

ASX ANNOUNCEMENT

SCHEME BOOKLET REGISTERED WITH ASIC

18 December 2019, Sydney, Australia: Further to the Company's announcement on 24 October 2019, CSG Limited (**CSG**) today announces that the Australian Securities and Investments Commission (**ASIC**) has registered the scheme booklet (**Scheme Booklet**) in relation to the proposed acquisition of all the shares in CSG by Fuji Xerox Asia Pacific Pte Ltd (ARBN 103 964 629 via a Scheme of Arrangement (the **Scheme**). This follows the issuance of orders by the New South Wales Supreme Court (the **Court**) today approving dispatch of the Scheme Booklet to CSG shareholders and the convening of a meeting of CSG shareholders to consider and vote on the Scheme (**Scheme Meeting**), which was announced by CSG earlier today.

A copy of the Scheme Booklet, including the Notice of Meeting convening the Scheme Meeting, Proxy Form, and the Independent Expert's Report is attached to this announcement and will be sent to CSG shareholders by 23 December 2019.

If the Scheme is approved by CSG shareholders at the Scheme Meeting, and all other conditions precedent are satisfied or waived (where capable of waiver), CSG shareholders will receive \$0.31 cash per CSG Share (**Scheme Consideration**). The Scheme Consideration is expected to be paid on Wednesday, 19 February 2020 being the expected Implementation Date in respect of the Scheme.

The Board of Directors of CSG continues to unanimously recommend that CSG shareholders vote in favour of the Scheme at the upcoming Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

END

Further information please contact:

Corporate
Howard Edelman
Company Secretary
P: +61 2 9216 2705

Investors
Eric Kuret
Market Eye
P: +61 417 311 335
E: eric.kuret@marketeye.com.au

Attachment



CSG Limited
ABN 64 123 989 631



Scheme Booklet

for the scheme of arrangement in relation to the proposed acquisition of all your CSG Shares by Fuji Xerox Asia Pacific Pte Ltd ARBN 103 964 629

The Notice of Scheme Meeting is included in Appendix 3 to this Scheme Booklet. The Proxy Form accompanies this Scheme Booklet. The Scheme Meeting is scheduled to be held at 10.00am (Sydney time) on Monday 3 February 2020 at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000.

VOTE IN FAVOUR

YOUR VOTE IS IMPORTANT IN DETERMINING WHETHER THE SCHEME PROCEEDS.

THE CSG DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE SCHEME IS IN THE BEST INTERESTS OF CSG SHAREHOLDERS.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEME IS FAIR AND REASONABLE AND IN THE BEST INTERESTS OF CSG SHAREHOLDERS IN THE ABSENCE OF A SUPERIOR PROPOSAL.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION.

If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser immediately. If after reading this Scheme Booklet you have any questions about the Scheme, please call the CSG Shareholder Information Line on 1300 070 716 (within Australia) or +61 3 9415 4123 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time).

If you have recently sold all your CSG Shares, please disregard all enclosed documents.

Important notices

General

You should read this Scheme Booklet in its entirety before making any decision in relation to the Scheme. The Notice of Scheme Meeting is contained in Appendix 3 to this Scheme Booklet. The Proxy Form is enclosed with this Scheme Booklet.

Defined terms

Capitalised terms in this Scheme Booklet are defined either in the Glossary in Section 10 of this Scheme Booklet or where the relevant term is first used in this Scheme Booklet.

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- explain the terms and effect of the Scheme to CSG Shareholders;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- state any material interests of the CSG Directors, whether as directors, members or creditors of CSG or otherwise, and the effect on those interests of the Scheme as far as that effect is different from the effect on similar interests of other persons; and
- provide the information as is prescribed by the Corporations Act and the regulations to that Act and all other information known to the CSG Directors which is material to the decision of CSG Shareholders whether to vote in favour of the Scheme.

This Scheme Booklet constitutes the explanatory statement for the Scheme as required by section 412(1) of the Corporations Act.

No financial product advice

The information in this Scheme Booklet is not financial product or investment advice. This Scheme Booklet has been prepared without taking into account your investment objectives, financial situation, taxation position or other particular needs. Before deciding how to vote or act, CSG Shareholders should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek legal, financial, taxation or other professional advice appropriate to their jurisdiction and circumstances. CSG is not licensed to provide financial product advice in respect of CSG Shares or any other financial products.

Responsibility for information

The CSG Information contained in this Scheme Booklet has been prepared by and is the responsibility of CSG. Fuji Xerox Asia Pacific does not assume any responsibility for the accuracy or completeness of the CSG Information.

The Fuji Xerox Asia Pacific Information contained in this Scheme Booklet has been prepared by and is the responsibility of Fuji Xerox Asia Pacific. CSG does not assume any responsibility for the accuracy or completeness of the Fuji Xerox Asia Pacific Information.

Loneragan Edwards & Associates Limited has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Appendix 1.

ASIC and ASX

A copy of this Scheme Booklet has been provided to ASIC in accordance with section 411(2) of the Corporations Act, and registered by ASIC as required under section 412(6) of the Corporations Act.

ASIC has examined a copy of this Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under section 411(1) of the Corporations Act

A copy of this Scheme Booklet was submitted to the Court to obtain an order of the Court under section 411(1) of the Corporations Act directing CSG to convene the Scheme Meeting. That order was obtained at the First Court Hearing on 17 December 2019.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting of CSG Shareholders be convened by CSG to consider and vote on the Scheme and has directed that this Scheme Booklet accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how CSG Shareholders should vote on the Scheme (on this matter CSG Shareholders must reach their own decision);
- has prepared, or is responsible for, the contents of this Scheme Booklet; or
- has approved or will approve the terms of the Scheme.

Notice of Second Court Hearing

The Second Court Hearing is expected to be held at 10.00am (Sydney time) on 5 February 2020 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney.

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

A CSG Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme.

Any CSG Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court, and serving on CSG, a notice of appearance

in the prescribed form, together with any affidavit on which the CSG Shareholder proposes to rely at the hearing. The notice of appearance and affidavit must be served on CSG at its address for service at least one day before the Second Court Hearing Date.

The address for service on CSG is:

CSG Limited
C/- MinterEllison
Level 40, Governor Macquarie Tower
1 Farrer Place, Sydney
New South Wales, 2000
Attention: Michael Gajic and Michael Scarf

Forward-looking statements

Certain statements in this Scheme Booklet are about future matters, including forward-looking statements. These forward-looking statements and information, including statements and information relating to CSG and the transactions contemplated by the Scheme Implementation Deed, are not based solely on historical facts, but rather reflect the current expectations of CSG concerning future results, events or other matters. These statements may sometimes be identified by the use of forward-looking words or phrases such as *if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential* or other similar words or phrases. Similarly, statements that describe CSG's or Fuji Xerox Asia Pacific's objectives, plans, goals, intentions or expectations, estimates of future costs, and expenditure are, or may be, forward-looking statements.

The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of CSG's operations or the advantages and disadvantages of the Scheme are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of CSG to be materially different from future results, performance or achievements expressed or implied by such statements. These statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which CSG will operate in the future, including anticipated costs and ability to achieve goals. See Section 7 for a discussion of potential risk factors underlying, and other information relevant to, the forward-looking statements and information. Therefore, forward-looking statements and information should be construed in light of those limitations and undue reliance should not be placed on them.

The forward-looking statements and information in this Scheme Booklet reflect views held only at the date of this Scheme Booklet.

Subject to any continuing obligations under law, CSG, Fuji Xerox Asia Pacific, their respective Related Bodies Corporate, and their respective directors disclaim any obligation or undertaking to disseminate after the date of

this Scheme Booklet any updates or revisions to any forward-looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

Rounding of numerical information

Any discrepancies between totals in tables and sums of components contained in this Scheme Booklet and between those figures and figures referred to in other parts of this Scheme Booklet are due to rounding. Often rounded numbers have been rounded either to two decimal places or to the nearest whole number (with units marked as appropriate).

Privacy and personal information

CSG and Fuji Xerox Asia Pacific will need to collect the personal information of CSG Shareholders to implement the Scheme. This information may include the name, contact details and security holding of CSG Shareholders, and the name of persons appointed by CSG Shareholders to act as proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of collection of the personal information is to assist CSG in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by CSG in the manner described in this Scheme Booklet. Without this information, CSG may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the CSG Share Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of CSG and the parties to the Scheme Implementation Deed.

CSG Shareholders have certain rights to access personal information that has been collected. CSG Shareholders should contact CSG's Company Secretary in the first instance if they wish to request access to their personal information.

CSG Shareholders who appoint a named person to act as their proxy, attorney or corporate representative at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

No internet site is part of this Scheme Booklet

CSG and Fuji Xerox Asia Pacific each maintain internet sites at <https://www.csg.com.au/> and <http://www.fxap.com.sg>. Fuji Xerox maintains a corporate English internet site at <http://www.fujixerox.com>. Any references in this Scheme Booklet to those or other internet sites are for information purposes only and do not form part of this Scheme Booklet.

Date of this Scheme Booklet

This Scheme Booklet is dated 17 December 2019.

Contents

Important notices.....	IFC
Important dates and times.....	2
Overview of this Scheme Booklet.....	2
What you should do next.....	3
Letter from the Chairman of CSG.....	4
1. Key considerations relevant to your vote.....	6
2. How to vote.....	13
3. Frequently asked questions.....	16
4. Summary of the Scheme.....	27
5. Information about CSG.....	34
6. Information about Fuji Xerox Asia Pacific.....	45
7. Potential risk factors.....	50
8. Taxation implications.....	55
9. Additional information.....	58
10. Glossary.....	67
Appendix 1 – Independent Expert's Report.....	72
Appendix 2 – Scheme.....	132
Appendix 3 – Notice of Scheme Meeting.....	146
Appendix 4 – Scheme Implementation Deed.....	150
Appendix 5 – Deed Poll.....	207
Corporate directory.....	IBC

Important dates and times

All references to time in this Scheme Booklet are references to the time in Sydney, Australia unless otherwise stated.

Event	Time and date
First Court Hearing at which the Court made orders convening the Scheme Meeting	9.15am on 17 December 2019
Last time and date by which Proxy Forms must be received by the CSG Share Registry (whether in person, by mail or by fax)	5.00pm on 31 January 2020
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm on 1 February 2020
Scheme Meeting	10.00am on 3 February 2020

If the Scheme is approved by CSG Shareholders

Second Court Hearing to obtain orders approving the Scheme	10.00am on 5 February 2020
Lodgement by CSG with ASIC of the Court orders approving the Scheme	5 February 2020
Suspension of trading in CSG Shares on ASX	5 February 2020
Record Date: time and date for determining entitlements to Scheme Consideration	7.00pm on 12 February 2020
Implementation Date: payment of Scheme Consideration	19 February 2020

All times and dates in the above timetable are indicative and subject to change. Certain times and dates are conditional on the approval of the Scheme by CSG Shareholders and by the Court.

Any changes to the timetable will be announced by CSG through ASX and notified on CSG's website at <https://www.csg.com.au/>.

Overview of this Scheme Booklet

What is this Scheme Booklet for?

This Scheme Booklet has been sent to you to help you understand the terms of a proposed scheme of arrangement between CSG and all CSG Shareholders under which all your CSG Shares will be acquired by Fuji Xerox Asia Pacific for \$0.31 cash per CSG Share.

The effect of the Scheme is that Fuji Xerox Asia Pacific will acquire 100% ownership and control of CSG.

The Scheme is subject to the approval of CSG Shareholders. This Scheme Booklet includes information relevant to your decision as a CSG Shareholder whether or not to vote in favour of the Scheme.

The CSG Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal. A copy of the Independent Expert's Report is included in Appendix 1 to this Scheme Booklet.

You should read this Scheme Booklet in its entirety before making any decision in relation to the Scheme.

What you should do next

1. Read this Scheme Booklet

This Scheme Booklet contains information that is material to your decision as a CSG Shareholder whether or not to vote in favour of the Scheme. You should read this Scheme Booklet in its entirety before making any decision in relation to the Scheme.

If you have any questions in relation to the Scheme or how to vote in favour of the Scheme, please contact the CSG Shareholder Information Line on 1300 070 716 (within Australia) or +61 3 9415 4123 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time).

2. Consider your alternatives

You should refer in particular to Section 1 for guidance on reasons to vote in favour or against the Scheme and other considerations relevant to the Scheme.

Answers to some frequently asked questions are included in Section 3.

This Scheme Booklet does not take into account the investment objectives, financial situation, taxation position or other particular needs of any individual CSG Shareholder. If you have any queries in relation to how the Scheme may affect your specific investment objectives, financial situation, taxation position or other particular needs, you should consult your legal, financial, taxation or other professional adviser before making any decision in relation to your CSG Shares and the Scheme.

3. Vote on the Scheme

As a CSG Shareholder, you have a say in whether or not the Scheme proceeds.

You can vote at the Scheme Meeting:

- by proxy, using the enclosed Proxy Form; or
- in person, by attending the Scheme Meeting to be held on Monday 3 February 2020 at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000 commencing at 10.00am (Sydney time).

Proxy Forms should be completed and lodged in accordance with the instructions set out in the Proxy Form.

If you vote by proxy, your Proxy Form (together with any power of attorney or authority under which the Proxy Form is signed) must be received by the CSG Share Registry by 5.00pm (Sydney time) on 31 January 2020 for your vote to be counted.

Further information relating to voting is contained in Section 2, in the Notice of Scheme Meeting in Appendix 3 to this Scheme Booklet and in the Proxy Form which accompanies this Scheme Booklet.

Is the Scheme in the best interests of CSG Shareholders?

- ✓ The Independent Expert has concluded that the Scheme is **FAIR AND REASONABLE** and in the **BEST INTERESTS** of CSG Shareholders in the absence of a Superior Proposal.
- ✓ The Independent Expert has assessed the value of CSG Shares on a 100% controlling interest basis to be in the range of \$0.27 to \$0.30 per CSG Share. The Independent Expert states that the Scheme Consideration of \$0.31 cash per CSG Share exceeds the Independent Expert's assessed valuation range for CSG Shares.

The Independent Expert's Report is included in Appendix 1 to this Scheme Booklet.

What do the CSG Directors recommend?

- ✓ The CSG Directors **UNANIMOUSLY RECOMMEND** that you vote **IN FAVOUR OF** the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.
- ✓ Each CSG Director intends to vote all CSG Shares he or she holds or controls **IN FAVOUR OF** the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

See Section 4.3 for further information on the CSG Directors' unanimous recommendation, including important information about their interests.

Letter from the Chairman of CSG

17 December 2019

Dear CSG Shareholder

On behalf of the CSG Board, I am pleased to present this Scheme Booklet containing information about the proposed acquisition of CSG Limited by Fuji Xerox Asia Pacific Pte Ltd, a wholly owned Singaporean subsidiary of Fuji Xerox Co., Limited.

Overview of transaction

On 24 October 2019, CSG announced that it had entered into a Scheme Implementation Deed with Fuji Xerox Asia Pacific to acquire 100% of the CSG Shares. The proposed acquisition will be effected via a scheme of arrangement, subject to CSG Shareholder and Court approval, and certain other conditions.

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration of \$0.31 cash per CSG Share, which represents a significant premium of:

- 31.9% to the closing price of CSG Shares on 23 October 2019 (the last trading day before the announcement of the Scheme) of \$0.235 per CSG Share;
- 35.4% to the one month VWAP¹ of CSG Shares to close of trading on 23 October 2019 of \$0.229 per CSG Share; and
- 55.2% to the VWAP² of CSG Shares since announcement of CSG's FY19 full year results on 20 August 2019 to close of trading on 23 October 2019 of \$0.200 per CSG Share.

The Scheme Consideration of \$0.31 cash per CSG Share implies a market capitalisation for CSG of \$140.8 million, and implies an enterprise value of \$181.6 million.³

CSG Directors' recommendation

The CSG Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.⁴

Each CSG Director intends to vote the CSG Shares he or she owns or controls in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

The CSG Directors consider that the certainty of the all cash Scheme Consideration provides an attractive alternative to holding onto your CSG Shares until the strategic options available to CSG to maximise value are realised in the future, including continuing to pursue CSG's 2021 strategic transformation program and growth strategy. Those strategic options may take some time to realise and will be subject to risks and uncertainties.

Also, the CSG Directors have taken into account that the Scheme Consideration represents a significant premium to CSG's trading prices prior to announcement of the Scheme.

Reasons to vote in favour of the Scheme are set out in detail in Section 1.2. There are also reasons why you may choose to vote against the Scheme which are set out in Section 1.3.

1 VWAP based on cumulative trading volume and value up to and including 23 October 2019 (being the last trading day prior to the announcement of the Scheme).

2 VWAP based on cumulative trading volume and value up to and including 23 October 2019 (being the last trading day prior to the announcement of the Scheme).

3 Implied market capitalisation of \$140.8 million based on the Scheme Consideration of \$0.31 cash per CSG Share multiplied by the current shares on issue of 449,257,045 CSG Shares and 5,000,000 CSG Performance Rights that will vest as a result of the Scheme and become Scheme Shares. Implied enterprise value of \$181.6 million includes CSG net debt (adjusted for restricted cash) of \$24.9 million as at 30 June 2019 and minority interests of \$15.9 million as at 30 June 2019.

4 If the Scheme becomes Effective, Mr Mark Bayliss' 5,000,000 CSG Performance Rights will vest and escrow restrictions remaining over 1,333,334 CSG Shares held by Mr Bayliss will be released, in each case in accordance with their terms as previously disclosed to CSG Shareholders. In this case, Mr Bayliss will be entitled to receive the Scheme Consideration totalling \$1,963,333.54 in respect of those 6,333,334 CSG Shares. These matters and other interests and benefits of the CSG Directors in relation to the Scheme are set out in Sections 5.9, 9.3, 9.5, 9.7, 9.8 and 9.9. Mr Bayliss and the CSG Board (other than Mr Bayliss) consider that, despite these contractual arrangements, it is appropriate for Mr Bayliss to make a recommendation on the Scheme due to his role as Acting Chief Executive Officer and Managing Director and his unique skills and experience. CSG Shareholders should have regard to these arrangements when considering Mr Bayliss' recommendation, which appears throughout this Scheme Booklet.

Independent Expert

The CSG Directors appointed Lonergan Edwards & Associates Limited as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal. The Independent Expert has assessed the value of CSG Shares on a 100% controlling interest basis to be in the range of \$0.27 and \$0.30 per CSG Share. The Scheme Consideration of \$0.31 cash per CSG Share exceeds this range.

A complete copy of the Independent' Expert is included in Appendix 1 to this Scheme Booklet.

Major CSG Shareholder support

CSG's largest shareholder, Caledonia (Private) Investments Pty Limited (with its associates) holding approximately 29.1% of CSG Shares on issue⁵, has informed CSG that it intends to vote in favour of the Scheme based on the disclosed terms of the Scheme, and subject to no Superior Proposal emerging and subject to the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of CSG Shareholders.

How to vote

The Scheme needs to be approved by at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting, and a majority in number (i.e. more than 50%) of CSG Shareholders present and voting (whether in person or by proxy, attorney or corporate representative).

The Scheme Meeting is scheduled to be held at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000 on Monday 3 February 2020 at 10.00am (Sydney time).

Your vote is important in determining whether the Scheme proceeds. If the Scheme is not approved at the Scheme Meeting by the requisite majorities of CSG Shareholders, the Scheme will not be implemented and you will not receive the Scheme Consideration.

You may vote on the Scheme Resolution by attending the Scheme Meeting in person, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meeting and vote on your behalf.

If you do not wish to or are unable to attend the Scheme Meeting in person, I encourage you to vote on the Scheme Resolution by completing the personalised Proxy Form accompanying this Scheme Booklet and returning it to the CSG Share Registry in one of the ways set out in Section 2.3(c). To be valid, Proxy Forms must be received by the CSG Share Registry by no later than 5.00pm (Sydney time) on 31 January 2020.

What to do next

This Scheme Booklet sets out important information regarding the Scheme, including the reasons why the CSG Directors unanimously recommend CSG Shareholders vote in favour of the Scheme, and the Independent Expert's Report.

You should read this Scheme Booklet in its entirety before making any decision in relation to the Scheme.

If you have any queries in relation to how the Scheme may affect your specific financial situation, investment objectives or other particular needs, you should consult your legal, financial, taxation or other professional adviser before making any decision in relation to your CSG Shares and the Scheme.

If you have any questions regarding the Scheme, please contact the CSG Information Line on 1300 070 716 (within Australia) or +61 3 9415 4123 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time).

On behalf of the CSG Board, I would like to reiterate our support for the Scheme.

I would also like to take this opportunity to thank you for your continued support of CSG.

Yours sincerely



Bernie Campbell
Chairman
CSG Limited

The background is a vibrant green gradient with several overlapping, semi-transparent cloud shapes in various shades of green. The clouds are outlined in a thin, light blue line. The overall composition is clean and modern.

1.

Key considerations
relevant to your vote

1. Key considerations relevant to your vote

1.1 Summary of reasons to vote in favour of or against the Scheme

Reasons to vote in favour of the Scheme

- ✓ The CSG Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal
- ✓ The Scheme Consideration of \$0.31 cash per CSG Share represents a significant premium to recent CSG Share prices
- ✓ You will receive certain value for your investment in CSG, avoiding the risks and uncertainties associated with an investment in CSG
- ✓ The price of CSG Shares may fall if the Scheme is not implemented and no Superior Proposal emerges
- ✓ Since the announcement of the Scheme, no Superior Proposal has emerged
- ✓ The Scheme has major CSG Shareholder support
- ✓ No brokerage will be payable by you for transfer of your CSG Shares under the Scheme

Reasons to vote against the Scheme

- ✗ You may disagree with the CSG Directors' unanimous recommendation and the Independent Expert's conclusion in relation to the Scheme
- ✗ You may prefer to participate in the future financial performance of the CSG business
- ✗ You may consider that the Scheme does not capture the future value of CSG's strategic options
- ✗ You may wish to maintain your current investment in CSG and risk profile
- ✗ You may believe there is a potential for a Superior Proposal to emerge in the foreseeable future
- ✗ The tax consequences of the Scheme may not suit your financial position

1. Key considerations relevant to your vote

1.2 Why you should vote in favour of the Scheme

This Section 1.2 sets out the reasons why the CSG Directors consider that you should vote in favour of the Scheme.

(a) The CSG Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders

The CSG Directors unanimously recommend that CSG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.⁶

Each CSG Director intends to vote the CSG Shares he or she holds or controls in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

In making their recommendation, the CSG Directors have considered:

- the reasons to vote in favour of, or against, the Scheme in this Section 1.2 and in Section 1.3;
- other considerations in Section 1.4; and
- the opinion of the Independent Expert, whose report is included in Appendix 1 to this Scheme Booklet.

If the Scheme becomes Effective, Mr Mark Bayliss' 5,000,000 CSG Performance Rights will vest and escrow restrictions remaining over 1,333,334 CSG Shares held by Mr Bayliss will be released, in each case in accordance with their terms as previously disclosed to CSG Shareholders. In this case, Mr Bayliss will be entitled to receive the Scheme Consideration totalling \$1,963,333.54 in respect of those 6,333,334 CSG Shares. These matters and other interests and benefits of the CSG Directors in relation to the Scheme are set out in Sections 5.9, 9.3, 9.5, 9.7, 9.8 and 9.9. Mr Bayliss and the CSG Board (other than Mr Bayliss) consider that, despite these contractual arrangements, it is appropriate for Mr Bayliss to make a recommendation on the Scheme due to his role as Acting Chief Executive Officer and Managing Director and his unique skills and experience. CSG Shareholders should have regard to these arrangements when considering Mr Bayliss' recommendation.

(b) The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal

CSG appointed Lonergan Edwards & Associates Limited as the Independent Expert to provide an independent assessment of the Scheme, including an opinion as to whether the Scheme is in the best interest of CSG Shareholders.

In the Independent Expert's Report, the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal.

The Independent Expert has assessed the value of a CSG Share to be in the range of \$0.27 to \$0.30 per CSG Share. As the Scheme Consideration of \$0.31 cash per CSG Share exceeds the Independent Expert's assessed valuation range, the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal.

A full copy of the Independent Expert's Report is included in Appendix 1 to this Scheme Booklet. You should carefully read the Independent Expert's Report in its entirety before making a decision in relation to the Scheme.

(c) The Scheme Consideration of \$0.31 cash per CSG Share represents a significant premium to recent CSG Share prices

The Scheme Consideration of \$0.31 cash per CSG Share represents a significant premium of:

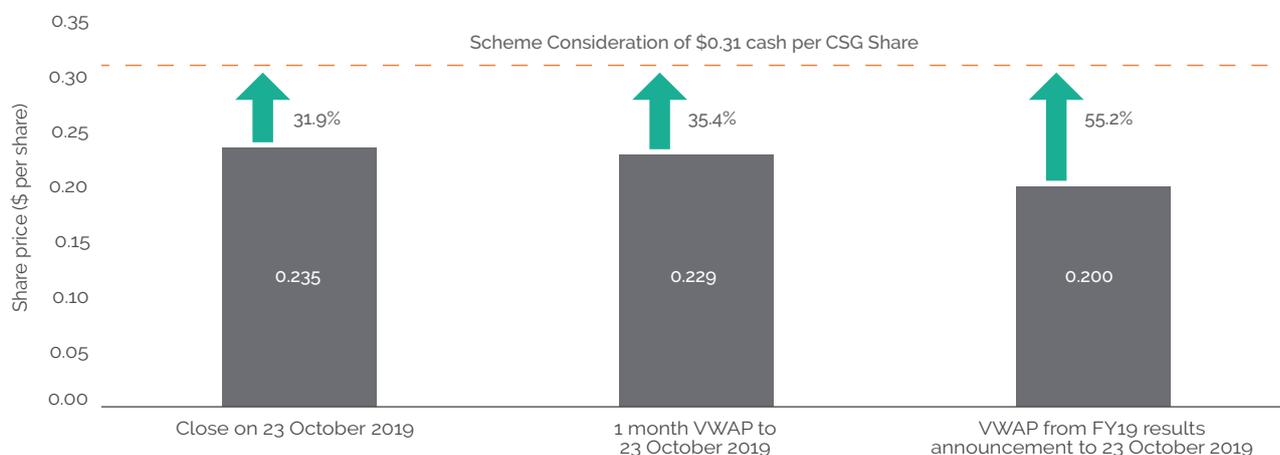
- 31.9% to the closing price of CSG Shares on 23 October 2019 (the last trading day before the announcement of the Transaction) of \$0.235 per CSG Share;
- 35.4% to the one month VWAP⁷ of CSG Shares to close of trading on 23 October 2019 of \$0.229 per CSG Share; and
- 55.2% to the VWAP⁸ of CSG Shares since announcement of CSG's FY19 full year results on 20 August 2019 to close of trading on 23 October 2019 of \$0.200 per CSG Share.

⁶ CSG Shareholders should have regard to the fact that, if the Scheme becomes Effective, all 5,000,000 CSG Performance Rights held by Mark Bayliss will vest and escrow restrictions remaining over 1,333,334 CSG Shares held by Mr Bayliss will be released, each in accordance with their terms (as previously disclosed to CSG Shareholders), entitling Mr Bayliss to participate in the Scheme in respect of the CSG Shares issued or released to Mr Bayliss and held at the Record Date. In this case, Mr Bayliss will be entitled to receive the Scheme Consideration totalling \$1,963,333.54 in respect of those 6,333,334 CSG Shares. Despite these contractual arrangements, Mr Bayliss and the CSG Board (other than Mr Bayliss) consider that it is appropriate for Mr Bayliss to make a recommendation on the Scheme due to his role as Acting Chief Executive Officer and Managing Director and his unique skills and experience.

⁷ VWAP based on cumulative trading volume and value up to and including 23 October 2019 (being the last trading day prior to the announcement of the Scheme).

⁸ VWAP based on cumulative trading volume and value up to and including 23 October 2019 (being the last trading day prior to the announcement of the Scheme).

The graph below shows the premium of the Scheme Consideration to recent CSG Share prices before the announcement of the Scheme.



Source: IRESS (as at 16 December 2019, being the Last Practicable Date).

(d) You will receive certain value for your investment in CSG, avoiding the risks and uncertainties associated with an investment in CSG

The Scheme Consideration of \$0.31 cash per CSG Share provides you with certainty of value for your CSG Shares (subject to the Scheme being implemented).

The certainty of the all cash Scheme Consideration should be compared with the alternative of holding onto your CSG Shares until the strategic options available to CSG to maximise value are realised in the future, including continuing to pursue CSG’s 2021 strategic transformation program and growth strategy. Those strategic options may take some time to realise and will be subject to risks and uncertainties.

In addition, if the Scheme does not proceed, CSG Shareholders will continue to be subject to the risks and uncertainties of remaining a CSG Shareholder. Those risks and uncertainties include general market risks and the other company specific risks inherent in CSG’s business, including the risk factors set out in Section 7.

The Scheme removes these risks and uncertainties for CSG Shareholders and allows them to receive certain value for their investment in CSG at a significant premium.

(e) The price of CSG Shares may fall if the Scheme is not implemented and no Superior Proposal emerges

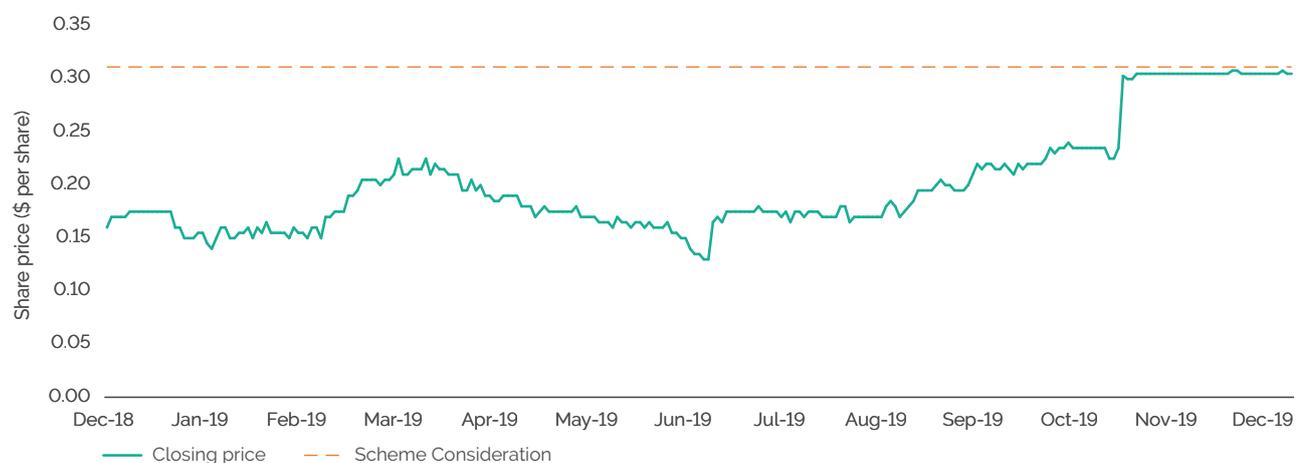
On 23 October 2019, the last trading day prior to the announcement of the Scheme, the closing price of CSG Shares was \$0.235.

From 24 October 2019, the day of the announcement of the Scheme, to the Last Practicable Trading Date), the closing price of CSG Shares has ranged between \$0.3000 and \$0.3075.

The CSG Directors are unable to predict the price at which the CSG Shares will trade in the future but consider that, if the Scheme is not implemented and no Superior Proposal emerges, the price of CSG Shares may fall, including to a price that is below the value of the Scheme Consideration.

1. Key considerations relevant to your vote

The graph below shows the closing price of CSG Shares over the 12 month period to the Last Practicable Date.



Source: IRESS (as at 16 December 2019, being the Last Practicable Date).

(f) Since the announcement of the Scheme, no Superior Proposal has emerged

The announcement of the Scheme followed considerable negotiations between CSG and Fuji Xerox Asia Pacific as to price and terms.

No Superior Proposal has been received by the CSG Board since the announcement of the Scheme on 24 October 2019.

The CSG Board is not currently aware of any Superior Proposal and notes that, since CSG announced the Scheme on 24 October 2019, there has been a significant period of time and ample opportunity for a Superior Proposal to emerge.

If a Competing Proposal that is or would reasonably be expected to lead to a Superior Proposal is received, it will be considered by the CSG Directors in accordance with the provisions of the Scheme Implementation Deed, which permits the CSG Directors to take action in respect of such Competing Proposal in accordance with their fiduciary and statutory obligations.

(g) The Scheme has major CSG Shareholder support

As at the Last Practicable Date, Caledonia (Private) Investments Pty Limited, with its associates, has a relevant interest in 130,549,255 CSG Shares (representing 29.1% of CSG Shares on issue) and has informed CSG that it intends to vote in favour of the Scheme based on the disclosed terms of the Scheme, and subject to no Superior Proposal emerging and subject to the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of CSG Shareholders.

(h) No brokerage will be payable by you for transfer of your CSG Shares under the Scheme

You will not incur any brokerage on the transfer of your CSG Shares to Fuji Xerox Asia Pacific under the Scheme. It is possible that brokerage may be incurred if you transfer your CSG Shares other than under the Scheme.

1.3 Why you may consider voting against the Scheme

This Section 1.3 summarises the reasons identified by the CSG Directors as to why you may want to vote against the Scheme.

(a) You may disagree with the CSG Directors' unanimous recommendation and the Independent Expert's conclusion in relation to the Scheme

Despite the unanimous recommendation of the CSG Directors and the Independent Expert having concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal, you may believe that the Scheme is not in your best interests.

(b) You may prefer to participate in the future financial performance of the CSG business

If the Scheme is implemented, you will cease to be a CSG Shareholder. This means that you will not participate in the future financial performance and potential growth of CSG, and will not retain exposure to the potential value that could be created by CSG for CSG Shareholders in the future.

(c) You may consider that the Scheme does not capture the future value of CSG's strategic options

You may consider that the alternative of holding onto your CSG Shares until the strategic options available to CSG to maximise value are realised in the future, including continuing to pursue CSG's 2021 strategic transformation program and growth strategy, is preferable to you than the certainty of the all cash Scheme Consideration. However, there is no guarantee that those strategic options will realise any value in the future.

(d) You may wish to maintain your current investment in CSG and risk profile

You may prefer to keep your CSG Shares to preserve your investment in a listed public company with CSG's specific characteristics, including but not limited to risk, return and liquidity characteristics.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. You may consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of CSG, and you may incur transaction costs in undertaking any new investment.

(e) You may believe there is a potential for a Superior Proposal to emerge in the foreseeable future

You may consider that a Superior Proposal, which is more attractive for CSG Shareholders than the Scheme, may emerge in the future.

The implementation of the Scheme would mean that CSG Shareholders would not obtain the benefit of any such Superior Proposal.

The CSG Board is not currently aware of any Superior Proposal and notes that, since CSG announced the Scheme on 24 October 2019, there has been a significant period of time and ample opportunity for a Superior Proposal to emerge.

However, if a Competing Proposal that is or would reasonably be expected to lead to a Superior Proposal is received, it will be considered by the CSG Directors in accordance with the provisions of the Scheme Implementation Deed, which permits the CSG Directors to take action in respect of such Competing Proposal in accordance with their fiduciary and statutory obligations.

(f) The tax consequences of the Scheme may not suit your financial position

Depending on your taxation position, the Scheme may have unfavourable taxation consequences for you.

A general outline of the Australian tax implications of the Scheme for CSG Shareholders is set out in Section 8.

1.4 Other considerations

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

(a) The Scheme may be implemented even if you do not vote at the Scheme Meeting or you vote against the Scheme

Even if you do not vote on, or vote against, the Scheme, the Scheme will still be implemented if it is approved by the requisite majorities of CSG Shareholders at the Scheme Meeting, and the Court, and all other conditions to the Scheme are satisfied or waived (where capable of waiver). If this occurs:

- your CSG Shares will be transferred to Fuji Xerox Asia Pacific;
- you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme;
- CSG will become a wholly owned subsidiary of Fuji Xerox Asia Pacific; and
- CSG will be delisted from the ASX.

(b) Implications if the Scheme is not implemented

If the Scheme is not approved by the requisite majorities of CSG Shareholders at the Scheme Meeting, or by the Court, or any other condition to the Scheme is not satisfied or waived (where capable of waiver):

- you will not receive the Scheme Consideration;
- your CSG Shares will not be transferred to Fuji Xerox Asia Pacific (they will be retained by you);
- CSG will continue to operate as a stand-alone entity;
- the existing CSG Board and management will continue to operate CSG's business;

1. Key considerations relevant to your vote

- the advantages of the Scheme, as outlined in Section 1.2 will not be realised and equally, some of the disadvantages of the Scheme, as outlined in Section 1.3, will no longer be relevant; and
- you will continue to be exposed to the benefits and risks associated with an investment in CSG (which you are already exposed to as a CSG Shareholder).

If the Scheme is not implemented, CSG is expected to have incurred one-off transaction costs of approximately \$1.6 million (excluding GST and any CSG Break Fee that may be payable to Fuji Xerox Asia Pacific). These costs exclude success-based fees and other costs which are contingent on the successful implementation of the Scheme.

(c) Exclusivity

CSG and Fuji Xerox Asia Pacific have negotiated certain exclusivity arrangements in the Scheme Implementation Deed which are customary in these types of transactions. These include no shop, no talk, no due diligence, notification obligations and matching rights in respect of Competing Proposals. Refer to Section 9.2(a) for further information on these arrangements.

(d) A break fee may be payable by CSG in some circumstances

The CSG Break Fee may be payable to Fuji Xerox Asia Pacific in certain circumstances. This is an amount to compensate Fuji Xerox Asia Pacific for any advisory costs, costs of management and directors' time, out of pocket expenses and reasonable opportunity costs incurred in pursuing the Scheme. The circumstances in which the CSG Break Fee would be payable are set out in Section 9.2(b).

(e) Selling your CSG Shares

The existence of the Scheme does not preclude you from selling your CSG Shares, either on-market or off-market. On-market trading in CSG Shares will cease at close of trading on the ASX on the Effective Date, which is expected to be 5 February 2020. If you wish to transfer CSG Shares off-market, a transfer form in respect of that sale must be received by the CSG Share Registry on or before the Record Date, which is expected to be at 7:00pm (Sydney time) on 12 February 2020.

The background is a vibrant green gradient with several overlapping, semi-transparent cloud shapes in various shades of green. The clouds are outlined in a thin, light blue line. The overall design is clean and modern.

2.

How to vote

2. How to vote

2.1 Scheme Meeting

The notice convening the Scheme Meeting is contained in Appendix 3 to this Scheme Booklet. A personalised Proxy Form is enclosed with this Scheme Booklet.

The Scheme Meeting is scheduled to be held at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000 on 3 February 2020 at 10.00am (Sydney time).

The Scheme needs to be approved by the requisite majorities of CSG Shareholders at the Scheme Meeting, which are:

- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting; and
- a majority in number (i.e. more than 50%) of CSG Shareholders present and voting (whether in person or by proxy, attorney or corporate representative).

The Court has the power to approve the Scheme even if the Headcount Test has not been satisfied.

The purpose and effect of the Scheme are as summarised earlier and are more particularly described in Section 4.

2.2 Your vote is important

The Scheme affects your shareholding and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds. The CSG Directors urge all CSG Shareholders to vote on the Scheme either by submitting a completed Proxy Form for the Scheme Meeting to the CSG Share Registry by 5.00pm (Sydney time) on 31 January 2020 or by attending the Scheme Meeting in person on 3 February 2020 at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000.

2.3 How to vote

(a) Voting entitlements

If you are registered as a CSG Shareholder by the CSG Share Registry at 7.00pm (Sydney time) on 1 February 2020, you will be entitled to attend and vote at the Scheme Meeting, unless you are an Excluded Shareholder.

Voting at the Scheme Meeting will be conducted by poll, meaning that you will have one vote for each CSG Share you hold as at 7.00pm (Sydney time) on 1 February 2020.

(b) Voting in person

To vote in person at the Scheme Meeting, you, your proxy, your attorney, your representative or your corporate proxy's representative must attend the Scheme Meeting to be held at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000 on 3 February 2020 at 10.00am (Sydney time).

If you do not plan to attend the Scheme Meeting in person, you are encouraged to complete and return the Proxy Form.

CSG Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Scheme Meeting and bring a form of personal identification (such as their driver's licence).

CSG Shareholders, their attorneys or representatives (including proxies and their representatives) who plan to attend the Scheme Meeting in person are asked to arrive at the venue 30 minutes prior to the time designated for the commencement of the Scheme Meeting, so that their shareholding can be checked against the CSG Share Register and attendances noted. Attorneys should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

(c) Voting by proxy

CSG Shareholders wishing to vote by proxy at the Scheme Meeting must complete and sign or validly authenticate the personalised Proxy Form which is enclosed with this Scheme Booklet. A person appointed as a proxy may be an individual or a body corporate.

A CSG Shareholder who is entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies to attend and vote in place of the CSG Shareholder.

Completed Proxy Forms must be received by the CSG Share Registry by no later than 5.00pm (Sydney time) on 31 January 2020 (**Proxy Deadline**) in any of the following ways:

- **by mail** to Computershare Investor Services Pty Limited using the reply paid envelope or to:

Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne VIC 8060
Australia

Please allow sufficient time so that it reaches Computershare Investor Services Pty Limited by the Proxy Deadline:

- **by fax** to Computershare Investor Services Pty Limited on:

1800 783 447 (within Australia)
or
+61 3 9473 2555 (outside Australia);

- **by hand** delivery to Computershare Investor Services Pty Limited at:

452 Johnston Street
Abbotsford VIC 3067

(d) Undirected proxies

If a CSG Shareholder nominates the Chairman of the Scheme Meeting as its proxy, the person acting as Chairman of the Scheme Meeting must act as proxy under the appointment in respect of any or all items of business to be considered at the Scheme Meeting.

If a proxy appointment is signed or validly authenticated by a CSG Shareholder but does not name the proxy or proxies in whose favour it is given, or their named proxy or proxies do not attend the meeting, the person acting as Chairman of the Scheme Meeting may at his or her election:

- act as proxy in respect of any or all items of business to be considered at the Scheme Meeting; or
- complete the proxy appointment by inserting the name or names of one or more CSG Directors or the Company Secretary to act as proxy under the appointment, in respect of any or all items of business to be considered at the Scheme Meeting.

Proxy appointments in favour of the Chairman of the Scheme Meeting, the Company Secretary or any CSG Director which do not contain a direction will be voted in favour of the Scheme Resolution at the Scheme Meeting (in the absence of a Superior Proposal received prior to the date of the Scheme Meeting).

(e) Voting by attorney

A CSG Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to act on his or her behalf at the Scheme Meeting. An attorney may not vote at the Scheme Meeting unless the instrument appointing the attorney and the authority under which the instrument is signed or a certified copy of it is received by the CSG Share Registry by no later than 5.00pm (Sydney time) on 31 January 2020 in the same manner as outlined above for Proxy Forms.

Persons who plan to attend the Scheme Meeting as an attorney should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Unless the contrary is evident from the express terms of the power of attorney, any power of attorney granted by a CSG Shareholder will, as between CSG and that CSG Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant CSG Shareholder is lodged with CSG.

(f) Voting by corporate representative

A body corporate that is a CSG Shareholder or that has been appointed as a proxy may appoint an individual to act as its corporate representative to attend and vote at the Scheme Meeting. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which the document appointing them as corporate representative was signed.

2.4 Further information

Please refer to the Notice of Scheme Meeting in Appendix 3 to this Scheme Booklet for further information on voting procedures and details of the Scheme Resolution to be voted on at the Scheme Meeting.

3.

Frequently asked questions

3. Frequently asked questions

Set out below are summary answers to some questions that CSG Shareholders may have in relation to the Scheme. This information is a summary only and should be read in conjunction with the remainder of this Scheme Booklet.

A Details of the Scheme

Question	Answer	More information
<p>1. What are CSG Shareholders being asked to consider?</p>	<p>If you are a CSG Shareholder, you are being asked to consider and vote on a proposal under which Fuji Xerox Asia Pacific, a wholly owned subsidiary of Fuji Xerox Co., Limited, will acquire all of your CSG Shares on the Implementation Date pursuant to a Scheme of Arrangement between CSG and all persons who hold CSG Shares as at the Record Date. The proposal is referred to in this Scheme Booklet as the Scheme.</p> <p>If the Scheme is approved and implemented, CSG Shareholders at the Record Date will receive the Scheme Consideration of \$0.31 cash for each CSG Share held on the Record Date.</p>	Section 4
<p>2. Why have I received this Scheme Booklet?</p>	<p>The Scheme Booklet has been sent to you because you are a CSG Shareholder. The purpose of this Scheme Booklet is to explain the terms of the proposed acquisition by Fuji Xerox Asia Pacific of all your CSG Shares and the manner in which the acquisition will be considered and implemented, and to assist you in making a decision as to whether or not to vote in favour of the Scheme.</p> <p>This Scheme Booklet contains important information, including:</p> <ul style="list-style-type: none"> • the CSG Directors' unanimous recommendation; • the reasons why you may choose to vote in favour of or against the Scheme; • information about the Scheme Consideration; and • the Independent Expert's Report. 	Section 4
<p>3. If the Scheme is approved, what will be the effect?</p>	<p>If the Scheme becomes Effective:</p> <ul style="list-style-type: none"> • your CSG Shares will be transferred to Fuji Xerox Asia Pacific; • you will receive the Scheme Consideration; • CSG will become a wholly owned subsidiary of Fuji Xerox Asia Pacific and Fuji Xerox Asia Pacific will control CSG; and • CSG will be delisted from the ASX. 	Sections 4.5 and 4.8
<p>4. Will I be entitled to receive the Scheme Consideration?</p>	<p>If the Scheme is implemented, CSG Shareholders will be entitled to receive the Scheme Consideration of \$0.31 cash per CSG Share they hold on the Record Date.</p>	Sections 4.7 and 4.8(j)
<p>5. What premium is being offered to CSG Shareholders?</p>	<p>The Scheme Consideration of \$0.31 cash per CSG Share represents a significant premium of:</p> <ul style="list-style-type: none"> • 31.9% to the closing price of CSG Shares on ASX on 23 October 2019 (the last trading day before the announcement of the Scheme) of \$0.235 per CSG Share; • 35.4% to the one month VWAP of CSG Shares to close of trading on 23 October 2019 of \$0.229 per CSG Share; and • 55.2% to the VWAP of CSG Shares since announcement of CSG's FY19 full year results on 20 August 2019 to close of trading on 23 October 2019 of \$0.200 per CSG Share. 	Section 1.2(c)

3. Frequently asked questions

Question	Answer	More information
6. Who is Fuji Xerox Asia Pacific?	<p>Fuji Xerox Asia Pacific is the company offering the Scheme Consideration for each CSG Share. It is a wholly owned subsidiary of Fuji Xerox and is a Singapore based company which promotes regional management of sales and affiliates in the Asia/Oceania countries and regions.</p> <p>Fuji Xerox was founded in 1962, and develops and sells document-related solutions and services, as well as office multifunction devices, printers and digital printers that are provided in the Asia Pacific region. Some products are also provided to the rest of the world through Xerox Corporation.</p> <p>Fuji Xerox is owned 100% by FUJIFILM Holdings Corporation (including certain of its subsidiaries).</p>	Section 6
7. What are Fuji Xerox Asia Pacific's intentions regarding CSG?	<p>If the Scheme is implemented, Fuji Xerox Asia Pacific intends to operate the business of the CSG Group substantially in the same manner as at the date of this Scheme Booklet as part of the combined corporate group, subject to integration of certain systems, processes and personnel to be determined.</p>	Section 6.5
8. What should I do?	<p>You should take three steps in relation to the Scheme:</p> <ul style="list-style-type: none"> • read this Scheme Booklet in its entirety before making any decision in relation to the Scheme; • if you have any queries in relation to how the Scheme may affect your specific investment objectives, financial situation, taxation position or other particular needs, you should consult your legal, financial, taxation or other professional adviser before making any decision in relation to your CSG Shares and the Scheme; and • vote on the Scheme. 	See Overview of this Scheme Booklet
9. Is this a takeover offer?	<p>No. However, if the Scheme is approved by CSG Shareholders and the Court, and if all the other conditions and approvals are satisfied or waived (where capable of waiver), the outcome will be equivalent to a successful 100% cash takeover bid in that:</p> <ul style="list-style-type: none"> • all your Scheme Shares will be transferred to Fuji Xerox Asia Pacific; and • you will be entitled to receive the Scheme Consideration in exchange for the transfer of your Scheme Shares, <p>whether you voted for or against the Scheme, or did not vote.</p>	Section 1.4(a)
10. What is the timing for implementation of the Scheme?	<p>The Implementation Date is currently scheduled to be 19 February 2020.</p> <p>Please note however this date is indicative only and subject to change.</p>	Section 4.5, 4.6, 4.8(i) and 4.8(j)
11. What is the form accompanying this Scheme Booklet?	<p>The Proxy Form accompanies this Scheme Booklet.</p> <p>If you are unable or do not wish to attend the Scheme Meeting in person, you should complete and lodge the Proxy Form in accordance with the instructions specified in this Scheme Booklet and in the Proxy Form accompanying this Scheme Booklet.</p>	Appendix 3

B Questions about the Scheme Consideration

Question	Answer	More information
12. What consideration will I receive if the Scheme is implemented?	If the Scheme is implemented, Scheme Shareholders will receive \$0.31 cash for each CSG Share they hold on the Record Date.	Section 4.2
13. When will I receive my Scheme Consideration?	<p>If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration on the Implementation Date.</p> <p>The Implementation Date is currently scheduled to be 19 February 2020.</p> <p>Please note however this date is indicative only and subject to change.</p>	Section 4.8(j)

C Questions about the CSG Directors' recommendation and intentions

Question	Answer	More information
14. What do the CSG Directors recommend?	<p>The CSG Directors unanimously recommend that CSG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.</p> <p>If the Scheme becomes Effective, Mr Bayliss' 5,000,000 CSG Performance Rights will vest and escrow restrictions remaining over 1,333,334 CSG Shares held by Mr Bayliss will be released, in each case in accordance with their terms as previously disclosed to CSG Shareholders. In this case, Mr Bayliss will be entitled to receive the Scheme Consideration totalling \$1,963,333.54 in respect of those 6,333,334 CSG Shares. These matters and other interests and benefits of the CSG Directors in relation to the Scheme are set out in Sections 5.9, 9.3, 9.5, 9.7, 9.8 and 9.9. Mr Bayliss and the CSG Board (other than Mr Bayliss) consider that, despite these contractual arrangements, it is appropriate for Mr Bayliss to make a recommendation on the Scheme due to his role as Acting Chief Executive Officer and Managing Director and his unique skills and experience. CSG Shareholders should have regard to these arrangements when considering Mr Bayliss' recommendation.</p>	Section 1.2(a)
15. How are the CSG Directors going to vote?	Each CSG Director intends to vote the CSG Shares he or she holds or controls in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.	Section 1.2(a)
16. What is the opinion of the Independent Expert?	<p>The CSG Board appointed Lonergan Edwards & Associates Limited as the Independent Expert to undertake an independent assessment of the Scheme.</p> <p>The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of CSG Shareholders in the absence of a Superior Proposal.</p> <p>The Independent Expert has assessed the value of CSG Shares on a 100% controlling interest basis to be in the range of \$0.27 per CSG Share to \$0.30 per CSG Share.</p> <p>A full copy of the Independent Expert's Report is included in Appendix 1 to this Scheme Booklet. You should read the Independent Expert's Report in its entirety before making a decision on how to vote in relation to the Scheme.</p>	Section 1.2(b) Appendix 1

3. Frequently asked questions

Question	Answer	More information
17. What are the reasons to vote in favour of the Scheme?	The reasons to vote in favour of the Scheme are described in detail in Section 1.2.	Section 1.2
18. What are the reasons why I may not want to vote in favour of the Scheme?	The reasons why you may not want to vote in favour of the Scheme are described in detail in Section 1.3.	Section 1.2(f)

D Questions about voting

Question	Answer	More information
19. When and where will the Scheme Meeting be held?	The Scheme Meeting is scheduled to be held at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000 on 3 February 2020 at 10.00am (Sydney time).	Section 2.1 Appendix 3
20. What am I being asked to vote on?	At the Scheme Meeting, CSG Shareholders, other than Excluded Shareholders, will be asked to vote on whether to approve the Scheme.	Section 4 and 2
21. Who is entitled to vote?	If you are registered as a CSG Shareholder by the CSG Registry at 7.00pm (Sydney time) on 1 February 2020, you will be entitled to vote at the Scheme Meeting, unless you are an Excluded Shareholder.	Sections 2.3 and 4.7
22. Is voting compulsory? Why should I vote?	No, voting is not compulsory. The Scheme affects your shareholding and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds. The CSG Directors urge all CSG Shareholders to vote in favour of the Scheme, either by submitting a completed Proxy Form to CSG by 5.00pm (Sydney time) on 31 January 2020 or by attending the Scheme Meeting. However, if you do not vote in favour of or against the Scheme, you will still be bound by the outcome of the vote on the Scheme.	Section 1.2, 1.4, 2, 4.4
23. How do I vote?	You may vote: <ul style="list-style-type: none"> • in person, by attending the Scheme Meeting; • by proxy, by completing and lodging the Proxy Form accompanying this Scheme Booklet; or • in the case of a corporate CSG Shareholder, by a corporate representative. 	Section 2.3
24. How can I vote if I can't attend the Scheme Meeting?	If you cannot attend the Scheme Meeting, you can vote by completing the Proxy Form accompanying this Scheme Booklet and returning it in accordance with the instructions on the form so that it is received by no later than 5.00pm (Sydney time) on 31 January 2020.	Section 2 and Appendix 3

