

**DRAGONTAIL SYSTEMS LIMITED**  
**COURT-CONVENED SCHEME MEETING**

**23 AUGUST 2021**

**CHAIRPERSON'S ADDRESS**

**1 Overview of proposed scheme and scheme meeting**

On 27 May 2021, Dragontail announced that it had entered into a Scheme Implementation Deed with Yum Connect Australia Pty Ltd, an entity controlled by YUM! Brands, Inc., under which the parties agreed that Yum Connect Australia Pty Ltd would, subject to certain conditions, acquire all of the ordinary shares in Dragontail by way of scheme of arrangement for cash consideration of \$0.235 per ordinary share. I'll refer to Yum Connect Australia Pty Ltd as 'YUM!' during this meeting.

Dragontail shareholders who were recorded in the company's members' register as at 5:00pm (Perth time) on 21 July 2021 will have received an email or a cover letter together with a personalised proxy form as well as other accompanying forms. The purpose of this scheme meeting is to consider and, if thought fit, approve the proposed scheme of arrangement between Dragontail and its ordinary shareholders, as described in the scheme booklet.

The scheme booklet includes:

- a notice convening today's scheme meeting;
- the key considerations relevant to each Dragontail shareholder's vote, including reasons to vote in favour of, or against, the proposed scheme;
- frequently asked questions and answers;
- an overview of the proposed scheme;
- the requirements that Shareholders must comply with in order to receive the Scheme Consideration; and
- information about YUM!.

Your Directors engaged BDO Corporate Finance (East Coast) Pty Ltd as the independent expert to assess the merits of the proposed scheme. A copy of the independent expert's report is included in the scheme booklet.

The independent expert has concluded that the proposed scheme is fair and reasonable and therefore in the best interests of Dragontail ordinary shareholders in the absence of a superior proposal.

Today, shareholders will be asked to vote on a resolution in relation to the proposed scheme which requires their approval for it to proceed.

I will present the scheme resolution to be considered and there will be time for questions and discussion. Following this, I will display the proxy votes for the scheme resolution and will take a vote by way of a poll on the scheme resolution. The results of today's scheme meeting will be announced to the ASX later today and will be published on Dragontail's website.

## 2 Directors' recommendation

Your Directors have carefully assessed the merits of the proposed scheme and have unanimously recommended that, 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 ordinary shareholders, shareholders vote in favour of the scheme resolution at today's meeting.

Your Dragontail Board confirms that as at the date of this scheme meeting:

- no superior proposal (nor any other proposal) has been received by Dragontail since the announcement of the Scheme Implementation Deed on 27 May 2021; and
- the independent expert, BDO Corporate Finance (East Coast) Pty Ltd, has not changed its opinion (as set out in the independent expert's report included in the scheme booklet) that the scheme is fair and reasonable and therefore in the best interests of Dragontail shareholders in the absence of a superior proposal.

In relation to the recommendation of Mr Yehuda Shamai, chair of the Dragontail Board, shareholders are reminded that, as previously disclosed to shareholders and the ASX, Mr Shamai controls a company which is the owner / franchisor of the Pizza Hut Israel chain. This arrangement is completely unconnected with the outcome of the Scheme. Further details of that arrangement are set out in the Scheme Booklet.

Taking into account all of the circumstances, the Dragontail Board (absent Mr Shamai) and, separately, Mr Shamai, have determined that Mr Shamai can, and should if he wishes to do so, make a recommendation on the Scheme. Given the importance of the Scheme and Mr Shamai's role as chair of the Dragontail Board, Mr Shamai considers that it is appropriate for him to make a recommendation on the Scheme.

