements, encroachments, and other encumbrances unless otherwise stated.
2. Information furnished by others, upon which all or portions of this valuation is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.
3. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of AVA or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Company and its financial accounting firm, by any means without the prior written consent and approval of AVA.
4. This appraisal has been made in conformance with the International Valuation Standards issued by the International Valuation Standards Council.
5. Neither AVA nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.
6. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.
7. The date of value to which the estimate expressed in this report applies is set forth in the beginning of this report. This valuation is valid only for the valuation date indicated. Our analysis is based on the purchasing power of the Singapore Dollar as of that date.
8. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government, or private entity or organization have been or can readily be obtained or renewed for any use on which the value estimate provided in this report is based.
9. Full compliance with all applicable federal, state, and local zoning and use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
10. Responsible ownership and competent management are assumed.
11. The value estimate is predicated on the financial structure prevailing as of the date of this analysis.
12. Save for inclusion and /or reference in the Circular, this report may not be included or referred to in any statutory filing or other public document.
13. This is a Summary Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the valuation professional's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the valuation professional's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The valuation professional is not responsible for unauthorized use of this report.