Question	Answer	More information
25. What voting majority is required to approve the Scheme? What are the voting thresholds?	<p>The Scheme needs to be approved by the requisite majorities of CSG Shareholders at the Scheme Meeting, which are:</p> <ul style="list-style-type: none"> • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting; and • a majority in number (i.e. more than 50%) of CSG Shareholders present and voting (whether in person or by proxy, attorney or corporate representative). <p>The Court has the power to approve the Scheme even if the Headcount Test has not been satisfied.</p> <p>If the Scheme is not approved by the requisite majorities of CSG Shareholders, or is not approved by the Court, the Scheme will not proceed.</p>	Section 4.8
26. What should I do if I wish to support the Scheme?	You should attend the Scheme Meeting, in person or by proxy, and vote in favour of the Scheme.	Section 2.3
27. What should I do if I wish to oppose the Scheme?	If, despite the unanimous recommendation of the CSG Directors and the favourable opinion of the Independent Expert, you do not support the Scheme, you should vote against the Scheme at the Scheme Meeting.	Sections 2.3 and 4.9
28. Can I be bound by the Scheme if I do not vote or if I vote against its approval?	Yes, if the Scheme is approved and becomes Effective, any CSG Shares held by you at the Record Date will be transferred to Fuji Xerox Asia Pacific and you will receive the Scheme Consideration, even if you did not vote on the Scheme, or you voted against it.	Section 4.4 and 4.8
29. What are my alternatives?	<p>As a CSG Shareholder, your principal alternatives are to:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme at the Scheme Meeting (this is the course of action unanimously recommended by the CSG Directors and whose recommendation is consistent with the Independent Expert's opinion); • vote against the Scheme at the Scheme Meeting; or • do nothing – that is, neither vote in favour of, nor against, the Scheme. However, if you elect to do nothing, you will still be bound by the outcome of the vote on the Scheme. 	Section 4.4
30. When will the results of the Scheme Meeting be known?	The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting on 3 February 2020 and will be announced to ASX as soon as practicable.	
31. Can I oppose the Scheme at the Second Court Hearing?	<p>You have the right as a CSG Shareholder to appear and make submissions at the Second Court Hearing which is scheduled to be held at 10.00am on 5 February 2020 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney.</p> <p>Any change to this date will be announced through ASX and will be available on CSG's website, https://www.csg.com.au/.</p>	Section 4.9

3. Frequently asked questions

E Scheme Conditions

Question	Answer	More information
32. What are the key conditions that need to be satisfied before the Scheme can proceed?	<p>There are a number of Scheme Conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding Scheme Conditions include:</p> <ul style="list-style-type: none">• the Scheme being approved by the requisite majorities of CSG Shareholders at the Scheme Meeting;• the Scheme being approved by the Court;• all necessary regulatory approvals to implement the Scheme are granted or obtained (including from ASIC and ASX);• no CSG Material Adverse Change occurs;• no CSG Prescribed Occurrences occur; and• each representation and warranty given by CSG or Fuji Xerox Asia Pacific is true and correct in all material respects at the applicable time. <p>CSG will make a statement at the commencement of the Scheme Meeting regarding the status of the Scheme Conditions.</p>	Section 9.2(c)
33. What happens if there is a delay in satisfying any of the Scheme Conditions?	<p>If any Scheme Conditions (other than Court approval of the Scheme) remain unsatisfied and have not been waived (where capable of waiver) by the Second Court Hearing (currently scheduled for 10.00am on 5 February 2020), there is a risk that the Second Court Hearing will be delayed until such Scheme Conditions are satisfied or waived (where capable of waiver).</p> <p>If the Second Court Hearing is delayed, this may in turn delay the Implementation Date, which is currently scheduled to be 19 February 2020.</p> <p>The Scheme will not proceed if all the Scheme Conditions are not satisfied or waived (where capable of waiver) by the End Date.</p> <p>The End Date is 1 June 2020 or another date agreed in writing between CSG and Fuji Xerox Asia Pacific.</p>	Section 7.2(b)

F Further information on the Scheme

Question	Answer	More information
34. What happens if a Competing Proposal for CSG emerges?	<p>If a Competing Proposal that is or would reasonably be expected to lead to a Superior Proposal is received prior to the Second Court Hearing, it will be considered by the CSG Directors in accordance with the provisions of the Scheme Implementation Deed, which permits the CSG Directors to take action in respect of such Competing Proposal in accordance with their fiduciary or statutory obligations.</p> <p>CSG will inform you of any material developments in this regard.</p> <p>If any CSG Director withdraws or adversely modifies or adversely qualifies their recommendation to vote in favour of the Scheme, including to support a Competing Proposal, CSG may be obliged to pay the CSG Break Fee to Fuji Xerox Asia Pacific.</p>	Sections 1.4(b) and 9.2

Question	Answer	More information
35. When is the CSG Break Fee payable?	The CSG Break Fee of \$1,408,196.84 (exclusive of GST) may be payable to Fuji Xerox Asia Pacific in certain circumstances. This is an amount to compensate Fuji Xerox Asia Pacific for any advisory costs, costs of management and directors' time, out of pocket expenses and reasonable opportunity costs incurred in pursuing the Scheme. The circumstances in which the CSG Break Fee would be payable are set out in Section 9.2(b).	Section 9.2(b)
36. Is a Superior Proposal likely?	<p>Until the Scheme is approved by the Court, there is nothing preventing other parties from making unsolicited acquisition or merger proposals for CSG.</p> <p>No Superior Proposal has been received by the CSG Board since the announcement of the Scheme on 24 October 2019.</p> <p>The CSG Board is not currently aware of any Superior Proposal and notes that, since CSG announced the Scheme on 24 October 2019, there has been a significant period of time and ample opportunity for a Superior Proposal to emerge.</p> <p>If a Competing Proposal that is or would reasonably be expected to lead to a Superior Proposal is received, it will be considered by the CSG Directors in accordance with the provisions of the Scheme Implementation Deed, which permits the CSG Directors to take action in respect of such Competing Proposal in accordance with their fiduciary and statutory obligations.</p>	Sections 1.2(f) and 9.2(a)
37. If the Scheme is not implemented, what will be the effect?	<p>If the Scheme is not approved by the requisite majorities of CSG Shareholders at the Scheme Meeting, or is not approved by the Court, or any other condition to the Scheme is not satisfied or waived (where capable of waiver) and you still hold any CSG Shares:</p> <ul style="list-style-type: none"> • you will not receive the Scheme Consideration; • your CSG Shares will not be transferred to Fuji Xerox Asia Pacific (they will be retained by you); • CSG will continue to operate as a stand-alone entity; • the existing CSG Board and management will continue to operate CSG's business; • the advantages of the Scheme, as outlined in Section 1.2 will not be realised and equally, some of the disadvantages of the Scheme, as outlined in Section 1.3, will no longer be relevant; and • you will continue to be exposed to the benefits and risks associated with an investment in CSG (which you are already exposed to as a CSG Shareholder). 	Section 1.4(b)

3. Frequently asked questions

Question	Answer	More information
<p>38. Under what circumstances can Fuji Xerox Asia Pacific terminate the Scheme Implementation Deed?</p>	<p>Fuji Xerox Asia Pacific may terminate the Scheme Implementation Deed if:</p> <ul style="list-style-type: none"> • CSG materially breaches any of its material obligations under the Scheme Implementation Deed and fails to remedy the breach before the earlier of the Second Court Hearing and five Business Days after notice by Fuji Xerox Asia Pacific requesting its remedy; • a Scheme Condition is not satisfied and (where capable of waiver) is not waived by CSG or Fuji Xerox Asia Pacific or both (as applicable); • CSG causes a prohibited action to occur (e.g. returning any capital to CSG Shareholders or paying a dividend, making changes to its constitution, or commencing or undertaking business activities materially different to existing business activities carried out by the CSG Group); • the Effective Date for the Scheme has not occurred on or before the End Date; or • any CSG Director withdraws or adversely modifies or adversely qualifies their recommendation of the Scheme or publicly states that the Scheme is no longer recommended or recommends a Competing Proposal (subject to certain limitations and exceptions). <p>In addition, there are also other circumstances where either Fuji Xerox Asia Pacific or CSG may terminate the Scheme Implementation Deed. For further details, please refer to Section 9.2(d).</p>	<p>Section 9.2(d)</p>
<p>39. Will I be giving any warranties in respect of my CSG Shares?</p>	<p>Each Scheme Shareholder will be taken to have warranted to CSG, and appointed and authorised CSG as its attorney and agent to warrant to Fuji Xerox Asia Pacific that:</p> <ul style="list-style-type: none"> • all their CSG Shares (including any rights and entitlements attaching to those CSG Shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; • they have full power and capacity to transfer the CSG Shares held by them to Fuji Xerox Asia Pacific, together with any rights and entitlements attaching to those CSG Shares; and • they have no existing right to be issued any CSG Shares, CSG Performance Rights or any other CSG securities, other than, in the case of any Scheme Shareholder who holds CSG Performance Rights, the right to be issued CSG Shares on the exercise or vesting of those the CSG Performance Rights in accordance with their terms. 	<p>Section 4.10</p>
<p>40. What is a members' scheme of arrangement?</p>	<p>A members' scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another. In this case, the Scheme is the mechanism by which Fuji Xerox Asia Pacific proposes to acquire all your CSG Shares. The Scheme will only be implemented if the Scheme is approved by the requisite majorities of CSG Shareholders and also gains the approval of the Court (subject to all other Scheme Conditions being satisfied or waived (where capable of waiver)).</p>	<p>Section 4.2</p>
<p>41. Why has this proposed transaction been structured as a scheme of arrangement?</p>	<p>CSG and Fuji Xerox Asia Pacific consider that the Scheme represents the most efficient structure to effect the proposed acquisition by Fuji Xerox Asia Pacific of all your CSG Shares.</p> <p>This structure provides the greatest certainty that if the Scheme is approved by CSG Shareholders by the requisite majorities and approved by the Court and proceeds to implementation, 100% ownership and control of CSG will be acquired by Fuji Xerox Asia Pacific within a specific timeframe that meets the commercial objectives of Fuji Xerox Asia Pacific as the intended acquirer and of CSG as the target company.</p>	

Question	Answer	More information
42. What are the transaction costs associated with the Scheme?	If the Scheme is not implemented, CSG is expected to incur one-off transaction costs of approximately \$1.6 million (excluding GST and any CSG Break Fee that may be payable to Fuji Xerox Asia Pacific). These costs exclude success-based fees and other costs which are contingent on the successful implementation of the Scheme.	Sections 1.4(b) and 4.11

G Trading

Question	Answer	More information
43. Can I sell my CSG Shares now?	Yes. The existence of the Scheme does not preclude you from selling your CSG Shares, either on-market or off-market. On-market trading in CSG Shares will cease at close of trading on the ASX on the Effective Date, which is expected to be 5 February 2020. If you wish to transfer CSG Shares off-market, a transfer form in respect of that sale must be received by the CSG Registry on or before the Record Date, which is expected to be 7.00pm (Sydney time) on 12 February 2020.	Section 4.4(d)
44. When will CSG Shares cease trading on ASX?	Provided the Scheme becomes Effective, CSG Shares are expected to be suspended from trading on the ASX from the close of trading on the Effective Date (which is currently scheduled to be 5 February 2020).	Section 4.8(h)

H Treatment of CSG Performance Rights and CSG Shares granted under CSG Tax Exempt Share Plans

Question	Answer	More information
45. How will CSG Performance Rights be treated under the Scheme?	<p>CSG has 19,087,499 CSG Performance Rights on issue, of which:</p> <ul style="list-style-type: none"> 5,000,000 CSG Performance Rights are held by the Acting Chief Executive Officer under the CSG Long Term Incentive Plan and subject to their terms of issue that were previously disclosed to CSG Shareholders. Those CSG Performance Rights will automatically vest in accordance with their terms of issue and become Scheme Shares and participate in the Scheme; and 14,087,499 unvested CSG Performance Rights granted to employees of the CSG Group (other than the Acting Chief Executive Officer) under the CSG Long Term Incentive Plan. The vesting conditions for those CSG Performance Rights have not been satisfied, and would not have been satisfied based on the amount of the Scheme Consideration. Further, the CSG Directors did not determine that those CSG Performance Rights should otherwise vest as a result of the Scheme. As such, those CSG Performance Rights will lapse if the Scheme becomes Effective. <p>CSG has separately agreed with the relevant employees (other than the Acting Chief Executive Officer and Managing Director) certain cash retention payments intended to incentivise retention of those employees following implementation of the Scheme.</p>	Sections 9.3 and 9.4
46. How will CSG Shares held under the CSG Tax Exempt Share Plans be treated under the Scheme?	<p>CSG currently has 1,168,260 CSG Shares held under the terms of the CSG Tax Exempt Share Plans, of which 892,212 CSG Shares have been allocated to plan participants and 276,048 CSG Shares remain unallocated.</p> <p>In accordance with the terms of the CSG Tax Exempt Share Plans:</p> <ul style="list-style-type: none"> participants will be entitled to direct the plan trustee as to how to vote on the Scheme in respect of their allocated CSG Shares; and the plan trustees must not vote on the Scheme in respect of the unallocated CSG Shares. <p>If the Scheme becomes Effective, the CSG Shares held under the CSG Tax Exempt Share Plans will become Scheme Shares and will participate in the Scheme.</p>	Section 9.6

3. Frequently asked questions

I General questions

Question	Answer	More information
47. Do I have to sign anything in relation to the Scheme?	No. If the Scheme is approved, CSG will automatically have authority to sign a transfer on your behalf, and then the Scheme Consideration will be paid to you.	Section 4.8(i)
48. Will CSG declare a dividend before the Implementation Date?	The CSG Board has not determined to declare or pay any dividend prior to implementation of the Scheme.	Section 5.14
49. What happens after the Implementation Date?	<p>On the Implementation Date, Fuji Xerox Asia Pacific will become the owner of all CSG Shares and Scheme Shareholders will receive \$0.31 cash for each Scheme Share they own as at the Record Date.</p> <p>The Implementation Date is currently expected to be 19 February 2020 (however, this is subject to change).</p>	Section 4.8
50. Will I have to pay brokerage fees or stamp duty?	Scheme Shareholders will not be required to pay brokerage or stamp duty on the transfer of their CSG Shares.	Section 8
51. What are the Australian tax implications of the Scheme?	<p>A general outline of the taxation implications for Australian resident CSG Shareholders in relation to participating in the Scheme is provided in Section 8.</p> <p>CSG Shareholders should seek their own professional advice regarding the taxation implications relevant to them.</p>	Section 8
52. What other information is available and who can help answer my questions about the Scheme?	<p>If you have any questions, you should contact your legal, financial, taxation or other professional adviser immediately.</p> <p>Alternatively you can call the CSG Shareholder Information Line on 1300 070 716 (within Australia) or +61 3 9415 4123 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time) or visit CSG's website at http://www.csg.com.au.</p>	

The background is a vibrant green gradient with several overlapping, semi-transparent cloud shapes in various shades of green. The clouds are outlined in a thin, light blue line. The overall aesthetic is clean and modern.

4.

Summary of the Scheme

4. Summary of the Scheme

4.1 Background

On 24 October 2019, CSG announced it had entered into the Scheme Implementation Deed in respect of a proposal under which Fuji Xerox Asia Pacific will acquire all CSG Shares on the Implementation Date.

The purpose of the Scheme is to give effect to this proposed arrangement between CSG and the Scheme Shareholders.

If the Scheme is approved by the requisite majorities of CSG Shareholders at the Scheme Meeting and by the Court, and all other conditions for the Scheme are satisfied or waived (where capable of waiver), CSG will become a wholly owned subsidiary of Fuji Xerox Asia Pacific and will be delisted from the ASX.

The terms of the Scheme Implementation Deed are set out in full in Appendix 4 to this Scheme Booklet.

4.2 What is a scheme of arrangement?

A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company.

The Scheme is a Scheme of Arrangement between CSG and CSG Shareholders under which Fuji Xerox Asia Pacific proposes to acquire all CSG Shares in exchange for the Scheme Consideration.

The Scheme needs to be approved by the requisite majorities of CSG Shareholders at the Scheme Meeting, which are:

- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting; and
- a majority in number (i.e. more than 50%) of CSG Shareholders present and voting (whether in person or by proxy, attorney or corporate representative).

The Scheme also requires the approval of the Court, and all other conditions to the Scheme to be satisfied or waived (where capable of waiver).

4.3 CSG Directors' unanimous recommendation

The CSG Directors unanimously recommend that CSG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

Each CSG Director intends to vote the CSG Shares he or she holds or controls in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

In making their recommendation, the CSG Directors have considered:

- the reasons to vote in favour of, or against, the Scheme in Section 1.2 and in Section 1.3;
- other considerations in Section 1.4; and
- the opinion of the Independent Expert, whose report is included in Appendix 1 to this Scheme Booklet.

If the Scheme becomes Effective, Mr Mark Bayliss' 5,000,000 CSG Performance Rights will vest and escrow restrictions remaining over 1,333,334 CSG Shares held by Mr Bayliss will be released, in each case in accordance with their terms as previously disclosed to CSG Shareholders. In this case, Mr Bayliss will be entitled to receive the Scheme Consideration totalling \$1,963,333.54 in respect of those 6,333,334 CSG Shares. These matters and other interests and benefits of the CSG Directors in relation to the Scheme are set out in Sections 5.9, 9.3, 9.5, 9.7, 9.8 and 9.9. Mr Bayliss and the CSG Board (other than Mr Bayliss) consider that, despite these contractual arrangements, it is appropriate for Mr Bayliss to make a recommendation on the Scheme due to his role as Acting Chief Executive Officer and Managing Director and his unique skills and experience. CSG Shareholders should have regard to these arrangements when considering Mr Bayliss' recommendation.

4.4 Your choices as a CSG Shareholder

Before making any decision in relation to your CSG Shares and the Scheme, CSG Shareholders are encouraged to:

- read this Scheme Booklet in its entirety;
- consider the choices available as a CSG Shareholder, as outlined below; and
- consult your legal, financial, taxation or other professional adviser if you have any queries in relation to how the Scheme may affect your specific investment objectives, financial situation, taxation position or other particular needs.

As a CSG Shareholder, you have the following options in relation to your CSG Shares:

(a) Vote in favour of the Scheme Resolution at the Scheme Meeting

The CSG Directors unanimously recommend that CSG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CSG Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of the CSG Shareholders in the absence of a Superior Proposal.

(b) Vote against the Scheme Resolution at the Scheme Meeting

Despite the CSG Directors' unanimous recommendation and the conclusion of the Independent Expert, you can vote against the Scheme at the Scheme Meeting.

If the Scheme is not approved at the Scheme Meeting by the requisite majorities of CSG Shareholders, the Scheme will not be implemented and you will not receive the Scheme Consideration.

If you vote against the Scheme, you will still be bound by the outcome of the vote on the Scheme. If all the approvals and other conditions for the Scheme are satisfied or waived (where capable of waiver), the Scheme will bind all CSG Shareholders whether or not they vote on the Scheme or vote against the Scheme.

(c) Do nothing

Despite the CSG Directors' unanimous recommendation and the conclusion of the Independent Expert, you can decide to do nothing, that is, not vote in favour of, or against, the Scheme.

The Scheme affects your shareholding and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds.

If the Scheme is not approved at the Scheme Meeting by the requisite majorities of CSG Shareholders, the Scheme will not be implemented and you will not receive the Scheme Consideration.

If you elect to do nothing, you will still be bound by the outcome of the vote on the Scheme. If all the approvals and other conditions to the Scheme are satisfied or waived (where capable of waiver), the Scheme will bind all CSG Shareholders whether or not they vote on the Scheme Resolution or vote against the Scheme.

(d) Sell your CSG Shares

The existence of the Scheme does not preclude you from selling your CSG Shares, either on-market or off-market.

On-market trading in CSG Shares will cease at close of trading on the ASX on the Effective Date, which is expected to be 5 February 2020.

If you wish to transfer CSG Shares off-market, a transfer form in respect of that sale must be received by the CSG Share Registry on or before the Record Date, which is expected to be 7:00pm (Sydney time) on 12 February 2020.

4.5 If the Scheme becomes Effective

If the Scheme becomes Effective:

- all Scheme Shares held by each Scheme Shareholder (including those who do not vote on the Scheme or vote against it) together with all rights and entitlements attaching to those CSG Shares, will be transferred to Fuji Xerox Asia Pacific on the Implementation Date, without Scheme Shareholders needing to take any further action; and
- each Scheme Shareholder (including those who do not vote on the Scheme or vote against it) will receive the Scheme Consideration for each Scheme Share held by them as consideration in full for the transfer of their Scheme Shares to Fuji Xerox Asia Pacific.

4.6 Scheme Consideration

If the Scheme is approved and implemented, CSG Shareholders will receive the Scheme Consideration of \$0.31 cash for each CSG Share they hold on the Record Date.

Refer to Section 6.4 for a summary of how Fuji Xerox Asia Pacific intends to fund the Aggregate Scheme Consideration.

4. Summary of the Scheme

Once Fuji Xerox Asia Pacific transfers the amount equal to the Aggregate Scheme Consideration into a trust account established by or on behalf of CSG, CSG will pay the Scheme Consideration for each Scheme Share held by the Scheme Shareholder by:

- dispatching a cheque in Australian currency drawn on an Australian bank to the Scheme Shareholder by pre-paid post to their address shown in the CSG Share Register as at the Record Date; or
- paying by electronic funds transfer to the Scheme Shareholder's nominated bank account, details of which have been notified to the CSG Share Registry as at the Record Date.

If you would like to notify the CSG Share Registry of your nominated bank account or change your existing nominated bank account, you should contact the CSG Share Registry before the Record Date.

Importantly, you will only receive the Scheme Consideration if you are a Scheme Shareholder. You will be a Scheme Shareholder if you hold CSG Shares at the Record Date.

4.7 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in CSG Shares will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the CSG Share Register as the holder of the relevant CSG Shares on or before the Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the CSG Share Register is kept.

CSG will not accept for registration or recognise for any purpose any transmission application or transfer in respect of CSG Shares received after the Record Date or received on or prior to the Record Date but not in registrable or actionable form, other than a transfer to Fuji Xerox Asia Pacific in accordance with the Scheme and any subsequent transfer by Fuji Xerox Asia Pacific or its successors in title.

Under the terms of the proposed Scheme:

- CSG Shareholders may not dispose of or otherwise deal with any Scheme Shares or any interest in them after the Record Date; and
- any dealings in Scheme Shares after the Record Date will not be recognised by the CSG Share Registry.

For the purpose of determining entitlements to the Scheme Consideration, CSG must maintain (or cause the CSG Share Registry to maintain) the CSG Share Register until the Scheme Consideration has been provided to the Scheme Shareholders. The CSG Share Register in this form will solely determine entitlements to the Scheme Consideration.

Any statements of holding for CSG Shares will cease to have effect from the Record Date as documents or evidence of title in respect of those CSG Shares. After the Record Date, each entry current at that date on the CSG Share Register will cease to have effect, except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

4.8 Key steps in the Scheme

The following is an outline of the key steps of the Scheme.

(a) Scheme Implementation Deed

On 24 October 2019, CSG and Fuji Xerox announced that CSG and Fuji Xerox Asia Pacific, a wholly owned subsidiary of Fuji Xerox, entered into the Scheme Implementation Deed in respect of the Scheme under which Fuji Xerox Asia Pacific will acquire all CSG Shares.

(b) Deed Poll

Fuji Xerox Asia Pacific has executed a Deed Poll in favour of the Scheme Shareholders under which it has agreed to, subject to the Scheme becoming Effective, provide the Scheme Consideration to which each Scheme Shareholder is entitled under the terms of the Scheme.

A copy of the Deed Poll is set out in Appendix 5 to this Scheme Booklet.

(c) Scheme Meeting

At the First Court Hearing on 17 December 2019, the Court ordered CSG to convene a meeting of CSG Shareholders to consider and vote on the Scheme.

The Scheme Meeting is scheduled to be held at 10.00am (Sydney time) on Monday 3 February 2020 at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales.

The notice convening the Scheme Meeting is set out in Appendix 3 to this Scheme Booklet. The fact that the Court has ordered that the Scheme Meeting be convened is no indication that the Court has a view as to the merits of the Scheme or as to how CSG Shareholders should vote. On these matters, CSG Shareholders must reach their own decision.

Each person who is registered on the CSG Share Register as a CSG Shareholder at 7.00pm (Sydney time) on 1 February 2020, other than an Excluded Shareholder, is entitled to vote at the Scheme Meeting, either in person, by proxy or attorney or, in the case of a CSG Shareholder that is a corporate entity or proxy, by a corporate representative.

Section 2 provides full details of how to vote at the Scheme Meeting. The Proxy Form for the Scheme Meeting is enclosed with this Scheme Booklet.

(d) Scheme approval requirements

The Scheme will only become Effective and be implemented if:

- the Scheme Resolution is approved by the requisite majorities of CSG Shareholders at the Scheme Meeting; and
- all Scheme Conditions, other than the condition requiring Court approval, have been satisfied or waived (where capable of waiver) and the Scheme is approved by the Court at the Second Court Hearing.

Approval by the requisite majorities of CSG Shareholders requires the Scheme Resolution to be passed by:

- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting; and
- a majority in number (i.e. more than 50%) of CSG Shareholders present and voting (whether in person or by proxy, attorney or corporate representative) (i.e. the Headcount Test).

The Court has the power to approve the Scheme even if the Headcount Test has not been satisfied.

(e) Second Court Hearing

CSG will apply to the Court for orders approving the Scheme if:

- the Scheme Resolution is approved by the requisite majorities of CSG Shareholders at the Scheme Meeting; and
- all Scheme Conditions, other than the condition requiring Court approval, have been satisfied or waived (where capable of waiver).

The Second Court Hearing is scheduled to be held at 10.00am on 5 February 2020. Any change to this date will be announced on the ASX platform at asx.com.au.

The Court has a wide, overriding discretion as to whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

Each CSG Shareholder has the right to appear at the Second Court Hearing.

(f) Effective Date

If the Court approves the Scheme:

- CSG will make an announcement to ASX notifying the market of the receipt of Court approval on the day on which the Court approves the Scheme;
- in that same announcement, CSG Directors will set the Record Date; and
- as soon as possible and in any event no later than the first Business Day after the day on which the Court approves the Scheme, CSG will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (which is expected to be 5 February 2020), the Scheme will become Effective.

If the Scheme becomes Effective, CSG and Fuji Xerox Asia Pacific will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Deed, the Deed Poll and the Scheme. Only CSG Shareholders who qualify as Scheme Shareholders will be bound by and have the benefit of the Scheme. Section 4.7 describes the principles in the Scheme for determining the identity of Scheme Shareholders.

If the Scheme does not become Effective on or before the End Date, the Scheme will lapse.

4. Summary of the Scheme

(g) Record Date

CSG Shareholders will be entitled to receive consideration under the Scheme if they are registered as the holders of Scheme Shares on the Record Date.

The Record Date is 7:00pm (Sydney time) on the date which is five Business Days after the Effective Date, and is currently expected to be 12 February 2020. In this Scheme Booklet, those CSG Shareholders, and CSG Shares that they hold as at the Record Date, are referred to as Scheme Shareholders and Scheme Shares, respectively.

(h) Suspension of trading of CSG Shares

If the Court approves the Scheme, CSG will notify ASX of that approval on the day it is received, expected to be 5 February 2020. It is expected that suspension of trading on ASX in CSG Shares will occur from close of business on the Effective Date. On the current timetable, the Effective Date is expected to be 5 February 2020.

(i) Transfer and registration of Scheme Shares

Under the Scheme, Scheme Shareholders irrevocably authorise CSG to Convert (within the meaning of the ASX Settlement Operating Rules) all Scheme Shares held in CHESS Holdings into Issuer Sponsored Holdings (each as defined in the ASX Settlement Operating Rules).

Under the Scheme, each Scheme Shareholder, without the need for any further act, irrevocably appoints CSG and each of its directors, officers and secretaries, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any document necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it, including effecting (without limitation) the master transfer of all or part of the Scheme Shares.

On the Implementation Date, the Scheme Shares held by Scheme Shareholders, together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to Fuji Xerox Asia Pacific without the need for any further act by any Scheme Shareholder, by CSG executing and delivering a valid transfer or transfers of the Scheme Shares to Fuji Xerox Asia Pacific and Fuji Xerox Asia Pacific duly executing such transfer form and delivering it to CSG for registration.

Prior to the transfer of any Scheme Shares to Fuji Xerox Asia Pacific, Fuji Xerox Asia Pacific will deposit into an account in the name of CSG an amount equal to the Aggregate Scheme Consideration to be provided to Scheme Shareholders, such amount to be held on trust for the Scheme Shareholders and for the purpose of dispatching to each Scheme Shareholder a cheque or electronic funds transfer for the Scheme Consideration to which they are entitled.

In its capacity as the sole shareholder of CSG, Fuji Xerox Asia Pacific will cause the CSG Board to be reconstituted with persons nominated by Fuji Xerox Asia Pacific.

(j) Payment of Scheme Consideration

After Fuji Xerox Asia Pacific transfers the amount equal to the Aggregate Scheme Consideration into CSG's trust account, CSG will within five Business Days dispatch a cheque in Australian currency drawn on an Australian bank to each Scheme Shareholder by pre-paid post to their address as it appears in the CSG Share Register or pay by electronic funds transfer (for CSG Shareholders who have provided the CSG Share Registry with their bank account details as at the Record Date). In the case of Scheme Shares held in joint names, cheques will be payable and forwarded to the holders whose names appear in the CSG Share Register as at the Record Date.

The amount of the cheque or electronic funds transfer will be equal to the number of CSG Shares held by each Scheme Shareholder at the Record Date multiplied by the Scheme Consideration.

(k) Delisting of CSG

At a time determined by Fuji Xerox Asia Pacific following the implementation of the Scheme, Fuji Xerox Asia Pacific will cause CSG to apply for the termination of the official quotation of CSG Shares on ASX and to have itself removed from the official list of ASX. It is expected that this will occur shortly after the Implementation Date.

4.9 Opposing the Scheme

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court and serve on CSG, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing.

The notice of appearance and affidavit must be served on CSG at its address for service by 5.00pm (Sydney time) on the day before the Second Court Hearing.

The address for service for CSG is:

CSG Limited
c/o MinterEllison
Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales, 2000
Attention: Michael Gajic and Michael Scarf

4.10 Warranties by CSG Shareholders

The Scheme provides that each Scheme Shareholder is deemed to have warranted to CSG and Fuji Xerox Asia Pacific, and appointed and authorised CSG as its attorney and agent to warrant to Fuji Xerox Asia Pacific, that, as at the Implementation Date:

- all Scheme Shares registered in its name (including any rights and entitlements attaching to those shares) which are transferred to Fuji Xerox Asia Pacific under the Scheme will, on the date on which they are transferred to Fuji Xerox Asia Pacific, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- it has full power and capacity to transfer Scheme Shares registered in its name to Fuji Xerox Asia Pacific together with any rights and entitlements attaching to those shares; and
- it has no existing right to be issued any CSG Shares, CSG Performance Rights or any other CSG securities, other than, in the case of any Scheme Shareholder who is also the holder of CSG Performance Rights, the right to be issued CSG Shares on the exercise or vesting of those the CSG Performance Rights in accordance with their terms.

4.11 If the Scheme does not become Effective

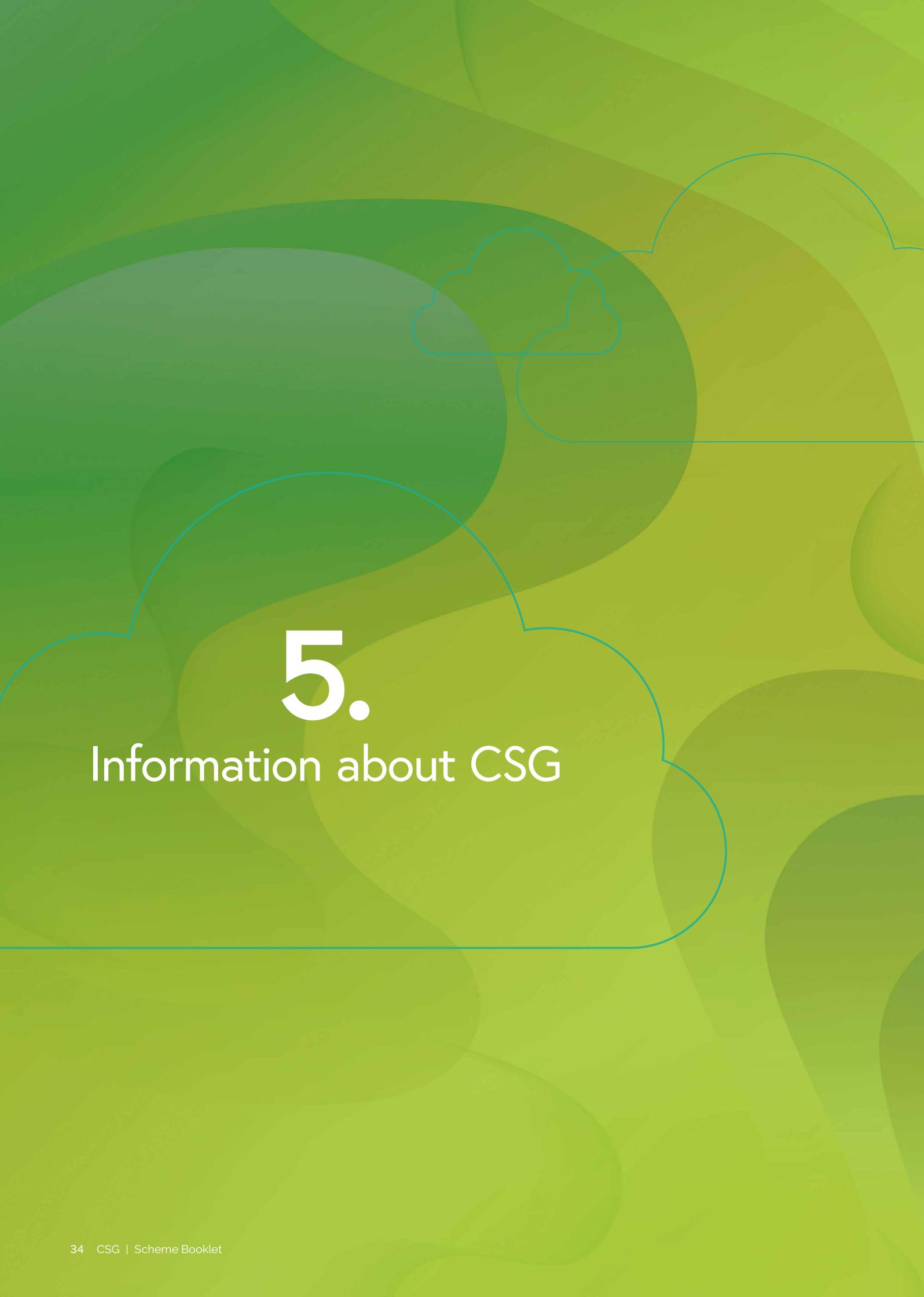
If the Scheme does not proceed:

- the CSG Shares will not be transferred to Fuji Xerox Asia Pacific;
- CSG Shareholders will not receive the Scheme Consideration;
- CSG will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX;
- CSG Shareholders will continue to be exposed to the benefits and risks associated with an investment in CSG;
- if no Superior Proposal is received by the CSG Board, the price at which CSG Shares trade may fall; and
- depending on the reasons why the Scheme does not proceed, CSG may be liable to pay the CSG Break Fee (refer to Section 9.2(b) in relation to the CSG Break Fee).

If the Scheme is not implemented, CSG estimates it will be required to pay one-off transaction costs, including:

- fees and expenses paid or payable (excluding GST) to CSG's professional advisers (including its financial, legal, accounting and tax advisers);
- fees paid or payable to the Independent Expert; and
- CSG Share Registry costs, fees and expenses associated with the Court proceedings, costs relating to design, printing and dispatch of this Scheme Booklet, expenses associated with convening and holding the Scheme Meeting, fees related to proxy solicitation services, and other general and administrative expenses in connection with the Scheme.

The payment of these transaction costs would affect the cash balance of CSG.



5.

Information about CSG

5. Information about CSG

The information set out in this Section 5 contains information in relation to CSG and was prepared by CSG. Additional information about CSG is included in the Independent Expert's Report in Appendix 1 to this Scheme Booklet, which CSG Shareholders are encouraged to read.

Further information regarding CSG is also available on the CSG website at <https://www.csg.com.au/>.

5.1 Overview

CSG is a provider of print and business technology solutions in Australia and New Zealand that is supported by an in-house equipment financing business.

CSG's core product offerings include print and display technology, managed IT, cloud and data solutions. CSG focuses on providing these information technology services and technologies as a subscription, which is supported by an extensive sales and service network in Australia and New Zealand, concentrating on small-to-medium enterprise (**SME**) customers.

CSG's product offerings provide SMEs with access to the latest technologies, as well as a single point of contact for their office technology needs.

CSG employs approximately 670 people and operates out of 27 offices across Australia and New Zealand.

For FY19, CSG reported revenue of \$2176 million and Underlying EBITDA of \$171 million.

5.2 History

CSG was established in 1988 in Darwin, Australia, as a specialised print solutions provider.

In 2007, CSG listed on the ASX, a move which enabled geographic expansion to become a leading managed IT solutions provider in Australia and New Zealand from 2009 onwards.

Since then, CSG has continued to transform the business to become an SME focused provider of print and display technology, managed IT, cloud and data solutions.

In late 2018, CSG launched its CSG 2021 transformation program, which included a cultural transformation program and a number of key strategic initiatives designed improve business performance and drive 'Technology as a Subscription' growth.

CSG also ceased further investment in its enterprise technology segment in 2018 to further focus the business on the SME sector.

CSG has also made a number of strategic acquisitions and divestments to enable it to focus and expand its core product offerings including:

- the acquisition of CodeBlue in 2015, a SME focused provider of managed IT services;
- the acquisition of PrintSync in 2016, a Western Australian print solutions business;
- the acquisition of R&G Technologies in 2017, a Brisbane-based provider of managed IT services; and
- the divestment of pcMedia in 2018, its New Zealand-based education subscription business.

5.3 Business segments

CSG operates through three reporting segments: Print and Display, Technology and Finance. Each of these segments is described below, including relative financial contributions for FY19.

(a) Print & Display

Print and Display is a marketer, service provider and authorised distributor of high quality, branded printing equipment, digital displays, print and office supplies, video conferencing and consumables.

As at 30 June 2019, Print and Display has a fleet of approximately 40,000 Machines in Field (**MIF**) across approximately 10,000 customers, reflecting a predominantly SME customer base.

Key products include multi-functional devices, managed print services, digital displays and computer hardware across a number of recognised brands.

5. Information about CSG

(b) Technology

Technology provides managed IT and cloud communication services as a subscription to SMEs.

As at 30 June 2019, Technology has over 24,000 technology subscriptions.

Key services include managed IT, end-user IT, IT infrastructure, security solutions, cloud communications, display solutions, boardroom solutions and consulting and professional services, across a number of recognised brands.

(c) Finance

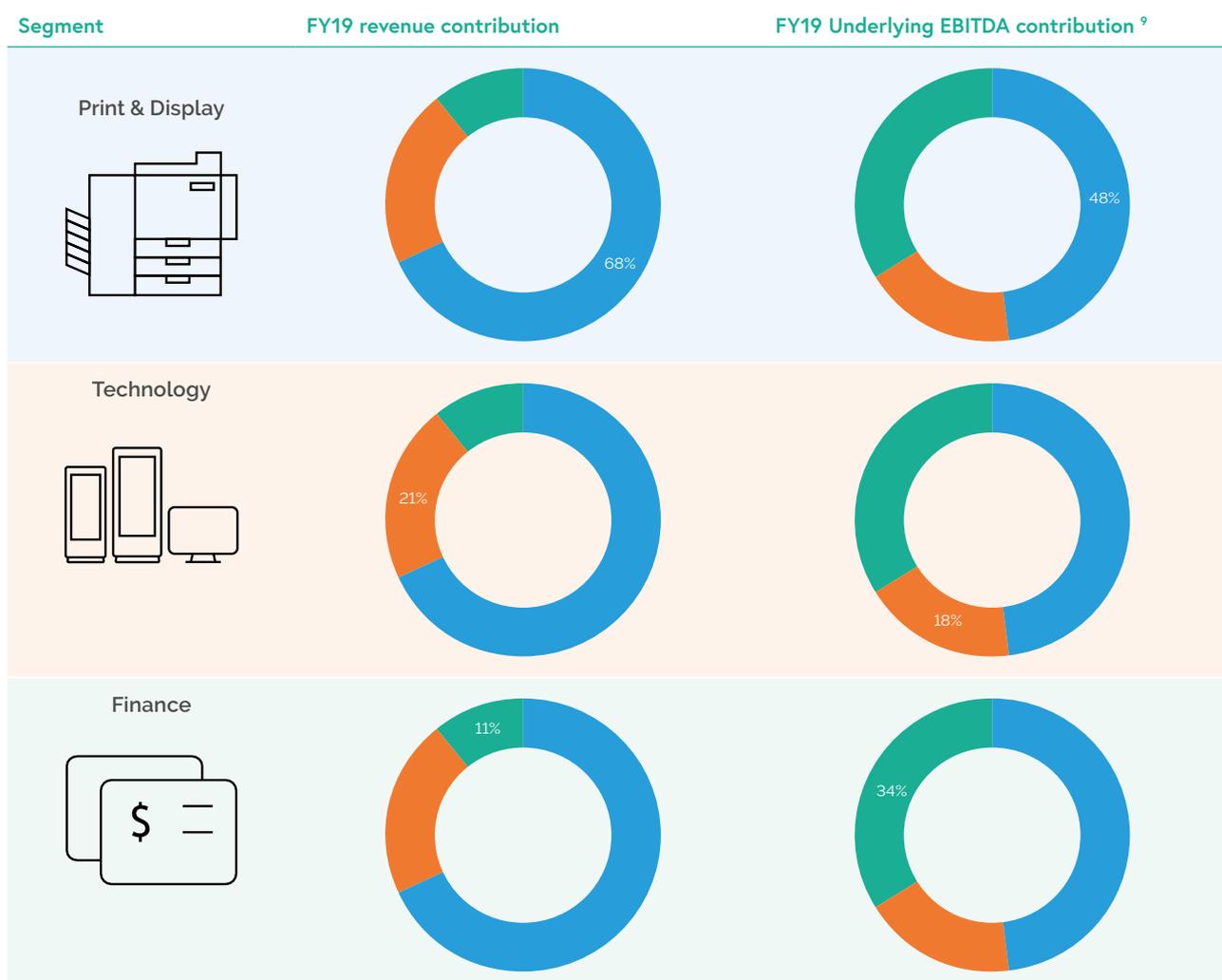
Finance is a specialist in-house finance provider of lease and rental products for both print and technology assets sold and serviced by CSG in both Australia and New Zealand.

This segment finances assets sold and serviced by CSG, funding the majority of CSG's print and technology transactions.

As at 30 June 2019, Finance's gross lease receivables were \$255 million, with net lease receivables of \$218 million.

(d) Segment contributions

The graph below shows the percentage revenue and Underlying EBITDA contributions made by each of CSG's three reporting segments in FY19.



⁹ Excludes corporate costs.

5.4 CSG's strategy

CSG's strategy is to provide SMEs with leading print and display technology, managed IT, cloud and data solutions.

A key aspect of CSG's strategy is to drive growth in 'Technology as a Subscription' in both Australia and New Zealand. This growth is being driven by CSG's core managed IT offering to the SME sector, including an increased penetration of its cloud subscription offering in Australia.

In late 2018, CSG initiated its CSG 2021 transformation program. Key features of this program included:

- a revitalisation of CSG's leadership team;
- a reinvigoration of CSG's overall mission, vision and values;
- a restructure of the business to focus on the SME market and its three reporting segments: Print and Display, Technology and Finance;
- further investment in CSG's sales capabilities and technology offering;
- cost improvements and inventory reduction initiatives; and
- a strategic review of the Finance business segment and its credit processes.

The CSG 2021 transformation program has not yet been completed. However, to date, the program has contributed towards driving cultural change and improved business performance.

5.5 CSG Board and senior management

As at the date of this Scheme Booklet, the CSG Board consists of the following people:

Name	Position
Bernie Campbell	Non-Executive Director and Chairman
Mark Bayliss	Acting Chief Executive Officer and Managing Director (former Executive Director and Chairman)
Robin Low	Non-Executive Director
Rajarshi Ray	Non-Executive Director

As at the date of this Scheme Booklet, the key members of CSG's executive team are:

Name	Position
Ashley Conn	Chief Financial Officer
Howard Edelman	Interim General Counsel and Company Secretary
Chris Mackay	Executive General Manager, New Zealand
Gavin Gomes	Executive General Manager, Australia
Arthur Mitchell	Interim Head of Information Technology
Steve Rowe	Chief People Officer

5.6 CSG capital structure

As at the Last Practicable Date, the capital structure of CSG is as follows:

CSG securities	Total number on issue
CSG Shares	449,257,045
CSG Performance Rights	19,087,499

Additional information on the treatment of CSG Performance Rights in connection with the Scheme is set out in Section 9.3.

5. Information about CSG

5.7 Recent CSG Share price performance

CSG Shares are listed on ASX under the trading symbol "CSV".

The closing price of CSG Shares on ASX on 23 October 2019 (the last trading day prior to the announcement of the Scheme) was \$0.235.

The closing price for CSG Shares on ASX on the Last Practicable Date was \$0.305.

During the three months ending on the Last Practicable Date:

- the highest recorded daily closing price for CSG Shares was \$0.3075 on 27 November 2019, 28 November 2019 and 12 December 2019; and
- the lowest recorded daily closing price for CSG Shares was \$0.2100 on 20 September 2019.

5.8 Substantial holders

As at the Last Practicable Date, the following persons were substantial holders of CSG Shares:

Name	Number of CSG Shares	Percentage of issued capital ¹⁰
Caledonia (Private) Investments Pty Limited	130,549,255	29.1%
Forager Funds	24,228,256	5.4%
Microequities Asset Management Pty Ltd	22,844,606	5.1%

The shareholdings listed in this Section 5.8 are as disclosed to CSG by the shareholders in substantial holder notices or otherwise notified by the CSG Share Registry.

5.9 Interests of CSG Directors

(a) Interests in CSG Securities

As at the Last Practicable Date, CSG Directors held the following Relevant Interests in CSG Securities:

Name	CSG Shares	CSG Performance Rights
Bernie Campbell	250,000	Nil
Mark Bayliss	5,136,364 ¹¹	5,000,000
Robin Low	414,616	Nil
Rajarshi Ray	300,000	Nil

(b) Interests of CSG Directors in Fuji Xerox Asia Pacific securities

No CSG Director held any Relevant Interest in any securities of Fuji Xerox Asia Pacific as at the Last Practicable Date.

5.10 Dealings in CSG Securities

No CSG Director provided or agreed to provide consideration for any CSG Securities during the period of four months before the date of this Scheme Booklet.

¹⁰ Based on the number of CSG Shares on issue on the Last Practicable Date.

¹¹ Of the 5,136,364 CSG Shares, 4,000,000 CSG Shares were issued to Mr Bayliss subject to escrow restrictions and to be released in three tranches over time. Refer to Section 9.5 for further information on the treatment of the escrowed CSG Shares in connection with the Scheme.

5.11 Interests in Fuji Xerox Asia Pacific

As at the Last Practicable Date, neither CSG nor any of its Associates had a Relevant Interest in any securities of Fuji Xerox Asia Pacific.

5.12 No dealings in Fuji Xerox Asia Pacific securities

Neither CSG nor any of its Associates has provided or agreed to provide consideration for any securities of Fuji Xerox Asia Pacific under any purchase or agreement during the period of four months before the date of this Scheme Booklet.

5.13 Historical financial information

(a) Basis of presentation

This Section 5.13 contains audited financial information relating to CSG and its controlled entities for the financial years ended 30 June 2018 and 30 June 2019.

The financial information in this Section 5.13 is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only.

The historical financial information in this Section 5.13 is presented in an abbreviated form and does not contain all the disclosures, statements or comparative information that are usually provided in an annual report prepared in accordance with the Corporations Act.

As the historical financial information in this Section 5.13 does not represent the complete financial statements, it should therefore be read in conjunction with the financial statements for the respective periods, including the description of the accounting policies contained in those financial statements and the notes to those financial statements, all of which are available at ASX's website (www.asx.com.au) and CSG's website (<https://www.csg.com.au/>).

The historical financial information in this Section 5.13 has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (AAS) including the Australian Accounting Interpretations, issued by the Australian Accounting Standards Board which are consistent with the International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board, other than the underlying financial results and reconciliation set out in Section 5.13(d) below.

(b) Explanation of certain non-IFRS financial measures

CSG uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 5.13 as non-IFRS financial measures pursuant to Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business. The principal non-IFRS financial measures referred to in this Section 5.13 are as follows:

- **EBITDA** is reported earnings before the following:
 - interest revenue, interest expense or financing costs, (excluding the operating interest revenue and interest expense of CSG's Finance segment operations);
 - depreciation and amortisation; and
 - income taxation expense.
- **Underlying EBITDA** is reported EBITDA after taking into account non-recurring or one-off items.

5. Information about CSG

(c) CSG historical consolidated statements of profit and loss and other comprehensive income

Set out below are the historical consolidated statements of profit and loss and other comprehensive income for CSG and its controlled entities for the financial years ended 30 June 2018 and 30 June 2019.

	FY19 \$'000	FY18 \$'000
Sales revenue	192,689	194,590
Finance lease interest income	23,457	26,389
Interest income	74	99
Other income	1,336	2,380
	217,556	223,458
Cost of sales	112,873	136,477
Finance lease interest expense	11,186	13,619
Marketing expenses	2,170	2,728
Occupancy expenses	7,508	7,405
Administration expenses	26,836	27,959
Employee benefits expenses	39,384	46,423
Share based transactions	1,759	378
Acquisition and integration related expenses	(1,109)	2,507
Impairment of intangible assets	-	116,100
Other expenses	4,252	20,857
Depreciation and amortisation	9,588	6,703
Finance costs	2,893	3,826
	217,340	384,982
Profit/(loss) before income tax	216	(161,524)
Income tax (expense)/benefit	(2,032)	11,395
Loss from continuing operations	(1,816)	(150,129)
Profit/(loss) attributable to:		
Members of the parent	(2,828)	(150,282)
Non-controlling interest	1,012	153
	(1,816)	(150,129)
Loss after income tax expense	(1,816)	(150,129)
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations, net of tax	1,588	(1,957)
Cash flow hedges:		
Reclassified to profit or loss, net of tax	280	420
Net losses taken to equity, net of tax	(2,099)	(406)
Other comprehensive losses for the year	(231)	(1,943)
Total comprehensive losses for the year	(2,047)	(152,072)
Total profit and loss and other comprehensive income is attributable to:		
Members of the parent	(3,059)	(152,225)
Non-controlling interest	1,012	153
	(2,047)	(152,072)

(d) CSG reconciliation of underlying to statutory results

Year ended 30 June	FY19 \$'000	FY18 \$'000
Revenue and other income	217,556	223,458
Loss after income tax expense	(1,816)	(150,129)
Tax	2,032	(11,395)
Depreciation and amortisation	9,588	6,703
Interest expense/(income)	2,893	3,826
EBITDA	12,697	(150,995)
Add non-recurring items		
LTIP/Employee Share Plan	2,467	378
Display implementation overrun	-	2,200
Acquisition and non-recurring legal costs	-	1,712
Restructuring related charges	-	1,350
Enterprise Solutions provisions	-	39,300
One-off bad debts	2,407	-
Impairment	-	116,100
Other	(482)	-
Total non-recurring items	4,392	161,040
Underlying EBITDA	17,089	10,045

5. Information about CSG

(e) CSG historical consolidated statements of financial position

Set out below is the historical consolidated statements of financial position for CSG and its controlled entities as at 30 June 2018 and 30 June 2019.

	30 June 2019 \$'000	30 June 2018 \$'000
Current assets		
Cash and cash equivalents	26,555	14,194
Receivables	27,242	38,076
Contract assets	6,482	-
Lease receivables	95,661	81,029
Inventories	39,124	48,711
Other	6,660	3,741
Total current assets	201,724	185,751
Non-current assets		
Receivables	615	-
Lease receivables	122,272	161,215
Contract assets	268	-
Property, plant and equipment	2,453	3,158
Intangible assets	56,050	58,156
Deferred tax asset	5,896	6,298
Total non-current assets	187,554	228,827
Total assets	389,278	414,578
Current liabilities		
Payables	43,476	53,399
Deferred income	87	642
Contract liabilities	278	-
Deferred consideration	1,236	5,141
Short term borrowings	41,045	2,421
Current tax payable	1,357	991
Provisions	4,698	8,728
Total current liabilities	92,177	71,322
Non-current liabilities		
Provisions	396	448
Deferred consideration	-	214
Long-term borrowings	-	45,881
Derivatives	3,881	1,307
Debt associated with lease receivables	192,027	212,998
Total non-current liabilities	196,304	260,848
Total liabilities	288,481	332,170
Net assets	100,797	82,408
Equity		
Contributed equity	232,344	213,425
Reserves	5,032	3,504
Accumulated losses	(152,450)	(149,380)
Equity attributable to owners of CSG Limited	84,926	67,549
Non-controlling interest	15,871	14,859
Total equity	100,797	82,408

(f) CSG historical consolidated statements of cash flows

Set out below are the historical consolidated statements of cash flows for CSG and its controlled entities for the financial years ended 30 June 2018 and 30 June 2019.