In recommending in favour of the proposed scheme, your Directors (including Mr Shamai) have considered:

- the initiatives undertaken, and avenues considered, to date, by the Dragontail board and senior management to improve Dragontail's performance and value;
- the trading outlook in the Dragontail group's important markets and the capital expenditure needed to keep abreast of customer demands and expectations;
- the Independent Expert's Report and that the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Dragontail shareholders in the absence of a superior proposal;
- the Dragontail group's current debt and financial positions;
- the value and transaction certainty offered in the YUM! proposal, and YUM!'s stated intentions in respect of the Dragontail group and its business going forward;
- the absence of any superior proposal (nor any other proposal) from the date of the Scheme Implementation Deed;
- the continuing risks and uncertainties inherent in the Dragontail business which are likely to continue if the scheme does not proceed;
- the avoidance of the risk of potentially losing a significant share of Dragontail's potential markets if the YUM! group, an existing key customer, chooses a different technology solution; and
- the possible lack of need to raise additional capital with unfavourable outcomes for Dragontail shareholders including diluting their holdings in the company.

Each of your Dragontail Directors (including Mr Shamai) intends to vote any Dragontail shares held or controlled by them in favour of the scheme resolution.

### **3 Scheme conditions**

Implementation of the scheme is subject to a number of conditions. The relevant conditions which remain outstanding at this time are:

- the approval of the scheme by Dragontail shareholders, which is why we are holding the scheme meeting today;
- the approval of the scheme by the Federal Court of Australia, which will be sought following this meeting if Dragontail shareholders approve the scheme;
- the Israeli withholding tax ruling not being withdrawn, revoked or varied; and
- certain other customary conditions.

Your Directors are not aware of any circumstance to date which would prevent any of the outstanding conditions from being satisfied.

### **4 Timetable for implementation**

If the scheme is approved by the requisite majorities of Dragontail shareholders at today's scheme meeting, the expected next key dates in the scheme timetable are as follows:

- First, on Monday, 30 August, Dragontail will seek the approval of the Federal Court of Australia to implement the scheme. If the Court approves the scheme and issues the orders sought, then Dragontail will lodge a copy of the Court's orders with the Australian Securities and Investments Commission on Tuesday, 31 August and the scheme will become legally effective. Dragontail shares will be suspended from official quotation on ASX from close of trade that day.
- Second, the scheme record date will be 5:00pm (Perth time) on Thursday, 2 September. All Dragontail shareholders who hold Dragontail ordinary shares on the scheme record date will be entitled to receive the scheme consideration of \$0.235 cash for each Dragontail share which they hold, subject to the terms of the scheme and depending on the Israeli withholding tax arrangements applicable to them.
- Finally, on Tuesday, 7 September, the scheme will be implemented and despatch of the scheme consideration will occur as soon as possible thereafter.

Unless you are eligible for an exemption, Israeli Withholding Tax will be withheld from your Scheme Consideration. Please see Sections 2.2 and 12 and Annexure B of the Scheme Booklet for further information as to the Israeli Withholding Tax arrangement that applies to you, including the documentation that you will have to provide in order to determine your eligibility for an exemption from or reduced rate of withholding from your Scheme Consideration. Shareholders are reminded to return your Israeli Withholding Tax Declaration Form (together with all required supporting documents). Please refer to the flow diagram in Section 2.2 of the Scheme Booklet which sets out the additional supporting documentation (in most cases, a copy of a passport) to be included with the Israeli Withholding Tax Declaration. Based on the current timetable, your completed Israeli Withholding Tax Declaration and all required supporting documents must be provided to Advanced Share Registry by no later than 1 September 2022.

These dates are indicative only and are subject to satisfaction of applicable conditions, including approval from the Federal Court of Australia. Any changes will be announced on ASX.

With this background, we will now move to the formal business of this scheme meeting.

Henry Shiner  
Non-Executive Director  
Chairman of the Scheme Meeting

# Scheme Resolution

*"That, in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Dragontail Systems Limited and the holders of its fully paid ordinary shares (Scheme), as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved and the Board of Directors is authorised to agree to such alterations or conditions as are thought fit by the Federal Court of Australia and, subject to the approval of the Scheme by the Federal Court of Australia, to implement the Scheme with any such alterations or additions"*

Proxy Votes	Number of votes	Number of Holders
For	307,117,190	129
Against	3,998,370	29
Open usable	1,767,483	29
Abstain	29,692	3
Excluded	-	-

The Chairman will be voting open proxies in favour of the resolution