	FY19 \$'000	FY18 \$'000
Cash flows from operating activities		
Receipts from customers	243,111	239,590
Payments to suppliers, employees and others	(231,994)	(246,981)
Movement in lease receivables	27,115	20,005
Interest income	74	98
Interest expense	(2,689)	(3,028)
Income tax paid	(1,032)	(2,404)
Net cash provided by operating activities	34,585	7,280
Cash flows from investing activities		
Payment for intangibles	(5,207)	(4,328)
Payments for property, plant and equipment	(916)	(1,093)
Proceeds from disposal of business	311	-
Payments of deferred consideration	(1,978)	(3,656)
Net cash used in investing activities	(7,790)	(9,077)
Cash flows from financing activities		
Borrowings associated with lease receivables	(24,644)	(8,907)
Proceeds from borrowings	15,784	59,606
Payments for borrowings	(23,208)	(54,310)
Purchase of hedge instruments	-	(264)
Proceeds from capital raising, net of transaction costs	17,132	-
Net cash flows used in financing activities	(14,936)	(3,875)
Net increase/(decrease) in cash held	11,859	(5,672)
Cash and cash equivalents at beginning of the financial year	14,194	20,338
Foreign exchange difference on cash holdings	502	(472)
Cash and cash equivalents at the end of the financial year	26,555	14,194

(g) Material change in CSG's financial position since its last published accounts (30 June 2019)

To the knowledge of the CSG Directors, other than accumulation of profits in the ordinary course of business or as otherwise disclosed in this Scheme Booklet or to ASX by CSG, the financial position of CSG has not changed materially since 30 June 2019, being the date of the last balance sheet prepared before the date of this Scheme Booklet and sent to CSG Shareholders in accordance with the Corporations Act.

5. Information about CSG

5.14 Dividend policy

No dividends have been paid or declared by CSG in regard to FY19 or FY18.

5.15 CSG Directors' intentions

The Corporations Regulations require a statement by the CSG Directors of their intentions regarding CSG's business. If the Scheme is implemented and the Scheme Consideration is paid to Scheme Shareholders, CSG will procure that any CSG Director nominated by Fuji Xerox Asia Pacific to resign from the CSG Board will resign and Fuji Xerox Asia Pacific will have 100% ownership and control of CSG.

It is for the reconstituted CSG Board to determine its intentions regarding:

- the continuation of the business of CSG;
- any major changes to be made to the business of CSG; and
- the future employment of the present employees of CSG.

The current intentions of Fuji Xerox Asia Pacific with respect to these matters are set out in Section 6.5.

If the Scheme is not implemented, the CSG Directors intend to continue to operate CSG in the ordinary course of business and for CSG to remain listed on ASX.

5.16 Litigation

CSG is from time to time involved in disputes and litigation. As at the date of this Scheme Booklet, CSG is not aware of any litigation or dispute which CSG believes is likely to lead to a material liability in the context of the CSG Group taken as a whole.

5.17 Outlook for FY20

In CSG's FY19 full year results announced on 20 August 2019, CSG indicated that it was targeting to deliver double digit percentage Underlying EBITDA growth in FY20.

In light of the proposed transaction contemplated by the Scheme, previous guidance is no longer relevant and will be reassessed by the CSG Board should the Scheme not proceed.

5.18 Publicly available information

CSG is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to certain reporting and disclosure obligations. This requires CSG to give continuous disclosure by lodging disclosures with the ASX of any information CSG has that a reasonable person would expect to have a material effect on the price or value of CSG Shares (subject to some exceptions).

Pursuant to the Corporations Act, CSG is required to prepare and lodge with ASIC and ASX both annual and half year financial statements accompanied by a statement and report from the CSG Directors and an audit or review report respectively.

Information disclosed to ASX is available from ASX's website at www.asx.com.au.

Information about CSG, including financial information, is available in electronic form on CSG's website (<https://www.csg.com.au/>). Copies of the documents lodged with ASIC in relation to CSG may be obtained from, or inspected at, an ASIC office.

6.

Information about Fuji Xerox Asia Pacific

6. Information about Fuji Xerox Asia Pacific

The information contained in this Section 6 of this Scheme Booklet has been prepared by Fuji Xerox Asia Pacific and Fuji Xerox. The information concerning Fuji Xerox, its wholly owned subsidiary Fuji Xerox Asia Pacific and its group companies and the intentions, views and opinions in this Section 6 are the responsibility of Fuji Xerox and Fuji Xerox Asia Pacific.

CSG and its officers, and advisers do not assume any responsibility for the accuracy or completeness of this information.

6.1 Overview of Fuji Xerox

Headquartered in Tokyo, Japan, Fuji Xerox has been known as one of the world's most successful cross-border joint ventures.

Fuji Xerox was established in 1962 as a 50:50 partnership between Fuji Photo Film (then, currently known as FUJIFILM Holdings Corporation) and Rank Xerox (then, currently known as Xerox Limited). Rank Xerox became fully owned by Xerox Corporation in 1997 and changed its name to Xerox Limited. Originally only a distributor of Xerox products, Fuji Xerox later began to research and develop its own xerographic machines and other devices. Its innovations include the world's first multifunction printer/copier, the Fuji Xerox 'Xero Printer 100,' launched in 1987.

In 2001, Fuji Photo Film acquired a further 25% stake in Fuji Xerox from Xerox Limited and, as a result, Fuji Xerox became a subsidiary of Fuji Photo Film which started the consolidation of the Fuji Xerox business results into Fuji Photo Film's consolidated business results.

In 2006, Fuji Photo Film changed its name to FUJIFILM Holdings Corporation with all business operations being put into a newly established wholly owned subsidiary, FUJIFILM Corporation.

In November 2019, FUJIFILM Holdings Corporation entered into a definitive agreement with Xerox Corporation under which FUJIFILM Holdings Corporation acquired the remaining 25% stake in Fuji Xerox owned by Xerox Limited. This transaction brought FUJIFILM Holdings Corporation's ownership of Fuji Xerox to 100% and Fuji Xerox will now operate as a wholly owned subsidiary of FUJIFILM Holdings Corporation.

Fuji Xerox has been conducting its business to develop, produce and sell printers and document-related products/services in the Asia Pacific region.

Fuji Xerox is also responsible for the development and manufacturing of a number of printing devices sold by Xerox Corporation in the Americas and European markets.

Fuji Xerox has operations in 15 countries/regions in the Asia Pacific including Japan with approximately 40,000 employees globally. It generated revenue of approximately JPY 1,005.6 billion (approximately \$13.5 billion) for the financial year ended 31 March 2019.

Fuji Xerox continues to supply to Xerox Corporation after the completion of FUJIFILM Holdings Corporation's acquisition of Xerox Corporation's 25% stake in Fuji Xerox.

(a) Overview of Fuji Xerox Asia Pacific

Fuji Xerox established a wholly owned subsidiary, Fuji Xerox Asia Pacific, in Singapore in 1991 to consolidate operations in the Asia Pacific region.

(b) Overview of Fuji Xerox Australia

Fuji Xerox Australia (and its predecessor Rank Xerox Australia) was established in 1960 and is now one of Fuji Xerox's largest operating companies outside of Japan. Fuji Xerox Australia has been a market leader in Australia with its broad range of colour multifunction devices and production printers.

Fuji Xerox Australia has an extensive sales and service network, providing coverage to all Australian states and territories through its direct and channel partner network. With approximately 1,500 employees and its indirect channel partners, Fuji Xerox Australia is a major supplier of office and production print products. Fuji Xerox Australia provides consistency in service and customer experience to all its customers from small business to large corporates and the Federal Government. Fuji Xerox Australia's offerings include printers and multi-function devices, office software solutions, enterprise software solutions, and value added managed and outsourcing services ensuring that Fuji Xerox Australia helps to navigate its customers on their digital transformation journeys as their organisations grow and business needs change.

(c) Overview of Fuji Xerox New Zealand

Fuji Xerox New Zealand was established in 1964 and is part of the Fuji Xerox group of companies. Fuji Xerox New Zealand employs approximately 500 staff nationwide between its New Zealand headquarters in Auckland and 17 locations nationwide from Invercargill to Whangarei.

Fuji Xerox New Zealand partners with senior executives and business owners throughout New Zealand to help them find innovative and low-risk document and digital print solutions that drive greater agility, visibility, sustainability and overall efficiency. Fuji Xerox New Zealand's commitment to meeting its clients' needs and helping them overcome business challenges has seen Fuji Xerox New Zealand emerge as a market leader in New Zealand.

While Fuji Xerox New Zealand's brand is synonymous with documents and printing, it also provides a range of consulting services and software solutions, including emerging technologies such as robotic process automation.

6.2 Fuji Xerox and Fuji Xerox Asia Pacific Directors

(a) Fuji Xerox Directors

The Fuji Xerox Directors as at the date of this Scheme Booklet are set out below.

Name	Position
Shigetaka Komori	Chairman and Representative Director
Kouchi Tamai	President and Representative Director
Masaru Yoshizawa	Executive Vice President and Director
Hisanori Makaya	Executive Vice President and Director
Masaki Okano	Senior Vice President and Director
Mutsuki Tomono	Corporate Vice President and Director
Masashi Sakamoto	Senior Vice President and Director
Kengo Taneda	Senior Vice President and Director
Kenji Sukeno	Director

(b) Fuji Xerox Asia Pacific Directors

The Fuji Xerox Asia Pacific Directors as at the date of this Scheme Booklet are set out below:

Name	Position
Mutsuki Tomono	Managing Director
Yujiro Nagasawa	Director
Mitsuhiro Mukae	Director
Masaru Yoshizawa	Director

6.3 Rationale for Fuji Xerox's proposed acquisition of CSG

Through the acquisition of CSG, Fuji Xerox aims to strengthen its leading presence in providing IT print device and managed print solutions in the Oceania region, and to continue to grow its technology products and service offerings.

Fuji Xerox considers CSG to be an attractive acquisition as CSG is one of the leading providers of print, technology, and finance to SMEs in Oceania, with strong national sales and distribution coverage in Australia and New Zealand. CSG's SME capability strongly complements Fuji Xerox's enterprise print focus in the region, and provides the potential to grow Fuji Xerox's footprint in SME print and IT product categories. Through the acquisition of CSG, Fuji Xerox's board of directors believes that Fuji Xerox can provide high quality products and services from small to large customers, strengthening its brand in the Oceania region.

In addition to its print sector position, CSG also provides technology solutions for SME customers in Australia and New Zealand and is selling new offerings into high growth sectors including cyber security and cloud. Through the integration of CSG, and expansion of its technology product and service set, Fuji Xerox aims to grow its customer base through the cross selling of technology solutions to existing CSG customers and new customers. With new capabilities contributed by CSG, Fuji Xerox will gain a high growth business to complement its existing IT print device operations.

6. Information about Fuji Xerox Asia Pacific

6.4 Funding arrangements for the Scheme Consideration

Once the Scheme becomes Effective, Fuji Xerox Asia Pacific will pay the Aggregate Scheme Consideration which is equal to approximately \$140 million wholly in cash. The Aggregate Scheme Consideration is based on CSG's issued share capital as at the date of this Scheme Booklet and on the basis that five million CSG Performance Rights on issue as at the date of this Scheme Booklet vest prior to the Implementation Date.

Fuji Xerox Asia Pacific intends to fund the amount of the Aggregate Scheme Consideration via existing balance sheet capacity. Fuji Xerox Asia Pacific has sufficient cash reserves to fund the Aggregate Scheme Consideration.

On the basis of the arrangements described above, Fuji Xerox Asia Pacific has reasonable grounds for holding the view that Fuji Xerox Asia Pacific will be able to satisfy its obligations to fund the Aggregate Scheme Consideration as and when it is due and payable under the terms of the Scheme.

6.5 Fuji Xerox's intentions if the Scheme is implemented

(a) Introduction

This Section 6.5 sets out Fuji Xerox's current intentions in relation to:

- the continuation of the business of CSG;
- any major changes to be made to the business of CSG, including any deployment of its fixed assets; and
- the future employment of the present employees of CSG.

Set out below are Fuji Xerox's present intentions if the Scheme is implemented. These statements of intention are based on information concerning CSG, its business and the general business environment that are known to Fuji Xerox at the date of this Scheme Booklet.

Fuji Xerox does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Decisions regarding these matters will only be made by Fuji Xerox in light of all material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 6.5 are statements of current intention only, which may change as new information becomes available to Fuji Xerox or as circumstances change.

The intentions of Fuji Xerox Asia Pacific are the same as Fuji Xerox.

(b) Intentions

(i) Board of Directors

If the Scheme is implemented, Fuji Xerox intends to reconstitute the CSG Board and the boards of the CSG Group Members with nominees of Fuji Xerox. The final composition of the CSG Board after implementation of the Scheme has not been determined as at the date of this Scheme Booklet. Final decisions on the composition of the CSG Board after implementation of the Scheme will be made in light of the circumstances at the relevant time.

(ii) Review of operations

Fuji Xerox does not contemplate any change of direction of CSG's existing business or CSG's fundamental strategies in any material respect. Fuji Xerox intends that the combined entity will be competitive in the Australian and New Zealand print and technology products and services sector.

Following implementation of the Scheme, Fuji Xerox intends to conduct a general review of CSG's strategic, financial and commercial operations to:

- evaluate CSG's performance, profitability and prospects; and
- determine the optimal future operating structure of the CSG business.

Based on its current understanding and evaluation of the CSG business, it is Fuji Xerox's present intention that the business of CSG will be conducted in a substantially similar manner in which it currently operates, subject to integration of certain systems, processes and personnel to be determined.

(iii) Management and employees

Fuji Xerox recognises the experience and knowledge of CSG's senior management team. It is Fuji Xerox's current intention to retain certain key executives in their current positions, subject to new or changing roles that may be created as a result of future integration of the business.

The detailed review of CSG's operations noted in Section 6.5(b)(ii) will include specific consideration of staffing and organisational structure. Accordingly, final decisions on these matters (including any changes to the employment of the present employees of CSG) will, if necessary, only be made by Fuji Xerox following the completion of the post-acquisition review process described above and will be based on all material facts and circumstances at the relevant time.

(iv) Delisting

If the Scheme is implemented, Fuji Xerox has agreed with CSG that CSG will request that ASX removes CSG from the official list of ASX.

6.6 Interests in CSG Securities

(a) Interests in CSG Shares

As of the date of this Scheme Booklet, none of Fuji Xerox or any of its Associates has any Relevant Interest or voting power in any CSG Shares.

(b) Dealings in CSG Shares in previous four months

Apart from Fuji Xerox Asia Pacific's offer to acquire all CSG Shares under the Scheme, none of Fuji Xerox or any of its Associates has provided or agreed to provide consideration for any CSG Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

(c) Benefits to holders of CSG Shares

During the four months before the date of this Scheme Booklet, none of Fuji Xerox or any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Scheme Resolution; or
- dispose of CSG Shares,

where the benefit was not offered to all CSG Shareholders.

(d) Benefits to CSG officers

None of Fuji Xerox or any of its Associates will be making any payment or giving any benefit to any current officers of CSG as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

6.7 Other material information

Except as set out in this Section 6 so far as the directors of Fuji Xerox are aware, there is no other information regarding Fuji Xerox or Fuji Xerox Asia Pacific, or their intentions regarding CSG, that is material to the making of a decision by a CSG Shareholder on whether or not to vote in favour of the Scheme, being information that is within the knowledge of any director of Fuji Xerox or of Fuji Xerox Asia Pacific as at the date of this Scheme Booklet, which has not been previously disclosed to CSG Shareholders.



7.

Potential risk factors

7. Potential risk factors

7.1 Introduction

The CSG Board considers it appropriate that CSG Shareholders, in considering the Scheme, to be aware that there are a number of risk factors.

Those risk factors are relevant in a number of ways:

- a number of risk factors are associated with the implementation of the Scheme. That is, these risk factors may impact the likelihood that the Scheme is implemented, or the timing of when the Scheme is implemented;
- a number of risk factors are associated with CSG's businesses and the industries in which it operates. These risk factors could materially and adversely affect the future operating and financial performance of CSG and the value of CSG Shares. If the Scheme becomes Effective and CSG Shareholders receive the Scheme Consideration in exchange for their CSG Shares, they will no longer be exposed to these risk factors, as they will cease to be CSG Shareholders. If the Scheme does not proceed, CSG Shareholders will continue to hold their CSG Shares and continue to be exposed to risks associated with that investment; and
- some of the risk factors associated with CSG's businesses and the industries in which it operates could impact the likelihood that the Scheme is implemented, or the timing of when the Scheme is implemented. This is because those risk factors may adversely affect the future operating and financial performance of CSG, and certain conditions of the Scheme relate to the operating and financial performance of CSG.

These risk factors do not take into account the individual investment objectives, financial situation, taxation position or other particular needs of CSG Shareholders.

You should carefully consider the risk factors discussed in this Section 7, as well as the other information contained in this Scheme Booklet, before making any decision in relation to the Scheme.

7.2 Risks related to implementation of the Scheme

(a) Conditions precedent

The implementation of the Scheme is subject to a number of conditions precedent, which are summarised in Section 9.2(c) and which are set out in full in clause 3.1 of the Scheme Implementation Deed.

The Scheme will not proceed to a Second Court Hearing unless each of the conditions precedent is satisfied or waived (where capable of waiver). As such, a failure to satisfy or waive any of the conditions precedent or a delay in the satisfaction or waiver of any conditions precedent and therefore implementation of the Scheme, may adversely affect the price or value of CSG Shares.

In particular, clause 3.1(i) of the Scheme Implementation Deed contains a condition that no 'Target Material Adverse Change' occurs prior to the time that is 2 hours before the Second Court Hearing.

Subject to certain exceptions, a 'Target Material Adverse Change' is defined to include an event which (either individually or when aggregated with other events of the same or substantially similar nature):

- results in the MIF of the CSG Group falling below 35,742 MIF for any period of at least five consecutive Business Days; or
- would be reasonably likely to result in the value of EBITDA of the CSG Group for FY20 (when calculated in accordance with the same accounting policies and practices applied by the CSG Group in relation to FY19) being less than \$13.1 million minus the amount spent by CSG on certain employee incentives (such amount not to exceed \$1.9 million)¹².

For the first of these 'Target Material Adverse Change' events to occur, the number of print-capable products, machines, devices, pieces of equipment, or similar subscription type services which are the subject of current contracts between any CSG Group Member and third party customers pursuant to which a CSG Group Member finances, leases, services or manages such items or services (or has the right to do so) for those customers (**MIF**) would need to fall below 35,742 MIF for any period of at least five consecutive Business Days. As at 5 December 2019, the MIF of the CSG Group was 39,262.

In reference to the second of these 'Target Material Adverse Change' events, the Underlying EBITDA for FY19 was \$171 million.

Relevantly, the specific risk factors relating to CSG outlined in Section 7.3 could adversely affect the operating and financial performance of CSG in a manner that causes the no 'Target Material Adverse Change' condition to be breached. If the no 'Target Material Adverse Change' condition is breached (and such breach is not waived by Fuji Xerox Asia Pacific), the Scheme may not be implemented and the price or value of CSG Shares may be adversely affected.

12 This amount excludes the cash retention payments referred to in Section 9.4.

7. Potential risk factors

(b) Court approval and delays

There is a risk that the Court may not approve the Scheme or that Court approval may be delayed. In particular, if there is a material change in circumstances between the date of this Scheme Booklet and the Second Court Date, then, depending on the nature and timing of the change in circumstances:

- CSG may be required to issue a supplementary document to this Scheme Booklet and the preparation of that supplementary document may result in delays to the indicative timetable at the front of this Scheme Booklet; and/or
- the Court will have regard to that change in deciding how it should proceed – if such changes are so significant that they materially alter the Scheme, there is a risk that the Court may not approve the Scheme at the Second Court Hearing.

7.3 Specific risk factors relating to CSG

(a) General market risks

As with any entity whose securities are listed on the ASX, the operating and financial performance of CSG and the value of CSG Shares are influenced by a variety of factors including:

- changes in investor sentiment and overall performance of the Australian securities market;
- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer and business confidence and demand, housing prices and turnover and other industry specific factors;
- changes in government fiscal, monetary, taxation, employment and regulatory policies;
- changes in laws and regulations including accounting and financial reporting standards;
- government intervention in export and import markets, including sanction controls and import duties; and
- weather conditions, natural disasters, terrorism and international conflicts.

Deterioration of general economic conditions may affect CSG's operating and financial position.

(b) Competition risks

There are a number of organisations which compete both directly and indirectly with CSG in the print and business technology solutions and financing sectors. While CSG is a leading independent supplier of print and technology solutions in Australia, some of its competitors may have or may develop competitive advantages over CSG and may be larger on an international or regional basis and have greater access to capital or resources. The market share of CSG's competitors may increase or decrease as a result of various factors such as securing major new contracts, developing new technologies and adopting pricing strategies specifically designed to gain market share. These competitive actions may reduce the prices that CSG is able to charge for its products and services, or reduce CSG's activity levels, both of which would negatively impact the financial performance of CSG and could materially affect CSG's financial performance or cash flows.

(c) Financial position of customers

CSG has a large number of customers. In the event that any of those customers were unable to pay material amounts owing to CSG (or having to significantly delay such payment) or otherwise become insolvent, such failure to pay such material amounts would have an impact on the financial position of CSG.

(d) Strategic relationships

CSG has developed a number of strategic relationships with third parties. If the Scheme does not proceed, CSG may not be able to rely on those strategic relationships in the same manner as it did prior to the Scheme being proposed. There is a risk that a change in such relationships (including, for example, the counterparty seeking to terminate the relevant agreement) will require CSG to seek alternative alliances, or to operate independently in certain future transactions. The result of this could adversely affect CSG's future operating or financial performance.

(e) Reliance on key personnel

CSG is reliant on retaining and attracting quality senior executives and other employees. The responsibility of overseeing day-to-day operations and the management of CSG is concentrated among the Acting Chief Executive Officer and Managing Director and a relatively small number of key employees, with appropriate oversight from the CSG Board. Some of those key employees have been instrumental in the operation of CSG and its relationships with third parties, and the loss of the services of any of those key employees (for any reason whatsoever) or the inability to attract new qualified employees, could adversely affect CSG's operations. There can be no guarantee that key employees will remain with CSG in the future.

(f) Business interruption

The core technologies, systems and operations that CSG uses could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication providers' failure, fire, natural disasters, terrorist acts, war, or human error. These events may cause one or more of CSG's core technologies, systems or operations to become unavailable. Any interruptions to these operations would impact CSG's ability to operate and could result in business interruption, the loss of customers and/or revenue, damaged reputation and weakening of competitive position and could therefore adversely affect CSG's operating and financial performance.

CSG has adopted certain policies and procedures in relation to business interruption, which seek to set out strategies for avoiding and minimising interruption and restoring business to normal. However, the existence of such policies and procedures does not guarantee that interruption and loss to CSG will not occur. Furthermore, while CSG maintains policies of insurance in respect of insurable risks, and for amounts that it considers reasonable, there can be no certainty that such losses will be able to be claimed under or covered by the relevant insurance policies.

(g) CSG 2021 strategic transformation program

CSG is continuing to implement the next phase of restructuring initiatives as part of its 2021 strategic transformation program and growth strategy. This program is designed to foster cultural change and improve financial results. The CSG 2021 strategic transformation program will take time to fully implement and carries with it execution risks, some of which are outside the control of CSG.

(h) Technology and innovation

As CSG operates in the technology industry, it relies in certain respects on the continued development of marketable technologies. There is a risk that the rate of such advancements may slow, which may negatively affect CSG's profitability and attractiveness to customers. Alternatively, there is a risk that a general technological development will involve costs which are disproportionate to previous generation technologies. In the event that CSG seeks to adopt or sell such technologies, its financial performance may be adversely affected. In addition, an inability to optimise the full value of innovation opportunities in services, products, processes and commercial solutions may impact CSG's future growth.

(i) Capital and operating costs

CSG's future financial performance is dependent, to a certain extent, on the level of capital expenditure that is required to maintain its assets. Any significant unforeseen increase in the capital and operating costs associated with CSG's operations would impact its future cash flow and profitability.

(j) Customer risks

CSG's products and services are subject to changes in customers' preferences and practices, and therefore market share and pricing competitiveness may vary depending on the popularity of CSG's products and services.

(k) Financing risks

There are a number of factors which may impact CSG's ability to secure new, or renew its current, debt facilities, or to access funds under current debt facilities, some of which are outside the control of CSG, its Directors and its employees. Some specific examples are described below.

CSG has a debt finance facility with CBA with a maturity date of 21 August 2020. CSG has commenced investigations into debt financing options for its business beyond the maturity of CSG's main debt finance facility with CBA on 21 August 2020. Those investigations are at an early stage, and no agreements have been reached with any prospective provider of debt finance. There is risk that CSG may not be able to find alternative debt financing options after the maturity of the CBA facility, or may only be able to find such debt financing on terms which are less favourable than those which currently apply under the CBA facility. An inability of CSG to find alternative debt financing options, or the provision of new debt financing on terms which are less favourable than those which currently apply under the CBA facility, may affect CSG's financial performance and position in the future.

CSG provides equipment rental and lease products in Australia and New Zealand. This business is sensitive to the availability and cost of funding, and should there be any future disruptions in the credit markets or changes in the procurement of credit, there could be a reduction in the availability of funding or an increase in the cost of funding, which may affect CSG's financial performance and position in the future.

Under the terms of CSG's current debt finance facilities, various conditions must be satisfied before CSG can draw down funds under those facilities. Such conditions are typical for debt finance facilities of this nature. While it is not currently anticipated, should CSG be unable to satisfy the conditions of drawdown under its debt facilities, CSG may need to source funding from alternative sources, including equity, which may affect CSG's financial performance and position in the future.

7. Potential risk factors

(l) Risk of debtor default and fraud

CSG has procedures to reduce the risk of debtor default and fraud risk which are continuously refined based on lessons learned and experience. These procedures are part of CSG's credit approval process. CSG has a number of checks to minimise the risk of debtor default and fraud which are implemented both prior to and post funding. In addition, debtor defaults are typically followed up by internal investigations which are directed at understanding what CSG could do differently to improve its processes.

For example, as part of CSG's credit approval process, CSG identified irregularities in financial information submitted by a sales agent in respect of customers. Following an internal investigation, CSG terminated the sales agent's engagement and cancelled all pending customer contracts originated by that sales agent. CSG then further investigated past customer accounts relating to that sales agent, some of which had already defaulted. CSG has commenced all relevant steps for recovery, including assessing its ability to claim under relevant insurance policies. CSG continues to closely monitor the customer accounts related to all sales originated by the former sales agent.

(m) Litigation

CSG may become the subject of litigation associated with contractual disputes, personal injury, intellectual property disputes, customer claims, employee claims, and taxation and regulatory claims. Any successful claim against CSG may adversely impact its future financial performance or position as well as its reputation and brand.

For example, CSG from time to time is involved in commercial disputes with customers, suppliers, employees, consultants or other third parties which may lead to litigation, or during which litigation is threatened. Typically CSG seeks to resolve such commercial disputes through discussions with the relevant persons before court proceedings are formally commenced. CSG considers the impact of such disputes, including any development of such disputes into court proceedings, as part of CSG's continuous disclosure obligations, and CSG makes appropriate disclosures to ASX as may be required. CSG also typically assesses the merits of the counterparty's arguments and CSG's prospects in such disputes, which may lead to CSG recognising contingent liabilities connected with such proceedings in CSG's financial statements, either as provisions or through notes to those financial statements. If court proceedings are commenced, and CSG considers that the counterparties' arguments are without merit, CSG typically vigorously defends the proceedings. As such, the mere fact that CSG is involved in a commercial dispute, or that such dispute has progressed to court proceedings, does not necessarily indicate that CSG will suffer loss. Where any loss is ultimately suffered by CSG, it may be mitigated through cross-claims made by CSG and/or claims made by CSG under relevant insurance policies.

(n) Insurance risks

No assurance can be given that any insurance that CSG may maintain will be available in the future on a commercially reasonable basis or that the cover will be adequate and available to cover all or any future claims. If CSG incurs uninsured losses or liabilities, its financial performance or position may be adversely impacted.

For example, CSG has commenced all relevant steps for recovery, including assessing its ability to claim under relevant insurance policies following identification of irregularities in financial information submitted by a sales agent in respect of customers, and defaults that arose as a result. If such defaults are ultimately not otherwise recovered and are not fully insured, then this may affect CSG's financial performance and position in the future.

(o) Geographical and foreign exchange risk

CSG's revenue and earnings are derived from its Australian and New Zealand operations. Currently, CSG's earnings are denominated in either Australian dollars or New Zealand dollars, whilst its expenses are predominantly denominated in Australian dollars, New Zealand dollars and US dollars. An investment in CSG will therefore include exposure to economic and currency fluctuations in these countries and these currency denominations.

(p) Acquisition related risks

In the future, CSG may acquire or make strategic investments in complementary businesses, or enter into strategic relationships with third parties in order to enhance its business. Any future acquisitions or new relationships may require CSG to obtain additional equity or debt financing, resulting in additional dilution of ownership for shareholders, increased leverage and potentially higher debt obligations compared to equity.



8.

Taxation implications

8. Taxation implications

8.1 General

The comments below provide a general outline of certain Australian tax issues for Australian tax resident and foreign resident CSG Shareholders who dispose of CSG Shares pursuant to the implementation of the Scheme and that hold CSG Shares on capital account for Australian income tax purposes.

The categories of CSG Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

This summary does not consider the taxation consequences for life insurance companies, banks, CSG Shareholders that hold their CSG Shares on revenue account or carry on a business of trading in shares, CSG Shareholders who are exempt from Australian tax, or CSG Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

The summary below is general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances of any given CSG Shareholder. The individual circumstances of each CSG Shareholder may affect the taxation implications of the investment of the CSG Shareholder.

It is recommended that all CSG Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of CSG Shares, having regard to their specific circumstances.

The summary below is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the date of this Scheme Booklet. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in this summary do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax (including capital gains tax), stamp duty and GST consequences should be reconsidered by CSG Shareholders in light of the changes. The precise implications of ownership or disposal of the CSG Shares will depend upon each CSG Shareholder's specific circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to taxation issues and is only one of the matters which need to be considered by CSG Shareholders before making a decision about their investments.

8.2 Disposal of CSG Shares by Australian tax resident CSG Shareholders

(a) Australian capital gains tax (CGT) consequences

If the Scheme is approved and implemented, all CSG Shareholders who participate in the Scheme will transfer their CSG Shares to Fuji Xerox Asia Pacific in exchange for the Scheme Consideration, being \$0.31 cash per CSG Share.

This transfer under the Scheme will constitute a CGT event (being CGT Event A1), as there is a disposal of CSG Shares by an Australian tax resident CSG Shareholder. The time of the CGT event should be the Effective Date, being the date on which the Scheme becomes Effective.

(b) Calculation of capital gain or loss on disposal of CSG Shares

CSG Shareholders will make a capital gain on the disposal of their CSG Shares to the extent that the capital proceeds received in respect of the disposal of the CSG Shares exceeds their cost base.

By contrast, CSG Shareholders will make a capital loss if the capital proceeds received in respect of the disposal of the CSG Shares are less than the reduced cost base of those shares.

(c) Capital proceeds

The capital proceeds on the disposal of each CSG Share should be equal to the cash consideration of \$0.31 received by the CSG Shareholder for each CSG Share.

(d) Cost base or reduced cost base of a CSG Share

The cost base (or reduced cost base) of a CSG Share in the hands of a CSG Shareholder will be broadly equal to the sum of the original amount paid by the CSG Shareholder to acquire their CSG Share plus any incidental costs incurred in relation to the acquisition or disposal of their CSG Share.

(e) CGT discount

The CGT discount should be available to CSG Shareholders who are individuals, trusts or complying superannuation funds and have held their CSG Shares for at least 12 months before the time of the CGT event resulting in the disposal of the CSG Shares.

Broadly, the CGT discount rules enable the CSG Shareholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds.

Trustees and trust beneficiaries should obtain specific tax advice as to whether they are entitled to obtain the benefit of the 50% CGT discount. Beneficiaries of the trust may also be entitled to a CGT discount of 50% for individuals and 33 1/3% for complying superannuation funds, after grossing up their share of the trust's discounted capital gain by 100% and offsetting their capital losses against the gain.

The CGT discount is not available to CSG Shareholders that are companies.

(f) Capital losses

A capital loss will arise where the capital proceeds received by the CSG Shareholders on the disposal of their CSG Shares are less than the reduced cost base of those CSG Shares.

Capital losses may only be used to offset any other capital gains realised by the CSG Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Specific loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. CSG Shareholders should obtain their own tax advice in relation to the operation of these rules.

Capital losses cannot be offset against other forms of assessable income.

8.3 Disposal of CSG Shares by foreign resident CSG Shareholders

Generally, CSG Shareholders who are not Australian residents for income tax purposes and who do not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their CSG Shares, unless, broadly:

- the foreign resident CSG Shareholder (together with their associates) holds 10% or more of the issued shares in CSG at the time of the CGT event resulting from the disposal of the CSG Shares or for any continuous 12 month period within two years preceding the time of the CGT event; and
- more than 50% of the market value of CSG is represented by real property in Australia (broadly, land situated in Australia).

CSG Shareholders who are not residents of Australia for income tax purposes should note that the Australian tax consequences from the disposal of CSG Shares may be affected by any double tax agreement between Australia and their country of residence. CSG Shareholders who are not residents of Australia for income tax purposes should seek their own independent tax advice as to the tax implications of the Scheme, including the tax implications in their country of residence.

Generally, foreign resident capital gains withholding at a rate of 12.5% of the cost base applies to a transaction involving the acquisition of an asset that is an indirect Australian real property interest (i.e. the asset is 'taxable Australian property') from a 'relevant foreign resident'. Where applicable, the withholding obligation would be with Fuji Xerox Asia Pacific as the acquirer of the CSG Shares.

Based on the existing asset profile of CSG, foreign resident capital gains withholding is not expected to apply in respect of the Scheme because the CSG Shares are not indirect Australian real property interests for the purposes of the *Income Tax Assessment Act 1997* (Cth).

8.4 Stamp duty

No stamp duty should be payable by CSG Shareholders on the disposal of their CSG Shares to Fuji Xerox Asia Pacific under the Scheme.

8.5 GST implications

No GST should be payable by CSG Shareholders in respect of the disposal of their CSG Shares to Fuji Xerox Asia Pacific under the Scheme.

CSG Shareholders may, however, be charged GST on costs (such as adviser fees) that relate to the consideration of the Scheme. CSG Shareholders may not be entitled to claim full input tax credits for any GST incurred on costs that relate to the Scheme, but this will depend on each CSG Shareholder's individual circumstances. Separate GST advice should be sought by CSG Shareholders in this respect relevant to their particular circumstances.



9.

Additional information

9. Additional information

9.1 Introduction

This Section 9 sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in this Scheme Booklet, but only to the extent that this information is not otherwise disclosed in other sections of this Scheme Booklet. This Section 9 also includes additional information that the CSG Directors consider material to a decision on how to vote on the Scheme Resolution, but only to the extent such information is not otherwise disclosed in other sections of the Scheme Booklet.

In this Section 9, the term 'executive officer' is used to mean 'senior manager' as defined in the Corporations Act, including the company secretary.

9.2 Summary of Scheme Implementation Deed

On 24 October 2019, CSG and Fuji Xerox Asia Pacific entered into the Scheme Implementation Deed under which CSG agreed to propose the Scheme.

The Scheme Implementation Deed contains terms and conditions that are standard for these types of transactions.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was lodged with ASX on 24 October 2019 and can be obtained from CSG's website at <https://www.csg.com.au/> or from ASX's website at www.asx.com.au.

(a) Exclusivity arrangements

CSG and Fuji Xerox Asia Pacific have agreed certain exclusivity arrangements in the Scheme Implementation Deed which are customary in these types of transactions. These exclusivity arrangements are summarised below.

- **No existing discussions**

CSG represents and warrants that no CSG Group Member:

- is a party to any arrangement or understanding in relation to an actual or potential Competing Proposal; or
- is in any discussions or negotiations that concern or could reasonably be expected to lead to a Competing Proposal.

- **No shop**

During the Exclusivity Period, CSG must not solicit, invite, initiate or encourage any proposal that could reasonably lead to a Competing Proposal.

- **No talk**

Subject to the 'Fiduciary out' described below, during the Exclusivity Period, CSG must not negotiate, participate in discussions or enter into any arrangement that may reasonably lead to a Competing Proposal.

- **No due diligence**

Subject to the 'Fiduciary out' described below, during the Exclusivity Period, in the absence of prior written consent of Fuji Xerox Asia Pacific, CSG must not disclose any non-public information relating to CSG in connection with, or which could reasonably be expected to lead to, the formulation, development or finalisation of a Competing Proposal.

- **Fiduciary out**

Both the no-talk and no-due diligence obligations do not apply in relation to a bona fide Competing Proposal that the CSG Board has determined in good faith is or would reasonably be expected to lead to a Superior Proposal after consulting with its financial advisers and receiving advice from its legal advisers that failing or refusing to take action with respect to the Competing Proposal would constitute or likely constitute a breach of the fiduciary or statutory obligations of the CSG Directors.

- **Notifications**

CSG must notify Fuji Xerox Asia Pacific of any approach regarding a proposed or potential Competing Proposal, or any proposed or potential Competing Proposal.

- **Matching right**

CSG must ensure that no CSG Director proposes to modify or withdraw their recommendation of the Scheme or approve or recommend a Competing Proposal until:

- CSG has given Fuji Xerox Asia Pacific five Business Days to offer a matching or superior proposal to the Competing Proposal and if made, has used best endeavours to reach an agreement to implement the proposal; and
- the CSG Board has determined the Competing Proposal is, or would reasonably be expected to lead to, a Superior Proposal after evaluating any counter proposal.

9. Additional information

The full terms of these exclusivity arrangements are set out in clause 10 of the Scheme Implementation Deed which is included as Appendix 4 to this Scheme Booklet.

(b) CSG Break Fee

CSG has agreed to pay Fuji Xerox Asia Pacific a break fee of \$1,408,196.84 (exclusive of GST) in certain circumstances (**CSG Break Fee**).

The CSG Break Fee is an amount to compensate Fuji Xerox Asia Pacific for any advisory costs, costs of management and directors' time, out of pocket expenses and reasonable opportunity costs incurred in pursuing the Scheme.

The circumstances in which the CSG Break Fee is payable are in summary:

- **Competing Proposal**

A Competing Proposal is publicly announced before the Second Court Date and, within 12 months from that announcement, the proponent of the Competing Proposal (alone or with any Associates):

- acquires or becomes the holder of any interest in or control of a substantial part or material part of the business, assets or property of the CSG Group;
- acquires control of CSG or any other material CSG Group Member;
- acquires or merges with CSG or any other material CSG Group Member;
- requires CSG to abandon or fail to proceed with the Scheme; or
- becomes the legal holder of at least 50% of CSG Shares.

- **Recommendation of CSG Directors**

Any CSG Director fails to recommend the Scheme, withdraws or adversely modifies or adversely qualifies their recommendation or support for the Scheme (other than in limited circumstances), or publicly recommends or supports a Competing Proposal except:

- where the Independent Expert concludes that the Scheme is not in the best interests of Scheme Shareholders; or
- as a result of any matter or thing giving CSG the right to terminate the Scheme Implementation Deed.

- **Material breach by CSG**

CSG is in material breach of any material obligation under the Scheme Implementation Deed or in material breach of any representations or warranties given by CSG, has failed to remedy the breach prior to the earlier of the Second Court Date and five Business Days after Fuji Xerox Asia Pacific's notice to remedy, and Fuji Xerox Asia Pacific terminates the Scheme Implementation Deed.

Please refer to clause 11 of the Scheme Implementation Deed in Appendix 4 to this Scheme Booklet for further details on the CSG Break Fee.

(c) Scheme Conditions

The Scheme is subject to the Scheme Conditions summarised in:

- paragraph (i) below, which must be satisfied; and
- paragraphs (ii), (iii) and (iv) below, all of which must be satisfied or waived (where capable of waiver) by two hours prior to Court hearing on the Second Court Date.

The full terms of the Scheme Conditions are set out in clause 3.1 of the Scheme Implementation Deed.

(i) Scheme Conditions that cannot be waived

The following Scheme Conditions apply for the mutual benefit of Fuji Xerox Asia Pacific and CSG and are not capable of waiver:

- the Scheme being approved by the requisite majorities of CSG Shareholders at the Scheme Meeting, which are:
 - at least 75% of the total number of votes cast on the Scheme Resolution; and
 - (unless the Court orders otherwise), a majority in number (i.e. more than 50%) of CSG Shareholders present and voting (whether in person or by proxy, attorney or corporate representative); and
- the Scheme being approved by the Court.

(ii) Joint Scheme Conditions

The following Scheme Conditions apply for the mutual benefit of Fuji Xerox Asia Pacific and CSG and may only be waived (where capable of waiver) by agreement between them:

- ACCC gives written notice that it does not propose to intervene or seek to prevent the acquisition of CSG Shares by Fuji Xerox Asia Pacific;
- NZCC clearance or authorisation is granted for the acquisition of CSG Shares by Fuji Xerox Asia Pacific;
- ASIC and ASX issue or provide such consents, waivers, exemptions, declarations or approvals as are necessary or agreed by CSG and Fuji Xerox Asia Pacific as necessary or desirable to implement the Scheme;
- all necessary regulatory approvals to implement the Scheme are granted or obtained on an unconditional basis (or conditional only on the Scheme becoming Effective); and
- no restraints or prohibitions are imposed by any court or Governmental Agency.

(iii) Scheme Conditions that apply for the sole benefit of Fuji Xerox Asia Pacific

The following Scheme Conditions apply for the sole benefit of Fuji Xerox Asia Pacific and can only be waived by Fuji Xerox Asia Pacific:

- no CSG Material Adverse Change occurs;
- no CSG Prescribed Occurrence occurs;
- each representation and warranty given by CSG is true and correct in all material respects at the applicable time; and
- all CSG Performance Rights are either:
 - cancelled on terms agreed by Fuji Xerox Asia Pacific or have automatically vested in accordance with their terms by the relevant time, and any necessary waiver of, or approval under, the ASX Listing Rules has been obtained in relation to their cancellation; or
 - cancelled for no consideration or have automatically vested in accordance with their terms by the relevant time, in such manner as does not require any waiver of, or approval under, the ASX Listing Rules in relation to their cancellation.

(iv) Scheme Conditions that apply for the sole benefit of CSG

The following Scheme Conditions apply for the sole benefit of CSG and can only be waived by CSG:

- each representation and warranty given by Fuji Xerox Asia Pacific is true and correct in all material respects at the applicable time; and
- the Independent Expert concludes in the Independent Expert's Report that the Scheme is in the best interests of Scheme Shareholders before the Scheme Booklet is registered by ASIC.

(d) Termination rights

The Scheme Implementation Deed may be terminated in certain circumstances, which are summarised below.

(i) Mutual termination rights

Either party can terminate the Scheme Implementation Deed if:

- the other party materially breaches any of its material obligations under the Scheme Implementation Deed, including a material breach of a material representation or warranty given by it, and fails to remedy the breach prior to the earlier of two hours before the Second Court Hearing and five Business Days after notice to remedy;
- the Effective Date for the Scheme has not occurred on or before the End Date;
- a CSG Director withdraws or adversely modifies or adversely qualifies their recommendation of the Scheme (other than as a result of limited circumstances) or recommends a Competing Proposal, and does not reinstate their recommendation within three Business Days, but CSG may only terminate the Scheme Implementation Deed if the CSG Director's withdrawal or change to their recommendation is permitted in the limited circumstances set out in the Scheme Implementation Deed and Fuji Xerox Asia Pacific is paid the CSG Break Fee (if entitled to it); or
- a Scheme Condition is not satisfied or waived (where capable of waiver), and the parties are unable to reach agreement on a course of action or the Scheme has not become Effective by the End Date, except in the case of a breach by the party seeking to terminate or a deliberate act or omission contributing to the Scheme Condition not being satisfied or the Scheme not becoming Effective by the End Date.

9. Additional information

Fuji Xerox Asia Pacific may also terminate the Scheme Implementation Deed if CSG is in breach of any of its obligations relating to the conduct of CSG's business or prohibited actions by any CSG Group Member, and fails to remedy the breach prior to the earlier of two hours before the Second Court Hearing and five Business Days after notice by Fuji Xerox Asia Pacific.

(ii) Automatic termination

The Scheme Implementation Deed will terminate automatically if the resolution submitted to the Scheme Meeting in respect of the Scheme is not approved by the requisite majorities of CSG Shareholders (see Section 4.8(d)).

Current status of Scheme Conditions and termination rights

On 18 November 2019, the ACCC gave notice that it does not intend to conduct a public review of the proposed acquisition of CSG by Fuji Xerox Asia Pacific.

On 13 December 2019, the NZCC gave notice that it had no further questions and did not intend to undertake any further enquiries at this time.

As at the date of this Scheme Booklet, the CSG Directors are not aware of any circumstances which would cause any of the Scheme Conditions not to be satisfied or which would result in termination of the Scheme Implementation Deed.

CSG will make a statement regarding the status of the Scheme Conditions at the commencement of the Scheme Meeting.

9.3 CSG Performance Rights

As at the date of this Scheme Booklet, CSG has 19,087,499 CSG Performance Rights on issue.

As explained below, it is expected that, after the Effective Date, there will be no CSG Performance Rights on issue.

Acting Chief Executive Officer and Managing Director

As at the date of this Scheme Booklet, 5,000,000 CSG Performance Rights are held by Mr Mark Bayliss, the Acting Chief Executive Officer and Managing Director of CSG. Those CSG Performance Rights were granted to Mr Bayliss in June 2018 at the time when Mr Bayliss was appointed as Executive Director and Chairman of CSG.

The terms of the CSG Performance Rights granted to Mr Bayliss on his appointment as Executive Director and Chairman of CSG were disclosed to CSG Shareholders at that time.

The terms of the CSG Performance Rights held by Mr Bayliss provide that in the event of a change of control of CSG, all CSG Performance Rights will automatically vest. Those terms were unaffected by Mr Bayliss' change of role from Executive Director and Chairman to Acting Chief Executive Officer and Managing Director in March 2019.

As such, in accordance with that contractual requirement, if the Scheme becomes Effective, all CSG Performance Rights held by Mr Bayliss will automatically vest in accordance with their terms and become Scheme Shares and participate in the Scheme.

If the Scheme does not proceed, all CSG Performance Rights held by Mr Bayliss will remain on issue and unvested. In that case, any future vesting of those CSG Performance Rights will be subject to their current terms.

Other employees

As at the date of this Scheme Booklet, 14,087,499 unvested CSG Performance Rights have been granted to employees of the CSG Group (other than the Acting Chief Executive Officer and Managing Director). Those CSG Performance Rights were granted under the terms and conditions of the CSG Long Term Incentive Plan and letters of offer issued at the time of their grant.

The terms of those CSG Performance Rights provide that those CSG Performance Rights will vest on the satisfaction of certain conditions relating to the price of CSG Shares. Those conditions originally required achievement of 'total shareholder return' of \$0.58 for tranche 1, \$0.93 for tranche 2 and \$1.39 for tranche 3.

In 2019, the vesting conditions for those CSG Performance Rights were relaxed so that they only required achievement of a VWAP of CSG Shares of \$0.40 per CSG Share for tranche 1, \$0.45 per CSG Share for tranche 2 and \$0.50 per CSG Share for tranche 3.

The Scheme Consideration of \$0.31 cash per CSG Share does not satisfy the vesting conditions for any tranche of those CSG Performance Rights, so they would not vest as a result of the Scheme.

Under the terms of the CSG Long Term Incentive Plan and letters of offer issued at the time of the grant of those CSG Performance Rights, the CSG Board has a discretion to vest those CSG Performance Rights if there is a change of control of CSG. The CSG Board did not exercise that discretion in the context of the Scheme (Mr Bayliss did not participate in that decision of the CSG Board).

Therefore, those CSG Performance Rights remain unvested and will not vest in connection with the Scheme. As such, in accordance with their terms of issue, those CSG Performance Rights will lapse if the Scheme becomes Effective.

If the Scheme does not proceed, those CSG Performance Rights will remain on issue and unvested. In that case, any future vesting of those CSG Performance Rights will be subject to their current terms.

The ASX has granted CSG a waiver from ASX Listing Rules 6.23.2 in connection with the treatment of the CSG Performance Rights. See Section 9.14 for more details.

9.4 Cash retention payments

The CSG Board was concerned to ensure the continued retention of those CSG employees who were granted those CSG Performance Rights that will lapse if the Scheme becomes Effective.

Accordingly, the CSG Board separately determined that, subject to any necessary ASX approvals or waivers and subject to and conditional on the Scheme becoming Effective, each CSG employee who was granted those CSG Performance Rights that will lapse if the Scheme becomes Effective will be entitled to be paid by CSG a cash retention payment to incentivise retention of their ongoing services to CSG following implementation of the Scheme.

In general, the cash retention payments are payable to each CSG employee who was granted those CSG Performance Rights that will lapse if the Scheme becomes Effective in two tranches as follows, unless their employment with the CSG Group has ended before the relevant payment date:

- a proportion of the payment is to be paid after six months of the Effective Date; and
- the balance of the payment is to be paid after 12 months of the Effective Date.

The total aggregate amount of the cash retention payments is \$3.125 million. The cash retention payments will not be paid if the Scheme does not proceed.

9.5 Escrowed CSG Shares

In June 2018, Mr Mark Bayliss was appointed as Executive Director and Chairman of CSG and was issued 4,000,000 CSG Shares which were placed in escrow to be released in three tranches over time.

The terms of issue of those escrowed CSG Shares to Mr Bayliss upon his appointment as Executive Director and Chairman of CSG were disclosed to CSG Shareholders at that time, and were voted upon and approved by CSG Shareholders in November 2018.

1,333,333 of those CSG Shares have previously been released from escrow in accordance with their terms.

1,333,333 of those CSG Shares will be released from escrow in accordance with their terms on 31 December 2019, which is before the scheduled implementation of the Scheme.

The remaining 1,333,334 CSG Shares remain subject to escrow restrictions as at the date of this Scheme Booklet.

The terms of issue of those escrowed CSG Shares to Mr Bayliss provide that in the event of a change of control of CSG, those CSG Shares will automatically be released from escrow. Those terms were unaffected by Mr Bayliss' change of role from Executive Director and Chairman to Acting Chief Executive Officer and Managing Director in March 2019.

As such, in accordance with that contractual requirement, if the Scheme becomes Effective, the remaining 1,333,334 CSG Shares held by Mr Bayliss that remain subject to escrow restrictions will automatically be released from escrow in accordance with their terms and become Scheme Shares and participate in the Scheme.

If the Scheme does not proceed, the remaining 1,333,334 CSG Shares held by Mr Bayliss that remain subject to escrow restrictions will remain subject to escrow restrictions until their scheduled release on 31 December 2020 in accordance with their current terms.

9.6 CSG Tax Exempt Plan shares

As at the date of this Scheme Booklet, CSG has 1,168,260 CSG Shares held under the terms of the CSG Limited Tax Exempt Share Plan (Australia) or the CSG Limited Tax Exempt Share Plan (New Zealand) by the relevant plan trustee. Of those:

- 892,212 CSG Shares are allocated to plan participants, entitling the participant to direct the plan trustee as to how to exercise voting rights of their allocated CSG Shares in relation to the Scheme; and
- 276,048 CSG Shares which remain unallocated.

9. Additional information

CSG Shares granted or allocated to a participant under the terms of the relevant CSG Tax Exempt Share Plan are subject to restrictions on their disposal.

Subject to the Scheme becoming Effective, the disposal restrictions in respect of all outstanding CSG Shares held under the CSG Tax Exempt Share Plans will be removed to the extent necessary to permit the transfer of such CSG Shares to Fuji Xerox Asia Pacific under the terms of the Scheme.

Unless and until the Scheme becomes Effective, CSG Shares granted under the CSG Tax Exempt Share Plans will remain subject to the applicable plan rules.

9.7 Directors' interests in any contracts with Fuji Xerox Asia Pacific

No CSG Director or any of his/her Associates has entered into, or otherwise has any interest in, any contract entered into by Fuji Xerox Asia Pacific or any of its Associates.

9.8 Directors' interests in agreements connected with or conditional on the Scheme

No CSG Director has an interest in any agreement connected with or conditional on the Scheme.

9.9 Retirement benefits

No payment or other benefit is proposed to be made or given in connection with the Scheme to any director, secretary or executive officer of CSG, or of any CSG Group Member, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in CSG or in a CSG Group Member.

9.10 Material changes in the financial position of CSG

As far as is known to any CSG Director, except as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by CSG, the financial position of CSG has not materially changed since the date of its annual report for FY19, as lodged with ASX on 20 August 2019.

Other than the Scheme, there are no significant changes to the nature of CSG's activities as at the date of this Scheme Booklet.

9.11 Directors' intentions regarding the business, assets and employees of CSG

If the Scheme is implemented, the existing CSG Board will be reconstituted in accordance with the instructions of Fuji Xerox Asia Pacific as the only shareholder in CSG after the Implementation Date. Accordingly, it is not possible for your CSG Directors to provide a statement of their intentions regarding:

- the continuation of the business of CSG or how CSG's existing business will be conducted;
- any major changes to be made to the business of CSG, including any redeployment of the fixed assets of CSG; or
- the future employment of the present employees of CSG,

in each case, after the Scheme is implemented.

If the Scheme is implemented, Fuji Xerox Asia Pacific will have 100% ownership of CSG Shares and will control CSG, and CSG Directors have been advised that the intentions of Fuji Xerox Asia Pacific are as set out in Section 6.5 of this Scheme Booklet.

9.12 No unacceptable circumstances

The CSG Board believes that the Scheme does not involve any circumstances in relation to the affairs of CSG that could reasonably be characterised as constituting unacceptable circumstances for the purposes of section 657A of the Corporations Act.

9.13 ASIC relief and exceptions

No ASIC relief was required for the purposes of the Scheme or the issue of this Scheme Booklet.

9.14 ASX waivers

ASX Listing Rule 6.23.2 provides that a change which has the effect of cancelling an option for consideration can only be made if holders of ordinary securities approve the change.

CSG sought and obtained from ASX a waiver from ASX Listing Rule 6.23.2 in respect of the CSG Board's decision not to exercise its discretion to vest the CSG Performance Rights held by employees (other than the Acting Chief Executive Officer) in connection with the Scheme, without the need to obtain specific CSG Shareholder approval. This waiver was obtained in the context of the CSG Board determining to pay the cash retention payments described in Section 9.4 to each CSG employee who was granted those CSG Performance Rights.

The waiver is conditional on approval of the Scheme by Scheme Shareholders and the Court (and by voting in favour of the Scheme, CSG Shareholders will be (indirectly) agreeing to the treatment of those CSG Performance Rights held by employees (other than the Acting Chief Executive Officer)). The waiver is also conditional on the Scheme becoming Effective and full details of the proposed treatment of the CSG Performance Rights being set out to ASX's satisfaction in this Scheme Booklet.

9.15 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- Fuji Xerox Asia Pacific Pte Ltd;
- Fuji Xerox Co., Limited;
- Caledonia (Private) Investments Pty Limited;
- MinterEllison as legal adviser to CSG;
- Moelis Australia Advisory Pty Ltd as financial adviser to CSG;
- Lonergan Edwards & Associates Limited as the Independent Expert; and
- Computershare Investor Services Pty Limited as the CSG Share Registry.

Each of Fuji Xerox Asia Pacific and Fuji Xerox has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is named and to the inclusion of the Fuji Xerox Asia Pacific Information in the form and context in which such information appears in this Scheme Booklet. Fuji Xerox Asia Pacific and Fuji Xerox have not caused or authorised the issue of this Scheme Booklet and, other than any reference to their name and the Fuji Xerox Asia Pacific Information, take no responsibility for any other part of this Scheme Booklet.

Caledonia (Private) Investments Pty Limited has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is named and to the inclusion of statements in respect of its CSG Shares in the form and context in which they are included in this Scheme Booklet.

Lonergan Edwards & Associates Limited has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of statements attributed to Lonergan Edwards & Associates Limited in this Scheme Booklet and to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Scheme Booklet in the form and context in which they are included.

Each of the above persons:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than a statement or report included in this Scheme Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than as described in this Scheme Booklet with the consent of that party; and
- except for Fuji Xerox Asia Pacific and Fuji Xerox, does not assume any responsibility for the accuracy or completeness of any Fuji Xerox Asia Pacific Information. The Fuji Xerox Asia Pacific Information has been prepared by and is the responsibility of Fuji Xerox Asia Pacific and Fuji Xerox.

9. Additional information

9.16 Independent advice

CSG Shareholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Scheme;
- the taxation implications for them if the Scheme is implemented;
- the recommendation and intentions of the CSG Directors in relation to the Scheme, as set out in Sections 1.2(a) and 4.3 of this Scheme Booklet; or
- any other aspects of this Scheme Booklet.

CSG Shareholders may also call the CSG Shareholder Information Line on 1300 070 716 (within Australia) or +61 3 9415 4123 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time) with any queries they may have regarding the Scheme.

9.17 Other material information

Except as set out in this Scheme Booklet, in the opinion of the CSG Board, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any CSG Director or of any CSG Group Member, which has not been previously disclosed to CSG Shareholders.

CSG will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet that is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, CSG may circulate and publish any supplementary document by any one or more of the following methods:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to CSG Shareholders at their registered address as shown in the CSG Share Register; and/or
- posting a statement on the CSG corporate website,

as CSG in its absolute discretion considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to CSG Shareholders, such circulation and publication may be only by an announcement to ASX.

9.18 Privacy

CSG may collect personal information in the process of implementing the Scheme. Such information may include the name and contact details and shareholding of CSG Shareholders, and the name of persons appointed by CSG Shareholders to act as proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of collection of the personal information is to assist CSG in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by CSG in the manner described in this Scheme Booklet. Without this information, CSG may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the CSG Share Registry, print and mail service providers, authorised securities brokers and to Related Bodies Corporate of CSG and the parties to the Scheme Implementation Deed.

CSG Shareholders have certain rights to access personal information that has been collected. CSG Shareholders should contact CSG's Company Secretary in the first instance, if they wish to request access to their personal information.

CSG Shareholders who appoint an individual to act as their proxy, attorney or corporate representative at the Scheme Meeting should ensure that they inform that person of the contents of this Section 9.18.



10.

Glossary

10. Glossary

The following terms used in this Scheme Booklet (including the Notice of Scheme Meeting in Appendix 3 to this Scheme Booklet) have the meanings given to them below, unless the context otherwise requires:

Term	Meaning
ACCC	Australian Competition and Consumer Commission
Aggregate Scheme Consideration	the Scheme Consideration multiplied by the total number of Scheme Shares
ASIC	Australian Securities and Investments Commission
Associate	has the meaning given in section 12 of the Corporations Act
ASX	ASX Limited ACN 008 624 691 or, where the context requires, the financial market operated by it
ASX Listing Rules	the official listing rules of ASX as amended or waived from time to time
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532
ASX Settlement Operating Rules	the operating rules of the clearing and settlement facility provided by ASX Settlement
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales, Australia or Tokyo, Japan
CHESS	Clearing House Electronic Subregister System, the system established and operated by ASX Settlement
CGT	capital gains tax
Competing Proposal	has the meaning given in clause 11 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
Control	has the meaning given in section 50AA of the Corporations Act, and Controlled has a corresponding meaning
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth)
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act as CSG and Fuji Xerox Asia Pacific agree in writing
CSG	CSG Limited ABN 64 123 989 631
CSG Board or Board or Board of Directors	the board of directors of CSG as constituted from time to time
CSG Break Fee	has the meaning given to the term 'Target Break Fee' in clause 1.1 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
CSG Director or Director	a director of CSG from time to time
CSG Group	CSG and its Subsidiaries and CSG Group Member means any one of them
CSG Information	the entirety of the information to be included in this Scheme Booklet excluding the Fuji Xerox Asia Pacific Information and the Independent Expert's Report
CSG Long Term Incentive Plan or LTIP	the CSG Limited Long Term Incentive Plan
CSG Material Adverse Change	has the meaning given to the term 'Target Material Adverse Change' in clause 1.1 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
CSG Performance Right	a right granted under the CSG Long Term Incentive Plan to acquire a CSG Share, subject to the terms of the grant and terms and conditions of the CSG Long Term Incentive Plan

Term	Meaning
CSG Prescribed Occurrence	has the meaning given to the term 'Target Prescribed Occurrence' in clause 1.1 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
CSG Representations and Warranties	has the meaning given to the term 'Target Warranties' in clause 1.1 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
CSG Securities	CSG Shares and CSG Performance Rights
CSG Share	a fully paid ordinary share in the capital of CSG
CSG Share Register	the register of members of CSG maintained by or on behalf of CSG in accordance with section 168(1) of the Corporations Act
CSG Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
CSG Shareholder	each person who is registered in the CSG Share Register as a holder of CSG Shares
CSG Tax Exempt Share Plans	<ul style="list-style-type: none"> • the CSG Tax Exempt Share Plan (Australia), and • the CSG Tax Exempt Share Plan (New Zealand)
Deed Poll	the deed poll executed by Fuji Xerox Asia Pacific on 12 December 2019 in favour of Scheme Shareholders, as set out in Appendix 5 to this Scheme Booklet
dollars or \$	the lawful currency for the time being of the Commonwealth of Australia, unless expressly stated otherwise
EBITDA	earnings before interest, tax, depreciation and amortisation
Effective	when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court approving the Scheme under section 411(4) (b) of the Corporations Act
Effective Date	when used in relation to the Scheme, the date on which the Scheme becomes Effective
End Date	1 June 2020 or such other date agreed in writing between CSG and Fuji Xerox Asia Pacific
Excluded Share	any CSG Share held by an Excluded Shareholder
Excluded Shareholder	any CSG Shareholder who is a Fuji Xerox Group Member or any other CSG Shareholder to the extent it holds CSG Shares on behalf of, or for the benefit of, any Fuji Xerox Group Member
Exclusivity Period	has the meaning given in clause 1.1 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
First Court Date	the first day on which an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting is heard, or, if the application is adjourned or subject to appeal for any reason, means the day on which the adjourned application is heard
First Court Hearing	the hearing of the application made to the Court by CSG for an order to convene the Scheme Meeting held on the First Court Date
Fuji Xerox	Fuji Xerox Co., Limited (registration number 0104-01-026805)
Fuji Xerox Asia Pacific	Fuji Xerox Asia Pacific Pte Ltd ARBN 103 964 629 (Singapore registration number 199100883W)
Fuji Xerox Asia Pacific Directors	directors of Fuji Xerox Asia Pacific from time to time
Fuji Xerox Asia Pacific Information	the information regarding the Fuji Xerox Group and Fuji Xerox Asia Pacific's intentions relating to the CSG Group's business, assets and employees that has been provided by or on behalf of Fuji Xerox Asia Pacific, Fuji Xerox or any of their advisers to CSG in writing for inclusion in this Scheme Booklet (including the information in Section 6)

10. Glossary

Term	Meaning
Fuji Xerox Australia	Fuji Xerox Australia Pty. Limited ABN 63 000 341 819
Fuji Xerox Group	Fuji Xerox and each Subsidiary of Fuji Xerox and Fuji Xerox Group Member means any one of them
Fuji Xerox New Zealand	Fuji Xerox New Zealand Limited (New Zealand registration number 65813)
FY18	financial year ended 30 June 2018
FY19	financial year ended 30 June 2019
FY20	financial year ending 30 June 2020
Governmental Agency	any Australian or foreign government or representative of a government or any Australian or foreign governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity, and includes any minister, ASIC, ASX or any other stock exchange and any regulatory organisation established under statute
Headcount Test	the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of CSG Shareholders (other than Excluded Shareholders) present and voting (in person or by proxy, corporate representative or attorney)
Implementation Date	in relation to the Scheme, the date which is five Business Days after the Record Date or such other Business Day agreed in writing by CSG and Fuji Xerox Asia Pacific
Independent Expert	Lonergan Edwards & Associates Limited ABN 53 095 445 560
Independent Expert's Report	the report from the Independent Expert (a full copy of which is set out in Appendix 1 to this Scheme Booklet), and any update to such report that the Independent Expert issues
JPY	Japanese yen, the lawful currency of Japan
Last Practicable Date	16 December 2019, being the last practicable trading day before the printing of this Scheme Booklet
MIF	any print-capable product, machine, device, piece of equipment, or similar subscription type service which is the subject of a current contract between any CSG Group Member and a third party customer pursuant to which a CSG Group Member finances, leases, services or manages that print-capable product, machine, device, piece of equipment, or similar subscription type service (or has the right to do so) for that customer.
Notice of Scheme Meeting	the CSG notice of scheme meeting as set out in Appendix 3 to this Scheme Booklet
NZCC	New Zealand Commerce Commission
PPSA	the <i>Personal Property Securities Act 2009</i> (Cth)
Proxy Form	the proxy form for the Scheme Meeting accompanying this Scheme Booklet or, as the context requires, any replacement or substitute proxy form provided by or on behalf of CSG
Record Date	the date for determining entitlements to the Scheme Consideration, being 7.00pm (Sydney time) on the date being five Business Days after the Effective Date or such other Business Day agreed in writing between Fuji Xerox Asia Pacific and CSG
Related Body Corporate	in relation to a person, a related body corporate of that person under section 50 of the Corporations Act
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act

Term	Meaning
Scheme or Scheme of Arrangement	the members' scheme of arrangement under Part 5.1 of the Corporations Act between CSG and the Scheme Shareholders under which Fuji Xerox Asia Pacific proposes to acquire all the CSG Shares (other than any CSG Shares held by an Excluded Shareholder) substantially in the form set out in Appendix 2 to this Scheme Booklet, subject to any alterations or conditions: <ul style="list-style-type: none"> (a) agreed to in writing by Fuji Xerox Asia Pacific and CSG; or (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Fuji Xerox Asia Pacific and CSG
Scheme Booklet	this Scheme Booklet, including the appendices to it
Scheme Conditions	the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
Scheme Consideration	\$0.31 cash for each Scheme Share held by a Scheme Shareholder
Scheme Implementation Deed	the scheme implementation deed between CSG and Fuji Xerox Asia Pacific dated 23 October 2019 setting out certain arrangements in relation to the Scheme. The Scheme Implementation Deed is reproduced in Appendix 4 to this Scheme Booklet
Scheme Meeting	the meeting of CSG Shareholders to consider and vote on the Scheme. The notice convening the Scheme Meeting is contained in Appendix 3 to this Scheme Booklet
Scheme Resolution	the resolution to approve the Scheme to be considered by CSG Shareholders at the Scheme Meeting, set out in the notice of the Scheme Meeting contained in Appendix 3 to this Scheme Booklet
Scheme Share	a CSG Share on issue as at the Record Date other than any CSG Share held at that time by an Excluded Shareholder (but includes any CSG Share held at that time by an Excluded Shareholder on behalf of one or more Third Parties who are not Excluded Shareholders or otherwise hold CSG Shares in a fiduciary capacity on behalf of persons who are not Excluded Shareholders)
Scheme Shareholder	a CSG Shareholder that holds Scheme Shares as at the Record Date (other than an Excluded Shareholder)
Second Court Date	the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme to be held on the Second Court Date
Section	a section of this Scheme Booklet
SMEs	small to medium sized enterprises
Subsidiary	has the meaning given in section 46 of the Corporations Act
Superior Proposal	has the meaning given in clause 1.1 of the Scheme Implementation Deed (see Appendix 4 to this Scheme Booklet)
Third Party	any person or entity (including a Governmental Agency) other than a CSG Group Member or an Fuji Xerox Group Member
Underlying EBITDA	has the meaning set out in Section 5.13(b)
VWAP	volume weighted average price

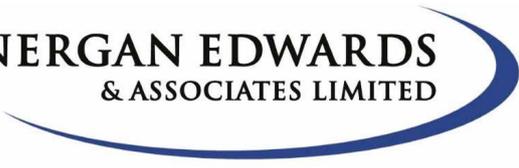


APPENDIX 1

Independent Expert's Report

Appendix 1 Independent Expert's Report

LONERGAN EDWARDS & ASSOCIATES LIMITED



ABN 53 095 445 560
AFS Licence No 246532
Level 7, 64 Castlereagh Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
www.lonerGANedwards.com.au

The Directors
CSG Limited
Level 19
15 William Street
Melbourne VIC 3000

10 December 2019

Subject: Proposed acquisition by way of Scheme

Dear Directors

Introduction

- 1 On 24 October 2019, CSG Limited (CSG or the Company) announced that it and Fuji Xerox Asia Pacific Pte Ltd (a subsidiary of Fuji Xerox Co., Ltd) (Fuji Xerox) had signed a Scheme Implementation Deed (the Agreement) under which Fuji Xerox would acquire all of the issued shares in CSG for an offer consideration of \$0.31 cash per share (Scheme Consideration) (the Proposed Transaction).
- 2 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between CSG and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme is approved and implemented, CSG shareholders will receive \$0.31 cash for each CSG share they hold on the Scheme Record Date¹ and CSG will become a wholly owned subsidiary of Fuji Xerox.
- 4 CSG will request that the Court grant an order for CSG to convene a meeting of CSG shareholders. Under the *Corporations Act 2001* (Cth) (Corporations Act), the Scheme is approved by CSG shareholders if a resolution in favour of the Scheme is passed by a majority in number of the CSG shareholders present and voting at the Scheme meeting (in person or by proxy, attorney or corporate representative), and by at least 75% of the total number of votes cast on the resolution. If this occurs and all conditions to the Scheme are satisfied or waived (if applicable), a second Court hearing will be held to approve the Scheme which, if approved by the Court, will become binding on all CSG shareholders who hold CSG shares as at the Scheme Record Date, whether or not they voted on the Scheme (and even if they voted against the Scheme).

¹ The Scheme Record Date is presently expected to be 7:00pm on the fifth business day after the Scheme becomes effective.

Appendix 1 Independent Expert's Report



Purpose of report

- 5 The Scheme is subject to a number of conditions precedent, including an independent expert concluding in their report that the Scheme is in the best interests of CSG shareholders. In addition, the Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of CSG shareholders in the absence of a superior proposal.
- 6 Accordingly, the Directors of CSG have requested Lonergan Edwards & Associates Limited (LEA) to prepare an independent expert's report (IER) stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of CSG shareholders and the reasons for that opinion².
- 7 LEA is independent of CSG and Fuji Xerox and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 8 In our opinion, the Scheme is fair and reasonable and in the best interests of CSG shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of CSG

- 9 We have assessed the value of CSG shares on a 100% controlling interest basis at between \$0.27 per share and \$0.30 per share, as shown below:

Value of CSG	Low \$	High \$
Net profit after tax adjusted for valuation purposes	8.5	8.5
PE multiple	13.0	14.5
Value of equity in core business	110.5	123.3
Value of tax losses	12.0	13.0
Equity value	122.5	136.3
Fully diluted shares on issue	454.3	454.3
Value per share	\$0.27	\$0.30

Fair and reasonable opinion

- 10 Pursuant to RG 111 a scheme is "fair" if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison for CSG shares is shown below:

² Due to the nature of the Scheme, Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of Expert Reports* (RG 111) also requires the expert to provide an opinion on whether the Scheme is fair and reasonable.

Position of CSG shareholders			
	Low cents per share	High cents per share	Mid-point cents per share
Value of Scheme Consideration	31.0	31.0	31.0
Value of 100% of CSG shares	27.0	30.0	28.5
Extent to which the Scheme Consideration exceeds the value of CSG shares	4.0	1.0	2.5

- 11 As the Scheme Consideration exceeds our assessed valuation range for CSG shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to CSG shareholders when assessed based on the guidelines set out in RG 111.
- 12 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 13 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of CSG shareholders in the absence of a superior proposal.

Assessment of the Scheme

- 14 We summarise below the likely advantages and disadvantages of the Scheme for CSG shareholders.

Advantages

- 15 In our opinion, the Scheme has the following benefits for CSG shareholders:
- the Scheme Consideration of \$0.31 cash per share exceeds the high end of our assessed value range for CSG shares on a 100% controlling interest basis. This indicates that the Scheme Consideration reflects, in part, the strategic value of CSG to Fuji Xerox
 - the Scheme Consideration represents a significant premium to the recent market prices of CSG shares prior to the announcement of the Scheme on 24 October 2019³
 - the Scheme provides an opportunity for CSG shareholders to monetise their investment in the Company, noting that share trading in CSG has been relatively illiquid
 - if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of CSG shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the portfolio nature of individual shareholdings.

Disadvantages

- 16 CSG shareholders should note that if the Scheme is implemented they will no longer hold an interest in CSG. CSG shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Scheme Consideration.

³ However, in considering any Scheme transaction implied metrics based on share market trading in CSG, it should be noted that trading in CSG shares is relatively illiquid.

Appendix 1 Independent Expert's Report



- 17 However, as our assessed value of CSG shares is below the Scheme Consideration, in our opinion, the present value of CSG's future potential is fully reflected in the Scheme Consideration.

Conclusion

- 18 Given the above analysis, we consider the acquisition of CSG shares under the Scheme is fair and reasonable and in the best interests of CSG shareholders in the absence of a superior proposal.

Other matters

- 19 CSG shareholders should also note that the proposed Scheme has the support of the largest shareholder in the Company, Caledonia (Private) Investments Pty Limited and its associates, which has indicated an intention to vote its current 29.1% shareholding in CSG in favour of the Scheme (subject to no superior proposal and the independent expert concluding and continuing to conclude that the Scheme is in the best interests of CSG shareholders).

General

- 20 In preparing this report we have considered the interests of CSG shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 21 The impact of approving the Scheme on the tax position of CSG shareholders depends on the individual circumstances of each investor. CSG shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 22 The ultimate decision whether to approve the Scheme should be based on each CSG shareholder's assessment of their own circumstances. If CSG shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that CSG shareholders read the remainder of our report.

Yours faithfully

Handwritten signature of Craig Edwards in black ink.

Craig Edwards
Authorised Representative

Handwritten signature of Martin Holt in black ink.

Martin Holt
Authorised Representative

Table of contents

Section	Page
I Key terms of the Scheme	7
Terms	7
Conditions	7
Resolution	9
II Scope of our report	10
Purpose	10
Basis of assessment	10
Limitations and reliance on information	11
III Profile of CSG	13
Overview	13
History	13
Current operations	14
Financial performance	18
Financial position	21
Share capital and performance	24
IV Industry overview	27
Introduction	27
SME market	27
Print and display equipment leasing	28
IT and managed IT services	29
V Valuation methodology	31
Valuation approaches	31
Methodologies adopted	32
VI Valuation of CSG	33
Valuation methodology	33
Assessment of NPAT	33
PE multiple	39
Value of equity in core businesses	44
Tax losses	44
Fully diluted shares on issue	44
Value of CSG	45
Cross-check	45

Appendix 1 Independent Expert's Report

Section	Page
VII Evaluation of the Scheme	47
Assessment of the Scheme	47
Extent to which a control premium is being paid	48
Extent to which CSG shareholders are being paid a share of synergies	49
Recent share prices subsequent to the announcement of the Scheme	50
Likely price of CSG shares if the Scheme is not implemented	50
Likelihood of an alternative offer	50
Summary of opinion on the Scheme	50
Other matters	51

Appendices

- A Financial Services Guide**
- B Qualifications, declarations and consents**
- C Descriptions of listed companies**
- D Glossary**

I Key terms of the Scheme

Terms

- 23 On 24 October 2019, CSG announced that it and Fuji Xerox had signed a Scheme Implementation Deed (the Agreement) under which Fuji Xerox would acquire all of the issued shares in CSG for an offer consideration of \$0.31 cash per share (Scheme Consideration).
- 24 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between CSG and its shareholders (the Scheme) and is subject to a number of conditions precedent as summarised below.
- 25 If the Scheme is approved and implemented, CSG shareholders will receive \$0.31 cash for each CSG share they hold on the Scheme Record Date⁴ and CSG will become a wholly owned subsidiary of Fuji Xerox.

Conditions

- 26 The Scheme is subject to the satisfaction or waiver of a number of conditions precedent, including the following which are outlined in the Agreement between CSG and Fuji Xerox dated 23 October 2019:
- (a) CSG shareholder approval by the requisite majorities at the Scheme meeting under the Corporations Act
 - (b) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act
 - (c) respective regulatory approvals, clearances or no objection notices from ASIC, the Australian Securities Exchange (ASX), the New Zealand Commerce Commission, and the Australian Competition and Consumer Commission
 - (d) before the time set out in the Agreement, any other approvals, consents, waivers, exemptions or declarations that are required by law, or by any Government Agency, to implement the Scheme are granted, given, made or obtained on an unconditional basis (or conditional only on the Scheme becoming effective) and remain in full force and effect in all respects, and have not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing)
 - (e) no temporary restraining order, preliminary or permanent injunction, decision or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Scheme or its implementation is in effect at a time two hours before the Second Court Hearing
 - (f) no application is made to any Governmental Agency, and no action or investigation is announced, commenced or threatened by a Governmental Agency, which restrains, prohibits or prevents (or could reasonably be expected to do so) the Scheme unless such

⁴ The Scheme Record Date is presently expected to be 7:00pm on the fifth business day after the Scheme becomes effective.

Appendix 1 Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

- application, action or investigation is disposed of to the satisfaction of Fuji Xerox (acting reasonably) by the time two hours before the Second Court Hearing
- (g) no “Target Prescribed Occurrence” (as defined in clause 1.1 of the Agreement) occurs in respect of CSG on or before the time two hours before the Second Court Hearing
 - (h) no “Target Material Adverse Change” (as defined in clause 1.1 of the Agreement)⁵ occurs in respect of CSG on or before two hours before the Second Court Hearing
 - (i) each “Target Warranty” and “Bidder Warranty” (as defined in clause 1.1 of the Agreement) is true and correct in all material respects at each time it is given or made
 - (j) an independent expert issues a report which concludes that the Scheme is in the best interests of CSG shareholders
 - (k) all “Target Performance Rights” (as defined in clause 1.1 of the Agreement) have been cancelled or automatically vested and any necessary waiver or approval under the ASX Listing Rules has been obtained in relation to the cancellation of the Target Performance Rights on or before 8.00am on the Second Court Date.
- 27 In addition CSG has agreed that during the Exclusivity Period (as defined in clause 1.1 of the Agreement) it will not:
- (a) directly or indirectly solicit, invite, encourage or initiate any enquiry, expression of interest, proposal, offer, discussion or negotiation in relation to, or that could reasonably be expected lead to, a competing proposal
 - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing proposal
 - (c) enter into or become a party to any agreement, arrangement or understanding in relation to a competing proposal or any agreement, arrangement or understanding which may reasonably be expected to lead to a competing proposal
 - (d) provide any non-public information to a third party with a view to obtaining or which could reasonably be expected to lead to a proposed or potential competing proposal.
- 28 CSG must ensure no CSG director withdraws or changes their recommendation of the Scheme or recommends a competing scheme until the CSG Board determines the proposal is or would reasonably be expected to lead to a superior proposal, CSG gives Fuji Xerox notice and five business days to offer and negotiate a matching or superior proposal, and the CSG Board determines the competing proposal is or would reasonably be expected to lead to a superior proposal after evaluating any counterproposal by Fuji Xerox.
- 29 Certain exclusivity obligations do not apply if CSG has complied with the various obligations set out in the Agreement and the CSG Board determines:
- (a) the proposed competing transaction is or would reasonably be expected to lead to a superior proposal; and

⁵ Material adverse change events in respect of CSG include those relating to FY20 earnings before interest, tax, depreciation and amortisation (EBITDA) and the quantum of equipment.

- (b) based on written advice from its legal advisers, that compliance with exclusivity obligations would likely involve a breach of the fiduciary or statutory obligations of any CSG director.
- 30 A break fee of approximately \$1.4 million is payable by CSG to Fuji Xerox in certain circumstances as specified in the Agreement.

Resolution

- 31 CSG shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.
- 32 If the resolution is passed by the requisite majorities, CSG must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all CSG shareholders who hold CSG shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

Appendix 1 Independent Expert's Report



II Scope of our report

Purpose

- 33 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the Corporations Regulations prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 34 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 35 We understand that Fuji Xerox has no current shareholding in CSG and has no representation on the CSG Board. However, both a condition precedent to the Scheme and the CSG Directors' recommendation of the Scheme are subject to an independent expert concluding that the Scheme is in the best interests of CSG shareholders. In addition, as the Scheme (if approved and implemented) will result in 100% of the securities in CSG being held by Fuji Xerox, RG 111 requires that we provide an opinion on whether the consideration payable under the Scheme is "fair" and "reasonable" to the shareholders of CSG.
- 36 The Directors of CSG have therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in CSG by Fuji Xerox under the Scheme is fair and reasonable and in the best interests of CSG shareholders and the reasons for that opinion.
- 37 This report has been prepared by LEA for the benefit of CSG shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to CSG shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of CSG shareholders.
- 38 The ultimate decision whether to approve the Scheme should be based on each CSG shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 39 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 40 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the Scheme Consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company

- (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, in the opinion of the expert, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 41 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 42 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of CSG shareholders.
- 43 Our report has therefore considered:
- (a) the market value of 100% of the shares in CSG
 - (b) the value of the consideration offered by Fuji Xerox, being \$0.31 cash per CSG share
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the extent to which a control premium is being paid to CSG shareholders
 - (e) the extent to which CSG shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (f) the listed market price of CSG shares, both prior to and subsequent to the announcement of the proposed Scheme
 - (g) the likely market price of CSG securities if the proposed Scheme is not approved
 - (h) the value of CSG to an alternative offeror and the likelihood of a higher alternative offer being made for CSG prior to the date of the Scheme meeting
 - (i) the advantages and disadvantages of the Scheme from the perspective of CSG shareholders
 - (j) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 44 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 45 Our report is also based upon financial and other information provided by CSG and its advisers. We understand the accounting and other financial information that was provided has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

Appendix 1 Independent Expert's Report



- 46 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of CSG securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 47 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 48 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 49 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 50 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

III Profile of CSG

Overview

- 51 CSG is a provider of print and business technology solutions, supported by an in-house equipment financing business. The Company has a national sales and service footprint in Australia and New Zealand (NZ), concentrating on small-to-medium enterprise (SME) customers. CSG provides a range of products and technology services on a subscription basis including printing and display solutions, managed information technology (IT), desktop services, cloud-unified communications and contact centre solutions.

History

- 52 The Company was established in Darwin in 1988 as a specialist print solutions provider. Following a number of successful tenders for large government contracts, CSG expanded into Queensland, marking its first step of growth across Australia. Further national expansion followed, together with an entry into the NZ market in 2009. Detailed below are the key historical developments of the Company:

CSG – history	
Date	Key development
1988	<ul style="list-style-type: none"> Company founded in Darwin as a Xerox Business Centre
2001	<ul style="list-style-type: none"> CSG won its first infrastructure outsourcing contract with the Northern Territory Government as a subcontractor to Computer Sciences Corporation
2006	<ul style="list-style-type: none"> Acquired the Perth-based enterprise applications development business Power Business Systems, one of the largest mid-market providers in Western Australia (WA)
2007	<ul style="list-style-type: none"> Successfully listed on the ASX in April 2007 with a market capitalisation of \$169 million Expanded its national presence through multiple acquisitions including two Melbourne based IT service management and asset management companies called Anadex and Bexton, as well as Perth based systems integration provider Change Corporation
2008	<ul style="list-style-type: none"> Completed multiple acquisitions including Canberra based printer management and consulting business ATI Group, Oracle business partner CingleVue (with operations in Melbourne and Perth), and the infrastructure managed services business of Commander
2009	<ul style="list-style-type: none"> Acquired Delexian, an Oracle based products and services provider with operations in Perth, Melbourne and Canberra Successfully entered the NZ market through the acquisition of a 90% interest in printing and document solutions provider Konica Minolta Business Solutions⁶ and Leasing Solutions, the exclusive finance provider to Konica Minolta Business Solutions
2010	<ul style="list-style-type: none"> Partnered with Canon to become a multi-function device dealer in Sydney, Melbourne, Canberra, Adelaide and Perth with sub-contractor rights to service an existing portfolio of approximately 15,000 multi-function devices
2012	<ul style="list-style-type: none"> Following a strategic review of the business, CSG announced plans to restructure which included the sale of the Technology Solutions division to NEC Australia for consideration of \$227.5 million and potential earn-out payments of \$32.5 million. This allowed CSG to focus on improving the Print Solutions division and establish an in-house equipment leasing capability

⁶ This business is now called CSG Technology.

Appendix 1 Independent Expert's Report



CSG – history	
Date	Key development
2013	<ul style="list-style-type: none">Completed restructuring, resulting in the launch of CSG Finance Solutions in Australia, providing credit facilities for the Business Solutions and Enterprise Solutions divisionsThe Business Solutions division focused on the sale and ongoing servicing of multi-function devices and telephone solutions, whilst the Enterprise Solutions business provided procurement, leasing, servicing and management of printing assets for Tier 1 enterprise, education and government customers
2014	<ul style="list-style-type: none">Expanded the Company's offering to include non multi-function device products such as interactive whiteboards, tablets and monitors through a partnership with Samsung
2015	<ul style="list-style-type: none">Under the partnership with Samsung, launched the "technology as a service" offering, including sales of subscription software and hardware. The first product was "boardroom as a service", which included CSG's conferencing software bundled with Samsung's interactive touch screen smart displaysAcquired NZ based IT support business CodeBlue, a leading provider to the SME market in NZ
2016	<ul style="list-style-type: none">Acquired PrintSync, a WA based print solutions business, increasing the customer base of the Business Solutions division by 1,200 customersReleased a full suite of "technology as a service" products including integrated desktop and communication solutions, cloud storage, core applications and technical support
2017	<ul style="list-style-type: none">Acquired Brisbane based managed IT services company R&G Technologies, and NZ based pcMedia Technologies, adding strength to CSG's IT, cloud and managed services capability
2018	<ul style="list-style-type: none">Appointed Morgan Stanley to assist in reviewing strategic options to maximise value for CSG shareholders. This resulted in the exit of the Enterprise Solutions business and simplification of the business model to three distinct business units (i.e. Print & Display, Finance and Technology)Sold pcMedia Technologies to focus on higher value managed IT subscriptions within the Technology division
2019	<ul style="list-style-type: none">Introduced a mezzanine capital provider (DCF Asset Management) into the NZ lease book structure to comply with new regulatory requirements

Current operations

53 CSG currently employs approximately 670 staff in 27 locations across Australia and NZ. Its operations are managed as three operating divisions, being Print & Display, Finance and Technology. A summary of the respective service offerings of each of these divisions is as follows:

CSG – operating segments



- 54 In FY19, the Company launched the CSG 2021 Program, which included a cultural transformation with a number of key strategic objectives. These strategic objectives included repositioning the Company as a leading “technology as a subscription” provider to the SME market in Australia and NZ⁷. In the year to 30 June 2019 (FY19) results announcement dated 20 August 2019, CSG stated the following with respect to the CSG 2021 Program:

“The CSG 2021 Program that we launched has seen a significant cultural shift in the business. The business was restructured to focus on the SME market, to be the leading Technology as a Subscription service provider to this sector across Australia & New Zealand. There were a number of personnel changes, including several key board and management appointments, and there was further investment in our sales capabilities and technology offering.

These initiatives are driving improvements in CSG’s financial performance. Quality of revenue is improving with a focus on generating profitable revenue, underlying earnings grew substantially, the balance sheet has been strengthened following the capital raising that was completed earlier in the year, and cash generation was significantly improved.

There is still a lot of work to do to achieve our CSG 2021 Program goals, but we enter FY20 as a substantially stronger Company, positioned well for further growth, and excited by the growth opportunities we see for this business.”

Print & Display business

- 55 The Print & Display business is the largest of CSG’s divisions and generates around 70% of the Company’s revenue. It provides sales, support, service and financing (which is provided through the Finance division) of print equipment and digital displays predominantly to SME customers across Australia and NZ. Whilst CSG provides print and display equipment from a range of major equipment manufacturers, CSG primarily sells Canon and Konica Minolta

⁷ The “technology as a subscription” model gives CSG’s customers access to the latest technologies with minimal capital outlay and a consistent ongoing IT spend.

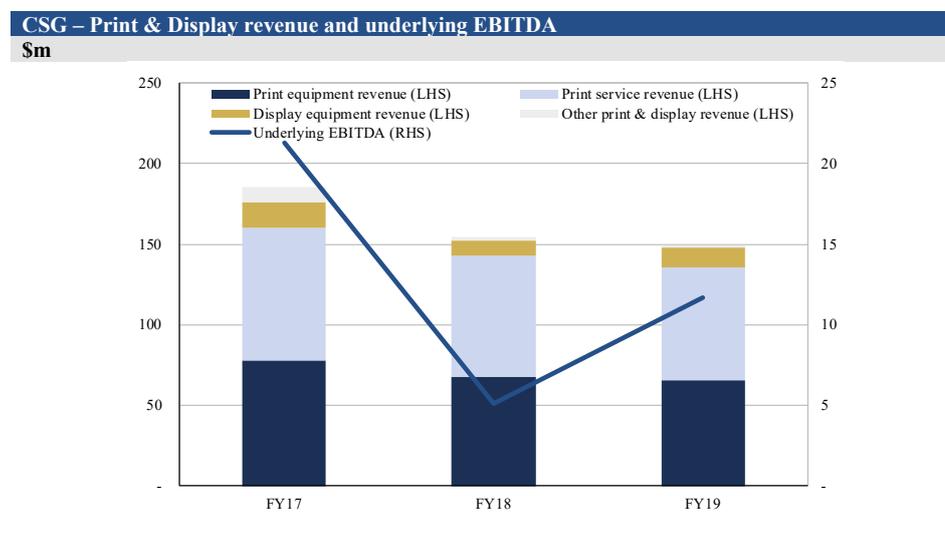
Appendix 1 Independent Expert's Report



print equipment in Australia and NZ respectively. The Print & Display business also provides the following “technology as a service” subscriptions:

- (a) print as a subscription – print solutions that includes equipment, parts, consumables and servicing invoiced in a single bill; and
- (b) display as a subscription – covering large format and digital displays, video walls, cloud displays and business monitors.

56 Revenue for the Print & Display business is driven predominantly by the sale and ongoing servicing of multi-function devices and other related printing equipment. The division experienced a significant decline in underlying EBITDA in FY18 due to lower than expected sales (particularly in the enterprise sector) and changes in CSG’s salesforce to accelerate growth in the Technology segment. Following a transformation of the division’s sales structure and a cost-out program (including exiting the Enterprise Solutions segment), Print & Display underlying EBITDA increased in FY19, notwithstanding slightly lower revenue, as shown below:



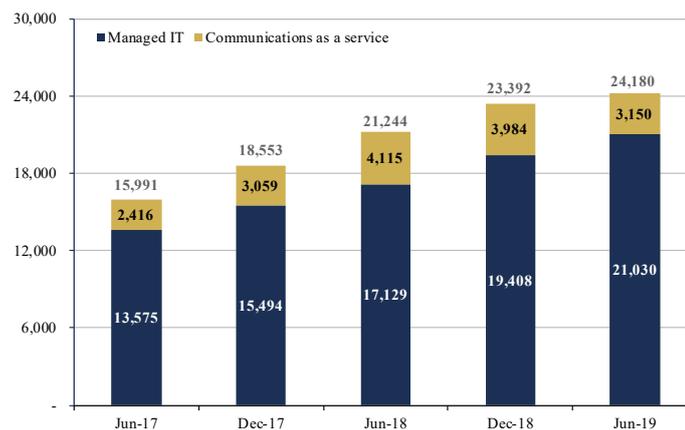
Technology business

57 CSG’s Technology business offers managed IT services and generates revenue through technology service as a subscription, equipment sales and professional services (each of which are described below). Technology service as a subscription is the predominant source of revenue for the business and is generated through two main areas:

- (a) managed IT services – including service desk, infrastructure management, 24 hour monitoring, onsite / remote support and cloud services, including scalable and secure cloud solutions optimised for mid-sized business; and
- (b) communication as a service – including cloud telephony and contact centre solutions.

- 58 Managed IT subscriptions are a key focus for CSG, as the average revenue per user (ARPU) is materially higher than communication subscriptions. CSG is a leading provider of managed IT services to SME customers, with locations in every major city in Australia and NZ.
- 59 The performance of the technology subscription offering is measured using a number of metrics including high value subscription seats⁸, ARPU and exiting monthly recurring revenue (MRR). Growth in the number of high value seats (on a six monthly basis since June 2017) is shown below:

CSG – high value seats⁽¹⁾



Note:

¹ Excludes cloud hosting revenue as it is not calculated with reference to seats. Seats associated with pcMedia Technologies have been excluded due to sale of the business in December 2018.

- 60 Technology equipment sales primarily relate to the sale of IT network hardware to SME customers. Growth in technology equipment revenue has recently been negatively impacted due to the transition of customers to cloud-based IT networks, which has reduced demand for some products.
- 61 Professional service revenue is predominantly sourced from consulting services related to IT strategy, virtual chief information officer advice and end-to-end project management. It is also derived from providing customers with a single source for procurement from multiple vendor partners.

Finance business

- 62 CSG’s Finance business is a specialist provider of lease and rental products for print and business technology assets sold and serviced by CSG. The division’s lease book is predominantly driven by sales sourced from the Print & Display and Technology divisions.

⁸ Subscription seats are the number of employees at client organisations using the service.

Appendix 1 Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

- 63 The Finance division generates revenue from the net interest margin between the lease financing facilities⁹ (which are provided by various third party financiers), and the customer lease receivables. Finance lease receivables are predominantly fixed rate, whilst interest on the division's lease financing facilities is charged at a floating rate (which is hedged through the use of interest rate swaps). The division's capacity to write new business is determined by the undrawn lease financing facilities available, which as at 30 June 2019 totalled approximately \$55 million.

Financial performance

- 64 The financial performance of CSG for the three years ended FY19 is set out below:

CSG – statement of financial performance ⁽¹⁾			
	FY17 ⁽²⁾	FY18 ⁽²⁾	FY19
	\$m	\$m	\$m
Print & Display revenue	185.4	154.2	149.3
Technology revenue	31.6	44.0	46.6
Finance income	27.1	26.4	23.5
Other income	0.3	(1.1)	(1.8)
Total revenue	244.5	223.5	217.6
Print & display EBITDA	21.3	5.1	10.2 ⁽⁵⁾
Technology EBITDA	3.8	3.7	4.4
Finance EBITDA ⁽³⁾	10.5	9.7	8.2
Corporate costs	(4.8)	(8.5)	(5.5)
EBITDA before significant items⁽³⁾	30.8⁽⁶⁾	10.0	17.3⁽⁶⁾
Depreciation and amortisation	(3.0)	(2.7)	(6.3)
EBIT before significant items⁽³⁾	27.8	7.3	11.0
Amortisation of acquired intangibles	(3.9)	(4.0)	(3.3)
Finance costs	(2.7)	(3.8)	(2.9)
Significant items ⁽⁴⁾	(63.3)	(161.1)	(4.6)
Profit / (loss) before tax	(42.1)	(161.6)	0.2
Taxation (expense) / benefit	(1.6)	11.4	(2.0)
Profit / (loss) after tax	(43.7)	(150.1)	(1.8)
Less profit attributable to non-controlling interests	(0.7)	(0.2)	(1.0)
Profit / (loss) attributable to CSG shareholders	(44.4)	(150.3)	(2.8)

Note:

- 1 Rounding differences may exist
- 2 Comparative segment information has been restated for FY17 and FY18 consistent with the current operating segment reporting.
- 3 EBITDA and earnings before interest and tax (EBIT) include the net interest margin (NIM) generated by the Finance business.
- 4 Significant items are discussed in paragraph 65 below.
- 5 The underlying EBITDA figure for Print & Display shown in CSG's FY19 investor presentation of \$11.7 million included a gain of \$1.5 million relating to the reversal of contingent consideration (which we have treated as a significant item).
- 6 A reconciliation between the underlying EBITDA reported by CSG in its investor presentations and the underlying EBITDA shown above is set out below:

⁹ Financing facilities are provided by banks and mezzanine finance providers and are secured by the finance lease receivables book.

	FY17	FY18	FY19
	\$m	\$m	\$m
Underlying EBITDA as reported by CSG	30.3	10.0	17.1
Additional significant items:			
One-off implementation costs	-	-	1.3
Acquisition and integration costs	0.5	-	0.4
Reversal of contingent consideration	-	-	(1.5)
Underlying EBITDA adopted by LEA	<u>30.8</u>	<u>10.0</u>	<u>17.3</u>

65 A breakdown of the significant items for the three years ended FY19 is set out below:

CSG – significant items			
	FY17	FY18	FY19
	\$m	\$m	\$m
Impairment of intangible assets associated with Print assets	(55.0)	(116.1)	-
Other non-recurring costs	(5.8)	(2.8)	-
Non-cash long term incentive plan (LTIP) expense ⁽¹⁾	(2.0)	(0.4)	(2.5)
Acquisition and integration expenses	(0.5)	(2.5)	(0.4)
Provisions associated with exiting the Enterprise Solutions business	-	(39.3)	-
Reversal of contingent consideration	-	-	1.5
Non-core bad debts	-	-	(2.4)
Deconsolidation impact of sale of pcMedia Technologies	-	-	0.5
Implementation costs associated with cost outs	-	-	(1.3)
Total	<u>(63.3)</u>	<u>(161.1)</u>	<u>(4.6)</u>

Note:

1 LTIP expenses have been treated as a significant item because significant one-off share based payments were made to incentivise new management and future LTIP expenses are expected to be modest.

66 Below is a summary of the key factors that have impacted on the financial performance of CSG in each of the three years to FY19.

Results for FY17

- 67 In comparison to FY16 revenue decreased 1% to \$244.5 million, which was below expectations due to a shortfall in transaction revenue of \$7 million from contracts not closed during the year (from print and technology customers).
- 68 Underlying EBITDA decreased significantly to \$30.8 million due to lower than expected revenue (as described above) and higher operating expenses, which increased 4% year-on-year due to continued investment in sales channels.
- 69 The Company reported a loss after tax of \$43.7 million, which was negatively impacted by non-cash impairment charges to the value of goodwill of \$55.0 million for the print businesses in Australia and NZ.

Appendix 1 Independent Expert's Report



Results for FY18

- 70 Revenue decreased 8.6% to \$223.5 million and the Company reported a loss after tax of \$150.1 million. The results were negatively impacted by non-cash impairment charges to the value of the goodwill and customer contracts of \$116.1 million for the Print businesses in Australia and NZ and provisions relating to exiting the Enterprise Solutions business of \$39.3 million.
- 71 Underlying EBITDA decreased 67.2% to \$10.0 million, which was principally due to a significant reduction in earnings from the Enterprise Solutions segment, as well as a reduction in print equipment sales (which the Company attributed to changes to CSG's sales force and sales incentive programs to accelerate growth in the Technology business) and lower display sales.
- 72 As a result of the decline in earnings, on 9 February 2018 the CSG Board announced that it had appointed Morgan Stanley to assist in reviewing strategic options available in order to maximise value for shareholders. Following this review, on 25 June 2018, CSG announced that it had made a strategic decision to exit its Enterprise Solutions segment.
- 73 On 25 June 2018, CSG also announced that it would undertake a major restructure of its Australian and NZ businesses within sales, service and operations and undertake a number of initiatives to reduce costs and realise synergies through the integration of recent acquisitions. This restructure also resulted in the restructure of CSG's divisions into the Print & Display, Finance and Technology segments.

Results for FY19

- 74 Revenue decreased 2.6% to \$217.6 million and the Company reported a loss after tax of \$1.8 million. Underlying EBITDA increased 73% to \$17.3 million (albeit from a low base) driven primarily by:
- (a) a \$5.1 million increase in underlying EBITDA in the Print & Display segment. This was primarily due to the transformation of the sales structure, a reduction in costs and an improvement in sales productivity, which resulted in an increase in transactions per staff of 25% (compared to FY18)
 - (b) an increase in revenue of 5.9% and underlying EBITDA of 18.9% for the Technology business, driven by a 17% increase in subscription revenue (total exiting MRR also increased 17% to \$2.5 million)
 - (c) a significant reduction in ongoing costs (\$7.7 million), due principally to a reduction in labour, headcount reductions and savings in logistics. However, this was offset by associated one-off implementation costs of \$1.3 million (which reduced the net benefit reflected in FY19 to approximately \$6.4 million).
- 75 Offsetting the above however was a decline in revenue (of 11.0%) and underlying EBITDA (of 15.5%) for the Finance division, driven by lower print equipment sales and a lower receivables balance.

Outlook for FY20

- 76 Concurrent with the release of its FY19 results on 20 August 2019 the Company provided the following guidance with respect to its FY20 results:

“A significant amount of work has been completed over FY19, and there has been substantial change within CSG. We implemented a new strategy that overhauled our sales and marketing, our customer profitability, our IT systems, as well as a number of changes to people and culture. These have delivered early benefits and will enable growth in the business going forward.

However, we still have more work to do. We have a number of key strategic priorities for FY20 that we will be working to deliver on, including improving our customer experience, accelerating Technology growth and share of earnings, improving our cash conversion and working capital efficiencies, and delivering sustainable growth in earnings.

We have grown CSG to be a stronger company over FY19 and have put in place the foundations for a sustainable future. We are confident that we have the right strategy in place and, if we execute, we will achieve double digit percentage underlying EBITDA growth in FY20.”

- 77 Further information on the outlook for FY20 and related profit improvement initiatives is set out in Section VI.

Financial position

- 78 The financial position of CSG as at 30 June 2018 and 2019 is set out below:

CSG – statement of financial position ⁽¹⁾		
	30 Jun 18	30 Jun 19
	\$m	\$m
Debtors, prepayments and other assets	41.8	41.3
Inventory	48.7	39.1
Creditors, accruals and provisions	(62.8)	(48.5)
Net working capital	27.8	31.9
Plant and equipment	3.2	2.5
Intangible assets / goodwill	58.2	56.1
Net lease assets	29.2	25.9
Net tax assets ⁽²⁾	5.3	4.5
Deferred consideration ⁽³⁾	(5.4)	(1.2)
Provisions (non-current)	(0.4)	(0.4)
Total funds employed	117.8	119.2
Cash and cash equivalents	14.2	26.6
Net derivative instruments	(1.3)	(3.9)
Borrowings	(48.3)	(41.0)
Net cash / (borrowings)	(35.4)	(18.4)
Net assets	82.4	100.8
Non-controlling interests	(14.9)	(15.9)
Net assets attributable to CSG shareholders	67.5	84.9

Appendix 1 Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Note:

- 1 Rounding differences exist.
 - 2 Includes tax losses carried forward of \$17.7 million and \$17.5 million as at 30 June 2018 and 30 June 2019 respectively.
 - 3 As at 30 June 2018 this related to the acquisitions of CodeBlue, PrintSync and pcMedia Technologies. As at 30 June 2019 this related to the acquisition of PrintSync (which was settled in cash and scrip shortly after year end).
-

Inventory

- 79 CSG's key suppliers of inventory are Canon, Konica Minolta, HP and Samsung. CSG's inventories are predominantly related to the Print & Display business. Inventory levels reduced by \$9.6 million in FY19 as a result of improved operational management and forecasting, following an \$17.1 million reduction in the previous year.

CSG – inventory ⁽¹⁾		
	30 Jun 18	30 Jun 19
	\$m	\$m
Finished goods	12.3	5.3
Consumables	9.8	6.8
Toner in field	26.5	27.1
Total	48.7	39.1

Note:

- 1 Rounding differences exist.
-

Intangible assets

- 80 The composition of CSG's intangible assets is shown below:

CSG – intangible assets		
	30 Jun 18	30 Jun 19
	\$m	\$m
Goodwill	19.8	19.7
Customer contracts / relationships	18.4	15.3
Licences and other intangibles	19.9	21.1
Total	58.2	56.1

- 81 Goodwill relates to acquisitions undertaken by CSG and is tested annually for impairment using the value in use method. As at 30 June 2019, post-tax discount rates of 10.4% and 10.6% were adopted respectively for the Australian and NZ cash generating units for impairment testing purposes.

Net leases

82 A summary of CSG's net lease assets is shown below:

CSG – net leases		
	30 Jun 18	30 Jun 19
	\$m	\$m
Gross receivables	285.0	255.1
Impairment provision	(3.7)	(3.9)
Unearned finance income	(39.1)	(33.3)
Net finance lease receivables	242.2	217.9
Debt associated with lease receivables	(213.0)	(192.0)
Net lease assets	29.2	25.9

83 Debt associated with lease receivables includes the portion of the Company's lease finance facilities that have been utilised by the Finance business. The Company has entered into various funding facilities in Australia and NZ that are securitised by finance lease receivables. A summary of the lease finance facilities utilised by the Company as at 30 June 2019 is shown below:

CSG – summary of lease funding facilities			
		Facility limit	Facility used
		\$m	\$m
Securitisation and lease finance facilities – Australia ⁽¹⁾	A\$m	150.0	115.7
Securitisation and lease finance facilities – NZ ⁽²⁾	NZ\$m	102.0	79.7

Note:

- 1 Consists of a A\$120 million Class A financier facility and a A\$30 million Class AB financier facility, both maturing 20 April 2022.
- 2 Consists of a NZ\$90 million Class A financier facility maturing 14 April 2022 and a \$12 million Class AB financier facility maturing 26 June 2021.

84 As at 30 June 2019, the Company had additional capacity of approximately A\$34.3 million remaining with its Australian facilities and NZ\$22.1 million remaining with its NZ facilities.

Cash and cash equivalents

85 A summary of CSG's cash and cash equivalents is shown below:

CSG – cash and cash equivalents		
	30 Jun 18	30 Jun 19
	\$m	\$m
Cash at bank	6.2	16.2
Restricted cash	8.0	10.4
Total cash and cash equivalents	14.2	26.6

86 The restricted cash relates to cash the Finance division is required to have on hand under various financing arrangements. This cash earns interest at the short term floating rate.

Appendix 1 Independent Expert's Report



Borrowings

87 The composition of CSG's corporate borrowings is shown below:

CSG – borrowings	30 Jun 18	30 Jun 19
	\$m	\$m
Secured loans and borrowings	-	40.0
Other	2.4	1.0
Total current borrowings	2.4	41.0
Secured loans and borrowings (non-current)	45.9	-
Total borrowings	48.3	41.0

88 As at 30 June 2019, the Company's borrowings (excluding those associated with lease receivables) predominantly related to a multi-finance facility which includes bank bills, business loans, equipment finance, contingent liabilities and an overdraft. The multi-function facility includes an amount of \$1.5 million in relation to various guarantees and security deposits provided by the bank on behalf of the Company. The total facility limit as at 30 June 2019 was \$42.5 million and interest is charged at a floating rate plus a margin. The facility matures on 21 August 2020.

Share capital and performance

89 As at 15 November 2019, CSG had 449.3 million fully paid ordinary shares on issue. CSG also has a LTIP in the form of performance rights that vest subject to the achievement of specified performance benchmarks¹⁰. As at 15 November 2019 there were also 19.1 million performance rights on issue with varying expiry and vesting dates:

- 5.0 million performance rights are held by the Chief Executive Officer and automatically vest upon a change of control of CSG
- 14.1 million unvested performance rights were granted to employees of the CSG Group (other than the Chief Executive Officer) under the CSG LTIP. The vesting conditions for those performance rights have not been satisfied, and will not be satisfied based on the amount of the Scheme Consideration (as the share price hurdles range between \$0.40 and \$0.50 per share). As such, these performance rights will lapse if the Scheme proceeds.

Significant shareholders

90 As at 15 November 2019 there were three significant shareholders in CSG (based upon the annual report and substantial shareholder notices released to the ASX) that held a total of 39.5% of the ordinary shares on issue as detailed below:

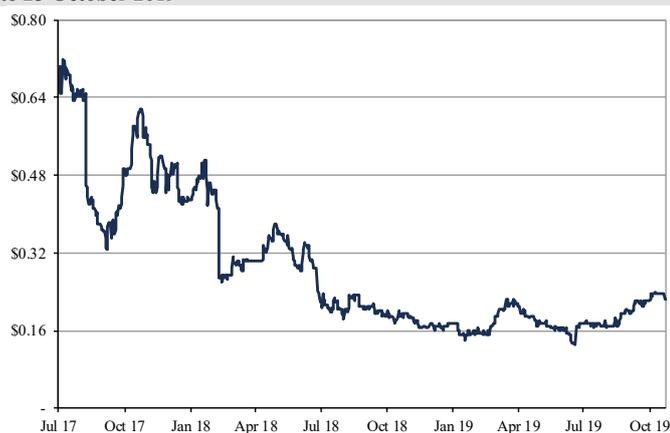
¹⁰ Being relative share price and total shareholder return. There are currently no performance options outstanding.

CSG – substantial shareholders		
Shareholder	Shares held	
	million	% interest
Caledonia (Private) Investments Pty Limited and its associates	130.5	29.1
Forager Funds Management Pty Ltd	24.2	5.4
Microequities Asset Management Pty Ltd	22.8	5.1
Total	177.5	39.5

Share price performance

- 91 The following chart illustrates the movement in the share price of CSG from 1 July 2017 to 23 October 2019 (being the last trading day prior to the announcement of the Scheme):

CSG – share price history⁽¹⁾
1 July 2017 to 23 October 2019



Note:

1 Based on closing prices.

Source: Bloomberg.

- 92 The CSG share price has exhibited a relatively high level of volatility since July 2017 and has underperformed the market generally. This has been largely due to a combination of declining earnings and related failure to meet earnings expectations¹¹.

Liquidity in CSG shares

- 93 The liquidity in CSG shares based on trading on the ASX over the 12 month period prior to 23 October 2019 (being the last trading day prior to the announcement of the Scheme) is set out below:

¹¹ Whilst underlying EBITDA for FY19 increased in comparison to FY18, this is from a low base.

Appendix 1 Independent Expert's Report



CSG – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	24 Sep 19	23 Oct 19	1,906	449,257	0.4	5.1
3 months	24 Jul 19	23 Oct 19	9,797	448,444	2.2	8.7
6 months	24 Apr 19	23 Oct 19	63,572	447,095	14.2	28.4
1 year	24 Oct 18	23 Oct 19	83,176	445,449	18.7	18.7

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

- 94 As noted above, Caledonia (Private) Investments Pty Limited and its associates hold 29.1% of CSG shares on issue, which significantly impacts the potential “free float” of shares able to be traded. As a result the level of liquidity in CSG shares in some periods (e.g. the one month and three month periods shown above) has been low. However, we note that in the six months prior to the announcement of the Scheme approximately \$11.0 million worth of CSG shares traded.

IV Industry overview

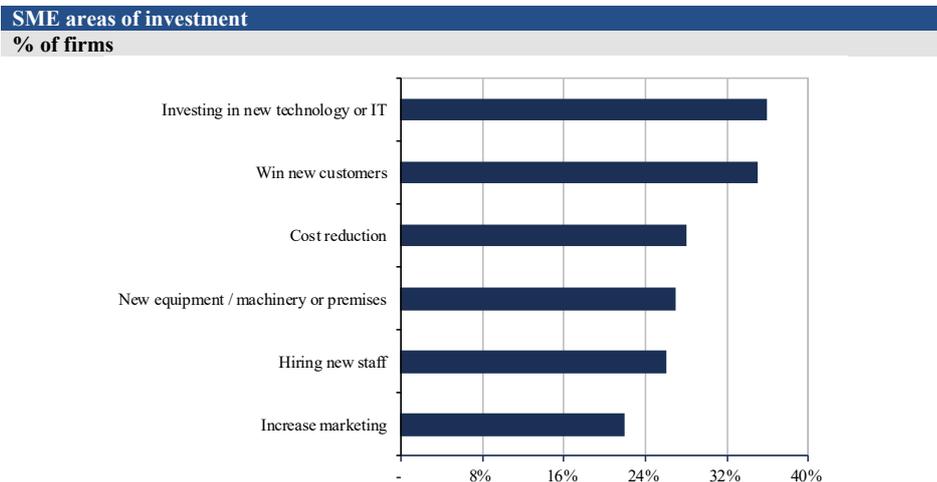
Introduction

95 As stated in Section III, CSG provides print and business technology solutions, supported by an in-house equipment financing business. CSG also provides a range of products on a subscription basis including printing and display solutions, managed IT, desktop services, cloud-unified communications and contact centre solutions. CSG predominantly targets the SME markets in Australia and NZ. Accordingly, we set out below relevant industry information relating to these sectors.

SME market

96 The SME market comprises approximately 2.3 million businesses¹² in Australia and 0.5 million businesses in NZ¹³. Growth in the number of SMEs established in each country is generally tied to economic performance. In the three years to FY18 (the latest available data), the number of SME businesses in Australia grew by 3% per annum¹². In the three years to February 2019, the number of SME businesses in NZ grew by 1.8% per annum¹³.

97 In Australia, almost half of all businesses surveyed for National Australia Bank Limited's (NAB) 2017 "Understanding Australian SMEs" report¹⁴ stated that expansion was a priority over the following three years. In this survey, investing in new technology or IT and spending on new equipment both featured highly as the areas of focus, as shown below:



Source: NAB (2017): *Understanding Australian small to medium businesses* report.

¹² Australian Bureau of Statistics (ABS).

¹³ Stats NZ.

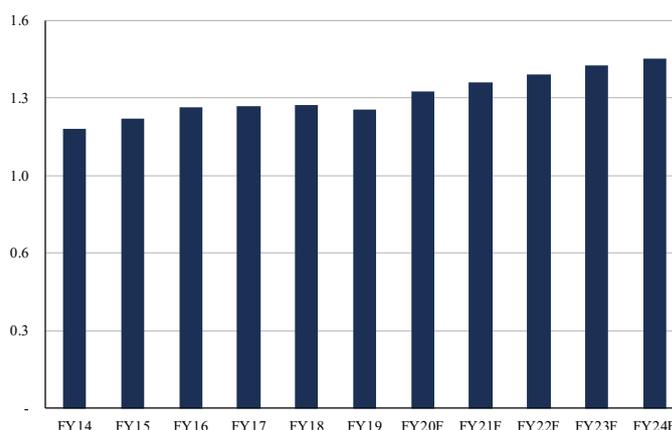
¹⁴ NAB, in conjunction with IPSOS Group S.A., conducted a quantitative online survey of a representative sample of 808 Australian SMEs (defined as a business with an annual turnover between \$100,000 and \$50 million) between 23 February and 7 March 2017.

- 98 A similar survey conducted for small businesses in NZ undertaken in 2019¹⁵ found that 62% of respondents were focused on growth for the following five years through expansion of one or more of their production, services, locations and plant and equipment. The survey also found the most common reason for businesses planning to seek finance was to acquire new equipment.

Print and display equipment leasing

- 99 The computer and printer leasing industry in Australia leases a range of business equipment including print and display devices. The industry has grown at a compound annual growth rate (CAGR) of 2.7% over the five years to FY19, notwithstanding high levels of competition and product price deflation. IBISWorld expects industry turnover to continue to grow, forecasting a CAGR of 2.3% per annum for the five years to FY24.

Computer and printer leasing revenue
\$bn



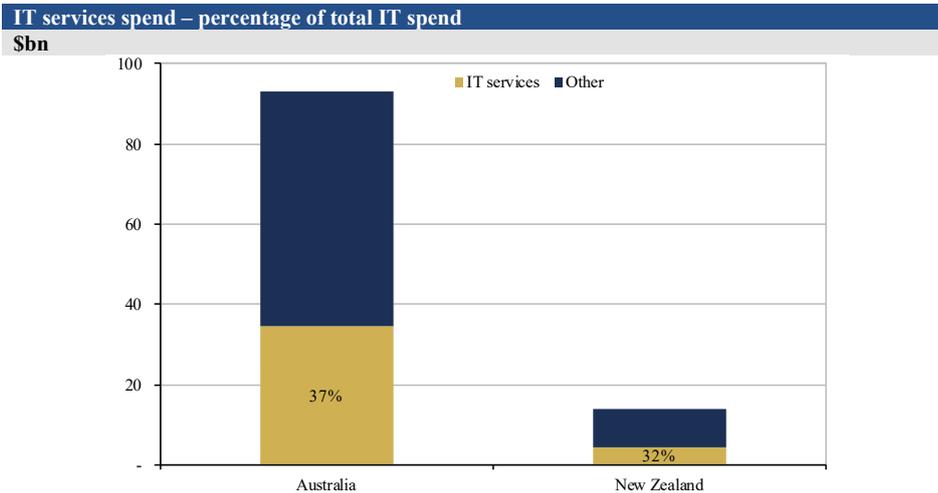
Source: IBISWorld (2019): *Computer and Printing Leasing in Australia*.

- 100 Almost all businesses utilise some combination of printers, digital displays and monitors, computers and other peripheral equipment in their daily operations. Further, the prevalence of price deflation can encourage businesses (including SMEs) to lease equipment rather than purchase items that are expected to quickly depreciate in value.

¹⁵ The Small Business Council survey of NZ small business ran from 29 February to 24 March 2019 and surveyed 1,091 participants, with 852 respondents completing the survey. Both complete and incomplete surveys were included in the analysis.

IT and managed IT services

- 101 The IT industry can be broadly classified into infrastructure (networks and equipment), software and services (including managed services). The industry has steadily expanded over the past five years, as many businesses have been outsourcing non-essential systems operations, and computers and IT systems have required regular upgrades and enhancements.
- 102 Australian businesses are forecast to spend approximately \$93 billion on IT in 2019, whilst expenditure by NZ businesses is forecast to be approximately \$14 billion¹⁶. IT services represents the largest IT expenditure category within both Australia and NZ, as shown below:



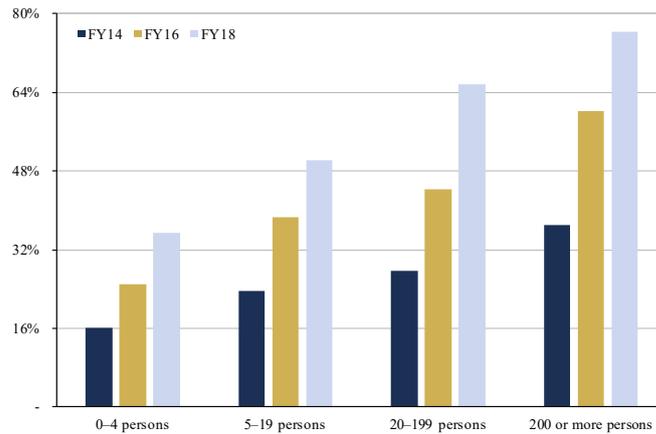
Source: Gartner 2019, taken from CSG FY19 results presentation.

- 103 A key driver of IT service revenue is the increased penetration of cloud computing, as this boosts demand for technical specialists and managed IT solutions. Cloud computing refers to the practice of hosting computer applications on external servers, which are managed by third-party providers and accessed through the internet. Within the Australian SME market, IT expenditure on cloud computing services has been growing substantially in recent years, as shown below:

¹⁶ Source: Gartner, taken from the CSG FY19 results presentation.

Appendix 1 Independent Expert's Report

Cloud computing penetration
% of all businesses paying for cloud services



Source: ABS.

- 104 The rapid uptake of cloud computing has resulted in customers reducing IT infrastructure expenditure and increasing investment in cloud based systems, generally on a recurring service basis. Due to the pace at which technology develops and computing needs change, the costs of hiring IT staff and maintaining an in-house system can be high, with many SMEs preferring to utilise an externally provided, managed IT service model.

V Valuation methodology

Valuation approaches

- 105 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 106 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 107 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 108 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation (EBITA), EBIT or net profit after tax (NPAT). The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

Appendix 1 Independent Expert's Report



- 109 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies adopted

- 110 In our opinion the capitalisation of earnings after interest and tax (NPAT) is the most appropriate valuation methodology to apply to value CSG. This is principally because:
- (a) CSG's core business involves the sale and financing of print and business technology solutions
 - (b) the NIM on these financing solutions (recognised in its Lease Finance business) is a significant contributor to CSG's profitability
 - (c) due the existence of these finance operations, the capitalisation of EBITDA or EBITA methods (which capitalise profits before interest) are inappropriate.
- 111 In order to cross-check our valuation of CSG shares we have considered the listed market prices of CSG shares up to 23 October 2019 (being the last day of trading prior to the announcement of the Scheme). However, due to the low level of share trading in CSG shares in some periods, we have also considered the most recent capital raising undertaken by CSG in August / September 2018 (Capital Raising). New equity capital of approximately \$18.0 million was raised at a price of \$0.185 per share in this capital raising, and the size of this raising was significant compared to the existing equity base of CSG at the time (representing approximately 28% of the then existing shares on issue).

VI Valuation of CSG

Valuation methodology

- 112 As stated in Section V, we have adopted the capitalisation of earnings after tax method as our primary methodology to value the shares in CSG. Under this method the net profit after interest and tax (before significant items and the amortisation of acquired intangibles¹⁷) is capitalised at an appropriate price earnings (PE) multiple.
- 113 The resulting values have been cross-checked by reference to the CSG share price prior to the announcement of the Scheme and the price at which CSG undertook a major capital raising in August / September 2018, which we have adjusted to reflect a premium for control.

Assessment of NPAT

- 114 In order to assess the appropriate level of NPAT for valuation purposes we have had regard to the historical and forecast results of each business unit, and have discussed each business unit's financial performance, operating environment and prospects with CSG management.

Historical results

- 115 A summary of CSG's revenue and net profit before tax¹⁸ (by business unit¹⁹) for the three years to FY19 is summarised below:

CSG – summary of performance by segment			
	FY17	FY18	FY19
	\$m	\$m	\$m
Revenue			
Print & Display	185.4	154.2	149.3
Technology	31.6	44.0	46.6
Lease Finance	27.1	26.4	23.5
Other income and eliminations	0.3	(1.1)	(1.8)
Total revenue	244.5	223.5	217.6
Underlying EBITDA			
Print & Display	21.3	5.1	10.2 ⁽³⁾
Technology	3.8	3.7	4.4
Lease Finance ⁽¹⁾	10.5	9.7	8.2
Corporate costs and eliminations	(4.8)	(8.5)	(5.5)
Underlying EBITDA⁽¹⁾	30.8⁽⁴⁾	10.0	17.3⁽⁴⁾
Less depreciation and amortisation	(3.0)	(2.7)	(6.3)
Underlying EBIT⁽¹⁾	27.8	7.3	11.0
Finance costs	(2.7)	(3.8)	(2.9)
Net profit before tax⁽²⁾	25.1	3.5	8.1

¹⁷ For valuation purposes we have added back the amortisation of acquired intangibles as this charge against profits does not have any future cash flow consequences for the Company.

¹⁸ Before significant items, the amortisation of acquired intangibles and the profit attributable to the 10% minority shareholder in the NZ Print business.

¹⁹ In FY19, CSG for the first time reported its segments as Technology, Print, Finance and Other following the operating restructure announced in July 2018. The operating restructure included the closure of certain Enterprise operations. In order to present comparative information, management has prepared segmental information consistent with the FY19 segments.

Appendix 1 Independent Expert's Report



Note:

- 1 EBITDA and EBIT include the NIM generated by the Lease Finance business.
- 2 The above results are shown before significant items, the amortisation of acquired intangibles and the profit attributable to the 10% minority shareholder in the NZ Print business.
- 3 The underlying EBITDA figure shown in CSG's FY19 investor presentation of \$11.7 million included a gain of \$1.5 million relating to the reversal of contingent consideration (which we have treated as a significant item).
- 4 A reconciliation between the underlying EBITDA reported by CSG in its investor presentations and the underlying EBITDA shown above is set out below:

	FY17	FY18	FY19
	\$m	\$m	\$m
Underlying EBITDA as reported by CSG	30.3	10.0	17.1
Additional significant items:			
One-off implementation costs	-	-	1.3
Acquisition and integration costs	0.5	-	0.4
Reversal of contingent consideration	-	-	(1.5)
Underlying EBITDA adopted by LEA	<u>30.8</u>	<u>10.0</u>	<u>17.3</u>

Commentary and outlook

- 116 Relevant commentary regarding the historical performance and outlook for each business unit is set out below.

Reduction in profitability in FY18 and strategic review

- 117 As indicated above, CSG's underlying EBITDA in FY18 fell significantly compared to the prior year. This was principally due to a significant reduction in earnings from the Enterprise Solutions segment (which provided managed service based print and technology solutions for Tier 1 enterprise, education and government customers in Australia and NZ)²⁰.
- 118 Print equipment sales in the SME segment also fell in FY18, which the Company attributed to changes to CSG's sales force and sales incentive programs to accelerate growth in the Technology business. Revenue and profitability was also negatively impacted by lower display sales in FY18 relative to FY17.
- 119 Due to the decline in earnings during FY18, on 9 February 2018 the CSG Board announced that it had appointed Morgan Stanley to assist in reviewing strategic options available in order to maximise value for shareholders. Following this review, on 25 June 2018, CSG announced that it had made a decision to cease further investment in the Enterprise Solutions segment.
- 120 CSG also announced on 25 June 2018 that it would:
- (a) undertake a major restructure of its Australian and NZ businesses within sales, service and operations

²⁰ In FY19, CSG for the first time reported its segments as Technology, Print, Finance and Other following the operating restructure announced in July 2018. The operating restructure included the closure of certain Enterprise operations. In order to present comparative information, management has prepared segmental information consistent with the FY19 segments.

- (b) undertake “cost-out initiatives to reduce distribution costs, optimise its motor vehicle fleet and continue realising cost synergies through the integration of recent acquisitions”.

Cost reduction initiatives

- 121 CSG achieved a significant reduction in ongoing costs (\$7.7 million) in FY19, driven primarily by a reduction in labour following cessation of investment in the Enterprise Solutions segment, other headcount reductions and savings in logistics.
- 122 The annualised cost savings from these cost reduction initiatives are estimated at approximately \$10 million from FY20 onwards, which implies that a further benefit of \$2.3 million from these cost savings is expected to arise in FY20. However, management have indicated that general cost increases (e.g. due to salary increases previously deferred and increases in rent costs) will materially reduce the further net benefit in FY20.
- 123 In addition:
- (a) CSG management have identified further additional cost savings, which are planned to be implemented during FY20. These cost savings represent approximately 6.5% of the current operating cost base²¹, and mainly arise from planned reductions in IT, sales and marketing, distribution and administration costs
- (b) CSG management have recently undertaken a detailed review of customer profitability in the Australian and NZ Print & Display business, which has identified a number of initiatives to improve profitability on loss making contracts.

Print & Display business

- 124 A breakdown of the historical revenues for the Print & Display business is shown below:

Print & Display business – revenue breakdown			
	FY17	FY18	FY19
	\$m	\$m	\$m
Print equipment	78.0	67.7	65.3
Display equipment	15.9	9.2	12.0
Print service	82.5	75.2	70.5
Other Print & Display	9.0	2.1	1.5
Total revenue	185.4	154.2	149.3

- 125 Print equipment and service revenue has generally been in decline, due to (inter-alia):
- (a) reductions in print equipment sales volumes (in part due to longer upgrade cycles)
- (b) reduced printing volumes (due to digitalisation and technology)
- (c) reductions in the capital cost of equipment and small reductions in printing costs per page

²¹ Net of the cost savings achieved to date.

Appendix 1 Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

- (d) the decision to cease further investment in the Enterprise Solutions segment (as noted above).

- 126 However, print equipment sales in the Australian SME segment rose 11.5% in FY19, and display equipment sales increased 30% in FY19 due to strong customer demand for digital displays. Nonetheless, FY19 sales of both print and display equipment remained below FY17 levels (highlighting the volatility of revenue in this business segment).
- 127 In the Print & Display segment, the transformation of the sales structure and cost out program was the main reason for the \$6.6 million increase in underlying EBITDA in FY19. In particular, the productivity of sales staff increased significantly, with SME transactions per sales staff up 25% on FY18.
- 128 As stated above, the full year impact of recent cost saving initiatives (the large majority of which are in the Print & Display segment) is expected to result in an improved result in this segment in FY20.

Technology business

- 129 A breakdown of the historical revenues for the Technology business is set out below:

Technology business – revenue breakdown⁽¹⁾			
	FY17	FY18	FY19
	\$m	\$m	\$m
Technology subscription	18.7	22.9	26.8
Technology equipment	9.2	13.5	11.8
Technology other	3.7	7.6	7.9
Total revenue	<u>31.6</u>	<u>44.0</u>	<u>46.6</u>

Note:

- 1 Rounding differences exist.

- 130 Technology subscription revenue has increased at an annual compound rate of approximately 25% over the two years to FY19. ARPU also increased by approximately 10% in FY19, primarily due to the higher mix of managed IT subscriptions (which has a higher revenue per user).
- 131 However, the earnings of the Technology business were negatively impacted by the ongoing investment in the Australian sales team. As a result the Australian business incurred an underlying EBITDA loss of \$0.1 million in FY19, whereas the NZ business achieved underlying EBITDA of A\$4.5 million in FY19.
- 132 The Australian Technology business is forecast to achieve a positive underlying EBITDA in FY20, due to continued strong growth in subscription revenues²². However:
- (a) technology equipment revenues are not expected to increase, reflecting the ongoing transition of customers to the recurring revenue (cloud hosting) model

²² Approximately 90% of FY20 subscription revenue for the Australian Technology business was already contracted as at 30 June 2019.

- (b) the earnings of the Australian Technology business in the short to medium term will continue to be impacted by the increased investment in the sales team.

133 In the NZ Technology business, subscription revenue is projected to continue to increase in FY20. Approximately 95% of FY20 subscription revenue for the NZ Technology business was already contracted as at 30 June 2019.

Lease Finance business

134 The lease receivables book has declined from \$266.3 million as at 30 June 2017 to \$217.9 million as at 30 June 2019 (representing an average annual decline of around 9.5%). This has principally been due to the slowdown in equipment sales volumes and the run-off of the existing receivables book.

135 Revenue decreased in FY19 reflecting the reduction in the size of the lease receivables book and the impact of interest margin compression (which flows through to lower revenue as the existing receivables book matures).

136 NIM fell in FY19 as a result of, inter-alia:

- (a) the lower interest rate environment (as new deals are generally being priced at lower margins than those of matured or refinanced assets)
- (b) the highly competitive lending environment; and
- (c) the introduction of (higher cost) mezzanine funding in June 2019 to meet increased capital adequacy requirements in NZ²³.

137 Bad debts (excluding non-core bad debts²⁴) also increased in FY19 compared to earlier years, but remained below 1.5% of average lease receivables.

138 The lower receivables book as at 30 June 2019 compared to 30 June 2018 is expected to flow through to lower earnings in this segment in FY20. CSG management have advised that lower equipment sales (compared to maturing leases) and further NIM compression (due to interest rate promotions to stimulate equipment volumes and the full year impact of higher funding costs) is expected to have a significant negative impact on the underlying pre-tax profitability of the Lease Finance business in FY20.

NPAT adopted for valuation purposes

139 Based on the above (and discussions with CSG management) we have adopted NPAT for valuation purposes of \$8.5 million, calculated as follows:

²³ Mezzanine funding was previously introduced in Australia during 2017.

²⁴ CSG identified \$2.4 million in non-core bad debts in FY19. Based on current credit assessment criteria the underlying loans would not have been approved for credit.

Appendix 1 Independent Expert's Report



CSG – NPAT adopted for valuation purposes	
	\$m
FY19 net profit before tax ⁽¹⁾	8.1
Net adjustments	3.9
Adjusted net profit before tax	12.0
Tax ⁽²⁾	(3.5)
Net profit after tax	8.5

Note:

- 1 Refer paragraph 115 above. This figure is before significant items, the amortisation of acquired intangibles and the profit attributable to the 10% minority shareholder in the NZ Print business.
- 2 Based on an effective tax rate of 29% (the Australian and NZ corporate tax rates are currently 30% and 28% respectively).

- 140 The adjustments of \$3.9 million (before tax) take into account the net effect of the following:
- (a) the full year impact of cost savings already achieved (refer paragraph 122)
 - (b) the additional cost savings and margin improvements identified (on a risk adjusted basis) (refer paragraph 123)
 - (c) the underlying profitability of the Australian Technology business prior to recent investments in the sales team to accelerate long term growth (as noted in paragraph 131). For valuation purposes we have effectively added back these costs by assuming a EBITDA margin of 10% of revenue. Whilst this is lower than the margin achieved by the NZ Technology business, we note that the NZ Technology business achieved significantly higher sales than the Australian Technology business in FY19
 - (d) the impact of the headwinds facing the Lease Finance business (referred to in paragraph 138)
 - (e) allowance for the 10% minority interest in the NZ Print business. In this regard we note that the profit attributable to outside equity interests in the FY19 accounts of \$1.0 million (after tax) included \$0.6 million related to the movement in reserves. The share of operating profit attributable to outside equity interests before tax was around \$0.4 million.
- 141 We note that the level of earnings adopted for valuation purposes implies EBITDA of approximately \$21.6 million²⁵, which is some 25% above the level achieved in FY19. In comparison, CSG's latest profit guidance for FY20 was for "*double digit percentage underlying EBITDA growth*"²⁶. Our adopted EBITDA for valuation purposes exceeds this growth rate as it reflects the full year profit impact of the various profit initiatives discussed above.

²⁵ Prior to taking into account the share of profit attributable to minority interests (e.g. the 10% minority interest in the NZ Print business)..

²⁶ Source: FY19 results announcement on 20 August 2019.

PE multiple

142 The selection of the appropriate PE multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

143 We discuss below specific factors taken into consideration when assessing the appropriate PE multiple range for CSG.

Listed company multiples

- 144 There are no directly comparable companies to CSG listed on the ASX. Accordingly, we have had regard to the PE multiples for listed companies in the following sectors / groups:
- (a) finance companies – given CSG’s Lease Finance business
 - (b) original equipment manufacturers (OEMs) – such as Canon and Konica Minolta, on the basis that these companies are both direct competitors and potential acquirers of CSG (as evidenced by the Scheme)
 - (c) equipment marketing companies – such as Canon Marketing in Japan (which undertakes the sale and marketing of Canon print machines in Japan)
 - (d) IT services companies.
- 145 As the level of NPAT adopted for valuation purposes exceeds the level of NPAT achieved in FY19, more regard has been had to the PE multiples based on each company’s average broker forecasts for FY20:

Appendix 1 Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Listed company trading multiples ⁽¹⁾				
Company ⁽²⁾	Year end	Market capitalisation A\$m	PE multiples	
			FY19 ⁽³⁾	FY20 ⁽³⁾
Equipment financing				
SmartGroup	31 Dec	1,501	18.5	16.8
McMillian Shakespeare	30 Jun	1,306	14.6	13.7
FlexiGroup	30 Jun	779	10.0	9.6
SG Fleet Group	30 Jun	627	9.7	10.6
Eclipx	30 Sep	532	15.6	12.2
Money3 Corporation	30 Jun	391	11.1	12.0
CML	30 Jun	94	9.9	8.9
Mean			12.8	12.0
Median			11.1	12.0
Equipment manufacture				
Canon	31 Dec	51,945	21.1	17.4
HP Inc	31 Oct	37,996	8.0	7.9
FUJIFILM Holdings	31 Mar	32,994	14.2	13.4
Xerox Holdings	31 Dec	11,096	8.7	8.4
Ricoh Co	31 Mar	9,777	11.2	10.8
Brother Industries	31 Mar	7,287	9.6	11.4
Konica Minolta	31 Mar	5,447	12.4	12.1
Mean			12.2	11.6
Median			11.2	11.4
Equipment marketing companies				
Canon Marketing Japan, Inc	31 Dec	4,736	13.9	13.4
IT services				
Data#3	30 Jun	547	26.3	26.3
Rhipe	30 Jun	392	59.6	44.4
DWS	30 Jun	142	8.5	8.5
RXP Services	30 Jun	84	9.6	7.1
Empired	30 Jun	46	13.1	6.3
Mean			23.4	18.5
Median			13.1	8.5

Note:

1 Market capitalisation and earnings multiples calculated as at 29 October 2019.

2 Refer to Appendix C for a brief description of each company's activities.

3 Forecast earnings are based on Bloomberg average analyst forecasts.

Source: Bloomberg, company reports and announcements, LEA analysis.

- 146 The above multiples are based on the listed market price of each company's shares and therefore exclude a premium for control. Empirical evidence from research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).

147 In addition, we note that:

- (a) none of the above listed companies are directly comparable to any of CSG's individual businesses
- (b) the majority of the listed companies are substantially larger and have more diverse operations than CSG's business divisions. In this regard, we note that smaller Australian listed companies generally trade on lower multiples than larger listed companies
- (c) the international listed companies operate in different geographic regions and are therefore subject to different economic / industry cycles. They are also significantly larger (more mature) businesses than CSG, making any direct comparison of value metrics of limited utility.

Transaction evidence

148 We are not aware of any recent directly comparable transactions involving businesses similar to CSG.

149 However, we note that on 5 November 2019, HP Inc (HP) received an unsolicited proposal from Xerox Holdings Corporation which stated that Xerox Holdings Corporation was prepared to offer HP shareholders \$22.00 per share (some 25% higher than the listed market price on 29 October 2019 used in the above table). The proposal (which included a scrip component) valued HP at approximately US\$33.5 billion and reflected a PE multiple of around 10 times FY19 forecast earnings. Xerox Holdings Corporation also stated that its preliminary analysis indicated that annual synergy benefits of at least \$2.0 billion could be achieved within 24 months. HP's Board of Directors rejected the proposal on 17 November 2019, stating that it significantly undervalued HP and was therefore not in the best interests of HP shareholders.

Treatment of potential synergies

150 Fuji Xerox has not quantified the synergies it expects to achieve as a result of acquiring CSG. However, the ASX announcement dated 24 October 2019 in respect of the Scheme stated that:

- (a) *“Through this acquisition, Fuji Xerox aims to further expand business operations in relation to SMEs in Australia and New Zealand, by harnessing the synergies it believes exist between the two businesses in relation to the supply of office printing equipment and IT services”*
- (b) *“Fuji Xerox is one of the largest integrated document and print management providers in the Asia Pacific region, and a market leader in Australia and New Zealand”.*

151 Given the complementary nature of the CSG and Fuji Xerox businesses, and the fact that CSG primarily sells Canon and Konica Minolta print equipment in Australia and NZ respectively (but not Fuji Xerox print equipment), we expect that Fuji Xerox could achieve substantial synergies from the acquisition of CSG. Similar benefits may also be able to be generated by other original equipment manufacturers.

Appendix 1 Independent Expert's Report



152 Corporate cost savings (e.g. the elimination of ASX listing costs, shareholder communication costs and other public company costs such as directors' fees) could also be generated by other potential acquirers (particularly those with an existing corporate reporting / management / shared services structure), and some of these costs would not be incurred by a 100% owner of the Company.

153 However, the existence of synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company. Accordingly, in our opinion, it is inappropriate in the case of CSG to incorporate a separate value for synergies over and above that implicitly reflected in the controlling interest multiple applied.

Conclusion on appropriate PE multiples

154 We have applied a PE multiple range of 13.0 to 14.5 to the level of NPAT adopted for valuation purposes. In forming this view we have considered, in particular:

- (a) the PE multiples of listed companies operating in the same industry sectors as CSG
- (b) the risks and earnings growth prospects of each business unit.

155 As the earnings growth prospects of each business unit vary significantly, we have separately assessed the appropriate PE multiple for each business unit, and then weighted these PE multiples by each business unit's profit contribution in order to derive our overall PE multiple range noted above.

156 The PE multiples adopted for each business unit, together with our key reasons, are summarised below:

CSG – adopted PE multiples by business unit	
PE multiple range	Key reasons
Print & Display	
12 – 13	<ul style="list-style-type: none"> • Negatives: <ul style="list-style-type: none"> – Recurring print service revenues are low margin (due to nature of service and level of competition) – Print and display equipment sales are volatile – Print equipment and service revenues have declined over recent years (but should achieve modest growth over long term due to mature nature of business) • Positives: <ul style="list-style-type: none"> – National presence in Australia (around 4% market share) and leading market share in NZ (around 23% market share) – Large customer base, with no major customer accounting for more than 5% of revenue • PE multiple derived from capitalisation rate, based on cost of equity of 10.5% per annum⁽¹⁾ and 2.0% growth in perpetuity (reflecting mature nature of business)

CSG – adopted PE multiples by business unit

PE multiple range	Key reasons
Technology	
19 – 20	<ul style="list-style-type: none"> In our view, the Technology business would attract the highest PE multiple of all CSG’s businesses. This is principally because: <ul style="list-style-type: none"> Technology subscription revenue has grown at a CAGR of 25% per annum over the two years to FY19 strong revenue and earnings growth is expected to continue in the medium term (albeit revenue growth is not expected to be as high as in FY18 or FY19) the business has a high level of recurring income due to the average contract term for subscriptions of five years whilst the business has a high level of customer concentration (the top 10 customers in each of Australia and NZ account for approximately 40% and 28% of sales respectively), this is expected to reduce as the business grows In order to reflect the above characteristics in the PE multiple, we have derived the PE multiple from the capitalisation rate, based on our assessed cost of equity (10.5% per annum) and: <ul style="list-style-type: none"> 10% per annum compound earnings growth over the next five years (representing a deceleration from the growth achieved in FY19) long term growth of 3.0% per annum (which implies real growth above long term inflation expectations⁽²⁾ of around 2.2% per annum). Given the outlook for earnings growth we consider this PE multiple range to be reasonable

Finance

8 – 9	<ul style="list-style-type: none"> PE multiple derived from capitalisation rate, based on assessed cost of equity (10.5% per annum) and expected earnings growth noting that: <ul style="list-style-type: none"> PE multiple applied to rebased earnings (taking into account reduction in profitability expected in FY20) Finance business faces significant headwinds in short term (e.g. falling equipment sales, NIM compression, replacement of matured or refinanced deals at lower margins), which are expected to continue to adversely impact the business beyond FY20 upon the stabilisation of business profitability, growth is expected to be modest given the mature nature of equipment financing The PE multiple applied is broadly consistent with comparable listed company PE multiples, after adjusting for a control premium and the following factors: <ul style="list-style-type: none"> CSG’s Finance business is relatively small (\$218 million in receivables as at 30 June 2019) business is largely dependent on CSG Print & Display business for origination volumes bad debts increased as a percentage of average receivables in FY19 Given the business characteristics above, in our view, a potential purchaser of the business is unlikely to place a significant premium on the loan receivables above their carrying value (which caps the adopted PE multiple)
-------	--

Note:

- Assessed based on the capital asset pricing model (CAPM), using a risk free rate of 3.0%, market risk premium of 6.5% and an equity beta of 1.15 (midpoint). The resulting discount rate of 10.5% per annum (after tax) is consistent with the discount rate applied by CSG in their impairment testing (as disclosed on page 84 of CSG’s 2019 Annual Report).
- As at 29 October 2019.

Appendix 1 Independent Expert's Report



Value of equity in core businesses

157 On this basis the value of the equity in CSG's core operating businesses is as follows:

CSG – value of equity ⁽¹⁾	Low \$m	High \$m
NPAT adopted for valuation purposes	8.5	8.5
PE multiple	13.0	14.5
Value of equity in core business	110.5	123.3

Note:

1 Rounding differences may exist.

Tax losses

158 As set out in Section III, CSG has significant tax losses, in respect of which a benefit of some \$17.5 million has been recognised as an asset in CSG's financial statements²⁷.

159 For valuation purposes we have adopted a value for the tax losses of \$12.0 million to \$13.0 million. In forming this view we have considered:

- the level of tax losses by jurisdiction (and current restrictions on their utilisation)
- the extent to which the tax losses could be utilised, based on the level of net profit before tax adopted for valuation purposes
- the time period over which any utilisation could occur
- the reluctance by purchasers generally to pay significant value for tax losses due to, inter alia, the uncertainty associated with their ability to utilise the tax losses (in particular following a change of control).

Fully diluted shares on issue

160 CSG currently has approximately 449.3 million shares on issue. In addition there are approximately 19.1 million performance share rights on issue:

- 5.0 million performance rights are held by the Chief Executive Officer and automatically vest upon a change of control of CSG
- 14.1 million unvested performance rights were granted to employees of the CSG Group (other than the Chief Executive Officer) under the CSG LTIP. The vesting conditions for those performance rights have not been satisfied, and will not be satisfied based on the amount of the Scheme Consideration (as the share price hurdles range between \$0.40 and \$0.50 per share). As such, these performance rights will lapse if the Scheme proceeds.

²⁷ It should be noted that deferred tax assets and liabilities (including tax benefits) are not recognised at their present value in financial statements. The amount of \$17.5 million reflects the undiscounted tax benefit, not the gross tax loss.

161 For valuation purposes we have therefore assumed 454.3 million fully diluted shares on issue.

Value of CSG

162 On this basis, the value of 100% of CSG on a controlling interest basis is as follows:

CSG – 100% controlling interest value per share		
	Low \$m	High \$m
Value of equity in core business	110.5	123.3
Value of tax losses	12.0	13.0
Equity value	122.5	136.3
Fully diluted shares on issue	454.3	454.3
Value per share	\$0.27	\$0.30

Cross-check

163 In order to cross-check our valuation of CSG shares we have considered the listed market prices of CSG shares up to 23 October 2019 (being the last day of trading prior to the announcement of the Scheme), which are summarised below:

CSG – recent share trading						
Period	Start date	End date	High \$	Low \$	VWAP ⁽¹⁾ \$	Value traded \$000
1 month	24 Sep 19	23 Oct 19	0.240	0.215	0.229	436
3 months	24 Jul 19	23 Oct 19	0.240	0.165	0.197	1,932
6 months	24 Apr 19	23 Oct 19	0.240	0.125	0.173	11,021
FY19 results to announcement	20 Aug 19	23 Oct 19	0.240	0.165	0.200	1,768

Note:

1 Volume weighted average price (VWAP).

164 As noted above, the value of CSG shares traded in periods other than in the six month period prior to the announcement of the Scheme has been low. Accordingly, in our view, only limited reliance should be placed on this share trading data.

165 However, we note that CSG raised \$18.0 million in new equity in August / September 2018 at \$0.185 per share (Capital Raising Price). The Capital Raising increased the number of CSG shares on issue by around 28% and was therefore a major capital raising. Given the size of the Capital Raising, in our view, this is a more reliable valuation reference point than the above share trading (notwithstanding that the Capital Raising Price is broadly consistent with the VWAPs shown above for longer periods).

166 Empirical evidence from research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover).

Appendix 1 Independent Expert's Report



167 Adding a 30% to 35% premium for control to the Capital Raising price of \$0.185 per share would result in a theoretical “control” value of around \$0.24 and \$0.25 per share. While this range is lower than our assessed valuation range, we note that CSG’s transformation program is now further advanced than it was at the date of the Capital Raising. Accordingly, we consider that our valuation range is reasonable and appropriate.

VII Evaluation of the Scheme

168 In our opinion, the Scheme is fair and reasonable and in the best interests of CSG shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Assessment of the Scheme

Value of CSG

169 As set out in Section VI we have assessed the value of CSG between \$0.27 per share and \$0.30 per share.

Value of Scheme Consideration

170 If the Scheme is approved and implemented, CSG shareholders will receive \$0.31 in cash for each CSG share they hold on the Scheme Record Date.

Fairness

171 Pursuant to RG 111 the Scheme is “fair” if the value of the Scheme Consideration is equal to, or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scheme Consideration to value of CSG			
	Low cents per share	High cents per share	Mid-point cents per share
Value of Scheme Consideration	31.0	31.0	31.0
Value of 100% of CSG	27.0	30.0	28.5
Extent to which the Scheme Consideration exceeds the value of CSG	4.0	1.0	2.5

172 As the Scheme Consideration exceeds our assessed valuation range for CSG shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to CSG shareholders when assessed based on the Guidelines set out in RG 111.

Other qualitative factors

173 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.

174 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of CSG shareholders in the absence of a superior proposal.

175 In assessing whether the Scheme is reasonable and in the best interests of CSG shareholders LEA has also considered, in particular:

- (a) the extent to which a control premium is being paid to CSG shareholders
- (b) the extent to which CSG shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction

Appendix 1 Independent Expert's Report



- (c) the listed market price of the shares in CSG, both prior to and subsequent to the announcement of the proposed Scheme
- (d) the likely market price of CSG securities if the proposed Scheme is not approved
- (e) the value of CSG to an alternative offeror and the likelihood of a higher alternative offer being made for CSG prior to the date of the Scheme meeting
- (f) the advantages and disadvantages of the Scheme from the perspective of CSG shareholders
- (g) other qualitative and strategic issues associated with the Scheme.

176 These issues are discussed in detail below.

Extent to which a control premium is being paid

177 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares²⁸ three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

178 We have calculated the premium implied by the Scheme Consideration by reference to the market prices of CSG shares (as traded on the ASX) for periods up to and including 23 October 2019 (being the last trading day prior to the announcement of the Scheme).

179 The implied offer premium relative to CSG share prices up to 23 October 2019 is shown below:

²⁸ After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

Implied offer premium relative to recent CSG share prices		
	CSG share price \$	Implied offer premium %
Scheme Consideration	0.31	
Closing share price on:		
23 October 2019 ⁽¹⁾	0.235	31.9
VWAP:		
1 month to 23 October 2019	0.229	35.4
3 months to 23 October 2019	0.197	57.2
6 months to 23 October 2019	0.173	78.8

Note:

1 The last trading day prior to the announcement of the Scheme.

- 180 Having regard to the above, in our opinion, the Scheme Consideration provides CSG shareholders with a premium that is consistent with or above observed premiums generally paid in comparable circumstances.
- 181 However, in considering any Scheme transaction implied metrics based on share market trading in CSG shares, it should be noted that (as set out in Section III) the value of CSG shares traded in some periods is relatively low.

Extent to which CSG shareholders are being paid a share of synergies

- 182 Both CSG and Fuji Xerox provide print and technology solutions and are therefore likely to combine their respective operations in Australia and NZ if the Scheme is implemented. Further, Fuji Xerox has stated that²⁹:
- (a) it will aim to further expand business operations in relation to SMEs in Australia and NZ by harnessing the synergies it believes exist between the two businesses in relation to the supply of office printing equipment and IT services
 - (b) it believes that the combination of CSG with its Asia-Pacific business will allow it to strengthen its leading presence providing IT print device and managed print solutions, and to grow its technology product and service offerings to the important SMEs in both Australia and NZ.
- 183 Fuji Xerox has not provided any specific guidance on the size of synergies expected to arise (including costs to implement) or the time frame over which the expected synergies are likely to emerge. Nevertheless, we would expect Fuji Xerox to be able to generate potentially significant operational synergies from the acquisition of CSG, particularly in comparison to the stand-alone earnings of CSG being acquired.
- 184 As noted above, the existence of synergies from business combinations is one of the reasons why bidders pay a control premium to acquire a company. In assessing the value of CSG for the purpose of this report, we have allowed an appropriate control premium in determining the

²⁹ CSG ASX announcement of the Proposed Transaction dated 24 October 2019.

Appendix 1 Independent Expert's Report



value of a 100% interest in the company. Implicitly therefore, the value of a typical level of potential synergies arising from the transaction has been reflected in our valuation assessment.

- 185 In the current circumstances, however, the Scheme Consideration exceeds our assessed value of a 100% controlling interest in CSG. We are of the view therefore that the Scheme Consideration reflects, in part, the strategic value of CSG to Fuji Xerox.

Recent share prices subsequent to the announcement of the Scheme

- 186 Shareholders should note that CSG shares have traded on the ASX in the range of \$0.30 to \$0.31 per share in the period since the Scheme was announced up to 9 December 2019. These share prices are lower than or equal to the Scheme Consideration and suggest that the market consensus view is that a superior offer or proposal is unlikely to emerge.
- 187 CSG shareholders considering selling their CSG shares on the ASX will need to consider brokerage costs and should note that:
- (a) the CSG share price on the ASX is subject to daily fluctuation
 - (b) CSG shareholders who sell their CSG shares on the ASX will not obtain the benefit of any superior proposal should this eventuate.

Likely price of CSG shares if the Scheme is not implemented

- 188 If the Scheme is not implemented we expect that, at least in the short term, CSG shares will trade at a significant discount to our valuation and the Scheme Consideration due to the difference between the value of CSG shares on a portfolio basis and their value on a 100% takeover basis. In this regard we note that:
- (a) CSG shares last traded at \$0.235 per share on 23 October 2019 (being the last trading day prior to the announcement of the Scheme)
 - (b) the history of thin trading volumes and concentrated share ownership in CSG indicates continued potential difficulties in trading CSG shares in the absence of the Scheme.
- 189 If the Scheme is not implemented those CSG shareholders who wish to sell their CSG shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Scheme.

Likelihood of an alternative offer

- 190 While it is possible that CSG could have substantial value to other entities operating in the same business and geographic sectors, we have been advised by the Directors of CSG that no formal alternative offers have been received subsequent to the announcement of the Scheme.

Summary of opinion on the Scheme

- 191 We summarise below the likely advantages and disadvantages for CSG shareholders if the Scheme proceeds.

Advantages

192 The Scheme has the following benefits for CSG shareholders:

- (a) the Scheme Consideration of \$0.31 cash per share exceeds the high end of our assessed value range for CSG shares on a 100% controlling interest basis. This indicates that the Scheme Consideration reflects, in part, the strategic value of CSG to Fuji Xerox
- (b) the Scheme Consideration represents a significant premium to the recent market prices of CSG shares prior to the announcement of the Scheme on 23 October 2019³⁰
- (c) the Scheme provides an opportunity for CSG shareholders to monetise their investment in the Company, noting that share trading in CSG has been relatively illiquid
- (d) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of CSG shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the portfolio nature of individual shareholdings.

Disadvantages

193 CSG shareholders should note that if the Scheme is implemented they will no longer hold an interest in CSG. CSG shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Scheme Consideration.

194 However, as our assessed value of CSG shares is below the Scheme Consideration, in our opinion, the present value of CSG's future potential is fully reflected in the Scheme Consideration.

Conclusion

195 Given the above analysis, we consider the acquisition of CSG shares under the Scheme is fair and reasonable and in the best interests of CSG shareholders in the absence of a superior proposal.

Other matters

196 CSG shareholders should also note that the proposed Scheme has the support of the largest shareholder in the Company, Caledonia (Private) Investments Pty Limited and its associates, who has indicated an intention to vote its current 29.1% shareholding in favour of the Scheme (subject to no superior proposal and the independent expert concluding and continuing to conclude that the Scheme is in the best interests of CSG shareholders).

³⁰ However, in considering any Scheme transaction implied metrics based on share market trading in CSG, it should be noted that trading in CSG shares is relatively illiquid.

Appendix 1 Independent Expert's Report



Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to CSG shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$110,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix 1 Independent Expert's Report



Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 25 years and 33 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of CSG to accompany the Scheme Booklet to be sent to CSG shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of CSG shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the proposed Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, CSG agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of CSG which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

Descriptions of listed companies

Equipment financing

SmartGroup

- 1 SmartGroup provides specialist employee management services including salary packaging, novated leasing, fleet management, payroll administration, employee share plan administration and workforce optimisation to customers in the health, not-for-profit, government and corporate sectors. As at 30 June 2019, the company managed around 348,000 salary packages, 66,250 novated leases and 22,000 fleet vehicles.

McMillan Shakespeare (MMS)

- 2 MMS provides salary packaging, novated leasing services and fleet and asset management, fleet financing and retail financial services. Its operations span Australia, NZ and the United Kingdom. As at 30 June 2019, MMS managed around 343,000 salary packages and 68,000 novated leases for a range of clients including Federal and State Governments, major health groups, not-for-profit organisations and private companies.

FlexiGroup

- 3 FlexiGroup is a diversified financial services company that provides leasing, vendor finance programs, interest-free finance, credit cards, lay-by and other finance solutions to both consumers and businesses. FlexiGroup operates in Australia, NZ and Ireland and provides financing for a range of industries including home improvement, solar energy, fitness, IT, electrical appliances, travel, education and trade equipment. As at 30 June 2019, FlexiGroup had arrangements with over 65,000 retailers and held around \$2.64 billion of receivables.

SG Fleet Group

- 4 SG Fleet provides motor vehicle fleet management and leasing, short-term hire, consumer vehicle finance and salary packaging services. The company operates through 13 locations across Australia, NZ and the United Kingdom. SG Fleet offers its services to corporate and government customers and individual employees of those customers. As at 1 July 2019, the company had a fleet of 139,945 vehicles across its countries of operation.

Eclix Group

- 5 Eclix provides vehicle fleet leasing, fleet management and diversified financial services in Australia and NZ. The company helps consumers and businesses of all sizes access funds to operate through fleet leasing, novated leasing, vehicle sales, commercial equipment finance and consumer motor vehicle finance solutions in Australia and NZ.

Money3 Corporation

- 6 Money3 Corporation provides pre-owned automotive finance services to customers who cannot access funding from traditional lenders. It offers secured and unsecured personal loans of between \$2,100 and \$12,000. The company also provides unsecured cash loans of between \$200 and \$2,000. As at 30 June 2019, Money3 Corporation's vehicle finance loan book totalled \$374 million. The company entered the NZ market in FY19 via the acquisition of Go Car Finance.

Appendix 1 Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Appendix C

CML

- 7 CML provides business and equipment finance under the brand Cashflow Finance. The company provides an alternative to traditional bank funding for SMEs by providing advance payments on unpaid invoices. In FY19, CML funded around \$1.6 billion of invoices. CML also offers loans from \$20,000 to \$500,000, focusing primarily on funding second-hand transport and construction and earth-moving equipment with a strong resale market. Established in July 2017, the division had \$27 million of receivables as at 31 March 2019. CML has around 80 staff across Australia.

Equipment manufacturers

Canon

- 8 Canon makes digital printers, multifunction document equipment, and other computer peripherals for use in the office and the home. Its consumer and professional photography business makes still and video digital cameras, LCD projectors, lenses, and binoculars. Canon also operates an industrial segment, featuring such diverse products as semiconductor manufacturing equipment, television broadcast lenses, and devices used for eye examinations. Canon's office segment accounts for 56% of its revenue. The biggest part of the segment is its printer business, which brings in 23% of the company's revenue. Copiers generate 20% with other devices at 13%.

HP

- 9 HP makes a full line of computing devices from desktops and laptops for commercial and consumer use to tablets and point-of-sale systems. Its printers include large format commercial printers and inkjet and laser printers as well as 3D printers and printer supplies such as ink cartridges. Based in the United States of America, HP has operations worldwide. In 2017, HP bought Samsung's printer business for around US\$1 billion.

FUJIFILM Holdings

- 10 FUJIFILM's main businesses, which together account for about 85% of revenue, are document operations, and healthcare and materials. The document solutions business (which comprises a 75% joint venture interest in Fuji Xerox Co., Ltd) develops, manufactures and distributes document processing products, and provides manage prints services in the Pacific Rim, Australia and NZ. The Healthcare & Material Solutions products include diagnostic instruments such as x-ray and ultrasound machines, as well as pharmaceuticals. The company's imaging unit, which makes photographic films and papers, digital cameras, and photofinishing equipment, is its smallest.

Xerox Holdings

- 11 Xerox Holdings provides print technology and document management products and services. The company's Intelligent Workplace Services division helps businesses of all sizes to optimize their printing and related document workflow and business processes. Xerox's Workplace Solutions and Production Solutions divisions support the work processes of its clients by providing them with solutions built on a broad portfolio of printing and workflow products. The company's ConnectKey software platform enables integration of technology, software and services to securely design and manage the digitisation and workflow of content

Appendix C

for its clients. Xerox Holdings serves health care, insurance, government and retail sectors worldwide. Xerox has a 25% joint venture interest in Fuji Xerox Co., Ltd.

Ricoh Company

- 12 As at 31 March 2019, Ricoh consisted of the parent company, Ricoh Company Ltd., 199 subsidiaries and 21 affiliates. Ricoh's development, manufacturing, sales and service activities centre on the business segments of Office Printing, Office Services, Commercial Printing, Industrial Printing, Thermal Media and Other.
- 13 Ricoh Company., Ltd heads development, while the company and its subsidiaries and affiliates maintain an integrated domestic and overseas manufacturing structure. Ricoh is represented in roughly 200 countries and runs its sales and service activities out of four regional headquarters located in Japan, the Americas, Europe / Middle East / Africa and China / South East Asia / Oceania.
- 14 In the Office Printing segment, Ricoh's core business, the company supplies multi-functional printers for use in offices, as well as imaging devices such as printers and related services. In the Office Services segment, Ricoh solves customer issues in offices through total solutions that combine building the IT environment, operation support of the network environment, user support and other services.

Brother Industries

- 15 Brother manufactures and markets communications and office equipment. The company's main products include facsimile machines, digital copy machines, label printers, and word processors. Brother also manufactures and sells sewing machines and other tools. The company operates its business worldwide.

Konica Minolta

- 16 Konica Minolta offers a wide range of imaging-based products and services. It develops, manufactures, and sells multi-functional peripherals and printers for corporate offices, production print systems for commercial printing houses and graphic arts, medical diagnostic imaging systems for the health care market, measuring instruments for industrial applications, display materials that go into LCD TVs, PC monitors, and mobile phones, and optical products like lens units. Services such as optimised print, IT, and equipment maintenance are intended to help Konica Minolta clients further streamline their work environments. The Business Technology division accounts for around 81% of revenue. The company operates worldwide.

Equipment marketing companies

Canon Marketing Japan

- 17 Canon Marketing Japan distributes all Canon products in the domestic market. The company sells copying machines, printers, digital cameras, facsimile machines, scanners, projectors, and calculators. Canon Inc holds a 58.4% interest in Canon Marketing Japan.

Appendix 1 Independent Expert's Report



Appendix C

IT Services

Data#3

- 18 Data#3 delivers an integrated array of solutions spanning cloud, mobility, security, data and analytics and IT lifecycle management. These technology solutions are delivered by combining the company's services across consulting, procurement, project services, resourcing and managed services. The company has revenue of around \$1.2 billion and employs around 1,100 staff across its 12 facilities in Australia and Fiji.

Rhipe

- 19 Rhipe provides cloud software licensing, as well as business development and knowledge services to service providers, system integrators and software vendors which help them accelerate the adoption of the cloud by end customers across the Asia Pacific region. The principal activity of Rhipe during FY19 was the sale and support of subscription software licenses to over 3,000 IT service provider resellers. Software vendors that rely on Rhipe's Platform for Recurring Subscription Management to build, grow and support the consumption of their cloud license programs include Microsoft, VMWare, Citrix, Red Hat, Trend Micro, Veeam, Zimbra and Symantec.

DWS

- 20 DWS provides IT, management and business consulting services to a broad range of large corporations and government bodies. DWS has over 750 staff and contractors, with operations in Melbourne, Sydney, Brisbane, Adelaide and Canberra. Integrated solutions provided include IT consulting services, digital solutions incorporating data automation and capture, business intelligence analytics, strategic sourcing and productivity services, managed application services and project / program management and delivery services.

RXP Services

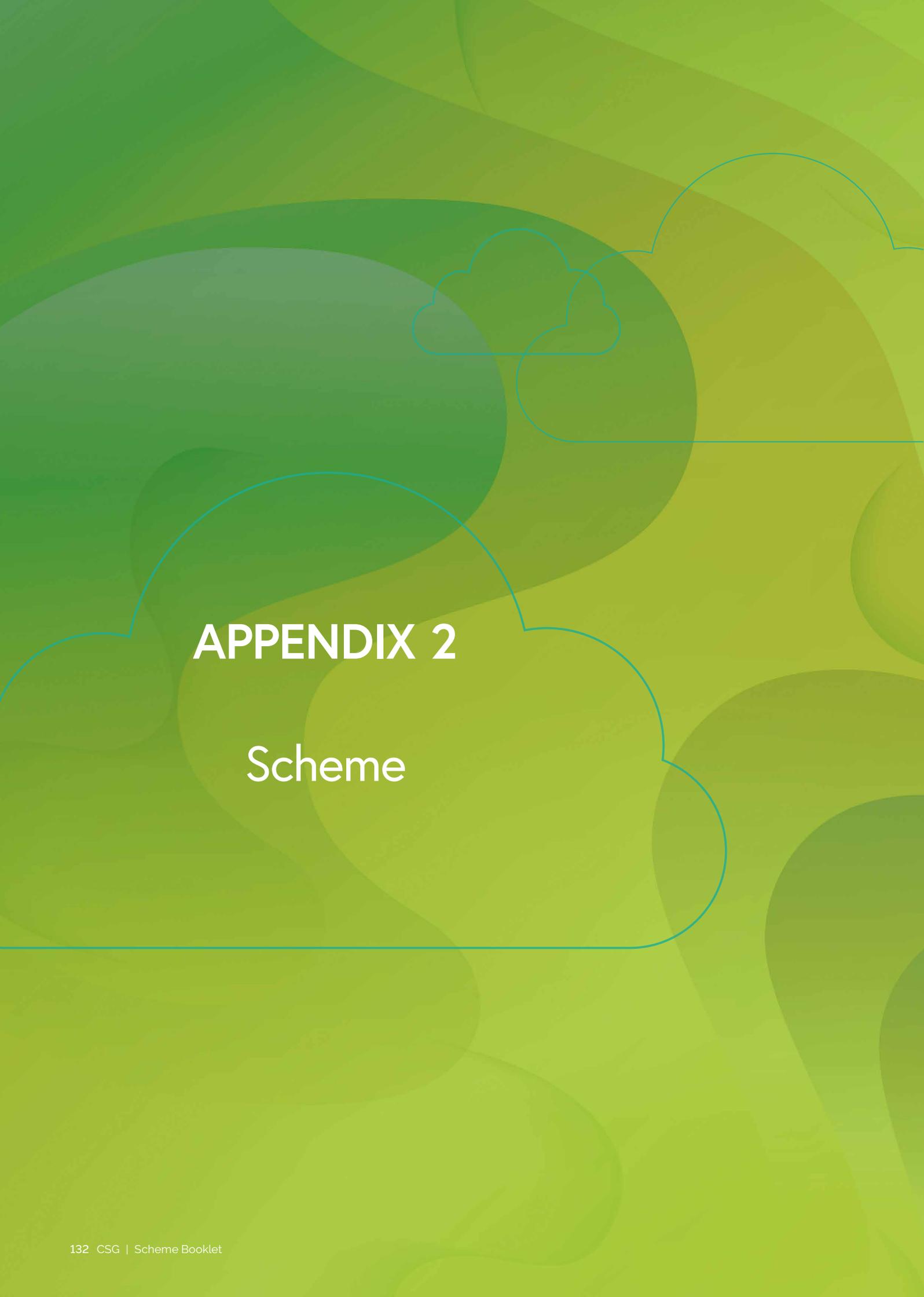
- 21 RXP Services provides digital consulting services including technology consulting, project management and change management. Services include initial design right through to the final build. RXP has over 720 staff, with operations in Sydney, Melbourne, Hobart and Canberra.

Empired

- 22 Empired delivers business outcomes using Microsoft technology. Empired has over 1,000 staff across Australia, NZ and North America. The company works with organisations to improve productivity, empower staff, streamline and automate business processes, and deliver operational efficiencies for businesses of all sizes and in all industries. Digital Solutions, including Data Analytics, Machine Learning, Artificial Intelligence, Modern Applications (Cloud & Mobile), Digital Presence, Digital Identity and Security accounted for 64% of Empired's revenues in FY19.

Glossary

Term	Meaning
ABS	Australian Bureau of Statistics
AFCA	Australian Financial Complaints Authority
Agreement	Scheme Implementation Deed dated 23 October 2019
ARPU	Average revenue per user
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
Capital Raising	Equity raising undertaken by CSG in August / September 2018
Capital Raising Price	\$0.185 per share
CAPM	Capital asset pricing model
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
CSG / the Company	CSG Limited
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
FSG	Financial Services Guide
Fuji Xerox	Fuji Xerox Asia Pacific Pte Ltd (a subsidiary of Fuji Xerox Co., Ltd)
FY	Financial year
HP	HP Inc
IER	Independent expert's report
IT	Information technology
LEA	LonerGAN Edwards & Associates Limited
LTIP	Long term incentive plan
MRR	Monthly recurring revenue
NAB	National Australia Bank Limited
NIM	Net interest margin
NPAT	Net profit after tax
NPV	Net present value
NZ	New Zealand
OEM	Original equipment manufacturer
PE	Price earnings
Proposed Transaction	The proposal to acquire all of the issued shares in CSG for an offer consideration of \$0.31 cash per CSG share
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Scheme	Scheme of arrangement between CSG and its shareholders
Scheme Consideration	\$0.31 cash per CSG share
SME	Small-to-medium enterprise
VWAP	Volume weighted average price
WA	Western Australia
WANOS	Weighted average number of shares outstanding



APPENDIX 2

Scheme



Scheme of Arrangement

—

CSG Limited (**Target**)

Scheme Shareholders

—

Scheme of Arrangement

Details	3
1. Definitions and interpretation	3
1.1 Definitions	3
1.2 Interpretation	5
1.3 Business Day	5
1.4 Listing requirements included as law	6
2. Preliminary	6
2.1 Target	6
2.2 Target securities	6
2.3 Bidder	6
2.4 General	6
2.5 Consequence of this Scheme becoming Effective	6
3. Conditions	7
3.1 Conditions precedent	7
3.2 Scheme becoming Effective	7
3.3 Certificate	7
3.4 End date	7
4. Implementation	7
4.1 Lodgement of Court orders	7
4.2 Transfer of Scheme Shares	8
5. Scheme Consideration	8
5.1 Entitlement to Scheme Consideration	8
5.2 Payment of Scheme Consideration	8
5.3 Dispatch of Scheme Consideration	8
5.4 Orders of a Governmental Agency	9
6. Entitlement to participate and dealings in the Target Shares	9
6.1 Entitlement to participate	9
6.2 Determination of Scheme Shareholders	9
6.3 Register	9
7. Quotation of Target Shares	10
7.1 Suspension of trading on ASX	10
7.2 Termination of official quotation	10
8. General Scheme provisions	10
8.1 Consent	10
8.2 Binding effect of Scheme	11
8.3 Scheme Shareholders' agreements and acknowledgement	11
8.4 Warranties by Scheme Shareholders	11
8.5 Title to and rights in Scheme Shares	11
8.6 Authority given to the Target	12
8.7 Appointment of sole proxy	12
9. General	12
9.1 Stamp duty	12
9.2 Notices	12
9.3 Further assurances	12
9.4 Governing law and jurisdiction	13

Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth) between

Name	CSG Limited
ABN	64 123 989 631
Short name	Target
Address details	Level 18 15 William Street Melbourne VIC 3000 Email: howard.edelman@csg.com.au
	and
	each Scheme Shareholder

1. Definitions and interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

Aggregate Scheme Consideration means the Scheme Consideration multiplied by the total number of Scheme Shares.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, if the context requires, the financial market operated by it.

Bidder means Fuji Xerox Asia Pacific Pte Ltd ARBN 103 964 629 (Singapore registration number 199100883W).

Bidder Group means the Bidder and each other Subsidiary of the Bidder (excluding, at any time, each Target Group Member to the extent that such Target Group Member is a Subsidiary of the Bidder at that time) and **Bidder Group Member** means any one of them.

Board means the board of directors of Target as constituted from time to time.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales, Australia or Tokyo, Japan.

CHES means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHES Holding has the meaning given in the Settlement Rules.

Close of Trading means the close of normal trading on ASX on the Effective Date.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or any other court of competent jurisdiction under the Corporations Act as the Target and the Bidder may agree in writing.

Deed Poll means the deed poll dated 12 December 2019 executed by the Bidder under which the Bidder covenants in favour of the Scheme Shareholders to perform all obligations and actions attributed to it under, and otherwise comply with, this Scheme.

Delivery Time means the time being two hours before the commencement of the hearing of the Court on the Second Court Date.

Appendix 2 Scheme

Effective means the coming into effect under section 411(10) of the Corporations Act of the Scheme Order in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date has the meaning given in the Scheme Implementation Deed.

Excluded Shareholder has the meaning given in the Scheme Implementation Deed.

Governmental Agency means any Australian or foreign government or representative of a government or any Australian or foreign governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX or any other stock exchange and any regulatory organisation established under statute.

Implementation Date means the date this Scheme will be implemented according to its terms, being five Business Days after the Record Date or such other Business Day agreed in writing by the Target and the Bidder.

Issuer Sponsored Holding has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX.

Record Date means 7.00pm on the fifth Business Day after the Effective Date or such other Business Day agreed in writing between the Target and the Bidder.

Registered Address means, in relation to a Target Shareholder, the address of that Target Shareholder shown in the Target Register as at the Record Date.

Related Body Corporate has the meaning given in the Scheme Implementation Deed.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between the Target and Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed in writing by the Target and the Bidder.

Scheme Consideration means the amount of \$0.310 cash in respect of each Scheme Share held by a Scheme Shareholder.

Scheme Implementation Deed means the scheme implementation deed dated 23 October 2019 between the Bidder and the Target.

Scheme Meeting means the meeting of the Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Order means the orders of the Court approving the Scheme made under section 411(4)(b) of the Corporations Act.

Scheme Share means a Target Share on issue as at the Record Date other than any Target Share held at that time by an Excluded Shareholder (but including any Target Share held on behalf of one or more Third Parties who are not Excluded Shareholders or otherwise in a fiduciary capacity on behalf of persons who are not Excluded Shareholders).

Scheme Shareholder means a Target Shareholder that holds one or more Scheme Shares as at the Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Settlement Rules means the ASX Settlement Operating Rules.

Subsidiary has the meaning given in section 46 of the Corporations Act.

Target Group means the Target and its Subsidiaries and **Target Group Member** means any one of them.

Target Performance Rights has the meaning given in the Scheme Implementation Deed.

Target Register means the register of members of the Target maintained by, or on behalf of, the Target in accordance with section 168(1) of the Corporations Act.

Target Registry means Computershare Investor Services Pty Limited or any replacement provider of share registry services to the Target from time to time.

Target Share means an issued fully paid ordinary share in the capital of the Target.

Target Shareholder means each person who is registered in the Target Register as a holder of Target Shares.

Third Party means any person or entity (including a Governmental Agency) other than a Target Group Member or a Bidder Group Member.

Trust Account means an Australian dollar denominated trust account established by, or on behalf of, the Target and operated by the Target as trustee for the Scheme Shareholders.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

- (a) the singular includes the plural, and the converse also applies;
- (b) a gender includes all genders;
- (c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them;
- (e) a reference to a clause or schedule is a reference to a clause of or schedule to this Scheme;
- (f) a reference to an **agreement or document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document;
- (g) a reference to a party to this Scheme or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives);
- (h) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;
- (i) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;
- (j) a reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind;
- (k) a reference to **A\$, \$A, dollars** or **\$** is to Australian currency;
- (l) all references to time are to Sydney, Australia time;
- (m) mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included; and
- (n) a reference to an **officer** is to that term as it is defined in the Corporations Act.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

Appendix 2 Scheme

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market or of a clearing and settlement facility will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 Target

- (a) The Target is a public company limited by shares, registered in the Northern Territory, Australia and admitted to the official list of ASX.
- (b) The Target Shares are officially quoted on ASX.
- (c) The Target's registered office is at Level 18, 15 William Street, Melbourne, Victoria 3000.

2.2 Target securities

- (a) As at 23 October 2019, the Target's capital structure, including all issued securities as at the date of this deed, is as set out below:
 - (i) 449,257,045 Target Shares on issue which are officially quoted on ASX; and
 - (ii) 19,087,499 Target Performance Rights on issue which are not quoted on any financial market.

2.3 Bidder

- (a) The Bidder is a Singaporean company.
- (b) The Bidder's registered office is at 80 Anson Road, #37-00 Fuji Xerox Towers, Singapore 079907.

2.4 General

- (a) The Target and the Bidder have agreed by executing the Scheme Implementation Deed to implement this Scheme.
- (b) This Scheme attributes actions to the Bidder but does not itself impose an obligation on the Bidder to perform those actions, as the Bidder is not party to this Scheme. Bidder has agreed, by executing the Deed Poll, to perform its obligations under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

2.5 Consequence of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) the Bidder will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme and the Deed Poll;
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to the Bidder;
- (c) the Target will enter the name of the Bidder in the Target Register as the holder of the Scheme Shares with the result that the Target will become a wholly owned subsidiary of the Bidder;
- (d) it will bind the Target and all Scheme Shareholders, including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting; and
- (e) it will override the constitution of the Target, to the extent of any inconsistency.

3. Conditions

3.1 Conditions precedent

- (a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
- (i) each of the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(b) relating to Court approval of this Scheme) is satisfied or waived in accordance with the terms of the Scheme Implementation Deed by the Delivery Time;
 - (ii) neither the Scheme Implementation Deed nor the Deed Poll is terminated in accordance with its terms before the Delivery Time;
 - (iii) this Scheme is approved by the Court under section 411(4)(b) of the Corporations Act, including with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and that are agreed in writing by the Bidder and the Target in accordance with clause 8.1;
 - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are agreed in writing by the Target and the Bidder in accordance with clause 8.1, are satisfied; and
 - (v) the orders of the Court (including, if applicable, any orders of the Court under section 411(6) of the Corporations Act) approving this Scheme under section 411 of the Corporations Act come into effect, under section 411(10) of the Corporations Act, on or before the End Date.
- (b) The satisfaction of each condition precedent referred to in clause 3.1(a) is a condition precedent to the operation of clauses 4 and 5 and the binding effect of this Scheme.

3.2 Scheme becoming Effective

- (a) Subject to clause 3.1, this Scheme will take effect on and from the Effective Date.

3.3 Certificate

- (a) The Target and the Bidder will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all the conditions precedent in clauses 3.1(a)(i) and 3.1(a)(ii) have been satisfied or waived as at the Delivery Time.
- (b) The certificate referred to in clause 3.3(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.4 End date

Without limiting any rights under the Scheme Implementation Deed, this Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Deed or Deed Poll is terminated before implementation of this Scheme on the Implementation Date,

unless the Target and the Bidder otherwise agree in writing (and, if required, as approved by the Court).

4. Implementation

4.1 Lodgement of Court orders

The Target must lodge with ASIC office copies of any Court orders under section 411 of the Corporations Act approving this Scheme as soon as possible and in any event no later than 5.00pm on the first Business Day after the date on which the Court approves this Scheme, or such later date as the Target and the Bidder agree in writing.

Appendix 2 Scheme

4.2 Transfer of Scheme Shares

Subject to the Scheme becoming Effective in accordance with clause 4.1:

- (a) by no later than 5.00pm on the Business Day before the Implementation Date, and in consideration for the transfer of the Scheme Shares to the Bidder under the Scheme, the Bidder must pay or procure payment of the Scheme Consideration to each Scheme Shareholder for each Scheme Share that is held by the Scheme Shareholder as at the Record Date in accordance with clause 5.2;
- (b) on the Implementation Date, and subject to the Bidder fulfilling its obligations to pay or procure payment of the Scheme Consideration in accordance with clause 5.2, all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by the Target or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise) by:
 - (i) the Target delivering to the Bidder a share transfer form duly completed and executed by the Target on behalf of Scheme Shareholders to transfer all the Scheme Shares to the Bidder; and
 - (ii) the Bidder duly executing such transfer form and delivering it to the Target for registration; and
- (c) immediately after receipt of the transfer form in accordance with clause 4.2(b)(ii), the Target must enter, or procure the entry of, the name of the Bidder in the Target Register in respect of the Scheme Shares.

5. Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share registered in the name of the Scheme Shareholder.

5.2 Payment of Scheme Consideration

The Bidder must, by no later than 5.00pm on the Business Day before the Implementation Date, deposit, or procure the deposit of, in cleared funds an amount equal to the Aggregate Scheme Consideration payable to all Scheme Shareholders, into the Trust Account, such amount to be held by the Target on trust for the Scheme Shareholders for the purposes of paying the Aggregate Scheme Consideration to Scheme Shareholders in accordance with clause 5.3.

5.3 Dispatch of Scheme Consideration

- (a) Subject to the Bidder complying with its obligations under clause 5.2, the Target within five Business Days after the Implementation Date must pay or procure the payment, from the Trust Account, to each Scheme Shareholder an amount equal to the Scheme Consideration due to that Scheme Shareholder in accordance with this Scheme by:
 - (i) where a Scheme Shareholder has before the Record Date made a valid election in accordance with the requirements of the Target Registry to receive dividend payments from the Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying or procuring the payment of the relevant amount of Australian currency by electronic means in accordance with that election; or
 - (ii) whether or not the Scheme Shareholder has made an election referred to in clause 5.3(a)(i), dispatching or procuring the dispatch of a cheque drawn in the name of the Scheme Shareholder for the relevant amount in Australian currency to the Scheme Shareholder by prepaid ordinary post (or, if the Registered Address of the Scheme Shareholder is outside Australia, by prepaid airmail post) to their Registered Address. In the case of Scheme Shares held in joint names, any cheque required to be paid to Scheme Shareholders must be payable to the joint

holders and be forwarded to the holder whose name appears first in the Target Register as at the Record Date.

- (b) To the extent that a cheque, properly dispatched by or on behalf of the Target pursuant to this clause 5.3, is returned to the Target or is not presented by a Scheme Shareholder earlier than six months after the Implementation Date (**Unclaimed Consideration**):
 - (i) the Target must deal with the Unclaimed Consideration in accordance with any applicable unclaimed moneys legislation; and
 - (ii) subject to the Target complying with its obligations under clause 5.3(b)(i), the Target is discharged from liability to any Scheme Shareholder in respect of the Unclaimed Consideration.

5.4 Orders of a Governmental Agency

In the case of notice having been given to the Target (or the Target Registry) of an order or direction made by a Governmental Agency which:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with clause 5.3, then the Target must procure that payment is made in accordance with that order or direction; or
- (b) would prevent the Target from dispatching payment to any particular Scheme Shareholder in accordance with clause 5.3, the Target must retain an amount in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the applicable Scheme Consideration until such time as payment in accordance with clause 5.3 is permitted by the order or direction or otherwise permitted at law,

and the payment or retention by the Target will constitute full discharge of the Target's obligations under clause 5.3 with respect to the amount so paid or retained until it is no longer required to be retained under clause 5.4(b).

6. Entitlement to participate and dealings in the Target Shares

6.1 Entitlement to participate

Each Scheme Shareholder will be entitled to participate in this Scheme.

6.2 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in the Target Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares on or before the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received on or before the Record Date at the place where the Target Register is kept,

and the Target will not accept for registration, nor recognise for any purpose (except a transfer to the Bidder under this Scheme and any subsequent transfer by the Bidder or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.3 Register

- (a) (**Registration of transfers**): The Target must register registrable transmission applications or transfers of the kind referred to in clause 6.2(b) by the Record Date provided that for the avoidance of doubt nothing in this clause 6.3 requires the Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).

Appendix 2 Scheme

- (b) **(No registration after Record Date):** The Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of the Target Shares received after the Record Date, other than to the Bidder in accordance with this Scheme.
- (c) **(Maintenance of the Target Register):** For the purpose of determining entitlements to the Scheme Consideration, the Target must maintain the Target Register in accordance with the provisions of this clause 6.3 until the Scheme Consideration has been delivered to the Scheme Shareholders. The Target Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) **(No disposal after Record Date):** From the Record Date until registration of the Bidder in respect of all Scheme Shares under clause 4.2, no Target Shareholder may dispose or otherwise deal with the Target Shares or any interest in them in any way except as set out in this Scheme and any attempt to do so will have no effect and the Target will be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Record Date):** All statements of holding for Target Shares will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of any Excluded Shareholders). As from the Record Date, each entry current at that date on the Target Register (other than entries in respect of any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Target Shares relating to that entry.
- (f) **(Provision of Scheme Shareholder details)** As soon as practicable after the Record Date and in any event by no later than 5.00pm on the Business Day after the Record Date, the Target will ensure that details of the names, Registered Addresses and holdings of the Target Shares for each Scheme Shareholder as shown in the Target Register as at the Record Date are available to the Bidder.

7. Quotation of Target Shares

7.1 Suspension of trading on ASX

The Target will apply to ASX to suspend trading on the ASX in the Target Shares with effect from the Close of Trading.

7.2 Termination of official quotation

On a date after the Implementation Date to be determined by the Bidder, and only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(c), the Target will apply:

- (a) for termination of the official quotation of the Target Shares on ASX; and
- (b) to have itself removed from the official list of ASX.

8. General Scheme provisions

8.1 Consent

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) the Target may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented in writing (such consent by the Bidder to any alterations or conditions imposed by the Court must not be unreasonably withheld or delayed); and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which the Target has consented.

8.2 Binding effect of Scheme

This Scheme binds the Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of the Target.

8.3 Scheme Shareholders' agreements and acknowledgement

Each Scheme Shareholder:

- (a) agrees to the transfer of the Target Shares registered in the name of the Scheme Shareholder as at the Record Date together with all rights and entitlements attaching to those Target Shares in accordance with this Scheme;
- (b) agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this Scheme;
- (c) who holds their the Target Shares in a CHESS Holding agrees to the conversion of those Target Shares to an Issuer Sponsored Holding and irrevocably authorises the Target to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;
- (d) agrees to, on the direction of the Bidder, destroy any share certificates relating to their Target Shares; and
- (e) acknowledges that this Scheme binds the Target and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at that Scheme Meeting).

8.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to the Target and the Bidder, and appointed and authorised the Target as its attorney and agent to warrant to the Bidder on the Implementation Date that, as at the Implementation Date:
 - (i) all Scheme Shares registered in its name (including any rights and entitlements attaching to those shares) which are transferred to the Bidder under this Scheme will, on the date on which they are transferred to the Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
 - (ii) it has full power and capacity to transfer Scheme Shares registered in its name to the Bidder together with any rights and entitlements attaching to those shares; and
 - (iii) it has no existing right to be issued any Target Shares, Target Performance Rights or any other Target securities, other than, in the case of any Scheme Shareholder who is also the holder of Target Performance Rights, the right to be issued Target Shares on the exercise or vesting of those the Target Performance Rights in accordance with their terms.
- (b) The Target undertakes that it will provide the warranties in clause 8.4(a) to the Bidder as agent and attorney of each Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to those shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately on the provision of the Scheme Consideration for each Scheme Share to each Scheme Shareholder in the manner contemplated by clause 5, the Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by the Target of the Bidder in the Target Register as the holder of the Scheme Shares.

Appendix 2 Scheme

8.6 Authority given to the Target

On and from the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints the Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purposes of:

- (a) enforcing the Deed Poll against the Bidder; and
- (b) executing any document, or doing any other acts or things necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it including (without limitation) executing a proper instrument of transfer of the Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares,

and the Target accepts each such appointment. The Target, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.6 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.7 Appointment of sole proxy

Immediately on the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5 and until the Target registers the Bidder as the holder of all the Scheme Shares in the Target Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed the Bidder as its attorney and agent (and directed the Bidder in such capacity) to appoint an officer or agent nominated by the Bidder as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of the Target, exercise the votes attaching to the Scheme Shares registered in its name and sign any Target Shareholders' resolutions;
- (b) undertakes not to otherwise attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any shareholder resolutions (whether in person, by proxy or by corporate representative) other than as under clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), the Bidder and any officer or agent nominated by the Bidder under clause 8.7(a) may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

9. General

9.1 Stamp duty

The Bidder must pay all stamp duty and any related fines and penalties (if any) payable in connection with this Scheme and each transaction effected by or under this Scheme, including the transfer of the Scheme Shares to the Bidder.

9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Target's registered office or at the office of the Target Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

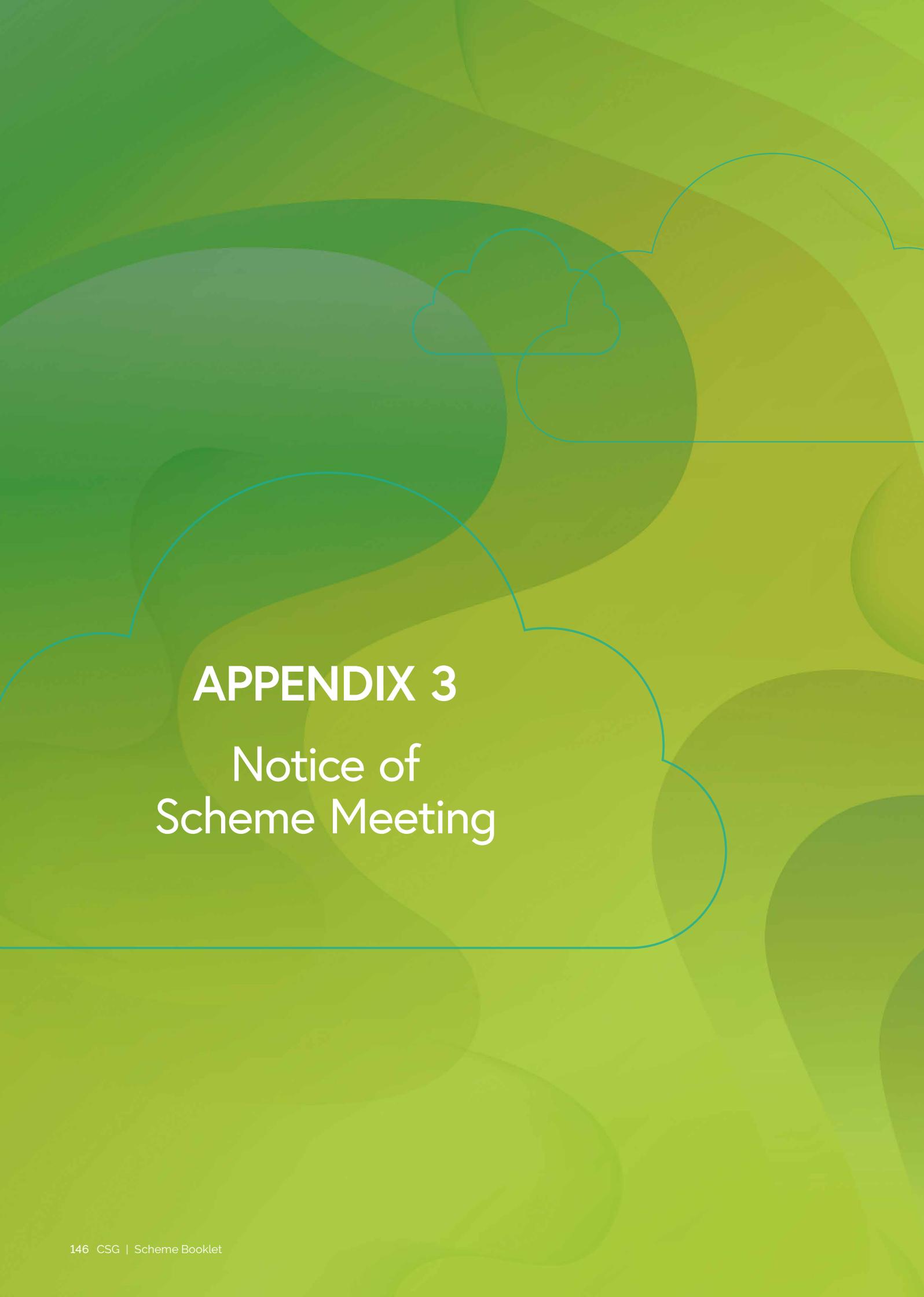
9.3 Further assurances

- (a) The Target must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

- (b) Each Scheme Shareholder consents to the Target doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it, whether on behalf of the Scheme Shareholder, the Target or otherwise.

9.4 Governing law and jurisdiction

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.



APPENDIX 3

Notice of Scheme Meeting

Appendix 3 Notice of Scheme Meeting

CSG LIMITED
ABN 64 123 989 631

NOTICE OF SCHEME MEETING

Notice is hereby given that by an order of the Court made on 17 December 2019 pursuant to section 411(1) of the *Corporations Act 2001* (Cth), a meeting of the holders of fully paid ordinary shares in CSG Limited (**Company**) will be held at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000 on Monday, 3 February 2020 at 10.00am (Sydney time) (**Scheme Meeting**).

The Court has also directed that Bernie Campbell act as Chairman of the Scheme Meeting or failing him Robin Low.

Information on the Scheme is set out in this Scheme Booklet (of which this notice forms part). To enable you to make an informed voting decision, important information on the Scheme is set out in the Scheme Booklet. This Notice of Scheme Meeting should be read in conjunction with the Scheme Booklet. The Explanatory Notes to this Notice of Scheme Meeting provide additional information on matters to be considered at the Scheme Meeting. The Explanatory Notes and the Proxy Form form part of this Notice of Scheme Meeting.

Terms used in this Notice of Scheme Meeting will, unless the context otherwise requires, have the meaning given to them in the Glossary in Section 10 of the Scheme Booklet.

BUSINESS OF THE SCHEME MEETING – SCHEME RESOLUTION

The purpose of the Scheme Meeting is to consider, and if thought fit, to approve the following resolution in accordance with section 411(4)(a)(ii) of the *Corporations Act*:

*"That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between CSG Limited (**Company**) and the holders of its fully paid ordinary shares, the terms of which are contained in and more particularly described in the Scheme Booklet (of which the notice convening this meeting forms part) is approved, and the directors of the Company are authorised to agree to such alterations or conditions as are approved by the Court, and subject to approval by the Court, to implement the scheme of arrangement with any such alterations or conditions."*

BY ORDER OF THE BOARD



Howard Edelman
Company Secretary

17 December 2019

Appendix 3 Notice of Scheme Meeting

EXPLANATORY NOTES

ENTITLEMENT TO VOTE

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Scheme Meeting are those persons (other than Excluded Shareholders) who are registered shareholders of the Company as at 7.00pm (Sydney time) on 1 February 2020 (**Entitlement Time**).

This means that if you are not the registered holder of a Share in the Company at the Entitlement Time, you will not be entitled to attend and vote at the Scheme Meeting.

MAJORITIES REQUIRED

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution (which is contained in this Notice of Scheme Meeting) must be passed by:

- (a) at least 75% of the total number of votes cast on the Scheme Resolution; and
- (b) a majority in number (i.e. more than 50%) of CSG Shareholders present and voting (whether in person or by proxy, attorney or corporate representative) at the Scheme Meeting.

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the Scheme Resolution but not by a majority in number of CSG Shareholders present and voting at the Scheme Meeting.

COURT APPROVAL

Under section 411(4)(b) of the Corporations Act, the Scheme (with or without alteration or condition) is subject to the approval of the Court. If the resolution put to the Scheme Meeting is passed by the requisite majorities and the other conditions to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, the Company intends to apply to the Court for the necessary orders to give effect to the Scheme.

VOTING OPTIONS AND PROXIES

Voting in person

To vote in person at the Scheme Meeting, you, your proxy, your attorney, your representative or your corporate proxy's representative must attend the Scheme Meeting to be held at the offices of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, New South Wales 2000 on Monday 3 February 2020, at 10.00am (Sydney time).

If you do not plan to attend the Scheme Meeting in person, you are encouraged to complete and return the Proxy Form, which accompanies this Notice of Scheme Meeting.

CSG Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Scheme Meeting and bring a form of personal identification (such as their driver's licence).

CSG Shareholders, their attorneys or representatives (including proxies and their representatives) who plan to attend the Scheme Meeting in person are asked to arrive at the venue 30 minutes prior to the time designated for the commencement of the Scheme Meeting, so that their shareholding can be checked against the CSG Share Register and attendances noted. Attorneys should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

Voting by proxy

A CSG Shareholder who is entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies to attend and vote in place of the CSG Shareholder.

If the CSG Shareholder appoints two proxies, the CSG Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the CSG Shareholder's votes. If the specified proportion or number of votes exceeds that which the CSG Shareholder is entitled to, each proxy may exercise half of the CSG Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

A proxy need not be a CSG Shareholder. A body corporate appointed as a CSG Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Scheme Meeting. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

If a CSG Shareholder has not directed their proxy how to vote, the proxy may vote as the proxy determines.

If a CSG Shareholder nominates the Chairman of the Scheme Meeting as their proxy, the person acting as Chairman of the Scheme Meeting must act as proxy under the appointment in respect of any or all items of business to be considered at the Scheme Meeting. If a proxy appointment is signed or validly authenticated by a CSG Shareholder but does not name the proxy or proxies in whose favour it is given, or their named proxy or proxies do not attend the meeting, the Chairman of the Scheme Meeting may at his or her election:

- (a) act as proxy in respect of any or all items of business to be considered at the Scheme Meeting; or
- (b) complete the proxy appointment by inserting the name or names of one or more CSG Directors or the Company Secretary to act as proxy under the appointment, in respect of any or all items of business to be considered at the Scheme Meeting.

Chairman's voting intentions

Proxy appointments in favour of the Chairman of the Scheme Meeting, the Company Secretary or any CSG Director which do not contain a direction will be voted in favour of the Scheme Resolution at the Scheme Meeting (in the absence of a Superior Proposal received prior to the date of the Scheme Meeting).

Proxy Forms

To be effective, the Proxy Form must be completed, signed and lodged (together with the relevant original power of attorney or a certified copy, if the proxy is signed by an attorney) with the CSG Share Registry, as an original or by facsimile, no later than 5.00pm (Sydney time) on 31 January 2020 (**Proxy Deadline**).

Proxy Forms may be submitted in one of the following ways:

- **by mail** to Computershare Investor Services Pty Limited using the reply paid envelope or to:

Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne VIC 8060
Australia

Please allow sufficient time so that it reaches Computershare Investor Services Pty Limited by the Proxy Deadline;

- **by fax** to Computershare Investor Services Pty Limited on:
1800 783 447 (within Australia)
or
+61 3 9473 2555 (outside Australia);
- **by hand** delivery to Computershare Investor Services Pty Limited at:
452 Johnston Street
Abbotsford VIC 3067

Proxy Forms and powers of attorney must be received by the Proxy Deadline.

Voting by attorney

A CSG Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to act on his or her behalf at the Scheme Meeting. An attorney may not vote at the Scheme Meeting unless the instrument appointing the attorney and the authority under which the instrument is signed or a certified copy of it is received by the CSG Share Registry by no later than 5.00pm (Sydney time) on 31 January 2020 in the same manner as outlined above for Proxy Forms.

Persons who plan to attend the Scheme Meeting as an attorney should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Unless the contrary is evident from the express terms of the power of attorney, any power of attorney granted by a CSG Shareholder will, as between the Company and that CSG Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant CSG Shareholder is lodged with the Company.

CORPORATE REPRESENTATIVES

A body corporate that is a CSG Shareholder or that has been appointed as a proxy may appoint an individual to act as its corporate representative to attend and vote at the Scheme Meeting. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which the document appointing them as corporate representative was signed.

APPENDIX 4

Scheme Implementation Deed

Appendix 4 Scheme Implementation Deed



Scheme Implementation Deed

—
CSG Limited (**Target**)

Fuji Xerox Asia Pacific Pte Ltd (**Bidder**)

Level 40 Governor Macquarie Tower 1 Farrer Place
Sydney NSW 2000 Australia DX 117 Sydney
T +61 2 9921 8888 F +61 2 9921 8123
minterellison.com

MinterEllison

Appendix 4 Scheme Implementation Deed

Scheme Implementation Deed

Details	5
Agreed terms	6
1. Defined terms & interpretation	6
1.1 Defined terms	6
1.2 Interpretation	14
1.3 Headings	15
1.4 Listing requirements included as law	15
1.5 Statements on the basis of knowledge	15
1.6 Reasonable endeavours	16
2. Agreement to propose Scheme	16
3. Conditions precedent and pre-implementation steps	16
3.1 Conditions to Scheme	16
3.2 Benefit and waiver of conditions precedent	17
3.3 Reasonable endeavours to satisfy Conditions	18
3.4 Target Performance Rights	19
3.5 Notifications	19
3.6 Scheme voted down	19
3.7 Conditions not capable of being fulfilled	19
3.8 Interpretation	20
4. Scheme structure	20
4.1 Scheme	20
4.2 Scheme Consideration	20
5. Scheme – parties' respective implementation obligations	21
5.1 Target's obligations	21
5.2 The Bidder's obligations	24
5.3 Scheme Booklet - preparation principles	25
5.4 New information	26
5.5 Verification	26
5.6 Responsibility statements	27
5.7 Good faith cooperation	27
6. Board recommendation	27
7. Conduct of business before the Implementation Date	28
7.1 Conduct of Target business	28
7.2 Prohibited actions	28
7.3 Permitted activities	30
7.4 Access	30
7.5 Access to the Bidder information	31
7.6 Third Party Consent Contracts	31
8. Reconstitution of the board of each Target Group Member	32
8.1 Appointment of directors	32
8.2 Resignation of directors	32
9. Representations and warranties	32
9.1 Bidder representations and warranties	32
9.2 Bidder's indemnity	33
9.3 Target representations and warranties	33
9.4 Target's indemnity	35
9.5 Notifications	35

9.6	Survival of representations	36
9.7	Survival of indemnities	36
9.8	Limitations on Claims against the Target	36
9.9	Limitation on Claims against the Bidder	36
10.	Exclusivity	36
10.1	No existing discussions	36
10.2	No-shop	37
10.3	No-talk	37
10.4	No due diligence	37
10.5	Notification of approaches	38
10.6	Target's response to Rival Acquirer and the Bidder's right to respond	38
10.7	Fiduciary out	39
11.	Target Break Fee	39
11.1	Background	39
11.2	Costs incurred by the Bidder	40
11.3	Payment by the Target to the Bidder	40
12.	Break Fee qualification	41
12.1	Determination by Governmental Agency	41
12.2	Obligations of the Bidder and the Target	42
13.	Confidentiality and Public Announcement	42
13.1	Confidentiality	42
13.2	Agreed Announcement on execution	42
13.3	Further public announcements	42
13.4	Required announcement	42
13.5	Statements on termination	42
14.	Termination	43
14.1	Termination by notice	43
14.2	Automatic termination	43
14.3	Effect of termination	43
15.	Releases	44
15.1	Release of Target Indemnified Parties	44
15.2	Release of Bidder Indemnified Parties	44
15.3	Deeds of indemnity	44
15.4	Directors' and officers' insurance	45
16.	Notices	45
17.	General	46
17.1	Further acts	46
17.2	Timetable	46
17.3	Payments	46
17.4	Interest	46
17.5	Consents or approvals	46
17.6	GST	47
17.7	Stamp duty	47
17.8	Expenses	47
17.9	Amendments	47
17.10	Assignment	47
17.11	Business Day	47
17.12	Waiver	48
17.13	Counterparts	48
17.14	Entire agreement	48

Appendix 4 Scheme Implementation Deed

17.15 No representation or reliance	48
17.16 No merger	48
17.17 Governing law	48
Schedule 1 – Indicative timetable	49
Signing page	50

Annexure A – Deed Poll

Annexure B – Scheme

Annexure C – Certificate

Details

Date 23 October 2019

Parties

Name **CSG Limited**
ABN 64 123 989 631
Short form name **Target**
Notice details Level 11, 175 Pitt Street, Sydney NSW 2000
Email: Howard.Edelman@csg.com.au
Attention: Mr Howard Edelman
Copy to: Michael Gajic: Michael.Gajic@minterellison.com
Copy to: Michael Scarf: Michael.Scarf@minterellison.com

Name Fuji Xerox Asia Pacific Pte Ltd
Short form name **Bidder**
Notice details 80 Anson Road, #37-00 Fuji Xerox Towers, Singapore 079907
Email: hitoaki.tsutsui@fujixerox.co.jp
Attention: Hiroaki Tsutsui

Background

- A The Target and the Bidder have agreed to implement the Proposed Transaction on the terms, and subject to the conditions, of this deed.
- B The Target and the Bidder have agreed certain other matters in connection with the Proposed Transaction as set out in this deed.

Appendix 4 Scheme Implementation Deed

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed, unless the context otherwise requires, the following words and expressions have meanings as follows:

ACCC means the Australian Competition and Consumer Commission.

ACCC Condition Precedent means the condition in clause 3.1(d).

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to the Target or the Bidder in connection with the Proposed Transaction.

Agreed Announcement has the meaning given to that expression in clause 13.2.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this deed and the Target was the designated body.

ASX means ASX Limited ABN 98 008 624 691 or, if the context requires, the financial market operated by it.

Authorised Persons means, in relation to a person, each:

- (a) director, officer, partner, member or employee of the person;
- (b) Adviser of the person; and
- (c) director, officer or employee of an Adviser of the person,

and **Authorised Person** means any one of them.

Bidder Disclosure Letter means the letter so entitled provided by the Bidder to the Target prior to the date of this deed.

Bidder Group means the Bidder and each Subsidiary of the Bidder (excluding, at any time, each Target Group Member to the extent that such Target Group Member is a subsidiary of the Bidder at that time) and **Bidder Group Member** means any one of them.

Bidder Indemnified Parties means each Bidder Group Member and each director, officer, partner, member or employee of each Bidder Group Member.

Bidder Information means the information regarding the Bidder Group, the merged Bidder-Target entity following implementation of the Scheme, the Scheme Consideration and the Bidder's intentions relating to the Target Group's business, assets and employees that is provided by or on behalf of the Bidder or any of its Advisers to the Target in writing for inclusion in the Scheme Booklet (excluding any information provided by the Target to the Bidder, or obtained by the Bidder from an announcement made by the Target to ASX or from a publicly available document lodged by the Target with ASIC, contained in, or used in the preparation of, the information regarding the merged Bidder-Target entity following implementation of the Scheme). For the avoidance of doubt, the Bidder Information excludes the Target Information, the Independent Expert's Report, any investigating accountant's report and any description of the taxation effect of the Proposed Transaction on Scheme Shareholders.

Bidder Knowledge Persons means each director of the Bidder.

Bidder Parties means each Bidder Group Member and each Authorised Person relating to each Bidder Group Member.

Bidder Warranties means the representations and warranties of the Bidder set out in clause 9.1.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales, Australia or Tokyo, Japan.

Claim means a claim, notice, demand, action, proceeding, litigation, prosecution, arbitration, investigation, judgement, award, damage, loss, costs, expense or liability however arising, whether present, unascertained, immediate, future or contingent, whether based in contract, tort or statute.

Competing Proposal means any offer, expression of interest, proposal, transaction or arrangement by a Third Party that, if entered into or completed, would mean a person or two or more persons who are Associates:

- (a) would acquire a Relevant Interest or voting power in 15% or more of the aggregate number of Target Shares or of securities of any other Target Group Member;
- (b) would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 15% or more of the aggregate number of Target Shares or of the securities of any other Target Group Member;
- (c) would directly or indirectly acquire or become the holder of, or otherwise acquire or have the right to acquire, any legal, beneficial or economic interest in, or control of, all or a substantial part or material part of the business conducted by, or assets or property of, the Target Group;
- (d) would acquire Control of the Target or any other material Target Group Member;
- (e) may otherwise acquire, or merge with, the Target or any other material Target Group Member; or
- (f) require Target to abandon, or otherwise fail to proceed with, the Proposed Transaction, whether by way of takeover bid, scheme of arrangement, capital reduction, buy-back or sale of assets, sale of securities, strategic alliance, dual listed company structure (or other synthetic merger), joint venture, partnership, any proposal by the Target to implement any reorganisation of capital or any other transaction or arrangement, and on the basis that each successive material modification or variation of any proposal, offer, arrangement, expression of interest or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.

Conditions means the conditions set out in clause 3.1 and **Condition** means any one of them.

Confidentiality Agreement means the exclusivity and confidentiality deed dated 21 May 2019 between the Target and the Bidder.

Consultation Notice has the meaning given to that expression in clause 3.7(a).

Control has the meaning given under section 50AA of the Corporations Act and **Controlled** has a corresponding meaning.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or any other court of competent jurisdiction under the Corporations Act as the Target and the Bidder may agree in writing.

Cut off Time 8 am on the Second Court Date.

Deed Poll means the deed poll to be executed by the Bidder in favour of the Scheme Shareholders prior to the First Court Date in the form set out in Annexure A or such other form acceptable to the Target (acting reasonably).

Delivery Time means the time being 2 hours before the commencement of the hearing of the Court on the Second Court Date.

Due Diligence Material means:

- (a) the documents and information (including all written responses provided by or on behalf of the Target Group in response to written requests for information) that were at any time prior to 5.00pm on 22 October 2019 contained in the online data room established by or on behalf of the Target Group and made available to the Bidder and the Bidder's

Appendix 4 Scheme Implementation Deed

- Authorised Persons prior to the date of this deed, the index of which has been initialled as at the date of this deed by, or on behalf of, the Target and the Bidder for identification; and
- (b) to the extent not contained in the Due Diligence Material, all written information disclosed by or on behalf of the Target Group in management presentations made to the Bidder and the Bidder's Authorised Persons prior to the date of this deed, provided copies of which are attached to the Target Disclosure Letter.

EBITDA means earnings of the Target Group before interest, tax, depreciation and amortisation, calculated in the same manner in which the budgeted EBITDA of the Target Group for the year ending 30 June 2020 was calculated in data room document "FY20 Board Approved Budget Key Assumptions". **Effective** means, in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means, in relation to the Scheme, the date on which the Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest (including a security interest as defined in section 12 of the *Personal Property Securities Act 2009* (Cth)), title retention, preferential right, trust arrangement, contractual right of set-off or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

End Date means 1 June 2020 or such other date agreed in writing between the Target and the Bidder.

Excluded Shareholder means any Target Shareholder who is a Bidder Group Member or any other Target Shareholder to the extent it holds Target Shares on behalf of, or for the benefit of, any Bidder Group Member.

Exclusivity Period means the period commencing on the date of this deed and ending on the earlier of:

- (a) the End Date;
- (b) the Effective Date; and
- (c) the date this deed is terminated in accordance with its terms.

Fairly Disclosed means, in relation to information disclosed in respect of a matter, event or circumstance to the Bidder or any of the Bidder's Authorised Persons, disclosed to a sufficient extent, and in sufficient detail, so as to enable a reasonable and sophisticated recipient of the relevant information who is experienced in transactions similar to the Proposed Transaction to identify or ascertain the nature and scope of the relevant matter, event or circumstance from the information disclosed.

Fighting Fund Amount means the amount spent or committed to be spent by the Target Group between the date of this deed and the Delivery Date to incentivise its employees, contractors and consultants (but not to reduce the cost of goods sold of the Target Group) in accordance with the plan developed by the Target for this purpose and provided to the Bidder prior to the date of this deed, provided that the amount spent or committed to be spent cannot exceed \$1.9 million.

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Governmental Agency means any Australian or foreign government or representative of a government or any Australian or foreign governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity, and includes any minister, ASIC, ASX or any other stock exchange and any regulatory organisation established under statute.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Target Shareholders (other than Excluded Shareholders) present and voting, either in person or by proxy.

Implementation Date means, in relation to the Scheme, the date being 5 Business Days after the Record Date or such other Business Day agreed in writing by the Target and the Bidder.

Impugned Amount has the meaning given to that expression in clause 12.1.

Incoming Officer has the meaning given to that expression in clause 8.1.

Independent Expert means an expert, independent of the parties, appointed by the Target in good faith to opine on whether the Scheme is in the best interest of Target Shareholders.

Independent Expert's Report means the report issued by the Independent Expert in connection with the Scheme for inclusion in the Scheme Booklet, which includes a statement by the Independent Expert on whether, in the Independent Expert's opinion, the Scheme is in the best interest of Target Shareholders, but does not include any supplement, addendum or update of that report unless expressly stated otherwise in this deed.

Insolvency Event means, in relation to a person:

- (a) **insolvency official**: the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) **arrangements**: the entry by the person into a compromise or arrangement with its creditors generally;
- (c) **winding up**: the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;
- (d) **suspends payments**: the person suspends or threatens to suspend payment of its debts as and when they become due;
- (e) **insolvency**: the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (f) **deregistration**: the person is deregistered as a company or otherwise dissolved;
- (g) **deed of company arrangement**: the person executing a deed of company arrangement; or
- (h) **analogous events**: anything analogous to those set out in any of paragraphs (a) to (g) (inclusive) of this definition occurs in relation to the person under the laws of a foreign jurisdiction,

and the person shall be **Insolvent** if any event specified in paragraphs (a) to (h) (inclusive) of this definition occurs in respect of that person.

Interest Rate means, in relation to an amount due for payment, the 30 day Bank Bill Swap Reference Rate as published as at the relevant due date for payment in the 'Money & Bond Markets' section of The Australian Financial Review.

Listing Rules means the official listing rules of ASX as amended or waived from time to time.

MIF means any print-capable product, machine, device, piece of equipment, or similar subscription type service which is the subject of a current contract between any Target Group Member and a third party customer pursuant to which a Target Group Member finances, leases, services or manages that print-capable product, machine, device, piece of equipment, or similar subscription type service (or has the right to do so) for that customer.

Outgoing Officer has the meaning given to that expression in clause 8.2.

Proposed Transaction means:

Appendix 4 Scheme Implementation Deed

- (a) the proposed acquisition by Bidder in accordance with the terms and conditions of this deed of all of the Target Shares (other than the Target Shares owned or held by an Excluded Shareholder) through the implementation of the Scheme; and
- (b) all transactions and steps contemplated by this deed.

Receiving Party has the meaning given to that expression in clause 17.3.

Record Date means 7.00pm on the date being 5 Business Days after the Effective Date or such other Business Day agreed in writing between the Target and the Bidder.

Regulatory Approvals means:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, license, direction, declaration, authority, waiver, modification, or exemption from, by or with a Governmental Agency; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Governmental Agency intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without such intervention or action.
- (c) **Related Body Corporate** means, in relation to a person, a related body corporate of that person under section 50 of the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Relevant Notice has the meaning given to that expression in clause 10.6(a)(iv).

Rival Acquirer has the meaning given to that term in clause 10.6(a)(v).

RG 60 means ASIC Regulatory Guide 60 issued by ASIC.

Scheme means a members' scheme of arrangement under Part 5.1 of the Corporations Act between the Target and Scheme Shareholders under which Bidder proposes to acquire all of the Target Shares (other than any Target Shares held by an Excluded Shareholder), substantially in the form set out in Annexure B, subject to any alterations or conditions:

- (a) agreed to in writing by the Target and the Bidder; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Target and the Bidder.

Scheme Booklet means the explanatory booklet to be prepared by the Target in respect of the Proposed Transaction in accordance with the terms of this deed and to be despatched to Target Shareholders.

Scheme Consideration means \$0.310 per Scheme Share.

Scheme Meeting means the meeting of the Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act at which Target Shareholders will consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Target Share on issue as at the Record Date other than any Target Share then held by an Excluded Shareholder (but including any such Target Share held on behalf of one or more third parties or otherwise in a fiduciary capacity).

Scheme Shareholder means a Target Shareholder that holds Scheme Shares as at the Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Share Splitting means the splitting by a holder of Target Shares into two or more parcels of Target Shares whether or not it results in any change in beneficial ownership of the Target Shares.

Specified Event means any event, occurrence or matter that:

- (a) occurs after the date of this deed; or
- (b) occurs before the date of this deed but only becomes known to the Bidder (or any Bidder Knowledge Person) after the date of this deed.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Superior Proposal means a bona fide Competing Proposal:

- (a) of the kind referred to in any of paragraphs (c), (d) or (e) of the definition of 'Competing Proposal'; and
- (b) not resulting from a breach by the Target of any of its obligations under clause 10 of this deed (it being understood that any actions by the other Target Group Members or the Authorised Persons of any Target Group Member not permitted by clause 10 shall be deemed to be a breach by the Target for the purposes hereof),
- (c) which in the determination of the Target Board acting in good faith in order to satisfy what the Target Board reasonably considers to be its fiduciary or statutory obligations (after having taken written advice from their external legal counsel and financial advisers in relation to the financial aspects of the Competing Proposal);
- (d) is reasonably capable of being valued and reasonably likely to be completed in accordance with its terms in a timely fashion, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and
- (e) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Target Shareholders as a whole than the terms of the Proposed Transaction (as completed) as notified at that time by the Bidder (or any Authorised Person of the Bidder) to the Target (including, for the avoidance of doubt, following the application of the matching right in clause 10.6), taking into account all of the terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty, timing, the identity of the proponent and any other matters affecting the probability of the Competing Proposal being completed.

Target Board means the board of directors of the Target as constituted from time to time (or any committee of the board of directors of the Target constituted from time to time to consider the Proposed Transaction on behalf of the Target).

Target Break Fee has the meaning given to that term in clause 11.3(a).

Target Director means a director of the Target from time to time.

Target Director Shares means, in relation to a Target Director, all Target Shares:

- (a) held by or on behalf of the Target Director; or
- (b) listed as an indirect interest in an Appendix 3X or Appendix 3Y lodged by the Target with ASX in respect of the Target Director.

Target Disclosure Letter means the letter so entitled provided by the Target to the Bidder at least 5 Business Days prior to the date of this deed (including any schedules or annexures to that letter).

Target Group means the Target and its Subsidiaries and **Target Group Member** means any one of them.

Target Indemnified Parties means each Target Group Member and each director, officer, partner, member or employee of of each Target Group Member.

Target Information means:

- (a) the entirety of the information to be included in the Scheme Booklet (excluding the Bidder Information, the Independent Expert's Report, any investigating accountant's report and any description of the taxation effect of the Proposed Transaction on Scheme Shareholders prepared by an external adviser to the Target); and

Appendix 4 Scheme Implementation Deed

- (b) any information provided by the Target to the Bidder, or obtained by the Bidder from an announcement made by the Target to ASX or from a publicly available document lodged by the Target with ASIC, contained in, or used in the preparation of, the information regarding the merged Bidder-Target entity following implementation of the Scheme.

Target Knowledge Persons means each director of the Target.

Target Material Adverse Change means a Specified Event which (either individually or when aggregated with other Specified Events of the same or substantially similar nature):

- (a) results in the MIF of the Target Group (without any double counting) falling below 35,742 MIF for any period of at least 5 consecutive Business Days ending on or before the Delivery Time; or
- (b) would be reasonably likely to result in the value of EBITDA of the Target Group for the financial year ending 30 June 2020 (when calculated in accordance with the same accounting policies and practices applied by the Target Group in relation to the financial year ended 30 June 2019) (FY20 EBITDA) being less than the Trigger Amount,
- (c) provided that:
- (d) the impact of the relevant Specified Event(s) on the MIF of the Target Group and/or the FY20 EBITDA (as applicable) must be determined after taking into account any matters which offset, or are reasonably likely to offset, the impact of the same Specified Event(s) on the MIF of the Target Group and/or the FY20 EBITDA (as applicable), subject to the Target Group providing reasonable evidence to Bidder of the impact that such matters will have, or are reasonably likely to have, on the MIF of the Target Group and/or the FY20 EBITDA (as applicable);
- (e) any reduction in the FY20 EBITDA will be disregarded to the extent that it is a result of the application of the accounting standards or the existing accounting policies of the Target Group to the treatment of Target Performance Rights (including their cancellation and/or lapse) in connection with the Proposed Transaction in the manner agreed by the Bidder and Target¹;
- (f) any event, matter or occurrence will be disregarded if it:
 - (i) is required or permitted by this deed or the Scheme or transactions contemplated by either;
 - (ii) has been Fairly Disclosed prior to the date of this deed in Filings of the Target Group on ASX or with ASIC;
 - (iii) has been Fairly Disclosed in the Due Diligence Materials or the Target Disclosure Letter (which, for the avoidance of doubt, includes undertaking actions and matters Fairly Disclosed in the Due Diligence Materials or Target Disclosure Letter which the Target Group is considering or proposing to undertake) as at the date of this deed;
 - (iv) is within the actual knowledge of the Bidder Knowledge Persons as at the date of this deed;
 - (v) is approved, or consented to, or requested by a Bidder Group Member;
 - (vi) relates to costs and expenses incurred by the Target Group in connection with the Proposed Transaction, including all fees payable to any Adviser of a Target Group Member, provided that Target Group must use reasonable endeavours not to materially exceed the estimated amount of such costs and expenses specified in the Due Diligence Materials or Target Disclosure Letter; or
 - (vii) results or arises from or in connection with:
 - (A) any action of the Bidder Group;

- (B) any actual or proposed change in any law, regulation or policy, or in any accounting principle or standard, or in the interpretation of any of the foregoing (whether or not retrospective in effect); or
- (C) general economic, business or political conditions or changes in any such conditions (including disruptions to, or fluctuations in, financial markets, or changes in interest rates, foreign currency exchange rates or commodity prices) other than such conditions, or changes in any such conditions, that have a disproportionate effect on the Target Group as compared to other participants in the industries in which the Target Group operates; or
- (D) any act of terrorism, war (whether or not declared) natural disaster or the like.

Target Parties means:

- (a) the Target Group Members; and
- (b) each Authorised Person of each Target Group Member,

and **Target Party** means any one of them.

Target Performance Rights means the:

- (a) 5,000,000 rights granted as at the date of this deed to the Chief Executive Officer under Target's executive performance rights plan; and
- (b) 14,087,499 rights granted as at the date of this deed to employees of the Target Group other than the Chief Executive Officer under Target's executive performance rights plan,
- (c) in each case as disclosed by Target to ASX in the Appendix 3B dated 26 September 2019.

Target Prescribed Occurrence means the occurrence of any of the following on or after the date of this deed and before the Delivery Time:

- (a) the Target converts all or any of its shares into a larger or smaller number of shares (as contemplated under section 254H of the Corporations Act or otherwise);
- (b) the Target resolves to reduce its share capital in any way or to reclassify, combine, split or redeem any of the shares in the Target;
- (c) the Target:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) any Target Group Member issues securities (including, without limitation, shares), or grants a performance right or an option over securities (including, without limitation, shares) in the Target Group Member, or agrees to make such an issue or grant such a performance right or option other than pursuant to vesting prior to the Record Date of a Target Performance Right (only if such vesting has been consented to in writing by the Bidder);
- (e) any Target Group Member issues, or agrees to issue, securities convertible into shares in the Target Group Member other than a Target Performance Right;
- (f) any Target Group Member issues, or agrees to issue, convertible notes;
- (g) any Target Group Member disposes, or agrees to dispose, of the whole, or a substantial part, of the business or property of the Target Group Member;
- (h) any Target Group Member creates or agrees to create any Encumbrance over the whole, or a substantial part, of the business or property of the Target Group Member;
- (i) any Target Group Member becomes Insolvent;
- (j) any Target Group Member makes any change to its constitution or convenes a meeting to consider a resolution to change the constitution of any other Target Group Member;

Appendix 4 Scheme Implementation Deed

- (k) any Target Group Member ceases, or threatens to cease, to carry on the business of the Target Group Member conducted as at the date of this deed;
- (l) any Target Group Member is deregistered as a company or is otherwise dissolved;
- (m) any Target Group Member disposes of shares or securities in any Target Group Member other than to another Target Group Member; or
- (n) any Target Group Member directly or indirectly authorises, commits or agrees to take or publicly announces any of the actions referred to in paragraphs (a) to (m) (inclusive) of this definition,
- (o) provided that a Target Prescribed Occurrence will not include any matter:
- (p) required or permitted to be done or procured by a Target Group Member under, or pursuant to, this deed or the Scheme;
- (q) Fairly Disclosed prior to the date of this deed in filings of the Target on ASX;
- (r) required by law or by an order of a court or other Governmental Agency;
- (s) to the extent it is Fairly Disclosed in the Due Diligence Materials or the Target Disclosure Letter; or
- (t) the undertaking of which the Bidder has approved in writing.
- (u) **Target Register** means the register of members of the Target maintained by, or on behalf of, the Target in accordance with section 168(1) of the Corporations Act.
- (v) **Target Registry** means Computershare Investor Services Pty Limited or any replacement provider of share registry services to the Target from time to time.
- (w) **Target Share** means an issued fully paid ordinary share in the capital of the Target.
- (x) **Target Shareholder** means each person who is registered in the Target Register as a holder of Target Shares.
- (y) **Target Warranties** means the representations and warranties of the Target set out in clause 9.3.

Termination Notice has the meaning given to that expression in clause 3.7(c).

Third Party means any person or entity (including a Governmental Agency) other than a Target Group Member or a Bidder Group Member.

Third Party Consent Contract means a contract the Bidder and the Target agree in writing on or before the date of this document is a "Third Party Consent Contract" for the purposes of this document.

Timetable means the indicative timetable in relation to the Proposed Transaction set out in Schedule 1 as may be amended from time to time by written agreement of the Target and the Bidder.

Trigger Amount means:

- (a) \$13.1 million; less
- (b) the Fighting Fund Amount.

1.2 Interpretation

In this deed, except where the context otherwise requires:

- (a) the singular includes the plural, and the converse also applies;
- (b) gender includes other genders;
- (c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this deed, and a reference to this deed includes any schedule or annexure;

- (e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (f) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (g) a reference to time is to Sydney, Australia time;
- (h) a reference to a party is to a party to this deed, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (j) a reference to legislation or to a provision of legislation (including a listing rule or operating rule of a financial market or of a clearing and settlement facility) includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;
- (k) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (l) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;
- (m) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this deed or any part of it; and
- (o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market or of a clearing and settlement facility will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.5 Statements on the basis of knowledge

- (a) Any statement made in this deed by the Target on the basis of the Target's knowledge or awareness is made on the basis that the Target's knowledge or awareness is limited to the knowledge that any of the Target Knowledge Persons has or would have if the Target Knowledge Persons had made all reasonable inquiries of the officers, managers, employees and other persons with responsibility for the matters to which the statement relates.
- (b) Any statement made by the Bidder on the basis of the Bidder's knowledge or awareness is made on the basis that the Bidder's knowledge is limited to the knowledge or awareness that any of Bidder Knowledge Persons has or would have if the Bidder Knowledge Persons had made all reasonable inquiries of the officers, managers, employees and other persons with responsibility for the matters to which the statement relates.

Appendix 4 Scheme Implementation Deed

1.6 Reasonable endeavours

Any provision of this deed which requires a party to use reasonable endeavours or best endeavours to procure that something is performed or occurs or does not occur does not include any obligation:

- (a) to pay any money or provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person except for payment of any applicable fee for the lodgement or filing of any relevant application with any Governmental Agency; or
 - (b) to commence any legal action or proceeding against any person,
- except where that provision expressly specifies otherwise.

2. Agreement to propose Scheme

- (a) The Target agrees to propose and implement the Scheme on, and subject to, the terms and conditions of this deed, and substantially in accordance with the Timetable.
- (b) The Bidder agrees to assist the Target in proposing and implementing the Scheme on, and subject to, the terms and conditions of this deed, and substantially in accordance with the Timetable.

3. Conditions precedent and pre-implementation steps

3.1 Conditions to Scheme

Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of the Target and the Bidder in relation to the implementation of the Scheme will not be binding, until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in this clause 3:

- (a) **(Shareholder approval):** the Scheme is approved by Target Shareholders (other than Excluded Shareholders) at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (b) **(Court approval):** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act;
- (c) **(Regulatory Approvals):** any Regulatory Approvals that are required by law, or by any Governmental Agency, to implement the Scheme are granted, given, made or obtained on an unconditional basis (or conditional only on the Scheme becoming Effective) and remain in full force and effect in all respects, and have not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing) before the Delivery Time
- (d) **(ACCC)** Target and Bidder have received notice in writing from the ACCC stating, or stating to the effect (either unconditionally or on conditions that are acceptable to Bidder in its absolute discretion), that the ACCC does not propose to intervene or seek to prevent the acquisition of Target Shares by Bidder and that notice remains in full force and effect in all respects and has not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing) before the Cut Off Time.
- (e) **(NZCC Approval):** a clearance being given, or authorisation being granted, by the New Zealand Commerce Commission (NZCC) under the New Zealand Commerce Act 1986 for the acquisition of the Target Shares by the Bidder, or the Bidder otherwise advising the Target in writing that, having taken competent legal advice, it has elected to not seek NZCC clearance or authorisation under the New Zealand Commerce Act 1986;
- (f) **(Restraints):** between (and including) the date of this deed and the Delivery Time:

- (i) there is not in effect any temporary, preliminary or permanent injunction, decision or other order issued by any court of competent jurisdiction or other Governmental Agency or other material legal restraint or prohibition;
- (ii) no action or investigation is announced, commenced or threatened by a Governmental Agency; and
- (iii) no application is made to any Governmental Agency,
- (iv) in consequence of, or in connection with, the Scheme which:
- (v) restrains, prohibits or prevents (or could reasonably be expected restrain, prohibit or prevent) the Scheme, the implementation of the Proposed Transaction or the rights of the Bidder in respect of the Target Shares to be acquired under the Scheme; or
- (vi) requires the divestiture by the Bidder of any Target Shares or the divestiture of any assets of the Bidder Group or the Target Group,
- (vii) unless such injunction decision, order, action, investigation or application has been disposed of to the satisfaction of the Bidder acting reasonably, or is otherwise no longer effective or enforceable, by the Delivery Time;
- (g) **(ASIC and ASX)**: before the Delivery Time, ASIC and ASX issue or provide such consents, waivers, exemptions, declarations or approvals as are necessary or which the Target and the Bidder agree are necessary or desirable to implement the Scheme and no such consent, waiver, exemption, declaration or approval has been withdrawn or revoked before the Delivery Time;
- (h) **(No Target Prescribed Occurrence)**: no Target Prescribed Occurrence occurs between the date of this deed and the Delivery Time;
- (i) **(No Target Material Adverse Change)**: no Target Material Adverse Change occurs between the date of this deed and the Delivery Time;
- (j) **(Target Warranties)**: each Target Warranty is true and correct in all material respects as at the relevant time or times (as the case may be) set out in clause 9.3(a) in relation to that Target Warranty;
- (k) **(Bidder Warranties)**: each Bidder Warranty is true and correct in all material respects as at the relevant time or times (as the case may be) set out in clause 9.1(a) in relation to that Bidder Warranty;
- (l) **(Independent Expert)**: the Independent Expert concludes in the Independent Expert's Report that the Scheme is in the best interest of Scheme Shareholders before the time when the Scheme Booklet is registered by ASIC; and
- (m) **(Target Performance Rights)** Either:
 - (i) all Target Performance Rights have been cancelled on terms agreed by the Bidder or have automatically vested in accordance with their terms by the Cut-Off Time, and any necessary waiver of, or approval under, the ASX Listing Rules have been obtained in relation to the cancellation of the Target Performance Rights; or
 - (ii) all Target Performance Rights have been cancelled for no consideration or have automatically vested in accordance with their terms by the Cut-Off Time, in such manner as does not require any waiver of, or approval under, the ASX Listing Rules in relation to the cancellation of the Target Performance Rights.

3.2 Benefit and waiver of conditions precedent

- (a) The Conditions in clauses 3.1(a) (*Shareholder approval*), 3.1(b) and (*Court approval*) cannot be waived.
- (b) The Conditions in clauses 3.1(c) (*Regulatory Approvals*), 3.1(d) (*ACCC*), 3.1(e) (*NZCC*), 3.1(g) (*ASIC and ASX*), and 3.1(f) (*Restraints*) and are for the benefit of both the Target and the Bidder and any breach or non-satisfaction of them may only be waived (if capable of waiver) with the written consent of both the Target and the Bidder.

Appendix 4 Scheme Implementation Deed

- (c) The Conditions in clauses 3.1(h) (*No Target Prescribed Occurrences*), 3.1(i) (*No Target Material Adverse Change*) and 3.1(j) (*Target Warranties*) and 3.1(m) (*Target Performance Rights*) are for the sole benefit of the Bidder and any breach or non-satisfaction of them may only be waived by the Bidder by notice in writing to the Target.
- (d) The Conditions in clauses 3.1(k) (*Bidder Warranties*) and 3.1(l) (*Independent Expert*) are for the sole benefit of the Target and any breach or non-satisfaction of them may only be waived by the Target by notice in writing to the Bidder.
- (e) A party entitled to waive the breach or non-satisfaction of a Condition pursuant to this clause 3.2 (either individually or jointly) may do so in its absolute discretion. Any waiver of a Condition by a party for whose benefit the Condition applies must take place on or prior to the Delivery Time.
- (f) If a party waives the breach or non-satisfaction of any Condition, that waiver will not preclude it from suing the other party for any breach of this deed including, without limitation, a breach that resulted in the non-fulfilment of the Condition that was waived.

3.3 Reasonable endeavours to satisfy Conditions

- (a) Subject to clause 3.3(e), the Target and the Bidder must and must procure that each of their Related Bodies Corporate:
 - (i) use all reasonable endeavours to satisfy the Conditions Precedent as soon as possible after the date of this agreement including, to the extent within its control, procuring performance by a Third Party;
 - (ii) provide all reasonable assistance to the other as is necessary to satisfy the Conditions Precedent; and
 - (iii) not take any action that will or is likely to hinder or prevent the satisfaction of the Conditions Precedent.
- (b) Subject to clause 3.3(e), the Target must provide the Bidder with all information the Bidder reasonably requires to prepare any application, submission, response or other material for the purpose of seeking to satisfy the ACCC Condition Precedent and obtaining all Regulatory Approvals.
- (c) Subject to clause 3.3(e), the Bidder must:
 - (i) file all notices and applications for approval that are necessary with the ACCC in respect to the ACCC Condition Precedent obtaining all Regulatory Approvals;
 - (ii) provide the Target's representative with drafts of any submissions or substantive correspondence proposed to be sent to the ACCC in respect to the ACCC Condition Precedent and any Government Agency in respect of any other Regulatory Approvals, and allow the Target's representative a reasonable opportunity to comment on any such submissions or correspondence;
 - (iii) promptly provide the Target's representative with a copy of all material correspondence received from the ACCC any Government Agency in respect of any other Regulatory Approvals; and
 - (iv) keep the Target's representative reasonably informed of its progress in a timely manner in seeking to ensure the satisfaction of the ACCC Condition Precedent and in respect of any other Regulatory Approvals.
- (d) The Target must not, and must procure that Target Group Members do not, make any unsolicited contact with the ACCC or any other Government Agency in relation to the transactions contemplated by this agreement without the prior written consent of the Bidder (not to be unreasonably withheld).
- (e) In relation to any required disclosure of competitively sensitive information, the Target may comply with clause 3.3(b), and the Bidder may comply with clause 3.3(c), by providing such information to the other party's external lawyers on an external-counsel-only basis.

3.4 Target Performance Rights

- (a) The Target must, before the Cut-Off Time, take all action necessary to ensure that all Target Performance Rights are cancelled, or automatically vest in accordance with their terms, and must use all reasonable efforts to obtain any necessary waivers of the ASX Listing Rules in relation to such cancellation.

3.5 Notifications

The Target and the Bidder must each:

- (a) keep the other party promptly and reasonably informed of the steps the party has taken and of the party's progress towards satisfaction of the Conditions;
- (b) promptly notify the other party in writing if the party becomes aware that any Condition has been satisfied; and
- (c) promptly notify the other party in writing if the party becomes aware that any Condition is, or has become, incapable of being satisfied by the date specified in this deed for the satisfaction of the Condition (having regard to the respective obligations of each party under clause 3.3).

3.6 Scheme voted down

If the Condition in clause 3.1(a) is not satisfied by reason only of the non-satisfaction of the Headcount Test and the Target or the Bidder considers (acting reasonably) that Share Splitting or some other abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied, then the Target must:

- (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- (b) make such submissions to the Court and file such evidence as counsel engaged by the Target to represent the Target in Court proceedings related to the Scheme considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

3.7 Conditions not capable of being fulfilled

- (a) If any Condition:
 - (i) is not satisfied;
 - (ii) becomes incapable of being satisfied; or
 - (iii) where the Condition is capable of waiver, is not waived in accordance with clause 3.2,

in each case by the date specified in this deed for the satisfaction of the Condition, then, subject to clause 3.7(d), either of the Target or the Bidder may give written notice (**Consultation Notice**) to the other within 5 Business Days after the date that the relevant notice relating to the Condition is given under clause 3.5(c).

- (b) Upon delivery of the Consultation Notice, the Target and the Bidder must consult in good faith with a view to determining whether the Target and the Bidder can reach agreement with respect to:
 - (i) the terms (if any) on which the party with the benefit of the relevant Condition the subject of the Consultation Notice will waive that Condition;
 - (ii) an extension of the time for satisfaction of the relevant Condition the subject of the Consultation Notice or an extension of the End Date (as the case may be); or
 - (iii) the Proposed Transaction proceeding by way of alternative means or methods.
- (c) If:

Appendix 4 Scheme Implementation Deed

- (i) the Target and the Bidder are unable to reach agreement in the manner contemplated under clause 3.7(b) within 5 Business Days after a Consultation Notice is given;
 - (ii) a Consultation Notice is not given within the timeframe specified in clause 3.7(a); or
 - (iii) the Scheme has not become Effective by the End Date,
- then, subject to clause 3.2 and clause 3.7(d), either the Target or the Bidder may terminate this deed by notice in writing prior to the Delivery Time (**Termination Notice**) to the other without any liability to any party by reason of that termination alone.
- (d) A party will not be entitled to give a Consultation Notice or a Termination Notice if the relevant Condition has not been satisfied or has become incapable of being satisfied or the Scheme has not become Effective by the End Date (as the case may be) as a result of:
 - (i) a breach of this deed by that party; or
 - (ii) a deliberate act or omission of that party which directly or materially contributed to that Condition not being satisfied or the Scheme not becoming Effective by the End Date (as the case may be).

3.8 Interpretation

For the purposes of this clause 3, a Condition is incapable of satisfaction, or will be incapable of being satisfied, if there is an act, failure to act or occurrence that will prevent the Condition being satisfied by the date specified in this deed for the satisfaction of the Condition (and the breach or non-satisfaction that would otherwise have occurred has not already been waived in accordance with this deed).

4. Scheme structure

4.1 Scheme

The parties acknowledge and agree that, subject to the Scheme becoming Effective, the general effect of the Scheme will be that:

- (a) each Scheme Shareholder will be entitled to receive the Scheme Consideration for each Scheme Share held by the Scheme Shareholder at the Record Date; and
- (b) all of the Scheme Shares will be transferred to Bidder as provided for in the Scheme,
- (c) in each case on the Implementation Date and otherwise in accordance with the terms of the Scheme.

4.2 Scheme Consideration

- (a) Bidder covenants in favour of Target (in its own right and separately as trustee for each Scheme Shareholder) that, if the Scheme becomes Effective, in consideration of the transfer to Bidder of all the Scheme Shares held by a Scheme Shareholder under the Scheme:
 - (i) on the Implementation Date it will accept that transfer; and
 - (ii) it will pay, or procure the payment, into a trust account operated by Target as trustee for the Scheme Shareholders (in proportion to their respective holdings of Scheme Shares) of an amount in cleared funds equal to the aggregate amount of the Scheme Consideration for all Scheme Shares, by no later than the Business Day before the Implementation Date (provided that any interest on the amount so deposited (less bank fees and other charges) will accrue for the benefit of Bidder),
 - (iii) in each case in accordance with the terms of the Scheme.

- (b) Subject to the Scheme becoming Effective and Bidder complying with its obligations under clause 4.2(a) , at 10.00am on the Implementation Date, the transactions which form part of the Scheme will be implemented in the following sequence:
 - (i) all Scheme Shares will be transferred to Bidder; and
 - (ii) in exchange, each Scheme Shareholder will receive the Scheme Consideration, which Target will procure is paid to each Scheme Shareholder from the trust account referred to in clause 4.2(a)(ii).
 - (iii) Where the calculation of the Scheme Consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up to the nearest whole cent.

5. Scheme – parties' respective implementation obligations

5.1 Target's obligations

The Target must take all steps reasonably necessary to propose and (subject to all of the Conditions being satisfied or waived in accordance with their terms) implement the Scheme as soon as reasonably practicable after the date of this deed and substantially in accordance with the Timetable, including without limitation taking each of the following steps:

- (a) **(Scheme Booklet):** prepare the Scheme Booklet in compliance with all applicable laws, RG 60 and in accordance with clause 5.3;
- (b) **(Target Information):** ensure that the Target Information is not misleading or deceptive in any material respect (whether by omission or otherwise) including in the form and context in which it appears in the Scheme Booklet;
- (c) **(consultation with the Bidder in relation to Scheme Booklet):** consult with the Bidder as to the content and presentation of the Scheme Booklet including:
 - (i) making available to the Bidder drafts of the Scheme Booklet and the Independent Expert's Report for the purpose of enabling the Bidder to review and comment on those draft documents. In relation to the Independent Expert's Report, the Bidder's review is to be limited to a factual accuracy review;
 - (ii) consulting with the Bidder in relation to the content of those drafts (other than the Bidder Information), and consider in good faith, for the purposes of amending those drafts, comments from the Bidder on those drafts; and
 - (iii) providing to the Bidder a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet referred to in clause 5.1(i)(i) is finalised and to enable the Bidder to review that draft of the Scheme Booklet before its submission to ASIC in the manner contemplated under clause 5.1(i)(i);
- (d) **(directors' recommendation):** Subject to clause 66(d), include in the Scheme Booklet:
 - (i) the statement by the Target Board contemplated under clause 6(a)(ii); and
 - (ii) a statement that all Target Directors will (in the absence of a Superior Proposal and subject to the Independent Expert concluding in the Independent Expert's Report (or in any update of, or revision, amendment or addendum to, that report) that the Scheme is in the best interest of Scheme Shareholders) vote, or procure the voting of, any Target Director Shares relating to them as at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting,
- (e) unless there has been a change of recommendation contemplated by clause 6(b) or other than as a result of the circumstances described in clause 66(d);
- (f) **(Independent Expert):** promptly appoint the Independent Expert to prepare and provide the Independent Expert's Report, and provide any assistance and information to enable the Independent Expert to prepare the Independent Expert's Report;

Appendix 4 Scheme Implementation Deed

- (g) **(approval of the Bidder Information):** subject to clause 5.3(c), seek written approval from the Bidder for the form and context in which the Bidder Information appears in the Scheme Booklet (which approval the Bidder must not unreasonably withhold or delay) and not lodge the Scheme Booklet with ASIC until such approval is obtained from the Bidder;
- (h) **(approval of draft for ASIC):** as soon as reasonably practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a meeting of the Target Board, or of a committee of the Target Board appointed for the purpose, is held to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;
- (i) **(liaison with ASIC and ASX):** as soon as reasonably practicable after the date of this deed:
 - (i) provide an advanced draft of the Scheme Booklet approved in accordance with clauses 5.1(h) and 5.2(f) to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and
 - (ii) liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet and keep the Bidder reasonably informed of any matters raised by ASIC or ASX in relation to the Scheme Booklet or the Proposed Transaction and use reasonable endeavours, in consultation with the Bidder, to resolve any such matters;
- (j) **(information):** provide all necessary information, and procure that the Target Registry provides all necessary information, in each case in a form reasonably requested by the Bidder, about the Scheme, the Scheme Shareholders and Target Shareholders to the Bidder and its Authorised Persons, which the Bidder reasonably requires in order to canvass support of the Scheme by Target Shareholders (including the results of directions by the Target to Target Shareholders under Part 6C.2 of the Corporations Act), and the Target must comply with any reasonable request of the Bidder for the Target to give directions to Target Shareholders pursuant to Part 6C.2 of the Corporations Act from time to time for one of these purposes;
- (k) **(Shareholder support)** promote to its Shareholders the merits of the Scheme, including soliciting proxy votes in favour of the Scheme;
- (l) **(approval of Scheme Booklet):** as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the Target Board, or of a committee of the Target Board appointed for the purpose, is held to consider approving the Scheme Booklet for despatch to Target Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;
- (m) **(listing):** subject to clause 5.1(y), not do anything to cause Target Shares to cease being quoted on ASX or to become permanently suspended from quotation prior to implementation of the Proposed Transaction unless the Bidder has agreed in writing;
- (n) **(update Scheme Booklet):** without limiting the Target's obligations under clause 5.4(a), until the date of the Scheme Meeting, promptly update or supplement the Scheme Booklet with, or where appropriate otherwise inform the market by way of announcement of, any information that arises after the Scheme Booklet has been despatched that is necessary to ensure that the Scheme Booklet does not contain any material statement that is false or misleading in a material respect including because of any material omission from that statement, and seek the Court's approval for the despatch of any updated or supplementary Scheme Booklet. The Target must consult with the Bidder as to the content and presentation of the updated or supplementary Scheme Booklet, or the market announcement, in the manner contemplated by clause 5.1(c);
- (o) **(section 411(17)(b) statements):** apply to ASIC for the production of:
 - (i) an indication of intent letter stating that ASIC does not intend to appear before the Court on the First Court Date; and

- (ii) a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (p) **(first Court hearing)**: lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approval in clause 5.1(l) and the written statements in clause 5.1(o) have been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing the Target to convene the Scheme Meeting;
- (q) **(representation)**: procure that the Target is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act and at which, through its counsel or solicitors, the Target will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this deed, the Scheme and/or in connection with the Proposed Transaction;
- (r) **(registration of Scheme Booklet)**: if the Court directs Target to convene the Scheme Meeting, as soon as possible after such orders are made, request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- (s) **(convening Scheme Meeting)**: take all reasonable steps necessary to comply with the orders of the Court given on the First Court Date including, as required, despatching the Scheme Booklet to Target Shareholders and convening and holding the Scheme Meeting, provided that if this deed is terminated under clause 14 Target will take all steps reasonably required to ensure the Scheme Meeting is not held;
- (t) **(certificate)**: at the Court hearing on the Second Court Date, provide to the Court:
 - (i) a certificate, in the form of a deed, (substantially in the form attached in Annexure C) confirming (in respect of matters within the Target's knowledge) whether or not the Conditions (other than the Condition in clause 3.1(b)) have been satisfied or waived in accordance with this deed. A draft of such certificate shall be provided by the Target to the Bidder by 5.00pm on the date that is 2 Business Days prior to the Second Court Date; and
 - (ii) any certificate provided to it by the Bidder pursuant to clause 5.2(l);
- (u) **(Court approval application)**: if:
 - (i) the resolution submitted to the Scheme Meeting is passed by the majorities required under the Corporations Act or, where clause 3.6 applies, the majority required under section 411(4)(a)(ii)(B) of the Corporations Act; and
 - (ii) where necessary, the Target and the Bidder agree on the Business Day immediately following the Scheme Meeting that it can be reasonably expected that all of the Conditions (other than the Condition in clause 3.1(b)) will be satisfied or waived prior to the Delivery Time,
 apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme;
- (v) **(appeal process)**: if the Court refuses to make any orders directing the Target to convene the Scheme Meeting or approving the Scheme, the Target and the Bidder must:
 - (i) consult with each other in good faith as to whether to appeal the Court's decision; and
 - (ii) appeal the court decision unless the parties agree otherwise or an independent senior counsel opines that, in his or her view, an appeal would have no reasonable prospect of success;
- (w) **(implementation of Scheme)**: if the Scheme is approved by the Court:
 - (i) subject to the Listing Rules, lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act

Appendix 4 Scheme Implementation Deed

- by no later than the Business Day after the date on which the Court orders were made (or such later date as agreed in writing between the Target and the Bidder);
- (ii) determine entitlements to the Scheme Consideration as at the Record Date in accordance with the Scheme;
- (iii) execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares to Bidder on the Implementation Date; and
- (iv) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (x) **(documents)**: consult with the Bidder in relation to the content of the documents required for the purpose of the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, comments from the Bidder and its Authorised Persons on those documents;
- (y) **(suspension from trading)**: apply to ASX to suspend trading in Target Shares with effect from the close of trading on the Effective Date; and
- (z) **(compliance with laws)**: do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

5.2 The Bidder's obligations

The Bidder must take all steps reasonably necessary to assist the Target to implement the Scheme as soon as reasonably practicable after the date of this deed and substantially in accordance with the Timetable including, without limitation, taking each of the following steps:

- (a) **(Bidder Information)**: provide to the Target, in a form appropriate for inclusion in the Scheme Booklet, the Bidder Information, which information must (without limiting the foregoing):
 - (i) contain all information necessary to enable Target to ensure that the Scheme Booklet complies with the requirements of RG 60; and
 - (ii) not be misleading or deceptive in any material respect (whether by omission or otherwise) including in the form and context in which it appears in the Scheme Booklet;
- (b) **(confirmation of Bidder Information)**: subject to clause 5.3(c), promptly after the Target requests that it does so, confirm in writing to the Target that the Bidder consents to the inclusion of the Bidder Information in the Scheme Booklet, in the form and context in which the Bidder Information appears (such consent not to be unreasonably withheld or delayed provided that the Target has complied with clause 5.3(c));
- (c) **(Independent Expert)**: promptly provide all assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare the Independent Expert's Report for inclusion in the Scheme Booklet;
- (d) **(assistance with Scheme Booklet and Court documents)**: promptly provide any assistance or information reasonably requested by the Target or its Advisers in connection with the preparation of the Scheme Booklet (including any supplementary disclosure to Target Shareholders) and any documents required to be filed with the Court in respect of the Scheme;
- (e) **(review of Scheme Booklet)**: as soon as reasonably practicable after receipt, review the drafts of the Scheme Booklet prepared by the Target and provide comments on those drafts in good faith;
- (f) **(approval of draft for ASIC)**: as soon as reasonably practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a the board of directors of the Bidder, or of a committee of the board of directors of the Bidder appointed for the purpose, duly resolve to approve those sections of that draft that relate to the Bidder as being in a form appropriate for provision to ASIC for review;

- (g) **(approval of Scheme Booklet)**: as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, procure that the board of directors of the Bidder, or of a committee of the board of directors of the Bidder appointed for the purpose, duly resolve to approve those sections of the Scheme Booklet that relate to the Bidder as being in a form appropriate for despatch to Target Shareholders, subject to approval of the Court;
- (h) **(update of Bidder Information)**: without limiting the Bidder's obligations under clause 5.2(a), until the date of the Scheme Meeting:
 - (i) promptly update or supplement the Bidder Information with all information that arises after the Scheme Booklet has been despatched that is necessary to ensure that the Bidder Information does not contain any material statement that is false or misleading in a material respect including because of any material omission from that statement; and
 - (ii) promptly provide to the Target any such information contemplated under clause 5.2(h)(i), in a form appropriate for inclusion in any update of the Scheme Booklet, in order to ensure that the Target is able to comply with the Target's obligations under clause 5.1(n);
- (i) **(representation)**: procure that, if requested by Target, the Bidder is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act and at which, through its counsel or solicitors, the Bidder will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this deed, the Scheme, the Deed Poll and/or in connection with the Proposed Transaction;
- (j) **(Deed Poll)**: prior to the First Court Date, execute the Deed Poll;
- (k) **(Target Information)**: without the prior written consent of the Target, not use the Target Information for any purposes inconsistent with the Confidentiality Agreement;
- (l) **(certificate)**: as soon as reasonably practicable after the Delivery Time and, in any event, before the commencement of the Court hearing on the Second Court Date, provide to the Target for provision to the Court at that hearing a certificate, in the form of a deed, (substantially in the form attached in Annexure C) confirming (in respect of matters within the Bidder's knowledge) whether or not the Conditions (other than the Condition in clause 3.1(b)) have been satisfied or waived in accordance with this deed; and
- (m) **(compliance with laws)**: do everything reasonably within the Bidder's power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

5.3 Scheme Booklet - preparation principles

- (a) As soon as reasonably practicable after the date of this deed and substantially in accordance with the Timetable, the Target must prepare the Scheme Booklet in compliance with:
 - (i) all applicable laws, in particular with the Corporations Act, RG 60 and the Listing Rules; and
 - (ii) this clause 5.3.
- (b) The Scheme Booklet will include:
 - (i) the terms of the Scheme;
 - (ii) the notice of Scheme Meeting;
 - (iii) the Target Information (other than the Target Information referred to in clauses 5.3(b)(i) and 5.3(b)(ii));
 - (iv) the Bidder Information;
 - (v) a copy of this deed (without the schedules or annexures);
 - (vi) a copy of the Deed Poll executed by the Bidder; and

Appendix 4 Scheme Implementation Deed

- (vii) a copy of the Independent's Expert Report.
- (c) If the Target and the Bidder disagree on the form or content of the Scheme Booklet, the Target and the Bidder must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:
 - (i) If the disagreement relates to the form or content of any information appearing in the Scheme Booklet other than the Bidder Information, the Target Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet; and
 - (ii) if the disagreement relates to the form or content of the Bidder Information, the Target will make such amendments to the form or content of the disputed part of the Bidder Information as the Bidder, acting in good faith, requires.
- (d) The Target must take all reasonable steps to ensure that the Scheme Booklet (other than the Bidder Information) is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date it is despatched to Target Shareholders.
- (e) The Bidder must take all reasonable steps to ensure that the Bidder Information is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date on which the Scheme Booklet is despatched to Target Shareholders.
- (f) The Target and the Bidder each agree that the efficient preparation of the Scheme Booklet and the implementation of the Scheme are in the interests of Target Shareholders and the Bidder and that they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under this clause 5.3 and to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable.

5.4 New information

- (a) The Target must provide to the Bidder all such further or new information of which the Target becomes aware that arises after the Scheme Booklet has been despatched to Target Shareholders until the date of the Scheme Meeting which is, or may be, necessary to ensure that the Scheme Booklet continues to comply with the Corporations Act, RG 60 and the Listing Rules.
- (b) The Bidder must provide to Target all such further or new information of which the Bidder becomes aware that arises after the Scheme Booklet has been despatched to Target Shareholders until the date of the Scheme Meeting which is, or may be, necessary to ensure that the Scheme Booklet continues to comply with the Corporations Act, RG 60 and the Listing Rules.

5.5 Verification

- (a) The Target must undertake reasonable verification processes in relation to the information included in the Scheme Booklet (other than the Bidder Information) so as to ensure that such information is not misleading or deceptive in any material respect (whether by omission or otherwise) and, once those processes have been completed, provide written confirmation to the Bidder of the completion of such processes and provide to the Court any such evidence as the Target's counsel considers necessary or desirable concerning those verification processes.
- (b) The Bidder must undertake reasonable verification processes in relation to the Bidder Information included in the Scheme Booklet so as to ensure that such information is not misleading or deceptive in any material respect (whether by omission or otherwise) and, once those processes have been completed, provide written confirmation to the Target of the completion of such processes and provide to the Court any such evidence as the Target's counsel considers necessary or desirable concerning those verification processes.

5.6 Responsibility statements

The Scheme Booklet will include a responsibility statement, that will contain words to the following effect:

- (a) the Target is responsible for the Target Information and that, to the maximum extent permitted by law, the Target will not be responsible for any Bidder Information and will disclaim any liability for the Bidder Information appearing in the Scheme Booklet; and
- (b) the Bidder is responsible for the Bidder Information and that, to the maximum extent permitted by law, the Bidder will not be responsible for any information appearing in the Scheme Booklet other than the Bidder Information and will disclaim any liability for any information appearing in the Scheme Booklet other than the Bidder Information.

5.7 Good faith cooperation

The Target and the Bidder must each use all reasonable endeavours to procure that its Authorised Persons work (including by attending meetings and by providing information) in good faith and in a timely and co-operative manner with the other parties to implement the Scheme, to prepare all documents required relating to the Scheme.

6. Board recommendation

- (a) Subject to clause 6(d), the Target must use its best endeavours to procure that, subject to clause 6(b):
 - (i) each member of the Target Board recommends that Target Shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the independent Expert concluding in the Independent Expert's Report (or in any update of, or revision, amendment or addendum to, that report) that the Scheme is in the best interest of Scheme Shareholders; and
 - (ii) the Scheme Booklet includes a statement by the Target Board to the effect set out in clause 6(a)(i).
- (b) Subject to clause 6(d), the Target must use its best endeavours to procure the Target Board collectively, and each member of the Target Board individually, does not change, withdraw or modify its, his or her recommendation to vote in favour of the Scheme unless:
 - (i) the Independent Expert concludes in the Independent Expert's Report (or any update of, or revision, amendment or addendum to, that report) that the Scheme is not in the best interest of Scheme Shareholders;
 - (ii) the Target has received (other than as a result of a breach by the Target of clause 10), a Competing Proposal and the Target Directors unanimously determine, after all of Bidder's rights under clause 10.6 have been exhausted, that the Competing Proposal constitutes a Superior Proposal; or
 - (iii) in the case of the recommendation in clause 6(a)(i) by a Target Director, the Target Director may withdraw his or her recommendation so as to not make any recommendation only to the extent that, after first obtaining written advice from independent senior counsel of the New South Wales bar, the Target Director reasonably determines that he or she has an interest in the Scheme that renders it inappropriate for him or her to maintain any such recommendation (**Scheme Interest**), and the Court would be unlikely to grant an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting or under section 411(4)(b) and 411(6) of the Corporations Act approving the Scheme, in each case solely as a result of the Scheme Interest,and the Target has complied with its obligations under clause 10.
- (c) For the purposes of this clause 6, customary qualifications and explanations contained in the Scheme Booklet in relation to a recommendation to vote in favour of the Scheme to the effect that the recommendation is made in the absence of a Superior Proposal and/or subject to the Independent Expert concluding in the Independent Expert's Report (or in

Appendix 4 Scheme Implementation Deed

any update of, or revision, amendment or addendum to, that report) that the Scheme is in the best interest of Scheme Shareholders will not be regarded as a failure to make, or a withdrawal of the making of, a recommendation in favour of the Scheme.

- (d) The obligations of the Target under clauses 6(a) and 6(b) to ensure that each member of the Target Board provides and maintains his or her recommendation to vote in favour of the Scheme is qualified to the extent that any member of the Target Board considers, after taking written advice from his or her legal adviser, that he or she should not provide or continue to maintain any recommendation (positive or adverse) because that member of the Target Board has an interest that is so materially different from other Target Shareholders which would properly preclude him or her from providing any such recommendation.

7. Conduct of business before the Implementation Date

7.1 Conduct of Target business

- (a) Subject to clauses 7.2 and 7.3, from the date of this deed up to and including the Implementation Date, and without limiting any other obligations of the Target under this deed, the Target must ensure that the business of the Target Group is conducted in the ordinary and usual course of business and must:
 - (i) operate the business of the Target Group consistent with past practice, in substantially the same manner as previously conducted in the 12 months before the date of this deed;
 - (ii) take all reasonable steps to ensure customers under existing contracts maintain their custom with the Target Group on similar terms after completion of the Proposed Transaction;
 - (iii) use reasonable endeavours to preserve its relationships, and the relationships of the other Target Group Members, with customers, suppliers, landlords, licensors, licensees, Governmental Agencies and others having material business dealings with a Target Group Member, and to retain the services of all key employees of the Target Group;
 - (iv) use reasonable endeavours to ensure that all assets of each Target Group Member are maintained in the normal course consistent with past practice; and
 - (v) use reasonable endeavours to ensure compliance in all material respects by each Target Group Member with all material contracts to which a Target Group Member is a party, and with all laws, authorisations and licenses applicable to each Target Group Member.
- (b) From the date of this deed up to and including the Implementation Date, and without limiting any other obligations of the Target under this deed, the Target must:
 - (i) not take or fail to take (and procure that each other Target Group Member does not take or fail to take) any action that constitutes a Target Prescribed Occurrence or that could reasonably be expected to result in a Target Prescribed Occurrence; and
 - (ii) not take or fail to take (and procure that each other Target Group Member does not take or fail to take) any action that would, or would be likely to, prevent a Condition being satisfied or result in a Condition not being satisfied.

7.2 Prohibited actions

Subject to clause 7.3 and without limiting the generality of clause 7.1, from the date of this deed up to and including the Implementation Date, the Target must not, and must procure that each other Target Group Member does not:

- (a) declare, pay or distribute any dividend, bonus or other share of its profits or assets or return or agree to return any capital to its members;

- (b) make any change to its constitution, except with the written consent of the Bidder;
- (c) commence or undertake business activities which are materially different in nature to business activities already carried out as at the date of this deed, whether by way of acquisition or otherwise;
- (d) do any of the following:
 - (i) acquire or dispose of;
 - (ii) agree, offer or propose to acquire or dispose of; or
 - (iii) announce a bid or tendering for,

any business, entity or undertaking (including any shares or other interests in any company or other entity) or interest in real property (including giving notice under, or otherwise bringing about the termination or extinguishment of any lease to which any Target Group Member is a party);
- (e) do any of the following:
 - (i) enter into, terminate or materially amend any contract (including renewing or otherwise extending any existing contract) or commitment (other than in respect of financial accommodation or information technology) requiring payments by the Target Group in excess of \$3 million (individually or in aggregate);
 - (ii) waive any material third party default where the financial impact on the Target Group will be in excess of \$500,000 (individually or in aggregate);
 - (iii) write-off any asset or assets where the financial impact on the Target Group will be in excess of \$500,000 (individually or in aggregate), other than where such write-off is required in accordance with applicable accounting standards (including as applied by the Target's Group's auditors or Target Board as part of their review of the financial report for the half-year ended 31 December 2019) or the existing accounting policies of the Target Group;
 - (iv) enter into any lease or lease renewal (or agreement to lease or to renew any lease) in respect of real property, except the Target Group will be permitted to do so where:
 - (A) the term of such lease would be no more than 2 (two) years or where the lease renewal would extend the terms of such lease by no more than 12 months; or
 - (B) the aggregate yearly rent payable pursuant to that lease is not greater than \$50,000;
 - (v) acquire or dispose of, or enter into or announce any agreement for the acquisition or disposal of, any asset or business, or entering into any corporate transaction, which would or would reasonably be likely to involve a material change in the manner in which the Target Group conducts its business or the nature (including balance sheet classification); or
 - (vi) enter into a contract or commitment restraining a Target Group Member from competing with any person or conducting any activities in any market;
- (f) provide, or enter into any contract or commitment to provide, financial accommodation (irrespective of what form of financial indebtedness that accommodation takes) in excess of \$1 million (individually) other than to wholly owned members of the Target Group and other than in the ordinary course of the Target Groups business including the leasing of equipment to customers;
- (g) receive, or enter into any contract or commitment to receive, financial accommodation other than:
 - (i) from one or more wholly owned Target Group Members; or
 - (ii) draw-downs on existing banking facilities to provide financial accommodation;

Appendix 4 Scheme Implementation Deed

- (h) enter into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments;
- (i) enter into, or resolve to enter into, a transaction with any "related party" (as defined in section 228 of the Corporations Act) of the Target or another Target Group Member (other than a related party which is a wholly owned Target Group Member);
- (j) employ, or offer to employ, an individual who is not an employee of a Target Group Member as at the time of signing this deed where the total remuneration payable to that individual would exceed \$300,000 (inclusive of superannuation and other entitlements) in any 12 month period;
- (k) enter into or alter, vary or amend any employment, consulting, severance or similar agreement or arrangement with one or more of its existing officers, directors, other executives or employees, or accelerating or otherwise increasing compensation or benefits for any of the above, where the aggregate financial impact on the Target Group of all such entries, alterations, variations or amendments would be greater than \$1 million in any 12 month period, other than:
 - (i) pursuant to contractual arrangements in effect on the date of this deed and which have been Fairly Disclosed in the Due Diligence Material and/or the Target Disclosure Letter;
 - (ii) as expressly provided for in the Target's policies and guidelines in effect on the date of this deed and which have been Fairly Disclosed in the Due Diligence Material and/or the Target Disclosure Letter;
 - (iii) as expressly provided for in clause 8; or
 - (iv) an increase in compensation or benefits that is in the ordinary and usual course of business, consistent with the Target Group's practice throughout the 12 months preceding the date of this deed, to employees other than executives, or members of the management team, of the Target Group;
- (l) enter into any enterprise bargaining agreement;
- (m) change any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards;
- (n) do anything that would result in a change in the Target Group's consolidated tax group; or
- (o) agree to do any of the matters set in clauses 7.2(a) to 7.2(n) (inclusive).

7.3 Permitted activities

The obligations of the Target under clauses 7.1(a) and 7.2 do not apply in respect of any event, change, circumstance, occurrence, matter or thing:

- (a) expressly required to be done or procured by the Target pursuant to, or which otherwise are contemplated by, this deed or the Scheme;
- (b) required by law or by an order of a court or Government Agency (except where that requirement arises as a result of an action by a Target Group Member); or
- (c) the undertaking or occurrence of which the Bidder has approved in writing (which approval must not be unreasonably withheld or delayed).

7.4 Access

- (a) In the period from the date of this deed to the Implementation Date, the Target must:
 - (i) respond to any reasonable request from the Bidder or its Authorised Persons (including in response to requests for information from financial markets and any Governmental Agency) for information concerning the Target Group and its business and operations as may be required solely in order to implement the Proposed Transaction and on the basis that such information will not be used for any purposes inconsistent with the Confidentiality Agreement; and

- (ii) provide the Bidder and its Authorised Persons with all reasonable access during normal business hours and on reasonable notice to the management, offices, books, records and business operations of the Target that the Bidder reasonably requires in order to implement the Proposed Transaction or for the Bidder to prepare for the transition of ownership of the Target Group to the Bidder.
- (b) Nothing in this clause 7.4 obliges the Target to provide to the Bidder or its Authorised Persons with any information:
 - (i) concerning the Target Directors' consideration of the Scheme; or
 - (ii) which would breach an obligation of confidentiality to any person or any applicable privacy laws.
- (c) The Target will provide reasonable assistance to the Bidder for the purpose of satisfying the obligations which are imposed on the Target under this clause 7.4, but nothing in this clause 7.4 requires the Target to provide access to any documentation or to take any other action that would unreasonably disrupt the usual and ordinary course of the businesses and operations of the Target Group.

7.5 Access to the Bidder information

- (a) In the period from the date of this deed up until and including the Implementation Date, the Bidder must ensure that the Bidder Group Members respond to any reasonable request from the Target and its Authorised Persons (including in response to requests for information from financial markets and any Governmental Agency) for information concerning the Bidder Group and its business and operations as may be required solely in order to implement the Proposed Transaction and on the basis that such information will not be used for any purposes inconsistent with the Confidentiality Agreement.
- (b) Nothing in this clause 7.5 requires the Bidder to provide the Target with any information:
 - (i) concerning the consideration of the Proposed Transaction by the board of directors of the Bidder; or
 - (ii) which would breach an obligation of confidentiality to any person or any applicable privacy laws.
- (c) The Bidder will provide reasonable assistance to the Target for the purpose of satisfying the obligations which are imposed on the Bidder under this clause 7.5, but nothing in this clause 7.5 requires the Bidder to provide access to any documentation or to take any other action that would disrupt the usual and ordinary course of the businesses and operations of the Bidder Group.

7.6 Third Party Consent Contracts

The Target must as soon as possible after the date of this agreement use reasonable endeavours to obtain the consent or waiver of each counterparty to a Third Party Consent Contract in which, as a result of the announcement or implementation of the Proposed Transaction, a Target Group Member is or will be required to obtain the consent of a counterparty, or the counterparty is or will be entitled to be provided with a notification of the Proposed Transaction including by taking the following actions, and such other actions as are agreed by the Bidder in writing:

- (a) writing a letter to the counterparty to a Third Party Consent Contract on terms agreed with the Bidder, which must be issued by no later than 5 Business Days after the date of this document;
- (b) meeting face to face with each counterparty to a Third Party Consent Contract agreed with the Bidder, to provide an overview of the Proposed Transaction and of the Bidder and broadly following a communications script to be agreed in writing by the parties as soon as possible after the date of this document and inviting a representative of the Bidder to attend all such meetings; and

Appendix 4 Scheme Implementation Deed

- (c) promptly responding to all questions from, and continuing to pro-actively interact with and seek the consent or waiver from each counterparty to a Third Party Consent Contract to obtain that consent or waiver prior to the Cut Off Time,

8. Reconstitution of the board of each Target Group Member

8.1 Appointment of directors

- (a) On or prior to the Implementation Date, the Target must take all actions necessary (and in accordance with the constitution of each relevant Target Group Member, the Corporations Act and the Listing Rules) to appoint with effect from implementation of the Scheme each person nominated by the Bidder prior to the Implementation Date as a director and/or secretary of a Target Group Member (**Incoming Officer**), subject to:
 - (b) the Scheme Consideration having been provided in full by the Bidder in accordance with the Scheme; and
 - (c) the Target having received from each Incoming Officer prior to the Implementation Date a signed consent to act as a director and/or secretary of each relevant Target Group Member that the Incoming Officer is proposed to be appointed as a director and/or secretary (as the case may be).

8.2 Resignation of directors

- (a) Without limiting clause 8.1, on or prior to the Implementation Date, the Target must take all actions necessary (and in accordance with the constitution of each relevant Target Group Member, the Corporations Act and the Listing Rules) to:
 - (b) procure, prior to the Implementation Date, from each person acting immediately prior to the Implementation Date as a director and/or secretary of each Target Group Member (**Outgoing Officer**) a written resignation as a director and/or secretary (as the case may be) of the relevant Target Group Member and to the effect that the Outgoing Officer has no Claim outstanding against any Target Group Member in respect of the Outgoing Officer's office as a director and/or secretary of a Target Group Member; and
 - (c) subject to the Scheme Consideration having been provided in full by the Bidder in accordance with the Scheme, cause each Outgoing Officer to resign as a director and/or secretary of the Target Group Member with effect from implementation of the Scheme.

9. Representations and warranties

9.1 Bidder representations and warranties

- (a) The Bidder represents and warrants to the Target (on the Target's own behalf and separately as trustee for each other Target Indemnified Party) that each of the matters set out in clause 9.1(b) is true and correct as at the date of this deed and at all subsequent times until the Delivery Time (except that where any statement is expressed to be made at a particular date or time only it is given only at that date or time).
- (b) The Bidder represents and warrants to the Target that:
 - (i) the Bidder Information provided for inclusion in the Scheme Booklet, as at the date the Scheme Booklet is despatched to Target Shareholders, will not contain any statement which is materially misleading or deceptive (with any statement of belief or opinion having been formed on a reasonable basis), including by way of omission from that statement;
 - (ii) the Bidder Information:
 - (A) will be provided to the Target in good faith and on the understanding that the Target and each other Target Party will rely on that information for the purposes of preparing the Scheme Booklet and proposing the Scheme; and

- (B) will comply in all material respects with the requirements of the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules,

and all information provided by the Bidder to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report;

- (iii) the Bidder will, as a continuing obligation, provide to the Target all further or new information which arises after the Scheme Booklet has been despatched to Target Shareholders until the date of the Scheme Meeting which is necessary to ensure that the Bidder Information is not misleading or deceptive (including by way of omission);
- (iv) the Bidder is a validly existing corporation registered under the laws of its place of incorporation;
- (v) the execution and delivery of this deed has been properly authorised by all necessary corporate action of the Bidder;
- (vi) the Bidder has full capacity, corporate power and lawful authority to execute, deliver and perform this deed;
- (vii) this deed does not conflict with or result in the breach of or a default under:
 - (A) any provision of the Bidder's constitution; or
 - (B) any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which the Bidder or any other Bidder Group Member is bound,and it is not otherwise bound by any agreement that would prevent or restrict it from entering into or performing this deed;
- (viii) this deed is a valid and binding obligation of the Bidder, enforceable in accordance with its terms;
- (ix) the Bidder does not require the approval of its shareholders or the approval or consent of any other person to enter into or perform any of its obligations under this deed, other than approvals already obtained;
- (x) no Insolvency Event has occurred in relation to the Bidder or another substantial Bidder Group Member, nor has any regulatory action of any nature of which the Bidder is aware been taken that would prevent or restrict the Bidder's ability to fulfil its obligations under this deed;

9.2 Bidder's indemnity

The Bidder agrees with the Target (on the Target's own behalf and separately as trustee or nominee for each other Target Indemnified Party) to indemnify and keep indemnified each Target Indemnified Party from and against all Claims which any Target Indemnified Party may suffer or incur by reason of any of the representations and warranties in clauses 9.1(a) or 9.1(b) being untrue or incorrect or any breach of any of the representations and warranties in clauses 9.1(a) or 9.1(b).

9.3 Target representations and warranties

- (a) The Target represents and warrants to the Bidder (on the Bidder's own behalf and separately as trustee for each other Bidder Indemnified Party) that each of the matters set out in clause 9.3(b) is true and correct as at the date of this deed and at all subsequent times until the Delivery Time (except that where any statement is expressed to be made at a particular date or time only it is given only at that date or time).
- (b) The Target represents and warrants to the Bidder that:
 - (i) the Target Information, as at the date the Scheme Booklet is despatched to Target Shareholders, will not contain any statement which is materially misleading or

Appendix 4 Scheme Implementation Deed

- deceptive (with any statement of belief or opinion having been formed on a reasonable basis), including by way of omission from that statement;
- (ii) the Target Information:
- (A) will be prepared in good faith and on the understanding that the Bidder and each other Bidder Party will rely on that information for the purposes of determining whether to proceed with the Proposed Transaction; and
 - (B) will comply in all material respects with the requirements of the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules,
- and all information provided by the Target to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report;
- (iii) the Target will, as a continuing obligation (but in respect of the Bidder Information, only to the extent that the Bidder provides the Target with updates to the Bidder Information), ensure that the Scheme Booklet is updated to include all further or new information which arises after the Scheme Booklet has been despatched to Target Shareholders until the date of the Scheme Meeting which is necessary to ensure that the Target Information is not misleading or deceptive (including by way of omission);
- (iv) the Target is a validly existing corporation registered under the laws of its place of incorporation;
- (v) the execution and delivery of this deed has been properly authorised by all necessary corporate action of the Target;
- (vi) the Target has full capacity, corporate power and lawful authority to execute, deliver and perform this deed;
- (vii) this deed does not conflict with or result in the breach of or a default under:
- (A) any provision of the Target's constitution; or
 - (B) any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which the Target or any other Target Group Member is bound,
- and it is not otherwise bound by any agreement that would prevent or restrict the Target from entering into or performing this deed;
- (viii) this deed is a valid and binding obligation of the Target, enforceable in accordance with its terms;
- (ix) the Target has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure, other than in relation to:
- (A) the Proposed Transaction; or
 - (B) any matter Fairly Disclosed by the Target to the Bidder prior to the date of this deed;
- (x) the Target's capital structure, including all issued securities as at the date of this deed, is as set out below and the Target has not issued or granted (or agreed to issue or grant) any other securities, options, warrants, performance rights or other instruments which are still outstanding and may convert into Target Shares and the Target is not under any obligation to issue or grant, and no person has any right to call for the issue or grant of, any Target Shares, options, warrants, performance rights or other securities or instruments in the Target:
- (A) 449,257,045 Target Shares; and

(B) the Target Performance Rights;

- (xi) all the issued securities of each Target Group Member (other than the Target) are held by either the Target or another Target Group Member that is directly or indirectly wholly-owned by the Target and no Target Group Member has issued or granted (or agreed to issue or grant) any other securities, options, warrants, performance rights or other instruments which are still outstanding and may convert into shares and no Target Group Member is under any obligation to issue or grant, and no person has any right to call for the issue or grant of, any shares, options, warrants, performance rights or other securities or instruments in a Target Group Member;
- (xii) any company, partnership, trust, joint venture or other enterprise or entity in which a Target Group Member owns or has an equity interest is set out in the Due Diligence Material and/or the Target Disclosure Letter;
- (xiii) except for approval under section 411(4)(a)(ii) of the Corporations Act, the Target does not require the approval of its shareholders or, so far as the Target is aware, the approval or consent of any other person to enter into or perform any of its obligations under this deed;
- (xiv) no Insolvency Event has occurred in relation to the Target or another substantial Target Group Member, nor has any regulatory action of any nature of which it is aware been taken that would prevent or restrict its ability to fulfil its obligations under this deed;
- (xv) each Target Group Member has complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign Governmental Agencies having jurisdiction over them and have all material licenses, authorisations and permits necessary for them to conduct the business of the Target Group as presently being conducted;
- (xvi) the Target has collated and prepared all of the Due Diligence Materials and the Target Disclosure Letter in good faith and, as far as the Target is aware, the Due Diligence Materials and Target Disclosure Letter have been collated and prepared with all reasonable care and skill;
- (xvii) as at the date of this deed, the Target is not aware of any information relating to the Target Group or its respective businesses or operations (having made reasonable enquiries) as at the date of this deed that has or could reasonably be expected to give rise to a material adverse change in respect of the Target Group that has not been disclosed to ASX or to the Bidder in writing prior to the date of this deed; and
- (xviii) it has not, before the date of this deed, received written notice of any material investigation, prosecution, arbitration, litigation or dispute threatened against a Target Group Member which could reasonably be expected to give rise to a liability for the Target Group in excess of \$1,000,000 (**Material Proceedings**) and, as at the date of this deed is not aware of circumstances which could reasonably be expected to give rise to any Material Proceedings.

9.4 Target's indemnity

The Target agrees with the Bidder (on the Bidder's own behalf and separately as trustee or nominee for each other Bidder Indemnified Party) to indemnify and keep indemnified each Bidder Indemnified Party from and against all Claims which any Bidder Indemnified Party may suffer or incur by reason of any of the representations and warranties in clauses 9.3(a) or 9.3(b) being untrue or incorrect or any breach of any of the representations and warranties in clauses 9.3(a) or 9.3(b).

9.5 Notifications

Each party must promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which causes or may cause any of the representations and warranties given by it in

Appendix 4 Scheme Implementation Deed

under this clause 9 to be untrue or inaccurate or which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 9.

9.6 Survival of representations

Each representation and warranty in clauses 9.1 and 9.3:

- (a) is severable;
- (b) will survive the termination of this deed; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

9.7 Survival of indemnities

Each indemnity in this deed (including those in clauses 9.2 and 9.4) will:

- (a) be severable;
- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and
- (d) survive the termination of this deed.

9.8 Limitations on Claims against the Target

The Target's representations and warranties in clause 9.3 and the indemnity given by the Target in clause 9.4 are each subject to, and no Claim by any Bidder Indemnified Party in connection with any representation and warranty in clauses 9.3(a) or 9.3(b) being untrue or incorrect or any breach of any of the representations and warranties in clauses 9.3(a) or 9.3(b) can be made against the Target, in respect of any fact, matter or thing:

- (a) which was Fairly Disclosed in an announcement made by the Target to the ASX prior to the date of this deed or a document lodged by the Target with ASIC prior to the date of this deed;
- (b) which was Fairly Disclosed in the Due Diligence Material and/or the Target Disclosure Letter; or
- (c) the undertaking of which the Bidder has approved in writing.

9.9 Limitation on Claims against the Bidder

The Bidder's representations and warranties in clause 9.1 and the indemnity given by the Bidder in clause 9.2 are each subject to, and no Claim by any Target Indemnified Party in connection with any representation and warranty in clauses 9.1(a) or 9.1(b) being untrue or incorrect or any breach of any of the representations and warranties in clauses 9.1(a) or 9.1(b) can be made against the Bidder in respect of any fact, matter or thing:

- (a) which was Fairly Disclosed in the Bidder Disclosure Letter; or
- (b) the undertaking of which the Target has approved in writing.

10. Exclusivity

10.1 No existing discussions

Other than in relation to the discussions with the Bidder in connection with the Proposed Transaction, the Target represents and warrants to the Bidder that as at the date of this deed:

- (a) no Target Group Member nor any Authorised Person of a Target Group Member is a party to any agreement, arrangement or understanding with a Third Party in relation to any actual, proposed or potential Competing Proposal; and

- (b) no Target Group Member nor any Authorised Person of a Target Group Member is, directly or indirectly, participating in any discussions or negotiations with any Third Party that concern, or that could reasonably be expected to lead to, a Competing Proposal.

10.2 No-shop

During the Exclusivity Period, the Target must not, and must ensure that each other Target Group Member and each Authorised Person of a Target Group Member does not, directly or indirectly:

- (a) solicit, invite, initiate or encourage (including, without limiting the application of clause 10.4, by the provision of any non-public information relating to the Target or any Target Group Member (or any of their respective businesses and operations) to any Third Party other than any Authorised Person of a Bidder Group Member) any enquiry, expression of interest, proposal, offer, discussion or negotiation in relation to, or that could reasonably be expected to lead to, the making of an actual, proposed or potential Competing Proposal; or
- (b) communicate to a Third Party (other than any Authorised Person of a Bidder Group Member) any intention to do any of the things referred to in clause 10.2(a).

10.3 No-talk

Subject to clause 10.7, during the Exclusivity Period, the Target must not, and must ensure that each other Target Group Member and each Authorised Person of a Target Group Member does not, directly or indirectly:

- (a) negotiate or enter into or participate in correspondence, negotiations or discussions with any Third Party (other than any Authorised Person of a Bidder Group Member);
- (b) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding with any Third Party (other than any Authorised Person of a Bidder Group Member); or
- (c) communicate to any Third Party (other than any Authorised Person of a Bidder Group Member) any intention to do any of the things referred to in clauses 10.3(a) or 10.3(b), in relation to, or which may reasonably be expected to lead to, an actual, proposed or potential Competing Proposal, even if:
 - (d) that Third Party's actual, proposed or potential Competing Proposal was not directly or indirectly solicited, invited, initiated by a Target Group Member or any Authorised Person of a Target Group Member; or
 - (e) that Third Party has publicly announced the Competing Proposal.

10.4 No due diligence

- (a) Subject to clause 10.7, during the Exclusivity Period, except with the prior written consent of the Bidder, the Target must ensure that each Target Group Member and each Authorised Person of a Target Group Member does not, directly or indirectly, disclose, provide or otherwise make available to any Third Party, or permit any such person to receive any non-public information relating to the Target or any Target Group Member (or any of their respective businesses or operations) in connection with, with a view to obtaining or which could reasonably be expected to lead to, the formulation, development, finalisation or announcement of an actual, proposed or potential Competing Proposal (whether by that Third Party or another person), including providing such information for the purposes of the conduct of due diligence investigations in respect of the Target, any other Target Group Member or the business of the Target Group.
- (b) If the Target proposes that any non-public information be disclosed, provided or otherwise made available to a Third Party, then:
 - (i) before such information is disclosed, provided or made available by or on behalf of the Target, the Third Party must enter into a confidentiality agreement with the Target which contains obligations on the Third Party as to confidentiality which are, on the whole, no less onerous in any material respect than the obligations of the Bidder under the Confidentiality Agreement; and

Appendix 4 Scheme Implementation Deed

- (ii) any non-public information disclosed, provided or made available to that Third Party must also be provided to the Bidder as soon as reasonably practicable after the non-public information is disclosed, provided or made available to that Third Party (unless the information has already been provided to the Bidder or an Authorised Person of a Bidder Group Member), and in any event within 2 Business Days.
- (iii) For the avoidance of doubt, any of the acts described in this clause 10.4(b) may only be taken by the Target or any Target Group Member or Authorised Person of a Target Group Member if not proscribed by clause 10.4(a).

10.5 Notification of approaches

- (a) During the Exclusivity Period, the Target must as soon as possible after becoming aware of any of the matters referred to in clauses 10.5(a)(i) or 10.5(a)(ii) (and, in any event, no later than 10:00am on the day being 2 Business Days after becoming aware of any such matters) notify the Bidder in writing of:
 - (i) any negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate negotiations or discussions, in respect of any expression of interest, inquiry, offer or proposal in relation to any actual, proposed or potential Competing Proposal; or
 - (ii) a proposal (whether or not made to the Target or any Target Group Member or Authorised Person of a Target Group Member) in connection with, or in respect of any exploration or consummation of an actual, proposed or potential Competing Proposal,
 - (iii) whether such matters are solicited or unsolicited, and in writing or otherwise.
- (b) For the avoidance of doubt, any of the acts described in clauses 10.5(a)(i) and 10.5(a)(ii) above may only be taken by the Target or any Target Group Member or Authorised Person of a Target Group Member if not proscribed by clauses 10.2 to 10.4 (inclusive).
- (c) Subject to clause 10.7, a notification under clause 10.5(a) must include the identity of the relevant person making or proposing the relevant actual, proposed or potential Competing Proposal, together with all material terms and conditions (including price) of the actual, proposed or potential Competing Proposal. The Target must also notify the Bidder in writing as soon as possible after becoming aware of any material developments in relation to such actual, proposed or potential Competing Proposal.

10.6 Target's response to Rival Acquirer and the Bidder's right to respond

- (a) If the Target receives a Competing Proposal and as a result, any Target Director proposes to either:
 - (i) change, withdraw or modify his or her recommendation of the Scheme; or
 - (ii) approve or recommend the entry into any agreement, commitment, arrangement or understanding relating to the Competing Proposal,the Target must ensure that no Target Director does so until each of the following has occurred:
 - (iii) the Target Board has determined in good faith after consultation with Target's financial advisers that the Competing Proposal is, or would reasonably be expected to lead to, a Superior Proposal;
 - (iv) the Target has given the Bidder written notice (**Relevant Notice**) of the Target Director's proposal to take the action referred to in clauses 10.6(a)(i) or 10.6(a)(ii) (as applicable) (subject to the Bidder's rights under clause 10.6(b)), including details of the grounds on which the Target Director proposes to take such action;
 - (v) the Target has provided the Bidder with the identity of the relevant Third Party (**Rival Acquirer**) and the material terms of the Competing Proposal;
 - (vi) the Bidder's rights under clause 10.6(b) have been exhausted; and

- (vii) the Target Board has determined in good faith after consultation with Target's financial advisers that the Competing Proposal is, or would reasonably be expected to lead to, a Superior Proposal after evaluation of any Counter Proposal by the Bidder pursuant to 10.6(b).
- (b) If the Target gives a Relevant Notice to the Bidder under clause 10.6(a)(iv), the Bidder will have the right, but not the obligation, at any time during the period of 5 Business Days following the receipt of the Relevant Notice, to amend by notice in writing to the Target the terms of the Proposed Transaction including increasing the amount of consideration offered under the Proposed Transaction or proposing any other form of transaction (**Counter Proposal**), and if the Bidder makes a Counter Proposal then the Target Directors must review the Counter Proposal in good faith and in consultation with Target's legal and financial advisers. If the Target Directors determine in good faith after consultation with Target's legal and financial advisers that the Counter Proposal would be more favourable, or at least no less favourable, to the Target and the Target Shareholders than the Competing Proposal which the Bidder has responded to with that Counter Proposal (having regard to the matters noted in clause 10.7), then:
 - (i) the Target and the Bidder must use their respective best endeavours to agree the amendments to this deed that are reasonably necessary to reflect the Counter Proposal and to enter into an amended agreement to give effect to those amendments and to implement the Counter Proposal; and
 - (ii) the Target must use its best endeavours to procure that the Target Directors, other in the circumstances described in clause 66(d), unanimously recommend the Counter Proposal to the Target Shareholders and not recommend the Competing Proposal which the Bidder has responded to with that Counter Proposal.
- (c) For the purposes of this clause 10.6, each successive material modification of any expression of interest, offer or proposal by a Third Party in relation to a Competing Proposal will constitute a new Competing Proposal in respect of which this clause 10.6 will apply.

10.7 Fiduciary out

The restrictions in clauses 10.3, 10.4 and 10.5(c) do not apply to the extent they restrict the Target or any Target Director from taking or refusing to take any action with respect to an actual, proposed or potential Competing Proposal in relation to which there has been no contravention by the Target of this clause 10, provided that:

- (a) the actual, proposed or potential Competing Proposal is bona fide; and
- (b) the Target Board has determined in good faith after:
 - (i) consultation with Target's financial advisers in respect of the financial aspects of the Competing Proposal, that the Competing Proposal is or would reasonably be expected to lead to a Superior Proposal; and
 - (ii) receiving written advice from the Target's external Australian legal adviser practising in the area of corporate law, that failing to take the action or refusing to take the action (as the case may be) with respect to the Competing Proposal would constitute or would be likely to constitute a breach of the fiduciary or statutory obligations of any Target Director.

11. Target Break Fee

11.1 Background

- (a) The Target and the Bidder acknowledge that, if they enter into this deed and the Scheme is subsequently not implemented, the Bidder will incur significant costs including those described in clause 11.2.

Appendix 4 Scheme Implementation Deed

- (b) In the circumstances referred to in clause 11.1(a), the Bidder has requested that provision be made for the payments outlined in clause 11.3, without the benefit of which the Bidder would not have entered into this deed.
- (c) The Target Board believes that the Scheme will provide benefit to the Target and the Target Shareholders and that it is appropriate for the Target to agree to the payments referred to in this clause 11 in order to secure the Bidder's participation in the Proposed Transaction.

11.2 Costs incurred by the Bidder

- (a) The fee payable under clause 11.3 has been calculated to reimburse the Bidder for the following:
 - (i) fees for reasonable legal, financial and other professional advice in planning and implementing the Proposed Transaction;
 - (ii) reasonable opportunity costs incurred in engaging in the Proposed Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and implementing the Proposed Transaction; and
 - (iv) out of pocket expenses incurred in planning and implementing the Proposed Transaction,in each case, incurred by the Bidder directly or indirectly as a result of having entered into this deed and pursuing the Proposed Transaction, and including any amounts in respect of GST incurred by the Bidder in respect of which it is not entitled to an input tax credit.
- (b) The parties acknowledge that:
 - (i) the amount of fees, costs and losses referred to in this clause 11.2 is inherently unascertainable and that, even after termination of this deed, the costs will not be able to be accurately ascertained; and
 - (ii) the amount of the costs payable under clause 11.3 is a genuine and reasonable pre-estimate of those fees, costs and losses.

11.3 Payment by the Target to the Bidder

- (a) The Target agrees to pay to the Bidder \$1,408,196.84 (exclusive of GST) (**Target Break Fee**) if any of the following events occur:
 - (i) (**Competing Proposal**): a Competing Proposal is publicly announced prior to the Delivery Time (whether or not such proposal is stated to be subject to any preconditions) and, within 12 months from the date of the public announcement of that Competing Proposal, the proponent of that Competing Proposal (either alone or together with any Associates of the proponent of that Competing Proposal) or any Associate of that proponent:
 - (A) completes a Competing Proposal of a kind referred to in any of paragraphs (c), (d), (e) or (f) of the definition of 'Competing Proposal'; or
 - (B) becomes the legal holder of at least 50% of Target Shares;
 - (ii) (**Recommendation**): at any time prior to the Delivery Time, any Target Director:
 - (A) fails to recommend the Scheme in the manner described in clause 6;
 - (B) withdraws or adversely modifies or adversely qualifies their recommendation of the Scheme or support for it (other than as a result of the circumstances described in clause 66(d));
 - (C) makes any public statement to the effect that the Scheme is not, or is no longer, recommended or supported by the Target Directors (other than as a result of the circumstances described in clause 66(d)); or

- (D) makes any public statement to the effect that they recommend or support a Competing Proposal,
 - (E) except:
 - (F) where the Independent Expert concludes in the Independent Expert's Report (or any update of, or revision, amendment or addendum to, that report) that the Scheme is not in the best interest of Scheme Shareholders (except where that conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal); or
 - (G) as a result of any matter or thing giving the Target the right to terminate this deed under clause 14.1(a);
- (iii) **(Material Breach):** the Target is:
- (A) in material breach of any material obligations of the Target under this deed, including a breach of any obligations of Target under clauses 7.1 or 7.2; or
 - (B) in material breach of any representations and warranties given by the Target under clause 9.3,
 - (C) and the Bidder terminates this deed in accordance with clause 14.1(a).
- (b) The Target must pay the Bidder the Target Break Fee within 5 Business Days of receipt by the Target of a demand for payment from the Bidder that is made after the occurrence of the event referred to in clause 11.3(a).
- (c) The maximum amount payable by the Target under this clause 11.3 is \$1,408,196.84 (exclusive of GST).
- (d) The Target Break Fee:
- (i) will not be payable to the Bidder if the Scheme becomes Effective; and
 - (ii) is only payable once.
- (e) For the avoidance of doubt, the Target Break Fee is not payable merely because the resolution submitted to the Scheme Meeting in respect of the Scheme is not approved by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (f) Where the Target Break Fee becomes payable to the Bidder under this clause 11.3 and is actually paid to the Bidder, the Bidder (for itself and as agent of every other Bidder Group Member):
- (i) releases all rights against, and agrees with the Target that the Bidder will not make a Claim against, any Target Party under or in connection with this deed; and
 - (ii) indemnifies each Target Party against a Claim that is made by a Bidder Group Member contrary to the release under clause 15.1 .

12. Break Fee qualification

12.1 Determination by Governmental Agency

If:

- (a) a Governmental Agency determines or declares that payment of all or any part of the Target Break Fee is unenforceable or unlawful (including because it involves a breach of the fiduciary or statutory duties of the members of the Target Board or board of directors of the Bidder (as applicable)) or constitutes 'unacceptable circumstances' (as that term is used in the Corporations Act) (**Impugned Amount**); and
- (b) no appeal from or review of that determination or declaration is available, available appeals from or reviews of that determination or declaration have been exhausted, or the parties agree in writing not to appeal or seek review of that determination or declaration,

Appendix 4 Scheme Implementation Deed

- (c) then:
- (d) the obligation of the Target to pay the Target Break Fee does not apply to the extent of the Impugned Amount; and
- (e) if the Bidder has received any part of the Impugned Amount, it must refund it within five Business Days after that determination is made or the period for lodging has expired, whichever is later.
- (f) For the avoidance of doubt, any part of the Target Break Fee that does not comprise the Impugned Amount must be paid by the Target.

12.2 Obligations of the Bidder and the Target

- (a) The parties must:
- (b) take all steps within their respective control (or that of their respective Related Bodies Corporate) to ensure that any determination or declaration referred to in clause 12.1 applies to the minimum extent possible; and
- (c) not cause or permit to be made, and must procure that their respective Related Bodies Corporate do not cause or permit to be made, any application to the Takeovers Panel, a court or other Governmental Agency for or in relation to a declaration or determination referred to in clause 12.1.

13. Confidentiality and Public Announcement

13.1 Confidentiality

Each party agrees and acknowledges that it is bound by the terms of the Confidentiality Agreement save that the terms of this deed will prevail over the Confidentiality Agreement to the extent of any inconsistency.

13.2 Agreed Announcement on execution

Immediately after the execution of this deed, the parties must issue public announcements in a form previously agreed to in writing between them (**Agreed Announcement**).

13.3 Further public announcements

Subject to clause 13.4, other than the Agreed Announcement, any further public announcements by the Target or the Bidder in relation to, or in connection with, the Proposed Transaction or any other transaction the subject of this deed or the Scheme may only be made in a form approved by each party in writing (acting reasonably).

13.4 Required announcement

Where a party is required by applicable law, the Listing Rules or any other applicable financial market regulation to make any announcement or to make any disclosure in connection with the Proposed Transaction or any other transaction the subject of this deed or the Scheme, it may do so but must use reasonable endeavours, to the extent practicable and lawful, to consult with the other party before making the relevant disclosure and must give the other party as much notice as reasonably practical.

13.5 Statements on termination

The parties must use all reasonable endeavours to issue agreed statements in respect of any termination of this deed and, to that end but without limitation, clauses 13.3 and 13.4 apply to any such statements or disclosures.

14. Termination

14.1 Termination by notice

A party (**Terminating Party**) may, by notice in writing to the other party (**Other Party**), terminate this deed at any time prior to the Delivery Time:

- (a) if the Other Party:
 - (i) is:
 - (A) either the Target or the Bidder, and is in material breach of any of its material obligations under this deed including a material breach of a material representation or warranty given by the Other Party under clause 9.1 (if the Other Party is the Bidder) or clause 9.3 (if the Other Party is the Target); or
 - (B) the Target, and is in breach of any of its obligations under clause 7.1 or 7.2; and
 - (ii) has failed to remedy such breach prior to the earlier of the Delivery Time and the date being 5 Business Days after the date of receipt by the Other Party of a notice in writing from the Terminating Party setting out details of the relevant circumstance and requesting the Other Party to remedy such breach to the reasonable satisfaction of the Terminating Party;
- (b) in accordance with clause 3.7;
- (c) if the Court refuses to make any order directing the Target to convene the Scheme Meeting;
- (d) if the Effective Date for the Scheme has not occurred on or before the End Date; or
- (e) any Target Director:
 - (i) withdraws or adversely modifies or adversely qualifies their recommendation of the Scheme or support for it (other than as a result of the circumstances described in clause 66(d));
 - (ii) makes any public statement to the effect that the Scheme is not, or is no longer, recommended or supported by the Target Director (other than as a result of the circumstances described in clause 66(d)); or
 - (iii) makes any public statement to the effect that the Target Director recommend a Competing Proposal,
- (f) and does not, within 3 Business Days, reinstate their respective recommendation of the Scheme, provided that if the Terminating Party is the Target it may only terminate this deed under this clause 14.1(e) if:
 - (i) the action described in clauses 14.1(e)(i) to 14.1(e)(iii) (inclusive) that is taken by the relevant Target Directors is permitted by clause 6(b); and
 - (ii) the Bidder is entitled or will become entitled to the Target Break Fee as a result of that action by the one or more of the relevant Target Directors, that amount has been paid to the Bidder in accordance with clause 17.3.

14.2 Automatic termination

Without limiting any other term of this deed, this deed will terminate automatically if the resolution submitted to the Scheme Meeting in respect of the Scheme is not approved by the majorities required under section 411(4)(a)(ii)(B) of the Corporations Act and, if applicable, the parties have complied with clause 3.6.

14.3 Effect of termination

- (a) In the event of termination of this deed under clause 3.7, 14.1 or 14.2, this deed will become void and have no effect, except that the provisions of clauses 9.6, 9.7, 11, 12, 13, 14, 15.1, 15.2 and 17.3 to 17.17 (inclusive) survive termination.

Appendix 4 Scheme Implementation Deed

- (b) Termination of this deed does not affect any accrued rights of a party in respect of a breach of this deed prior to termination.

15. Releases

15.1 Release of Target Indemnified Parties

- (a) Subject to any restrictions imposed by law, the Bidder releases any and all rights that it may have as at the date of this deed and from time to time, and agrees with the Target that it will not, make any Claim, against a Target Indemnified Party (other than Target) in connection with:
 - (i) the Target's execution or delivery of this deed;
 - (ii) any breach of any representation, warranty, covenant or obligation of the Target in this deed;
 - (iii) the implementation of the Scheme; or
 - (iv) any disclosure made by any Target Indemnified Party which is false or misleading (whether by omission or otherwise),except to the extent the Target Indemnified Party has not acted in good faith or has engaged in wilful misconduct or wilful concealment. To avoid doubt, nothing in this clause 15.1(a) limits the rights of the Bidder to terminate this deed under clause 14.
- (b) The Target receives and holds the benefit of clause 15.1(a) as trustee for each Target Indemnified Party.

15.2 Release of Bidder Indemnified Parties

- (a) Subject to any restrictions imposed by law, the Target releases any and all rights that it may have as at the date of this deed and from time to time, and agrees with the Bidder that it will not make any Claim, against a Bidder Indemnified Party (other than Bidder) in connection with:
 - (i) the execution or delivery of this deed by the Bidder or the execution or delivery of the Deed Poll by the Bidder;
 - (ii) any breach of any representation, warranty, covenant or obligation of the Bidder in this deed;
 - (iii) the implementation of the Scheme; or
 - (iv) any disclosure made by any Bidder Indemnified Party which is false or misleading (whether by omission or otherwise),except to the extent the Bidder Indemnified Party has not acted in good faith or has engaged in wilful misconduct or wilful concealment. To avoid doubt, nothing in this clause 15.2(a) limits the rights of the Target to terminate this deed under clause 14.
- (b) The Bidder receives and holds the benefit of clause 15.2(a) as trustee for each Bidder Indemnified Party.

15.3 Deeds of indemnity

- (a) Subject to the Scheme becoming Effective, the Bidder undertakes in favour of the Target and each other person who is a Target Indemnified Party that it will:
 - (i) ensure that the constitutions of the Target and each other Target Group Member continue to contain such rules as are contained in those constitutions at the date of this deed that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a Target Group Member; and

- (ii) procure that the Target and each other Target Group Member complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time.
- (b) The undertakings contained in clause 15.3(a) are subject to any Corporations Act restriction, or any restriction in the law of a jurisdiction in which an entity is incorporated, and will be read down accordingly.
- (c) The Target receives and holds for the benefit of clause 15.3(a), to the extent it relates to any other Target Indemnified Party, as trustee for them.
- (d) The undertakings contained in clause 15.3(a) are given:
 - (i) in the case of clause 15.3(a)(i), until the earlier of the time that the relevant Target Group Member ceases to be part of the Bidder Group or 7 years from the Implementation Date; or
 - (ii) in the case of clause 15.3(a)(ii), until the earlier of the time that the relevant Target Group Member ceases to be part of the Bidder Group or 7 years from the retirement of each director and officer.

15.4 Directors' and officers' insurance

- (a) The Bidder acknowledges that the Target will in respect of the Target and all other Target Group Members:
 - (i) prior to the Effective Date, arrange for the cover currently provided under the directors' and officers' insurance policy for the Target and all other Target Group Members (Policy) to be extended for a further period of 12 months; and
 - (ii) by no later than the Implementation Date, to the extent practicable at normal commercial rates, arrange for the cover provided under the Policy to be amended so as to provide run off cover in accordance with the terms of the Policy for a 7 year period from the end of the term of the Policy, and pay all premiums required so as to ensure that insurance cover is provided under the Policy on those terms until that date,
- (b) and that any actions to facilitate that insurance or in connection therewith will not be or constitute a Target Prescribed Occurrence, a breach of clause 7, a Target Material Adverse Change or otherwise breach any provision of this deed.
- (c) The Target receives and holds the benefit of clause 15.4(a) as trustee for each director and officer of each Target Group Member.

16. Notices

Any communication under or in connection with this deed:

- (a) must be in writing;
- (b) must be addressed as shown on the Details page (or as otherwise notified by that party to the other party from time to time);
- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 16(b); and
- (e) will be deemed to be received by the addressee:
 - (i) (in the case of prepaid post): on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) (in the case of fax): at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which

Appendix 4 Scheme Implementation Deed

confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day;

- (iii) **(in the case of delivery by hand):** on delivery at the address of the addressee as provided in clause 16(b), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
- (iv) **(in the case of email):** at the time sent (as recorded on the device from which the sender sent the email), unless the sender receives an automated message that the email has not been delivered.

17. General

17.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this deed.

17.2 Timetable

The parties agree that the Timetable is indicative only and is not binding on the parties. The parties agree to consult regularly with each other in relation to:

- (a) performing their respective obligations within the framework established by the Timetable; and
- (b) any need to modify the Timetable.

17.3 Payments

Unless otherwise expressly provided in this deed, where an amount is required to be paid to a party (**Receiving Party**) by the other party under this deed, that amount shall be paid:

- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and
- (b) without deduction, withholding or set-off.

17.4 Interest

- (a) If a party fails to pay any amount payable under this deed on the due date for payment, that party must pay interest on the amount unpaid at the higher of the Interest Rate plus 3% per annum or the rate (if any) fixed or payable under any judgment or other thing into which the liability to pay the amount becomes merged.
- (b) The interest payable under clause 17.4(a):
 - (i) accrues from day to day from and including the due date for payment up to the actual date of payment, before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay the amount becomes merged; and
 - (ii) may be capitalised by the person to whom it is payable at monthly intervals.

17.5 Consents or approvals

A party may:

- (a) give conditionally or unconditionally; or
- (b) withhold,

its approval or consent in its absolute discretion unless this deed expressly provides otherwise.

17.6 GST

- (a) Any reference in this clause 17.6 to a term defined or used in the *A New Tax System (Goods and Services Tax) Act 1999* is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.
- (b) Unless expressly included, the consideration for any supply under or in connection with this deed does not include GST.
- (c) To the extent that any supply made by a party (**Supplier**) to another party (**Recipient**) under or in connection with this deed is a taxable supply, the Recipient must pay to the Supplier, in addition to the consideration to be provided under this deed but for the application of this clause 17.6(c) for that supply (**GST Exclusive Consideration**), an amount equal to the amount of the GST Exclusive Consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. This clause 17.6(c) does not apply to any taxable supply under or in connection with this deed that is expressly stated to include GST.
- (d) The amount on account of GST payable in accordance with this clause 17.6 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided. A party need not make a payment for a taxable supply made pursuant to this deed until it receives a tax invoice for the supply to which the payment relates.
- (e) Any reference in the calculation of any consideration or of any indemnity, reimbursement or similar amount to a cost, expense or liability incurred by a person (**Relevant Expense**) is a reference to the relevant expense reduced by an amount equal to any input tax credit entitlement of that person (or of the representative member of any GST group to which the person belongs) in relation to the Relevant Expense. A party will be assumed to have an entitlement to a full input tax credit unless it demonstrates otherwise prior to the date on which the relevant payment or consideration must be provided.
- (f) Unless expressly included, any monetary thresholds specified in this deed are exclusive of GST.

17.7 Stamp duty

The Bidder must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this deed or the Scheme or the steps to be taken under this deed or the Scheme (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme).

17.8 Expenses

Except as otherwise provided in this deed, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this deed and the Scheme Booklet and the proposed, attempted or actual implementation of this deed and the Scheme.

17.9 Amendments

This deed may only be varied by a document signed by or on behalf of each of the parties.

17.10 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this deed without the prior written consent of each other party, which consent that other party may give or withhold in its absolute discretion.

17.11 Business Day

Except where otherwise expressly provided, where under this deed the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

Appendix 4 Scheme Implementation Deed

17.12 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this deed.
- (b) Any waiver or consent given by any party under this deed will only be effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed will operate as a waiver of another breach of that term or of a breach of any other term of this deed.
- (d) Nothing in this deed obliges a party to exercise a right to waive any conditional term of this deed that may be in its power.

17.13 Counterparts

- (a) This deed may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same deed.
- (b) This deed is binding on the parties on the exchange of duly executed counterparts.
- (c) The parties agree that a copy of an original executed counterpart sent by facsimile machine or email to the facsimile number or email address (as the case may be) of the other party specified in the Details page (or as otherwise notified by that party to the other party from time to time), instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

17.14 Entire agreement

- (a) This deed:
 - (i) embodies the entire understanding of the parties and constitutes the entire terms agreed on between the parties; and
 - (ii) supersedes any prior agreement (whether or not in writing) between the parties.
- (b) Despite clause 17.14(a), the Confidentiality Agreement continues to apply to the parties in accordance with its terms, except to the extent of any express inconsistency, in which case this deed prevails.

17.15 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed.
- (b) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this deed.

17.16 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

17.17 Governing law

- (a) This deed is governed by and will be construed according to the laws of New South Wales.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and of the courts competent to determine appeals from those courts.

Schedule 1 – Indicative timetable

Enter into Scheme Implementation Deed	23 October 2019
Lodge Scheme Booklet with ASIC for review and comment	19 November 2019
First Court Date	17 December 2019 (subject to court availability)
Despatch Scheme Booklet to Target Shareholders	18 December 2019
Scheme Meeting	3 February (this date is subject to satisfaction of Conditions Precedent)
Second Court Date	5 February 2020 (subject to court availability)
Effective Date – lodge office copy of Court order approving the Scheme with ASIC	5 February 2020
Record Date	12 February 2020
Implementation Date:	19 February 2020
▪ Pay Scheme Consideration to Scheme Shareholders	
▪ Reconstitute boards of each Target Group Member	

Appendix 4 Scheme Implementation Deed

Signing page

EXECUTED as a deed.

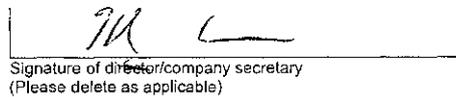
Executed by CSG Limited ACN 123 989 631 in accordance with Section 127 of the *Corporations Act 2001*



Signature of director

MARK BAYLISS

Name of director (print)



Signature of director/company secretary
(Please delete as applicable)

Howard Edelman

Name of director/company secretary (print)

Signed on behalf of, and sealed and delivered
by **Fuji Xerox Asia Pacific Pte Ltd** in the presence of



Signature of witness



Name of witness (print)



Signatory of authorised signatory



Name of authorised signatory

Signing page

EXECUTED as a deed.

Executed by CSG Limited ACN 123 989 631 in accordance with Section 127 of the *Corporations Act 2001*

Signature of director

Signature of director/company secretary
(Please delete as applicable)

Name of director (print)

Name of director/company secretary (print)

Signed on behalf of, and sealed and delivered
by **Fuji Xerox Asia Pacific Pte Ltd** in the presence of



Signature of witness



Signatory of authorised signatory

LEONG JIN CHIEW

Name of witness (print)

MUTSUKI TOMONO

Name of authorised signatory

Appendix 4 Scheme Implementation Deed



Annexure A – Deed Poll

Annexure to Scheme Implementation Deed

Not reproduced here.

Please see Appendix 5 to this Scheme Booklet.



Annexure B – Scheme

Annexure to Scheme Implementation Deed

Not reproduced here.

Please see Appendix 2 to this Scheme Booklet.



Annexure C – Certificate

Annexure to Scheme Implementation Deed

Conditions precedent certificate

Date:

We refer to the scheme implementation deed dated 23 October 2019 between CSG Limited ACN 123 989 631 (**CSG**) and Fuji Xerox Asia Pacific Pte Ltd (**FX**) (**SID**).

1. CSG certifies, confirms and agrees that (in respect of matters within its knowledge) each of the following conditions precedent of the SID has been satisfied or waived in accordance with the terms of the SID:
 - clause 3.1(a) (**Shareholder approval**);
 - clause 3.1(c) (**Regulatory Approvals**);
 - clause 3.1(f) (**Restraints**);
 - clause 3.1(g) (**ASIC and ASX**);
 - clause 3.1(h) (**No Target Prescribed Occurrence**);
 - clause 3.1(i) (**No Target Material Adverse Change**);
 - clause 3.1(j) (**Target Warranties**);
 - clause 3.1(l) (**Independent Expert**); and
 - clause 3.1(m) (**Target Performance Rights**).
2. FX certifies, confirms and agrees that (in respect of matters within its knowledge) each of the following conditions precedent of the SID has been satisfied or waived in accordance with the terms of the SID:
 - clause 3.1(c) (**Regulatory Approvals**);
 - clause 3.1(d) (**ACCC**);
 - clause 3.1(e) (**NZCC Approval**);
 - clause 3.1(f) (**Restraints**);
 - clause 3.1(g) (**ASIC and ASX**); and
 - clause 3.1(k) (**Bidder Warranties**).

Appendix 4 Scheme Implementation Deed

Executed as a deed

Signed sealed and delivered by
CSG Limited in accordance with Section
127 of the *Corporations Act 2001*
by

sign here ► _____
Company Secretary/Director

print name _____

sign here ► _____
Director

print name _____

Signed on behalf of, and sealed and delivered by
Fuji Xerox Asia Pacific Pte Ltd in the presence of
by

sign here ► _____
Authorised Signatory

print name _____

sign here ► _____
Witness

print name _____

APPENDIX 5

Deed Poll

Appendix 5 Deed Poll



Deed poll

—

Fuji Xerox Asia Pacific Pte Ltd (**Bidder**)

—

Deed poll

Details	3
Agreed terms	4
1. Defined terms and interpretation	4
1.1 Defined terms	4
1.2 Terms defined in Scheme	4
1.3 Incorporation by reference	4
2. Nature of this deed poll	4
3. Conditions	4
3.1 Conditions	4
3.2 Termination	4
3.3 Consequences of termination	4
4. Performance of obligations	5
4.1 Generally	5
4.2 Provision of Scheme Consideration	5
5. Warranties	5
6. Continuing obligations	6
6.1 Deed poll irrevocable	6
6.2 Variation	6
7. Notices	6
8. General provisions	6
8.1 Assignment	6
8.2 Cumulative rights	6
8.3 No waiver	7
8.4 Stamp duty	7
8.5 Further assurances	7
8.6 Governing law and jurisdiction	7
Signing page	8

Appendix 5 Deed Poll

Details

Date 12 December 2019

Deed poll made by

Name	Fuji Xerox Asia Pacific Pte Ltd Singapore registration number 199100883W
ARBN	103 964 629
Short form name	Bidder
Notice details	80 Anson Road #37-00 Fuji Xerox Towers Singapore 079907 Email: hitoaki.tsutsui@fujixerox.co.jp Attention: Hiroaki Tsutsui

in favour of

each person registered in the Target Register as a holder of fully paid ordinary shares in the Target as at the Record Date (other than Excluded Shareholders).

Background

- A On 23 October 2019, CSG Limited ABN 64 123 989 631 (**Target**) and the Bidder entered into the Scheme Implementation Deed to provide for (among other matters) the implementation of the Scheme.
- B The effect of the Scheme will be to transfer all Scheme Shares to the Bidder in return for the Scheme Consideration.
- C The Bidder enters this deed poll to covenant in favour of Scheme Shareholders to perform all obligations and actions attributed to it under, and otherwise comply with, the Scheme.

Agreed terms

1. Defined terms and interpretation

1.1 Defined terms

In this deed poll:

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing CSG to convene the Scheme Meeting is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard).

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders, in the form of Attachment 1 to this deed poll, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed in writing by the Bidder and the Target.

Scheme Implementation Deed means the scheme implementation deed dated 23 October 2019 between the Bidder and the Target.

1.2 Terms defined in Scheme

Capitalised words and phrases defined in the Scheme have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme form part of this deed poll as if set out in this deed poll but with 'deed poll' substituted for 'deed' or 'Scheme' and with any reference to 'party' being taken to include the Scheme Shareholders.

2. Nature of this deed poll

The Bidder acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints the Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent to enforce this deed poll against the Bidder.

3. Conditions

3.1 Conditions

This deed poll and the obligations of the Bidder under this deed poll are subject to the Scheme becoming Effective.

3.2 Termination

The obligations of the Bidder under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date,

unless the Target and the Bidder otherwise agree in writing.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other available rights, powers or remedies:


Page 4


Appendix 5 Deed Poll

- (a) the Bidder is released from its obligations to further perform this deed poll except those obligations under clause 8.4; and
- (b) Scheme Shareholders retain the rights they have against the Bidder in respect of any breach of this deed poll which occurred before it was terminated.

4. Performance of obligations

4.1 Generally

Subject to clause 3, the Bidder covenants in favour of Scheme Shareholders to perform all obligations and actions attributed to it under, and otherwise comply with, the Scheme, as if it was a party to the Scheme.

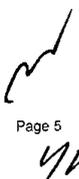
4.2 Provision of Scheme Consideration

- (a) Subject to clause 3, the Bidder undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) The obligations of the Bidder under clause 4.2(a) will be satisfied if, by no later than 5.00pm on the Business Day before the Implementation Date, in accordance with the terms of the Scheme, the Bidder deposits the Aggregate Scheme Consideration, in cleared funds into the Trust Account.

5. Warranties

The Bidder represents and warrants to each Scheme Shareholder that:

- (a) **(status)**: it is a corporation duly incorporated and validly existing under the laws of the place of its registration;
- (b) **(power)**: it has the right and power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)**: it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)**: this deed poll is valid and binding on it and enforceable in accordance with its terms;
- (e) **(transactions permitted)**: the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgement, ruling, order or decree of a Governmental Agency binding on it;
 - (ii) its constitution or other constituent documents; or
 - (iii) any other document which is binding on it or its assets; and
- (f) **(solvency)**: it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets (or any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in this paragraph).



6. Continuing obligations

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) the Bidder having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

6.2 Variation

A provision of this deed poll may not be varied unless the variation is agreed by the Bidder and:

- (a) if before the First Court Date, the variation is agreed in writing by the Target; or
- (b) if on or after the First Court Date, the variation is agreed in writing by the Target and the Court indicates that the variation would not of itself preclude approval by the Court of the Scheme,

in which event the Bidder will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the variation.

7. Notices

Any notice, demand or other communication (**Notice**) in respect of this deed poll:

- (a) must be in writing in English and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand or email to the address or email address specified in the Details; and
- (c) will be conclusively taken to be duly given or made:
 - (i) if delivered by hand, when delivered at the address of the addressee as provided in clause 7(b), unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;
 - (ii) if sent by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); or
 - (iii) if sent by email, at the local time (in the place of receipt of that email) which then equates to the time at which that email is sent as shown unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee, but if the local time is not a Business Day, or is after 5.00pm on a Business Day, that email communication will be deemed to be received at 9.00am on the next Business Day.

8. General provisions

8.1 Assignment

- (a) The rights and obligations of the Bidder and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of the Target and the Bidder.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of the Bidder and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

Appendix 5 Deed Poll

8.3 No waiver

- (a) The Bidder may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on the words or conduct of the Bidder as a waiver of any right unless the waiver is in writing and signed by the Bidder.
- (d) The meanings of the terms used in this clause 8.3 are set out below:

conduct includes delay in the exercise of a right;

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause; and

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

The Bidder:

- (a) must pay or procure the payment of all stamp duty (if any) and any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and
- (b) indemnifies and undertakes to keep indemnified each Scheme Shareholder against any liability arising from failure to comply with clause 8.4(a).

8.5 Further assurances

The Bidder must, at their own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters, the Bidder irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.



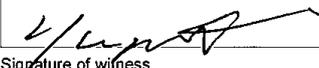
Page 7



Signing page

EXECUTED as a deed poll.

Executed on behalf of, and sealed and delivered
by, **Fuji Xerox Asia Pacific Pte Ltd** in the
presence of:



Signature of witness

Yujiro Nagasawa

Name of witness (print)



Signature of director

Mutsuki Tomono

Name of director

This page has been left blank intentionally.

Corporate directory

CSG Limited

ABN 64 123 989 631

Level 18, 15 William Street
Melbourne VIC 3000

Telephone: 1800 985 445

Website: <https://www.csg.com.au/>

Directors

Bernie Campbell

Mark Bayliss

Robin Low

Rajarshi Ray

Company Secretary

Howard Edelman

CSG Share Registry

Computershare Investor Services Pty Limited

ABN 48 078 279 277

452 Johnston Street
Abbotsford VIC 3067

Telephone: +61 1300 552 270

CSG Shareholder Information Line

Telephone (within Australia): 1300 070 716

Telephone (outside Australia): +61 3 9415 4123

Legal adviser

MinterEllison

Level 40, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Telephone: +61 2 9921 8888

Financial adviser

Moelis Australia Advisory Pty Ltd

Level 27, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Telephone: +61 2 8288 5555

Independent Expert

Lonergan Edwards & Associates Limited

Level 7, 64 Castlereagh Street
Sydney NSW 2000

Telephone: +61 2 8235 7500



www.csg.com.au

